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ZHONGYUAN BANK CO., LTD.*
中原銀行股份有限公司*

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

(Stock Code: 1216)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board of directors (the "**Board**") of Zhongyuan Bank Co., Ltd. (the "**Bank**") is pleased to announce the unaudited consolidated interim results (the "**Interim Results**") of the Bank and its subsidiaries for the six months ended June 30, 2017 (the "**Reporting Period**") which were prepared in accordance with the International Financial Reporting Standards ("**IFRSs**").The Board and the audit committee of the Board have reviewed and confirmed the Interim Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.zybank.com.cn). The interim report for the six months ended June 30, 2017 will be dispatched to the shareholders of the Bank and will be available on the above websites in due course.

On behalf of the Board
Zhongyuan Bank Co., Ltd.
DOU Rongxing
Chairman

Zhengzhou, China
August 29, 2017

As at the date of this announcement, the Board comprises Mr. DOU Rongxing, Ms. HU Xiangyun, Mr. WANG Jiong, Mr. HAO Jingtao and Mr. ZHANG Bin as executive directors; Mr. LI Qiaocheng and Mr. LI Xipeng as non-executive directors; Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny as independent non-executive directors.

* *Zhongyuan Bank 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 out banking and/or deposit-taking business in Hong Kong.*

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Corporate Information

Chinese Name
中原銀行股份有限公司*
(abbreviated as 中原銀行)

English Name
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(abbreviated as ZYBANK)

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Authorized Representatives
Mr. JIA Tingyu
Mr. ZHANG Ke

Secretary to the Board
Mr. ZHANG Ke

Joint Company Secretaries
Mr. ZHANG Ke
Ms. LEUNG Wing Han Sharon

Stock Code
1216

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Summary of Accounting Data and Financial Indicators

	For the six months ended June 30,		Change over the corresponding period of last year
	2017	2016	
	(in millions of RMB, except percentages)		
Operating results			**Rate of change (%)**
Net interest income	**5,613.64**	5,453.69	2.93
Net fee and commission income	**276.17**	155.74	77.33
Operating income	**5,875.88**	5,506.74	6.7
Operating expenses	**(2,359.22)**	(2,180.12)	8.22
Impairment losses on assets	**(1,278.55)**	(1,343.89)	(4.86)
Profit before tax	**2,238.12**	1,982.74	12.88
Net profit	**1,747.65**	1,500.69	16.46
Net profit attributable to equity shareholders of the Bank	**1,718.55**	1,528.40	12.44
Expressed in per share (in RMB)			**Rate of change (%)**
Net assets per share attributable to equity shareholders of the Bank	**2.18**	2.09	4.49
Earnings per share	**0.1**	0.09	11.11
Profitability indicators (%)			**Change**
Return on average total assets[1]	**0.78**	0.86	(0.08)
Return on average equity[2]	**9.63**	8.87	0.76
Net interest spread[3]	**2.63**	3.28	(0.65)
Net interest margin[4]	**2.8**	3.49	(0.69)
Net fee and commission income to operating income	**4.7**	2.83	1.87
Cost-to-income ratio[5]	**39.29**	35.55	3.75

Summary of Accounting Data and Financial Indicators

	As of June 30, 2017	As of December 31, 2016	Change over the end of last year
	(in millions of RMB, except percentages)		
Capital adequacy ratio indicators (%)[6]			**Change**
Calculated based on the Administrative Measures for the Capital of Commercial Banks			
Core tier-one capital adequacy ratio	**10.67**	11.24	(0.57)
Tier-one capital adequacy ratio	**10.68**	11.25	(0.57)
Capital adequacy ratio	**11.82**	12.37	(0.55)
Total equity to total assets	**8.1**	8.2	(0.1)
Asset quality indicators (%)			**Change**
Non-performing loan ratio[7]	**1.85**	1.86	(0.01)
Allowance coverage ratio[8]	**213.52**	207.09	6.43
Allowance to gross loan ratio[9]	**3.94**	3.85	0.09
Other indicators (%)			
Loan-to-deposit ratio	**65.9**	67.2	(1.30)
Scale indicators			**Rate of change (%)**
Total assets	**458,010.33**	433,071.44	5.76
Of which: net loans to customers	**176,972.79**	158,547.29	11.62
Total liabilities	**420,925.39**	397,572.80	5.87
Of which: deposits from customers	**279,554.00**	245,352.75	13.94
Share capital	**16,625.00**	16,625.00	—
Equity attributable to shareholders of the Bank	**36,277.76**	34,719.16	4.49
Non-controlling interests	**807.17**	779.48	3.55
Total equity	**37,084.94**	35,498.64	4.47

Notes:

(1) Represents net profit for the period as a percentage of average balance of total assets at the beginning and the end of the period.

(2) Represents net profit distributable to equity shareholders of the Bank for the period as a percentage average balance of total equity attributable to equity shareholders of the parent company at the beginning and the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, and based on daily average interest-earning assets and interest-bearing liabilities.

(4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

(5) Calculated by dividing operating expenses after deduction of business tax and surcharges by operating income.

(6) The Administrative Measures for the Capital of Commercial Banks was issued by CBRC on June 7, 2012 and came into effect on January 1, 2013 by replacing the Administrative Measures for Capital Adequacy Ratio of Commercial Banks.

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

(8) Calculated by dividing allowance for impairment losses on loans to customers by total non-performing loans.

(9) Calculated by dividing allowance for impairment losses on loans to customers by gross loans and advances to customers.

Management Discussion and Analysis

1. PAST ECONOMY AND FINANCE ENVIRONMENT

During the Reporting Period, positive signs of world economic recovery were still clouded by many changes. The United States maintained its moderate economic growth with core economic indicators continuing to remain positive, including consumption, imports & exports and unemployment rate; economic recovery in the Eurozone accelerated and its employment sustained a good trend; the economy of major emerging economies in general presented an upward trend driven by the rebound of energy resource prices. In general, current world economy and trade has been improved, but there is still complexity and uncertainties as it faces various risks and challenges, such as rate rises by the Federal Reserve, trade protectionism and geopolitics. In 2017, the PRC economy functioned well and was characterized by a steady growth, employment improvement, consumer price indices stability and improved balance of international payments. The GDP for the Reporting Period amounted to RMB38,149.0 billion, representing an increase of 6.9% as compared to the same period last year; the growth rate of fixed asset investments was steady with slight slowdown as fixed asset investments of the whole society amounted to RMB28,060.5 billion, representing an increase of 8.6% as compared to the same period last year; consumption grew steadily with a relatively fast rate as total retail sales of consumer goods reached RMB17,236.9 billion, representing a growth of 10.4% as compared to the same period last year; import and export grew rapidly with a total import and export volume of RMB13,141.2 billion, representing an increase of 19.6% as compared to the same period last year, and trade surplus reached RMB1,278.2 billion, representing a decrease of 23.5% as compared to the same period last year; the consumer price index (CPI) experienced mild growth while the growth rate of price of industrial products slowed down. During the Reporting Period, CPI increased by 1.4% over the same period last year and producer price of industrial products increased by 6.6% over the same period last year.

During the Reporting Period, Henan Province realized a regional GDP of RMB2,030.772 billion, representing an increase of 8.2% as compared to the same period last year, which was 1.3 percentage points higher than the national level. The fixed asset investments and total retail sales of consumer goods in the whole province increased by 10.9% and 12.0%, respectively, with their respective growth rate 2.3 percentage points and 1.6 percentage points higher than the national average level.

During the Reporting Period, the Central Bank adapted to the new normal of the economic development, well implemented sound and neutral monetary policies, maintained basically stable liquidity conditions through an integrated utilization of various monetary policy tools, and guided proper growth of the monetary credit and financing scale from non-government sources. The balance of broad money (M2) amounted to RMB163.13 trillion, representing an increase of 9.4% as compared to the same period last year; balance of narrow money (M1) amounted to RMB51.02 trillion, representing an increase of 15% as compared to the same period last year; balance of various loans from financial institutions amounted to RMB120.21 trillion, representing an increase of 12.7% as compared to the same period last year; balance of various deposits amounted to RMB165.04 trillion, representing an increase of 9.6% as compared to the same period last year. The exchange rate of RMB remained in a stable uptrend with the central parity of the RMB against the USD appreciated 2.5% as of the end of the Reporting Period; the stock market experienced vibration upswing with the Shanghai Composite Index recorded as 3,192.43 as of the end of the Reporting Period, representing an increase of 2.9% as compared to the end of last year. Influenced by various factors such as economic downturn, Central Bank's deleveraging, interest rate liberalization and continuous exposure to risks, the growth rate of net profits from the PRC's banking industry significantly slowed down, placing the quality of assets under greater pressure.

2. OVERALL OPERATION OVERVIEW

During the Reporting Period, faced with complicated economic and financial situations as well as the increasingly horizontal competitive environment, the Bank adhered to the guiding concept of "grasping the chance, leading by innovation and realizing leaping development", deepened the reform, actively promoted the operational transformation and conversion of business development mode, improved the corporate governance structure and internal risk control mechanism, enhanced technology and talents support and realized the coordinative development of "efficiency, quality, scale" and continuous improvement of its operation and management.

Continuously improved profitability and an increase in the proportion of non-interest income. During the Reporting Period, the Bank 's net profits was approximately RMB1,748 million, representing an increase of approximately RMB247 million or 16.5% as compared to the same period last year, which exceeded the net profits of the same industry in Henan Province by 3.5 percentage points and was raised by 4 ranks in the rank of city commercial banks of China. The non-interest income of the Bank increased rapidly with an increase of 393.8% as compared to the same period last year and the proportion of non-interest income increased by 3.5 percentage points, which resulted in the further improvement in the income structure.

The stable growth in the business scale and the continuous improved structure of assets and liabilities. As of June 30, 2017, the Bank's total assets increased by approximately RMB 24,939 million or 5.8% to approximately RMB 458,010 million from the beginning of 2017. Meanwhile, the structure of assets and liabilities of the Bank continuously improved. On the one hand, the bank continuously increased the proportion of revenue and assets. As of June 30, 2017, loans and structured finance amounted to approximately RMB 307,136 million, representing an increase of RMB39,433 million or 14.7% as compared to the beginning of 2017, and the percentage of loans and structured finance in total assets increased from 61.8% at the beginning of 2017 to 67.1%. On the other hand, the Bank continuously improved the structure of liabilities by actively accepting of normal deposits which were stable and with lower costs and reducing the proportion of interbank liabilities to total liabilities. As of June 30, 2017, the balance of normal deposits of the bank was approximately RMB279,554 million, representing an increase of RMB34,201 million or 13.9% as compared to the beginning of 2017, which as a percentage of total liabilities increased from 61.7% at the beginning of 2017 to 66.4%. Meanwhile, the Bank followed the market environment with upward interest rates, shortened the cycle of stable pricing for assets and gradually increased the consolidated revenue of assets, properly extended the term of liabilities and enhanced the acceptance of normal liabilities with lower costs, actively reduced the interbank leverage ratio in the same industry and reduced the maturity mismatch of interbank business assests and liabilities.

Efficient progress in strategic layout and prominent results of innovative business. Firstly, the Bank facilitated the layout of "Internetization" (上網) strategy. The Bank accelerated its transformational development to technological banking and data, launched its direct sale banking mobile application (the "APP"), and expanded its service scope of online business to the whole country. The Bank promoted "employees online", "products online", "management online" and "clients online" (員工在線、產品在線、管理在線、客戶在線), managed over 80 online items of products and services, realized the blooming development of the online items such as channels, products, marketing, risk control and operation. Secondly, the Bank vigorously promoted the "Ruralization" (下鄉) strategy by striving to develop inclusive finance and targeted poverty alleviation and promoting "penetrating its network, services and channels into lower cities" (網點下沉、服務下沉、渠道下沉) to build the county, town and village "three in one" service system continuously. For the six months ended June 30, 2017, there were 1,282 farmers-beneficial payment service points across Henan Province and the deposit balance of farmers-beneficial service stations was RMB 2,116 million, representing an increase in RMB-denominated deposits of RMB1,669 million. The Bank entered into an agreement with Grameen Inclusive Finance & Targeted Poverty Alleviation International Cooperation Program and extended loans successfully. As the strategy of "Ruralization of Banking Services" has achieved prominent results initially, the net operating income from the retail banking increased by 9.5% year-on-year with a further increase as a percentage of the net operating income of the Bank. Thirdly, the Bank accelerated the development of traditional business transformation. For corporate banking business, the Bank strengthened the leading role of transaction banking and actively built the "ecosphere" of investment banking to initially establish an investment banking product system of debt securities underwriting, structured finance, equity investments and capital operation. For retail banking business, focusing on the construction of Citizens' Bank, the Bank furthered to enrich the product system to improve its attractive of online customer and service capabilities.

Continuously improved risk control system and continuously increased internal control level. For risk management, the Bank speeded up the construction of a comprehensive risk assessment monitoring and early warning system, actively promoted the construction of big-data risk control system, vigorously implemented the policy of "reducing old loans and controlling new loans" 「降舊控新」 and innovated liquidation methods, as a result of which the quality of assets remained stable. For internal control and compliance, the Bank carried out internal audit work in an orderly manner, continued to implement compliance risk notifications, case warning and employee behavior investigations and strengthened the work of construction of a clean and honest communist party of the PRC to prevent compliance and case risks effectively.

3 ANALYSIS ON INCOME STATEMENT

For the six months ended June 30, 2017, the Bank recorded profit before taxation and net profit of RMB2,238 million and RMB1,748 million, representing an increase of 12.9% and 16.5% as compared to the same period last year, respectively.

	For the six months ended June 30,			
	2017	2016	Change	Rate of Change
	(in millions of RMB, except percentages)			
Interest income	**9,521.3**	8,057.1	1,464.2	18.2%
Interest expense	**(3,907.7)**	(2,603.4)	(1,304.3)	50.1%
Net interest income	**5,613.6**	5,453.7	159.9	2.9%
Fee and commission income	**307.0**	187.0	120.0	64.2%
Fee and commission expense	**(30.9)**	(31.2)	0.3	(1.0%)
Net fee and commission income	**276.1**	155.8	120.3	77.2%
Net trading losses	**(73.6)**	(159.3)	85.7	(53.8%)
Net gains/(losses) arising from investments securities	**(1.8)**	2.0	(3.8)	(190.0%)
Other operating income[1]	**61.5**	54.6	6.9	12.6%
Operating income	**5,875.8**	5,506.8	369.0	6.7%
Operating expenses	**(2,359.2)**	(2,180.1)	(179.1)	8.2%
Impairment losses on assets	**(1,278.5)**	(1,343.9)	65.4	(4.9%)
Operating profit	**2,238.1**	1,982.8	255.3	12.9%
Profit before taxation	**2,238.1**	1,982.8	255.3	12.9%
Income tax	**(490.5)**	(482.1)	(8.4)	1.7%
Net profit	**1,747.6**	1,500.7	246.9	16.5%
Net profit attributable to shareholders of the Bank	**1,718.5**	1,528.4	190.1	12.4%
Gains/losses of minority interests	**29.1**	(27.7)	56.8	N.A

Note:

(1) Other operating income includes government subsidies, rental income, net gains arising from disposal of property and equipment and others.

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

For the six months ended June 30, 2017, the Bank recorded net interest income of RMB5,614 million, representing an increase of RMB160 million or 2.9% as compared to the same period last year. Among this, a net interest income growth of RMB821 million as compared to the six months ended June 30, 2016 was attributable to the expansion of the Bank's business scale and a decline in net interest income of RMB661 million was attributable to the changes in yield or cost rate.

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

	For the six months ended June 30,					
	2017			2016		
	Average balance	**Interest income/ expense**	**Average yield/ cost[1]**	Average balance	Interest Income/ expense	Average yield/ cost
	(in millions of RMB, except percentages)					
Interest-earning assets						
Total loans	**174,188.7**	**5,158.0**	**5.92%**	151,678.7	5,007.4	6.60%
Investment securities and other financial assets[2]	**174,096.5**	**3,874.7**	**4.45%**	112,004.6	2,603.0	4.65%
Deposits with Central Bank	**39,659.1**	**295.5**	**1.49%**	36,054.2	263.9	1.46%
Deposits with bank and other financial institutions	**6,396.0**	**75.5**	**2.36%**	4,803.4	47.4	1.97%
Financial assets held under resale agreements	**4,434.6**	**62.9**	**2.84%**	7,053.7	110.0	3.12%
Placements with banks and other financial institutions	**2,641.1**	**54.7**	**4.14%**	1,369.7	25.4	3.71%
Total interest-earning assets	**401,416.0**	**9,521.3**	**4.74%**	312,964.3	8,057.1	5.15%

	For the six months ended June 30,					
	2017			2016		
	Average balance	**Interest income/ expense**	**Average yield/ cost[1]**	Average balance	Interest Income/ expense	Average yield/ cost
	(in millions of RMB, except percentages)					
Interest-bearing liabilities						
Deposits from customers	**255,975.7**	**1,805.7**	**1.41%**	218,158.7	1,698.6	1.56%
Financial assets sold under repurchase agreements	**23,360.0**	**337.6**	**2.89%**	15,826.9	166.5	2.10%
Placements from banks and other financial institutions	**1,838.9**	**23.8**	**2.59%**	—	—	0.00%
Borrowings from Central Bank	**2,189.3**	**34.0**	**3.11%**	1,334.6	21.6	3.24%
Deposits from banks and other financial institutions	**38,198.7**	**775.4**	**4.06%**	30,793.0	540.0	3.51%
Debt securities issued[3]	**48,351.4**	**931.2**	**3.85%**	12,034.2	176.7	2.94%
Total interest-bearing liabilities	**369,914.0**	**3,907.7**	**2.11%**	278,147.4	2,603.4	1.87%
Net interest income		**5,613.6**			5,453.7	
Net interest spread[4]			**2.63%**			3.28%
Net interest margin[5]			**2.80%**			3.49%

Notes:

(1) Calculated by dividing interest income/expense by average balance.

(2) Consist of financial assets at fair value through profit or loss for the current period, available-for-sale financial assets, held-to-maturity investments and investment receivables.

(3) Mainly consist of interbank deposits issued.

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

(5) Calculated by dividing net interest income by the average balance of total interest-earning assets.

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

	For the six months ended June 30,		
	Change over the corresponding period of last year		
	Reasons for increase/(decrease)		
	Volume[1]	Rate[2]	Net increase/ (decrease)[3]
	(in millions of RMB)		
Interest-earning assets			
Loans and advances to customers	666.6	(516.0)	150.6
Investment securities and other financial assets	1,381.9	(110.2)	1,271.7
Deposits with the Central Bank	26.9	4.8	31.6
Deposits with banks and other financial institutions	18.8	9.3	28.1
Financial assets held under resale agreements	(37.2)	(10.0)	(47.1)
Placements with banks and other financial institutions	26.4	3.0	29.3
Changes in interest income	2,083.3	(619.1)	1,464.2
Interest-bearing liabilities			
Deposits from customers	266.8	(159.7)	107.1
Financial assets sold under repurchase agreements	108.9	62.3	171.1
Placements from banks and other financial institutions	23.8	—	23.8
Borrowings from Central Bank	13.3	(0.9)	12.4
Deposits from banks and other financial institutions	150.4	85.1	235.4
Debt securities issued	699.5	55.1	754.5
Changes in interest expense	1,262.5	41.9	1,304.3

Notes:

(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the year.

(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.

(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

3.2 Interest Income

For the six months ended June 30, 2017, the Bank's interest income increased by RMB1,464 million or 18.2% to RMB9,521 million as compared to the same period last year, primarily attributable to (i) the increase in the volume of loans and advances to customers and (ii) the increase in the volume of investment securities and other financial assets.

3.2.1 Interest income from loans and advances to customers

For the six months ended June 30, 2017, the Bank's interest income from loans and advances to customers increased by RMB151 million or 3.0% to RMB5,158 million as compared to the same period last year, primarily attributable to the Bank's stronger support on loan marketing and the explosive growth of the newly launched innovative product "Yong Xu Dai (永續貸)", which promoted the overall growth of the lending business. The average balance of loans increased from RMB151.679 billion to RMB174.189 billion, while the average yield decreased from 6.60% to 5.92%, primarily attributable to a decrease in market interest rates as a result of decreasing PBoC benchmark interest rates since 2015.

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

	For the six months ended June 30,					
	2017			2016		
	Average balance	**Interest income**	**Average yield**	Average balance	Interest income	Average yield
	(in millions of RMB, except percentages)					
Corporate loans	**116,679.3**	**3,549.9**	**6.08%**	105,540.1	3,670.8	6.96%
Discounted bills	**5,930.6**	**133.2**	**4.49%**	15,002.8	233.2	3.11%
Personal loans	**51,578.8**	**1,474.9**	**5.72%**	31,135.9	1,103.4	7.09%
Total	**174,188.7**	**5,158.0**	**5.92%**	151,678.8	5,007.4	6.60%

3.2.2 Interest income from investment securities and other financial assets

i. For the six months ended June 30, 2017, the Bank's interest income from investment securities and other financial assets increased by RMB1,272 million or 48.9% to RMB3,875 million as compared to the same period last year, primarily attributable to the increase in the average balance of investment securities and other financial assets. The increase in the average balance of investment securities and other financial assets was primarily due to the Bank's optimization of its asset structure, and an increase in investments in management plans, trust plans and wealth management plans for assets with high yields. The decrease in the average yield was due to a decrease in market interest rates as a result of decreasing PBoC benchmark interest rates since 2015.

3.2.3 Interest income from deposits with the Central Bank

For the six months ended June 30, 2017, the Bank's interest income from deposits with the Central Bank increased by RMB32 million or 12.0% to RMB296 million as compared to the same period last year, primarily attributable to the increase in the average balance of deposits with the Central Bank and the increase in the average yield. The increase in the average balance of deposits with the Central Bank was primarily attributable to an increase in deposits from customers. The increase in the average yield was primarily because of increased proportion of deposit reserves with relatively higher yields.

3.2.4 Interest income from deposits with banks and other financial institutions

For the six months ended June 30, 2017, the Bank's interest income from deposits with banks and other financial institutions increased by RMB28 million or 59.2% to RMB76 million as compared to the same period last year, primarily attributable to the increase in the average balance of deposits with banks and other financial institutions and the increase in the the average yield. The increase in the average yield was primarily due to a higher interbank market interest rate as the monetary policy during the Reporting Period was tighter than that in 2016.

3.2.5 Interest income from financial assets held under resale agreements

For the six months ended June 30, 2017, interest Income from financial assets held under resale agreements of the Bank was approximately RMB63 million, representing a year-on-year decrease of approximately RMB47 million or 42.8%, which was mainly attributable to the decrease in the average balance and the average yield of financial assets held under resale agreements of the Bank. The decrease in the average balance was primarily because the Bank optimized its assets structure and controlled the size of financial assets held under resale agreements.

3.2.6 Interest income from placements with banks and other financial institutions

For the six months ended June 30, 2017, interest income from placements with banks and other financial institutions of the Bank was approximately RMB55 million, representing a year-on-year increase of approximately RMB29 million or 115.7%, which was mainly attributable to the increase in the average balance and the average yield of placements with banks and other financial institutions of the Bank.

3.3 Interest Expense

For the six months ended June 30, 2017, the Bank's interest expense increased by RMB1,304 million or 50.1% to RMB3,908 million as compared to the same period last year, primarily attributable to (i) the increase in the volume of deposits from customers, interbank certificates of deposit and interbank deposits; (ii) the increase in the costs of interbank liabilities.

3.3.1 Interest expense on deposits from customers

For the six months ended June 30, 2017, the Bank's interest expense on deposits from customers increased by RMB107 million or 6.3% to RMB1,806 million as compared to the same period last year, primarily attributable to our efforts to develop our corporate banking and personal banking businesses. The decrease in the average cost of deposits from customers was primarily due to the Bank's (i) optimization of its structure of deposits and the increase in proportions of demand deposits; (ii) influenced by consecutive interest rate cuts by the PBoC since 2015.

	For the six months ended June 30,					
	2017			2016		
	Average balance	**Interest expense**	**Average cost**	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)					
Corporate deposits						
Demand	**91,189.5**	**309.8**	**0.68%**	64,754.0	215.1	0.66%
Time	**58,211.3**	**535.7**	**1.84%**	58,452.2	495.4	1.70%
Sub-total	**149,400.8**	**845.5**	**1.13%**	123,206.2	710.5	1.15%
Personal deposits						
Demand	**31,366.1**	**65.1**	**0.42%**	23,970.6	48.1	0.40%
Time	**75,208.8**	**895.1**	**2.38%**	70,981.9	940.0	2.65%
Sub-total	**106,574.9**	**960.2**	**1.80%**	94,952.5	988.1	2.08%
Total deposits from customers	**255,975.7**	**1,805.7**	**1.41%**	218,158.7	1,698.6	1.56%

3.3.2 Interest expense on deposits from banks and other financial institutions

For the six months ended June 30, 2017, the Bank's interest expense on deposits from banks and other financial institutions increased by RMB235 million or 43.6% to RMB775 million as compared to the same period last year. The increase in the interest expense on deposits from banks and other financial institutions was primarily attributable to the increase in the average balance and the average cost. The increase in the average balance was primarily because the Bank continuously diversified its funding sources by increasing financing from the interbank market, while the increase in the average cost was primarily attributable to a higher interbank market interest rate as the monetary policy during the Reporting Period was tighter than that in 2016.

3.3.3 Interest expense on debt securities issued

For the six months ended June 30, 2017, the Bank's interest expense on debt securities issued increased by RMB755 million or 427.2% to RMB931 million as compared to the same period last year, primarily attributable to the increase in the average balance of debt securities issued resulting from the issuance of interbank certificates of deposit in 2017 and the increase in the average cost. The increase in the average cost was primarily attributable to a higher interbank market interest rate as the monetary policy during the Reporting Period was tighter than that in 2016.

3.3.4 Net interest spread and net interest margin

For the six months ended June 30, 2017, the Bank's net interest spread decreased from 3.28% for the same period last year to 2.63% for the current year, while the Bank's net interest margin decreased from 3.49% for the same period last year to 2.80% for the current year. The decreases in net interest spread and net interest margin were primarily attributable to (i) consecutive benchmark interest rate cuts move by the PBoC since 2015 and a decline of the average yield of the interest-earning assets as a result of the intensified market competition due to the interest rate liberalization; (ii) a higher interbank market interest rate as the monetary policy during the Reporting Period was tighter than that in 2016 and the increase in the average cost of the major interest-bearing liabilities.

3.4 Non-interest income

3.4.1 Fee and commission income

For the six months ended June 30, 2017, the Bank's net fee and commission income increased by RMB120 million or 77.2% to RMB276 million as compared to the same period last year, primarily attributable to the increase in fee and commission income because the Bank actively expanded its intermediate businesses and increased of the scale for investment banking and wealth management businesses.

	For the six months ended June 30,			
	2017	2016	Change	Rate of Change
	(in millions of RMB, except percentages)			
Net fee and commission income				
Bank card service fees	**19.2**	17.7	1.5	8.5%
Settlement and clearing service fees	**39.1**	31.8	7.3	23.0%
Agency service fees and underwriting fees	**50.5**	39.3	11.2	28.5%
Acceptance and guarantee service fees	**28.3**	30.7	(2.4)	(7.8%)
Advisory and consulting fees	**60.1**	2.4	57.7	2,404.2%
Custodial service fees	**27.9**	1.9	26.0	1,368.4%
Wealth management business fees	**81.9**	63.2	18.7	29.6%
Sub-total	**307.0**	187.0	120.0	64.2%
Fee and commission expenses	**(30.9)**	(31.2)	0.3	(1.0%)
Net fee and commission income	**276.1**	155.8	120.3	77.2%

For the six months ended June 30, 2017, the Bank realized advisory and consulting fees income of RMB60 million, representing an increase of RMB58 million as compared to the same period last year, primarily attributable to the Bank's continuous development of advisory and consulting business with an increase in the scale of advisory and consulting services offered.

For the six months ended June 30, 2017, the Bank realized custody service fees income of RMB28 million, representing an increase of RMB26 million as compared to the same period last year, primarily attributable to the Bank's continuous development of custody business with an increase in the scale of custody services offered.

For the six months ended June 30, 2017, the Bank realized wealth management business fees income of RMB82 million, representing an increase of RMB19 million as compared to the same period last year, primarily attributable to the Bank's continuous development of asset management business with an increase in the scale of wealth management services offered.

3.4.2 Net trading (losses)/gains

For the six months ended June 30, 2017, the Bank's net trading losses were RMB74 million, representing a decrease of RMB86 million as compared to the same period last year, primarily attributable to the increase of the price of bonds invested by the Bank as a result of the downward bond market interest rates.

3.4.3 Net gains/(losses) arising from investment securities

For the six months ended June 30, 2017, the Bank's net losses arising from investment securities were approximately RMB2 million, representing a decrease in gains of approximately RMB4 million as compared to the same period last year.

3.5 Operating expenses

For the six months ended June 30, 2017, the Bank's operating expenses increased by RMB179 million or 8.2% to RMB2,359 million as compared to the same period last year, primarily attributable to the growths in staff costs, depreciation and amortisation and other general and administrative expenses.

	For the six months ended June 30,			
	2017	2016	Change	Rate of Change
	(in millions of RMB, unless otherwise stated)			
Staff costs				
Salaries, bonuses and allowances	**895.2**	822.0	73.2	8.9%
Staff welfare	**91.7**	62.4	29.3	47.0%
Social insurance and annuity	**147.6**	123.4	24.2	19.6%
Housing fund	**58.5**	46.3	12.2	26.3%
Employee education expenses and labor union expenses	**38.6**	35.7	2.9	8.1%
Others[(1)]	**26.3**	16.8	9.5	56.5%
Sub-total of staff costs	**1,257.9**	1,106.6	151.3	13.7%
Tax and surcharges	**50.4**	222.7	(172.3)	(77.4%)
Depreciation and amortisation	**348.7**	317.5	31.2	9.8%
Other general and administrative expenses	**702.2**	533.3	168.9	31.7%
Total	**2,359.2**	2,180.1	179.1	8.2%

Note:

(1) Primarily included expenses relating to dispatched staff.

For the six months ended June 30, 2017, the Bank's staff costs increased by RMB151 million or 13.7% to RMB1,258 million as compared to the same period last year, primarily attributable to the increase in salaries, bonuses and allowances as well as social insurance and annuities and staff welfare expenses as a result of the increase in staff headcount of the Bank. Staff costs represented the largest component of the Bank's operating expenses, and respectively accounted for 53.3% and 50.8% of the total operating expenses for the six months ended June 30, 2017 and the six months ended June 30, 2016.

For the six months ended June 30, 2017, depreciation and amortisation expenses increased by RMB31 million or 9.8% to RMB349 million as compared to the same period last year, primarily attributable to the increase in depreciation of the information technology system and the property and equipment of newly established branches and sub-branches.

For the six months ended June 30, 2017, tax and surcharges amounted to RMB50 million, representing a decrease of RMB172 million or 77.4% as compared to the same period last year. The decrease was primarily due to the exclusion of business tax after a value-added tax was imposed instead of the business tax on May 1, 2016.

For the six months ended June 30, 2017, other general and administrative expenses increased by RMB169 million or 31.7% to RMB702 million as compared to the same period last year. Other general and administrative expenses primarily include office expenses, rentals and property management fees, business marketing expenses, supervision and administration fees and others.

3.6 Impairment losses

For the six months ended June 30, 2017, the Bank's impairment losses decreased by RMB65 million or 4.9% to RMB1,279 million as compared to the same period last year, primarily attributable to a decrease in increments of loans to customers during the Reporting Period as compared to the same period of 2016.

	For the six months ended June 30,			
	2017	2016	Change	Rate of Change
	(in millions of RMB, except percentages)			
Loans and advances to customers	**1,088.2**	1,113.6	(25.4)	(2.3%)
Debt securities classified as receivables	**132.6**	118.4	14.2	12.0%
Other assets[1]	**57.7**	111.9	(54.2)	(48.4%)
Total impairment losses	**1,278.5**	1,343.9	(65.4)	(4.9%)

Note:

(1) Primarily include the impairment losses of other receivables and repossessed assets.

3.7 Income tax expense

For the six months ended June 30, 2017, the Bank's income tax increased by RMB8 million or 1.7% to RMB491 million, primarily attributable to the increase in the Bank's profit before taxation.

	For the six months ended June 30,			
	2017	2016	Change	Rate of Change
	(in millions of RMB, except percentages)			
Current income tax	**(733.1)**	(683.4)	(49.7)	7.3%
Deferred income tax	**242.6**	201.3	41.3	20.5%
Total income tax expenses	**(490.5)**	(482.1)	(8.4)	1.7%

4 ANALYSIS ON KEY ITEMS OF ASSETS AND LIABILITIES

4.1 Assets

As of June 30, 2017, the Bank's total assets increased by RMB24,939 million or 5.8% to RMB458,010 million as compared to the end of last year. The principal components of the Bank's assets consist of (i) loans and advances to customers (net); and (ii) investment securities and other financial assets, which increased by RMB18,426 million and RMB22,663 million, respectively as compared to the end of last year.

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

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Gross loans and advances to customers	**184,236.0**	**40.2%**	164,888.5	38.1%
Allowance for impairment losses	**(7,263.2)**	**(1.6%)**	(6,341.2)	(1.5%)
Loans and advances to customers, net	**176,972.8**	**38.6%**	158,547.3	36.6%
Investment securities and other financial assets	**205,658.6**	**44.9%**	182,996.0	42.3%
Financial assets held under resale agreements	**1,099.8**	**0.2%**	6,573.6	1.5%
Cash and deposits with Central Bank	**52,448.5**	**11.5%**	49,370.9	11.4%
Deposits with banks and other financial institutions	**3,683.2**	**0.8%**	12,830.5	3.0%
Placements with banks and other financial institutions	**2,429.2**	**0.5%**	8,700.0	2.0%
Other assets[(1)]	**15,718.2**	**3.5%**	14,053.1	3.2%
Total assets	**458,010.3**	**100.0%**	433,071.4	100.0%

Note:

(1) Consist primarily of properties and equipments, deferred income tax assets, goodwill and other assets.

4.1.1 Loans and advances to customers

As of June 30, 2017, the Bank's gross loans and advances to customers increased by RMB19,348 million or 11.7% to RMB184,236 million as compared to the end of last year. The Bank's loans and advances to customers consist of corporate loans, personal loans and discounted bills.

The following table sets forth the distribution of the Bank's loans by business line as of the dates indicated.

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate loans	**119,728.9**	**65.0%**	110,633.0	67.1%
Personal loans	**59,939.1**	**32.5%**	44,659.8	27.1%
Discounted bills	**4,568.0**	**2.5%**	9,595.7	5.8%
Total loans to customers	**184,236.0**	**100.0%**	164,888.5	100.0%

(1) Corporate loans

Corporate loans are the largest component of the Bank's loan portfolio. As of June 30, 2017, the Bank's corporate loans increased by RMB9,096 million or 8.2% to RMB119,729 million as compared to the end of last year, representing 65.0% of the Bank's gross loans to customers, primarily attributable to the Bank' efforts to develop its corporate loan business.

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

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Unsecured loans	**7,152.8**	**6.0%**	6,317.5	5.7%
Guaranteed loans	**65,441.6**	**54.7%**	59,771.0	54.0%
Collateralized loans	**36,557.0**	**30.5%**	35,236.4	31.8%
Pledged loans	**10,577.5**	**8.8%**	9,308.1	8.5%
Total corporate loans	**119,728.9**	**100.0%**	110,633.0	100.0%

(2) Personal loans

As of June 30, 2017, the Bank's personal loans increased by RMB15,279 million or 34.2% to RMB59,939 million as compared to the end of last year, primarily attributable to the Bank's increased marketing efforts, the newly launched innovative product "Yong Xu Dai (永續貸)" and the growth of personal residential mortgage loans and personal consumption loans.

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

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Personal business loans	**22,028.0**	**36.8%**	19,460.5	43.6%
Personal residential mortgage loans	**27,108.1**	**45.2%**	18,878.3	42.3%
Personal consumption loans	**10,617.7**	**17.7%**	6,127.2	13.7%
Other personal loans	**185.3**	**0.3%**	193.8	0.4%
Total personal loans	**59,939.1**	**100.0%**	44,659.8	100.0%

(3) Discounted bills

As of June 30, 2017, the Bank's discounted bills decreased by RMB5,028 million or 52.4% to RMB4,568 million as compared to the end of last year. For the six months ended June 30, 2017, the Bank optimized its assets structure by controlling the amount of its discounted bills and allocating more funds to loans and other assets with higher returns.

4.1.2 Investment securities and other financial assets

As of June 30, 2017, the Bank's total investment securities and other financial assets increased by RMB22,663 million or 12.4% to RMB205,659 million as compared to the end of last year. The increase in such assets of the Bank for the six months ended June 30, 2017 was primarily attributable to an increase in our investments in debt securities, trust plans and wealth management plans.

The following table sets forth the distribution of the Bank's investment securities and other financial assets by investment intention as of the dates indicated.

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Held-to-maturity	**20,638.5**	**10.0%**	17,851.8	9.8%
Available-for-sale financial assets	**97,563.3**	**47.4%**	102,258.8	55.9%
Financial assets at fair value through profit or loss for the current period	**17,990.8**	**8.7%**	4,207.1	2.3%
Debt securities classified as receivables	**69,466.0**	**33.9%**	58,678.3	32.0%
Total investment securities and other financial assets	**205,658.6**	**100.0%**	182,996.0	100.0%

The following table sets forth the distribution of the Bank's investment securities and other financial assets as of the dates indicated.

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Debt Securities				
PRC government bonds	**20,442.8**	**9.9%**	19,886.3	10.9%
Debt securities issued by PRC policy banks and other financial institutions	**47,638.6**	**23.2%**	45,018.4	24.6%
Debt securities issued by PRC corporate issuers	**7,413.8**	**3.6%**	8,935.4	4.9%
Sub-total	**75,495.2**	**36.7%**	73,840.1	40.4%
Other financial assets				
Wealth management products issued by other PRC commercial banks	**43,453.1**	**21.1%**	34,287.7	18.7%
Asset management plans	**19,177.0**	**9.3%**	35,230.1	19.3%
Trust plans	**44,367.1**	**21.6%**	27,494.5	15.0%
Others	**23,166.2**	**11.3%**	12,143.6	6.6%
Sub-total	**130,163.4**	**63.3%**	109,155.9	59.6%
Total investment securities and other financial assets	**205,658.6**	**100.0%**	182,996.0	100.0%

4.1.3 Other components of the Bank's assets

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

As of June 30, 2017, the total cash and deposits with the Central Bank increased by RMB3,078 million or 6.2% to RMB52,449 million as compared to the end of last year, primarily attributable to an increase in the Bank's statutory deposit reserves.

As of June 30, 2017, the total deposits with banks and other financial institutions decreased by RMB9,147 million or 71.3% to RMB3,683 million as compared to the end of last year, primarily because the Bank optimized its assets structure by controlling the amount of deposits with banks and other financial institutions and allocating more funds to assets with higher returns.

As of June 30, 2017, the financial assets held under resale agreements decreased by RMB5,474 million or 83.3% to RMB1,100 million as compared to the end of last year, primarily because the Bank optimized its assets structure by controlling the amount of financial assets held under resale agreements and allocating more funds to assets with higher returns.

As of June 30, 2017, the total placements with banks and other financial institutions decreased by RMB6,271 million or 72.1% to RMB2,429 million as compared to the end of last year, primarily because the Bank optimized its assets structure by controlling the amount of placements with banks and other financial institutions.

4.2 Liabilities

As of June 30, 2017, the Bank's total liabilities increased by RMB23,353 million or 5.9% to RMB420,925 million as compared to the end of last year.

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Deposits from customers	**279,554.0**	**66.4%**	245,352.8	61.7%
Deposits from banks and other financial institutions	**47,168.0**	**11.2%**	44,954.8	11.3%
Debt securities issued	**57,527.6**	**13.7%**	57,387.8	14.4%
Financial assets sold under repurchase agreements	**27,381.7**	**6.5%**	27,580.6	6.9%
Placements from banks and other financial institutions	**795.4**	**0.2%**	10,400.0	2.6%
Borrowings from Central Bank	**2,486.4**	**0.6%**	4,517.0	1.1%
Tax payable	**718.9**	**0.2%**	748.8	0.2%
Other liabilities[(1)]	**5,293.3**	**1.2%**	6,631.0	1.8%
Total liabilities	**420,925.3**	**100.0%**	397,572.8	100.0%

Note:

(1) Consist primarily of interest payable, payment and collection clearance accounts, accrued staff costs, other tax payable, dividends payable and other receivables.

4.2.1 Deposits from customers

As of June 30, 2017, the Bank's total deposits from customers increased by RMB34,201 million or 13.9% to RMB279,554 million as compared to the end of last year. The continuous increase in the Bank's deposits from customers was primarily attributable to (1) the Bank's continued efforts to develop its corporate customers, resulting in an increase in its corporate deposits; (ii) initial results of its strategy of "Ruralization of Banking Services" (下鄉), leading to an increase in its township customer deposits.

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

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate deposits				
Demand	**112,349.6**	**40.2%**	96,176.0	39.2%
Time	**53,777.1**	**19.2%**	45,656.9	18.6%
Sub-total	**166,126.7**	**59.4%**	141,832.9	57.8%
Personal deposits				
Demand	**38,614.4**	**13.8%**	32,356.9	13.2%
Time	**74,812.9**	**26.8%**	71,163.0	29.0%
Sub-total	**113,427.3**	**40.6%**	103,519.9	42.2%
Total deposits from customers	**279,554.0**	**100.0%**	245,352.8	100.0%

4.2.2 Deposits from banks and other financial institutions

As of June 30, 2017, the Bank's balance of deposits from banks and other financial institutions increased by RMB2,213 million or 4.9% to RMB47,168 million as compared to the end of last year, primarily due to the Bank's continuous expansion of its interbank business sources in line with its funding needs.

4.2.3 Placements from banks and other financial institutions

As of June 30, 2017, the Bank's balance of placements from banks and other financial institutions decreased by RMB9,605 million or 92.4% to RMB795 million as compared to the end of last year, primarily because the Bank adjusted its liabilities structure by stretching the duration of liabilities and reducing short-term placements from banks and other financial institutions.

4.2.4 Debt securities issued

As of June 30, 2017, the Bank's debt securities issued increased by RMB140 million or 0.2% to RMB57,528 million as compared to the end of last year, primarily reflecting the Bank's issuance of interbank certificates of deposit so as to expand interbank sources of funds.

4.2.5 Financial assets sold under repurchase agreements

As of June 30, 2017, the Bank's financial assets sold under repurchase agreements amounted to RMB27,382 million, which remained relatively stable compared with the end of last year.

4.3 Shareholders' Equity

As of June 30, 2017, the Bank's total shareholders' equity increased by RMB1,586 million or 4.5% to RMB37,085 million as compared to the end of last year. As of June 30, 2017, the total equity attributable to shareholders of the Bank increased by RMB1,559 million or 4.5% to RMB36,278 million as compared to the end of last year. The increase in shareholders' equity was primarily attributable to an increase in the Bank's profits.

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Share capital	**16,625.0**	**44.8%**	16,625.0	46.8%
Capital reserve	**10,850.5**	**29.3%**	10,850.5	30.6%
Surplus reserve	**877.1**	**2.4%**	877.1	2.5%
General reserve	**5,134.8**	**13.8%**	5,134.8	14.5%
Reserve of changes in fair value of available-for-sale securities	**(736.0)**	**(2.0%)**	(576.0)	(1.6%)
Retained earnings	**3,526.4**	**9.5%**	1,807.9	5.0%
Equity attributable to shareholders of the Bank	**36,277.8**	**97.8%**	34,719.3	97.8%
Non-controlling interests	**807.2**	**2.2%**	779.3	2.2%
Total shareholders' equity	**37,085.0**	**100.0%**	35,498.6	100.0%

5 OFF-BALANCE SHEET COMMITMENTS

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

	As of June 30, 2017	As of December 31, 2016
	(in millions of RMB, except percentages)	
Credit commitments		
Loan commitments	**3,437.2**	1,688.6
Bank acceptance	**30,048.9**	33,238.8
Letters of credit	**3,060.3**	1,205.2
Letters of guarantees	**832.8**	735.5
Total	**37,379.2**	36,868.1

Details of the charges on the Bank's assets and contingent liabilities as of June 30 2017 are set out in the Note 40 of the interim financial statement in this interim report.

6 ANALYSIS ON LOAN QUALITY

For the six months ended June 30, 2017, in face of complex economic and financial situation, the Bank further deepened the adjustment of credit structure, continued to strengthen credit risk management, optimized credit procedures and strengthened post-loan management measures to step up the efforts on collection and disposal of non-performing loans, so that the loan risk was generally kept at a manageable level and was continuously improved. As of June 30, 2017, the balance of non-performing loans of the Bank amounted to RMB3,402 million, representing an increase of RMB340 million as compared with the end of last year. The non-performing loan ratio was 1.85%, representing a decrease of 1 basis point as compared with the end of last year.

6.1 Distribution of Loans by Five-Category Loan Classification

The following table sets forth, as of the dates indicated, the Bank's loans by the Bank's five-category loan classification[1]. According to the five-category loan classification system, the Bank classified its non-performing loans into substandard, doubtful and loss categories.

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Normal	**172,011.8**	**93.36%**	153,914.5	93.34%
Special mention	**8,822.6**	**4.79%**	7,911.9	4.80%
Substandard	**1,083.1**	**0.59%**	856.5	0.52%
Doubtful	**1,953.5**	**1.06%**	1,588.6	0.96%
Loss	**365.0**	**0.20%**	617.0	0.38%
Total loans and advances to customers	**184,236.0**	**100.0%**	164,888.5	100.0%
Non-performing loans and non-performing loan ratio [2]	**3,401.6**	**1.85%**	3,062.1	1.86%

Notes:

(1) The core definitions of credit asset classifications in 'Loan Risk Classifications Guiding Principles' are as follows:

Normal: The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special mention: The borrower has the ability to make current payments for the principal and interest, but there may be some issues that could have adverse impacts on the payments.

Substandard: The borrower's repayment ability has been evidently impaired and the borrower's normal income cannot repay the loan principal plus interest in full. Even with execution of guarantees, there may be some loss.

Doubtful: The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantees, there will definitely be a significant loss.

Loss: After taking all possible actions or following all necessary legal procedures, the outcome of recovery for principal and interest is likely to be little or no recovery.

(2) Non-performing loan ratio is calculated by dividing non-performing loans by total loans and advances to customers.

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

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

	As of June 30, 2017				As of December 31, 2016			
	Amount	**% of total**	**NPL Amount**	**NPL ratio[4]**	Amount	% of total	NPL Amount	NPL ratio[4]
	(in millions of RMB, except percentages)							
Corporate loans								
Short-term loans[1]	**87,153.9**	**47.3%**	**2,198.6**	**2.52%**	87,314.3	53.0%	1,791.4	2.05%
Medium-to-long-term loans[2]	**32,575.0**	**17.7%**	**194.9**	**0.60%**	23,318.7	14.1%	180.0	0.77%
Sub-total	**119,728.9**	**65.0%**	**2,393.5**	**2.00%**	110,633.0	67.1%	1,971.4	1.78%
Personal loans								
Personal business loans	**22,028.0**	**12.0%**	**891.6**	**4.05%**	19,460.5	11.8%	907.0	4.66%
Personal residential mortgage loans	**27,108.1**	**14.7%**	**6.8**	**0.03%**	18,878.3	11.5%	23.6	0.13%
Personal consumption loans	**10,617.7**	**5.7%**	**106.5**	**1.00%**	6,127.2	3.7%	157.4	2.57%
Others[3]	**185.3**	**0.1%**	**3.2**	**1.73%**	193.8	0.1%	2.7	1.39%
Sub-total	**59,939.1**	**32.5%**	**1,008.1**	**1.68%**	44,659.8	27.1%	1,090.7	2.44%
Discounted bills	**4,568.0**	**2.5%**	**—**	**0.00%**	9,595.7	5.8%	—	0.00%
Total	**184,236.0**	**100.0%**	**3,401.6**	**1.85%**	164,888.5	100.0%	3,062.1	1.86%

Notes:

(1) Include loans with maturity of one year or less and advances.

(2) Include loans with maturity of more than one year.

(3) Include primarily corporate credit cards.

(4) Calculated by dividing non-performing loans in each product type by gross loans in that product type.

As of June 30, 2017, the balance of corporate non-performing loans of the Bank amounted to RMB2,394 million, representing an increase of RMB422 million as compared with the end of last year. The non-performing loan ratio was 2%, representing an increase of 22 basis points as compared with the end of last year. The increase in corporate non-performing loans of the Bank was primarily due to the fact that the credit customers of the Bank were mainly small and medium corporate clients. They were affected greatly by the economic downside and the structural reform of the supply side and their operating difficulties deteriorated repayment abilities.

The balance of personal non-performing loans of the Bank amounted to RMB1,008 million, representing a decrease of RMB83 million as compared with the end of last year. The non-performing loan ratio was 1.68%, representing a decrease of 76 basis points as compared with the end of last year. The personal non-performing loans of the Bank decreased mainly because the Bank proactively responded to national policies by reinforcing credit structure adjustment and further developing personal credit business, and proactively reducing personal non-performing loans. As of June 30, 2017, the balance of personal loans amounted to RMB59,939 million, representing an increase of RMB15,279 million or 34.2% as compared with the end of last year.

6.3 Distribution of Loans and Non-Performing Loans by Industry

	As of June 30, 2017				As of December 31, 2016			
	Loan amount	**% of total**	**NPL Amount**	**NPL ratio[1]**	Loan amount	% of total	NPL Amount	NPL ratio
	(in millions of RMB, except percentages)							
Manufacturing	**33,383.7**	**18.1%**	**1,127.3**	**3.38%**	33,818.4	20.5%	995.8	2.94%
Wholesale and retail	**21,124.1**	**11.5%**	**568.6**	**2.69%**	21,435.2	13.0%	440.5	2.06%
Construction	**11,138.5**	**6.1%**	**112.5**	**1.01%**	9,998.5	6.1%	49.5	0.50%
Real estate	**10,932.3**	**5.9%**	**308.0**	**2.82%**	9,586.3	5.8%	280.7	2.93%
Leasing and business services	**11,340.4**	**6.2%**	**34.2**	**0.30%**	5,483.6	3.3%	29.8	0.54%
Agriculture, forestry, animal husbandry and fishery	**5,367.9**	**2.9%**	**78.0**	**1.45%**	5,461.3	3.3%	27.2	0.50%
Water, environment and public facilities management	**6,224.8**	**3.4%**	**6.0**	**0.10%**	4,933.1	3.0%	6.0	0.12%
Transportation, storage and postal services	**2,431.8**	**1.3%**	**15.9**	**0.65%**	3,424.0	2.1%	35.1	1.03%
Mining	**3,043.3**	**1.7%**	**5.8**	**0.19%**	3,121.7	1.9%	1.3	0.04%
Electricity, gas and water production and supply	**3,882.7**	**2.1%**	**—**	**0.00%**	2,991.7	1.8%	—	0.00%
Education	**3,192.9**	**1.7%**	**37.5**	**1.17%**	2,721.6	1.7%	20.0	0.73%
Accommodation and catering	**3,057.4**	**1.7%**	**96.4**	**3.15%**	2,541.1	1.5%	83.4	3.28%
Health, social security and social welfare	**2,488.1**	**1.4%**	**—**	**0.00%**	2,393.8	1.5%	—	0.00%
Public administration and social organisations	**399.7**	**0.2%**	**—**	**0.00%**	1,143.3	0.7%	—	0.00%
Others	**1,721.3**	**0.8%**	**3.3**	**0.19%**	1,579.4	0.9%	2.1	0.13%
Total corporate loans	**119,728.9**	**65.0%**	**2,393.5**	**2.00%**	110,633.0	67.1%	1,971.4	1.78%
Total personal loans	**59,939.1**	**32.5%**	**1,008.1**	**1.68%**	44,659.8	27.1%	1,090.7	2.44%
Discounted bills	**4,568.0**	**2.5%**	**—**	**0.00%**	9,595.7	5.8%	—	0.00%
Total	**184,236.0**	**100.0%**	**3,401.6**	**1.85%**	164,888.5	100.0%	3,062.1	1.86%

Note:

(1) Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

As of June 30, 2017, the non-performing corporate loans of the Bank mainly concentrated in the manufacturing industry, real estate industry and the wholesale and retail industry, with NPL ratio of 3.38%, 2.82% and 2.69%, respectively, of which: (i) the balance of non-performing loans in the manufacturing industry increased approximately RMB132 million compared with the end of last year, with an increase of approximately 44 basis points ("BPs") in NPL ratio, which was mainly attributable to the increase of NPL ratio in the industry as a result of production and operation difficulties in the traditional manufacturing industry and a weakened repayment capacity after being affected by the economic downturn; (ii) the balance of non-performing loans in the real estate industry increased approximately RMB27 million compared with the end of last year, with a decrease of 11 BPs in NPL ratio. The increase in non-performing loans was mainly because the operating sales of a client (real estate developer) was lower than expected, who was unable to repay interests on time and thus incurred non-performing loans. The decrease in NPL ratio was mainly attributable to the expanded loan size. As of June 30, 2017, the balance of loans in the real estate industry amounted to approximately RMB10.932 billion, representing an increase of approximately RMB1.346 billion or 14.04% compared with the end of last year; (iii) the balance of non-performing loans in the wholesale and retail industry increased approximately RMB128 million compared with the end of last year, with an increase of approximately 63 BP in NPL ratio, which was mainly attributable to the drop of sales income and worsen operating conditions in the wholesale and retail industry after being significantly affected by the slowdown of the PRC economy development.

6.4 Distribution of Loans and Non-Performing Loans by Collateral

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

	As of June 30, 2017				As of December 31, 2016			
	Loan amount	**% of total**	**NPL Amount**	**NPL ratio[1]**	Loan amount	% of total	NPL Amount	NPL ratio
	(in millions of RMB, except percentages)							
Unsecured loans	**8,737.5**	**4.7%**	**54.5**	**0.62%**	6,671.3	4.1%	55.6	0.83%
Guaranteed loans	**77,322.0**	**42.0%**	**2,144.9**	**2.77%**	69,115.6	41.9%	1,574.9	2.28%
Collateralised loans	**80,360.4**	**43.6%**	**1,127.7**	**1.40%**	63,991.5	38.8%	1,357.9	2.12%
Pledged loans	**17,816.1**	**9.7%**	**74.5**	**0.42%**	25,110.1	15.2%	73.7	0.29%
Total	**184,236.0**	**100.0%**	**3,401.6**	**1.85%**	164,888.5	100.0%	3,062.1	1.86%

Notes:

(1) Calculated by dividing non-performing loans in each product type secured by each type of collateral by gross loans in that type of collateral.

As of June 30, 2017, the balance of our guaranteed non-performing loans increased by approximately RMB570 million from the end of last year, representing an increase in non-performing loan ratio of approximately 49 BPs, primarily because certain borrowers are small and medium-sized enterprises and are severely affected by macroeconomic policies and facing operational difficulties, and also contributed to the increase in our secured non-performing loans and non-performing loan ratio the weak guarantee capacity of the guarantors and their failure to repay loans on time.

As of June 30, 2017, the balance of our collateralised non-performing loans decreased by approximately RMB230 million from the end of last year, representing an decrease in non-performing loan ratio of approximately 72 basis points, primarily because the Bank disposed of non-performing loans in time by means of collection, reorganization, litigation preservation, etc. to reduce non-performing loans, and the Bank increased the granting of secured loans. As of June 30, 2017, the balance of our collateralised loans amounted to approximately RMB80,360 million, representing an increase of approximately RMB16,369 million, approximately 25.58% from the end of last year.

6.5 Borrowers Concentration

As of June 30, 2017, balance of loans to any single borrower of the Bank did not exceed 10% of the Bank's net capital.

The following table sets forth, as of June 30, 2017, loan balance of the top ten single borrowers (excluding group borrowers) of the Bank, none of which was classified as non-performing loan.

	As of June 30, 2017			
	Industry	**Balance**	**% of total loans**	**% of net capital**
	(in millions of RMB, except percentages)			
Borrower A	Leasing and commercial services	1,100.0	0.6%	2.8%
Borrower B	Accommodation and catering	1,017.2	0.6%	2.5%
Borrower C	Leasing and commercial services	1,000.0	0.5%	2.5%
Borrower D	Leasing and commercial services	776.0	0.4%	1.9%
Borrower E	Mining	600.0	0.3%	1.5%
Borrower F	Water, environment and public facility management	580.5	0.3%	1.4%
Borrower G	Electricity, gas and water production and supply	572.0	0.3%	1.4%
Borrower H	Electricity, gas and water production and supply	550.0	0.3%	1.4%
Borrower I	Mining	500.0	0.3%	1.3%
Borrower J	Mining	500.0	0.3%	1.3%
Total		7,195.7	3.9%	18.0%

As of June 30, 2017, the loan balance of the largest single borrower of the Bank was RMB1,100 million, accounting for 0.6% of the total amount of loans of the Bank, and the total amount of loans of the top ten single borrowers was RMB7,196 million, representing 3.9% of the total amount of loans of the Bank.

6.6 Overdue loans

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

	As of June 30, 2017		As of December 31, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Current loans	**174,492.8**	**94.7%**	156,760.8	95.1%
Overdue loans[1]				
Up to 3 months	**2,497.3**	**1.4%**	4,020.0	2.4%
Over 3 months up to 1 year	**4,247.1**	**2.3%**	1,704.9	1.0%
Over 1 year up to 3 years	**2,909.9**	**1.5%**	2,313.0	1.4%
Over 3 years	**88.9**	**0.1%**	89.8	0.1%
Sub-total	**9,743.2**	**5.3%**	8,127.7	4.9%
Total loans	**184,236.0**	**100.0%**	164,888.5	100.0%

As of June 30, 2017, the amount of overdue loans totaled RMB9,743 million, representing an increase of RMB1,616 million as compared with the end of last year. Overdue loans accounted for 5.3% of the total loans, representing an increase of 40 basis points as compared with the end of last year.

Note:

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

7 ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank continued to optimise its business structure and strengthen its capital management. As of June 30, 2017, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Bank were 11.82%, 10.68% and 10.67%, respectively, and representing a decrease of 55 basis points, 57 basis points and 57 basis points, respectively, as compared with the end of last year, which fulfilled the requirements provided in the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBRC for the transition period. The changes in capital adequacy ratio were mainly due to the increase in risk-weighted assets resulting from the increase in size of assets of the Bank.

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

	June 30, 2017	December 31, 2016
	(in millions of RMB, except percentages)	
Share capital	**16,625.0**	16,625.0
Valid portion of capital reserve	**10,114.5**	10,274.5
Surplus reserve	**877.1**	877.1
General reserve	**5,134.8**	5,134.8
Retained earnings	**3,526.4**	1,807.9
Valid portion of minority interests	**362.9**	385.7
Total Core tier-one capital	**36,640.7**	35,105.0
Core tier-one capital deductions	**(610.0)**	(610.0)
Net core tier-one capital	**36,030.7**	34,495.0
Other tier-one capital	**26.9**	39.6
Net tier-one capital	**36,057.6**	34,534.6
Net tier-two capital	**3,872.2**	3,432.9
Net capital base	**39,929.8**	37,967.5
Total risk-weighted assets	**337,725.9**	307,001.9
Core tier-one capital adequacy ratio	**10.67%**	11.24%
Tier-one capital adequacy ratio	**10.68%**	11.25%
Capital adequacy ratio	**11.82%**	12.37%

8. BUSINESS SEGMENT REPORT

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

	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate banking business	**3,566.3**	**60.7%**	3,332.5	60.5%
Retail banking business	**1,549.1**	**26.4%**	1,415.1	25.7%
Financial markets business	**706.5**	**12.0%**	704.9	12.8%
Other businesses	**53.9**	**0.9%**	54.3	1.0%
Total operating income	**5,875.8**	**100.0%**	5,506.8	100.0%

9 BUSINESS OPERATIONS

9.1 Corporate Banking Business

For the six months ended June 30, 2017, firmly in line with its development strategies of "offering featured products in traditional business, accomplishing break-through in innovated business and taking first-mover advantage in developing future business (傳統業務做特色, 創新業務找突破, 未來業務求領先)", the Bank continued to further its intensive management to drive sustainable, healthy and rapid development of its corporate banking business, aiming to improve competence and services quality of the corporate business.

As of June 30, 2017, the Bank's operating income from the corporate business was RMB3,566 million, accounting for 60.7% of its total net operating income, representing an increase of 7.0% as compared to the same period last year. The Bank realized an income from the intermediary business of RMB201 million, representing an increase of 135.9% as compared to the same period last year. It continued to exploit sources and channels of such income, and realized an income from the intermediary business of RMB105 million through provision of innovative products in the first half of 2017, such as consultation and wealth management business, accounting for 52.2% of its income from the corporate intermediary business.

Corporate deposits

In order to tackle the challenges from interest rate liberalization and internet finance effectively, the Bank made an effort to expand the source of low-cost corporate deposits and continuously optimized the structure of corporate deposits by leveraging on the advantages of traditional bank-government cooperation. The Bank continued to improve the competitiveness of its corporate deposit business through the provision of corporate deposits products and services to corporate customers, such as corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposits, negotiated deposits and corporate intelligent deposits.

As of June 30, 2017, the Bank's corporate deposit balance was RMB166,127 million, representing an increase of RMB24,294 million from the beginning of the year. The Bank ranked third in the industry in terms of both its time-point increment and share of corporate deposit, with an increase of 0.35% in the market share compard with the beginning of 2017 and a growth rate of 17.19% in time-point increment, which is 8.01 percentage points higher than the average market growth rate.

Corporate loans

During the Reporting Period, in line with its strategic guidance of "offering featured products in traditional banking businesses (傳統業務做特色)", the Bank stuck to its customer-centered principle, enhanced the management and control of key industries, strengthened the centralized allocation of credit resources by the headquarters and increased the facilities granted to the high-end equipment manufacturing industry, the energy-saving and environmental protection industry and the emerging demand-driven consumption industry. Meanwhile, the Bank decreased the percentage of inferior and ineffective assets and continued to improve the profitability of the corporate assets.

Sticking to a multi-layer customer management philosophy, the Bank deepened the bank-government cooperation relationship, explored new ways for supporting small and medium-sized enterprises and continuously optimized its customer structure. During the Reporting Period, the Bank signed strategic cooperative agreements with Shangqiu Municipal People's Government of Henan Province. In order to implement strategic cooperation in technology and finance with Henan Provincial Science and Technology Department, the Bank signed cooperation agreements with Henan Province Scientific Research and Production Test Base Management Service Center (河南省科研生產試驗基地管理服務中心), for extending a Henan Province technology and finance business named "Science and Technology Loans (科技貸)". The Bank also proactively explored the technology and finance to support the development of numerous medium and small technology enterprises in Henan province.

The Bank used its advantages to focus on key businesses and further deepened its operations in the local market in Henan Province while adopting an innovative model to proactively expand into surrounding regions. The Bank strongly promoted the continuous, healthy and rapid development of its corporate business by optimizing customer structure, cultivating new growth drivers for the corporate business and meeting the diversified financing demands of customers. As of June 30, 2017, the Bank's corporate loans amounted to RMB119,729 million, representing an increase of RMB9,096 million as compared to the end of last year.

Investment banking

The Bank strived to promote business innovation in investment banking by innovatively providing multi-channel and all-round financial services. It continued to deepen the cooperative relationship with large and medium-sized enterprises and provided them with integrated services and solutions.

As of June 30, 2017, the balance of structured finance offered by the Bank to corporate banking customers amounted to RMB63,830 million, representing an increase of 74.69% as compared to the end of 2016.

During the Reporting Period, the Bank made new breakthroughs in the syndicated loan business through the finalization of two syndicated loans as the lead bank, including one loan for a PPP project named "Hundred Cities Construction and Quality Improvement Program" (百城建設提質工程) in Henan Province. The Bank granted one merger and acquisition ("M&A") loan to a listed company in the PRC environmental protection industry and provided it with M&A advisory services and M&A finance comprehensive solutions. The financing would help this company integrate resources to bring out new growth drivers and improve its comprehensive competitiveness, market expansion ability and future development ability.

The Bank also acted as the financial advisor in the bond financings of four enterprises in Henan Province and provided all-round advisory services such as scheme design, intermediary selection, regulatory communication and sales assistance, thereby solving the financing demand of customers. Meanwhile, the Bank resorted to its solid relationship with local governments in actively conducting marketing activities among local governments at all levels, with an aim to strengthen its core competitiveness and comprehensive financial service capabilities and become the first bank to provide financing advisory services to local governments in Henan Province.

Meanwhile, the Bank continued to obtain more qualifications to increase its comprehensive capabilities in customer service. On May 8, 2017, the Bank was approved by CBRC Henan Office and qualified for credit asset securitization, which marked another vital step of the Bank to tap into serving regional economic development and direct enterprise financing. The Bank actively explored the investment and loan linkage business model and prepared for the application for the investment and loan linkage pilot bank qualification. The Bank intended to improve the market competitiveness of its innovative businesses and better support the finance activities of high-growth enterprises in Henan Province through investment and loan linkage.

Transaction banking

The Bank adhered to its future layout by actively propelling the establishment of the online system for transaction banking and carrying out major businesses. The Bank actively engaged itself in six major national strategies, including Core Producing Area of Grains (糧食生產核心區), Central Plains Economic Zone (中原經濟區), Zhengzhou Airport Economic Experimental Zone (鄭州航空港經濟綜合實驗區), Zhengzhou-Luoyang-Xinxiang National Independent Innovation Demonstration Zone (鄭洛新國家自主創新示範區), China (Henan) Pilot Free Trade Zone (中國(河南)自由貿易試驗區) and Central Henan Urban Agglomeration (中原城市群). During the Reporting Period, the Bank made a good effort to develop its transaction banking business, including cash management, bills pool, supply chain finance and trade finance through actively integrating resources and leveraging on advantages of finance and technology as well as the advantage of extensive geographical coverage, so as to deepen its up-and-down stream cooperation with core enterprises, expand the customer base and extend the industry chain.

Cash management

The Bank offered cash management financial services to its corporate banking customers. It developed a cash management system with a high standard to primarily launch physical cash pool and account warning products, realizing customization and grouping of product as well as parameterization and componentization of functions in respect of product management and system function, with its successful operation on March 24, 2017. As of June 30, 2017, total transaction volume of the Bank's cash management business amounted to RMB136,134 million.

The Bank actively established the "Bills Pool" system, which commenced operation on February 24, 2017, to assist corporate banking customers in improving their bills management, lowering their financing costs, increasing their assets liquidity and mitigating their bills management-related risks. As of June 30, 2017, our "Bills Pool" business grew fast in iron and steel, nonferrous metal smelting and chemical industries, with a total credit limit of RMB2,880 million being approved.

Supply chain finance

Since the smooth launch of its supply chain finance system at the end of September 2016, the Bank actively promoted the transformation of its online supply chain finance business to go online, embedded, scenarized and platformized, striving to aggressively develop up-and-down stream customers along the industry chain to which its core corporate banking customers belong. The Bank also built an industry financial ecosystem based on its efficient online supply chain finance service model. From the beginning of 2017 to the end of June 30, 2017, an addition of 223 customers accessed the online supply chain finance system, where an aggregate amount of RMB2,775 million was raised, representing increases of 110.5 times in the total number of online customers and 1,540.9 times in aggregate amount of funds raised as compared to those of 2016, respectively, evidencing its booming growth.

Corporate Online Banking

The Bank continued to develop new applications for corporate online banking, customize customer experience and improve servicing capability of the online corporate banking business, diverting and mitigating counter pressures of outlets effectively. As of June 30, 2017, the Bank's corporate online banking customers aggregated to 69,495, representing an increase of 8,804 as compared to that at the beginning of the year. The accumulated transaction amount increased by RMB469,102 million, and the total transactions boosted by 1,823,487 in number as compared to that at the beginning of the year, accounting for 81.65% of the total number of transactions by corporate banking customers during the same period.

Trade Finance

Since 2015, the Bank has actively managed to be qualified for relevant business, comprehensively promoted systems construction and solidly carried out business research and development. The trade finance business started from scratch and grew up till a rapid development by 2017. During the Reporting Period, the transaction volume of the Bank's trade finance services amounted to RMB3,272 million, representing an increase of RMB1,268 million as compared to 2016; the Bank's accumulated international settlement transaction volume amounted to US$380 million in sum, representing an increase of US$288 million as compared to 2016. As of June 30, 2017, the Bank has established cooperative relationship with 188 corporate banking customers for trade finance services, and has established cooperative relationship with 178 domestic and foreign banks. In March 2017, the Bank became the exclusive agency bank to offer departure tax refund to overseas visitors in Henan Province. Later on April 26, 2017, the Bank completed the first departure tax refund business for overseas visitors.

9.2 Retail Banking Business

The Bank positions itself as "approaching citizens, serving small and micro enterprises, supporting agriculture, rural areas and farmers and promoting regional economic development" (貼近市民、服務小微、支持三農、推動區域經濟發展) in the market, and accordingly, implements its strategy of "Internetization and Ruralization of Banking Services" (上網下鄉). The Bank establishes a whole-channel service system integrating online + offline terminals and transforms retail banking to be digitalized, characterized and inclusive, building itself into a technology and data-based bank.

9.2.1 Internet strategy

Since its inception, the Bank has established its future banking development strategy where the construction of internet finance is deemed as the footstone of business development. The Bank has built an internet finance network orienting mobile finance, such as mobile banking APP, community banking APP, direct sales banking APP, supported by online channels including online banking, WeChat banking and telephone banking, and has chosen smart banking, mobile banking, big data and cloud platform as the four main approaches. Meanwhile, we continued further on cross-industry integration by establishing new model for handshaking between the finance industry and the internet industry, and thus to comprehensively speed up placement in mobile internet finance. As of June 30, 2017, the accumulative number of our mobile banking users amounted to 1,956,839. The replacement ratio of personal electronic banking reached 88.88%.

9.2.2 Ruralization strategy

The Bank mapped out its development strategy of "Ruralization of Banking Services" (下鄉) in 2016, which was implemented gradually aiming at serving rural residents and practicing inclusive finance. It has established rural payment service points in administrative villages of Henan Province, with a plan to realize new standards of advancing future rural finance services, namely "indoor service, in-village withdrawal, credit for each household and outlet in each village" (服務不出門、取款不出村、戶戶有授信、村村有網點), in three to five years, allowing thousands of rural residents to benefit from the convenience brought by modern finance tools. As of June 30, 2017, the Bank had a total of 1,282 rural payment service points with 173,200 farmers-benefiting cards, covering population of more than 2,000,000.

9.2.3 Business development

Retail Deposits

For the six months ended June 30, 2017, the Bank sticked its innovation-led direction by introducing characterized product system and launching several liability products and wealth-related products to meet diversified customer demands. It also endeavoured to improve its retail business system, expand retail business channels and enhance user experience and comprehensive customer service abilities. As of June 30, 2017, the balance of retail deposits amounted to RMB113.42 billion, representing an increase of RMB9.907 billion, or 9.6%, compared with the beginning of the year. The Bank ranks, in terms of total retail deposits, increments and market share, at the forefront of regional urban commercial banks.

Retail Loans

During the Reporting Period, the Bank followed its strategy of "Internetization and Ruralization of Banking Services" (上網下鄉) for its personal loan business constantly. On one hand, it strengthened efforts to promote its featured online product secured by real properties, namely "Yong Xu Dai" (永續貸) across Henan province, hungering for excellent client experience. On the other hand, it carried out "Lankao Inclusive Finance" (蘭考普惠) credit extension business and pushed forward the construction of rural credit system while introducing Grameen Bank model to spread the inclusive finance concept, providing faster and more convenient loan services for rural customer groups. As of 30 June 2017, our personal loan business grew rapidly with overall sound asset quality and risks under control. The balance of personal loans amounted to RMB59.939 billion, representing an increase of RMB15.279 billion, or 34.2%, as compared to the beginning of the year. In particular, during the Reporting Period, we granted Yong Xu Dai (永續貸) of RMB6.111 billion, with the balance reaching RMB6.625 billion. The default rate of personal loans was 1.68%, representing a decrease of 0.76% as compared to the beginning of the year.

Bank Cards

The Bank's debit card business bases on four categories of cards, i.e. ordinary card, gold card, platinum card and diamond card, complemented with customized cards such as co-branded cards and featured cards, which constantly enriches and improves online and offline card usages channels for clients. For the six months ended June 30, 2017, we issued featured cards including "Hongqiqu Co-branded Card" (紅旗渠聯名卡). As of June 30, 2017, we had issued a total of 8,734,700 debit cards, representing an increase of 702,300 as compared to last year, and had issued 23,046 credit cards.

9.3 Financial Markets Business

Our financial markets businesses include money market business, investment business and wealth management business.

9.3.1 Money market business

During the Reporting Period, the domestic economy of the PRC constantly appeared tenacity and tended to develop stably. The financial markets were dominated by stringent regulation, finance de-leveraging and risk prevention. The Central Bank maintained to implement its prudent monetary policy, leading to tightened balance in the money market. For the six months ended June 30, 2017, we closely monitored changes to financial regulation and the monetary policies, and accordingly, proactively adapted to the new normal of the tightened balance in the money market, predicted the trend of market changes and reasonably stretched the duration of capital, which safeguarded the liquidity security while lowering cost of capital, thereby increasing the space for profitability.

As of June 30, 2017, the balance of the Bank's deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements was RMB7.212 billion, and the balance of our deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements was RMB75.345 billion, representing 17.9% of total liabilities.

9.3.2 Investment and other financial asset investments

During the Reporting Period, the Bank monitored movements in macro-economy and market conditions on a continual basis, and accordingly, strenthened construction of investment and research system, researched and predicted market changes in advance, fine-tuned investment strategies and optimized the structure of investment mix. In addition, the Bank also beefed up development and innovation of other financial asset investments and expanded investment scope, so as to acquire stable returns.

As of June 30, 2017, the Bank's invested bonds, investment products under trust plans, investment products managed by securities companies and other security-related financial assets totaled to RMB205.659 billion, representing an increase of RMB22.663 billion, or 12.4%, compared with the end of last year. In particular, the Bank's total debt securities investments amounted to RMB75.495 billion, representing an increase of 2.2% year-on-year. The investment products under trust plans and investment products managed by securities companies amounted to RMB44.367 billion, representing an increase of 61.4% year-on-year.

9.3.3 Wealth management business

During the Reporting Period, our wealth management products became increasingly diversifiable. The launch of T+0 wealth management products and regular open wealth management products presents more diversified options to consumers. During the Reporting Period, we had a total of 259 existing wealth management products with a scale of RMB32.614 billion, representing an increase of RMB4.044 billion compared with the beginning of the year.

During the Reporting Period, wealth management products under the Bank's Heyday series operated smoothly, creating stable gains for customers. For the six months ended June 30, 2017, the Bank issued 354 wealth management products in aggregate, amounting to RMB48.473 billion accumulatively.

9.4 Subsidiaries Business

9.4.1 County banks business

As of June 30, 2017, the Bank held 51.72%, 51%, 51%, 51%, 43.69%, 45%, 35%, 41% and 31.54% interests in Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司), Linzhou Defeng County Bank Co., Ltd., (林州德豐村鎮銀行股份有限公司), Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司), Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司), Xiping Caifu County Bank Co., Ltd. (西平財富村鎮銀行股份有限公司), Suiping Hengsheng County Bank Co., Ltd. (遂平恒生村鎮銀行股份有限公司), Lushi Defeng County Bank, Xiangcheng Huipu County Bank Co., Ltd. (襄城匯浦村鎮銀行股份有限公司) and Henan Xinxiang Xinxing County Bank Co., Ltd. (河南新鄉新興村鎮銀行股份有限公司), respectively, which are sponsored by the Bank. Of the Nine County Banks, the Bank was aligned with five county banks not controlled by it through acting-in-concert agreements.

The Nine County Banks provide local corporates and retail banking customers with a broad range of financial products and services, including commercial and consumer loans, bill discounting, deposits from customers and fee-based and commission-based products and services, such as settlement services, remittance services and bank card services. We intend to incorporate the Nine County Banks into the Bank's comprehensive service offering channels, to take advantages of their existing local market position and customer base, thereby allowing us to further penetrate our services and raise the Bank's brand awareness.

The Nine County Banks adhere to their market positions of serving "agriculture, rural areas and farmers" (三農) and "small and micro enterprises" (小微) and extend credit in the principle of "micro, mobile and disperse" (小額、流動、分散). Their scale of assets keeps expanding with the structure of deposits and loans approaching rational, along with intensified support to agriculture and small and micro enterprises. As of June 30, 2017, the Bank's total assets amounted to RMB8.503 billion, representing an increase of RMB1.083 billion, or 14.6%, as compared to the beginning of the year. The balance of deposits amounted to RMB6.468 billion, representing an increase of RMB1.254 billion, or 24.0%, as compared to the beginning of the year. The Bank's total loans amounted to RMB5.80 billion, representing an increase of RMB856 million, or 17.3%, as compared to the beginning of the year. The indicators set out above grow faster than the average rate of county banks in Henan Province.

The Nine County Banks are independent legal entities regulated by the CBRC. The Bank respects the independent operation of Nine County Banks and strives to maintain their autonomous operation. The Bank believes an autonomous operation business model enables the Nine County Banks to leverage their local networks and customer relationships, and to become more responsive to changes in their markets.

9.4.2 Consumer finance company business

The Bank initiated the establishment of Consumer Finance Company with registered capital of RMB0.5 billion and its shareholding of 65% was held by the Bank. Consumer Finance Company has officially been in operation since December 30, 2016 and its principal businesses include: (1) extending individual consumer loans; (2) deposits taking from domestic subsidiaries of its shareholders and from its domestic shareholders; (3) incurring borrowings from domestic financial institutions; (4) issuing financial bonds upon approval; (5) engaging in domestic inter-bank lending; (6) engaging in consulting and agency businesses relating to consumer finance; (7) acting as sales agent for insurance products relating to consumer loans; (8) engaging in fixed-income securities investment; and (9) other businesses approved by the CBRC.

Since its operation of business, Consumer Finance Company has upheld the development philosophy of "technology-focused and innovation-driven." Leveraging Zhongyuan Bank's advantages on outlets and channels, it consolidated its position in Henan, penetrated to other regions in the PRC, rooted in areas and reached strategic cooperation with external organizations, including China UnionPay Merchant Services Co., Ltd., and actively explored development models of internet finance. As of June 30, 2017, its accumulative loan exposure amounted to RMB1.661 billion, the loan exposure extended accumulatively exceeded 0.6 million loans, providing consumer finance services for approximately 0.4 million customers. As of the end of the Reporting Period, the balance of corporate loans of Consumer Finance Company was RMB1.192 billion, realizing an accumulated revenue of RMB13 million.

In terms of information technology, Consumer Finance Company attaches great importance in research and application of technologies, such as big data analysis, data mining, cloud computing and biological information acquisition, and proactively constructs a safe, rigorous and self-controlled information system.

In terms of risk control, Consumer Finance Company focuses on improving its ability to identify relevant risks, enhances the post-loan disbursement management, strengthens the transmission of risk philosophies, maintains the risk bottom line, and gradually develops a comprehensive risk management system with close integration of pre-lending, lending and post-lending, independent risks and mutual restraint.

9.5 Risk Management

During the Reporting Period, under the circumstances that the financial systematic risks constantly increased and the overall non-performing ratio in the banking industry was set to continue in the PRC, the Bank continuously improved its risk management system and gradually improved its capacity for risk prevention. In the course of daily operation, the Bank improved the management of each type of risks, maintained its risk bottom line, comprehensively transmitted risk appetites and fully resolved various bank-wide risks. The Bank constantly optimized each type of risk management tools, promoted the system construction of each type of projects, strengthened the management of qualifications of risk management personnel and improved the risk management and control capability of risk management team; it proactively organized reviews for various businesses and conducted a full-scale inspection and examination of each type of potential risks. Since 2017, the Bank has not experienced any major risk incidents, and achieved better results in its risk management work.

9.5.1 Credit risk management

The Bank implements whole process management for its credit granting business and establishes an effective mechanism for check and balance between different positions, which has established corresponding assessment and inquiry mechanisms, assigning the credit granting business management accountability, work standards and due diligence requirements in respect of credit granting acceptance and investigation, risk assessment and review and approval, the signing of contracts, the issuance and payment as well as post-granting monitoring to specific departments and positions.

Since 2017, the Bank has further optimized its systems and procedures, strictly implemented credit policies, proactively organized and implemented inspections and examinations of risks, strengthened system construction and strictly controlled the credit risks.

Firstly, at the combination of changes in the internal and external environments, further improve the system construction. Since 2017, the Bank has further improved a number of credit risk management related systems pursuant to regulatory needs and at the combination of operation practices by successively implementing or amending more than 36 systems in terms of credit management and credit granting approval, of which 4 related to risk management, 12 related to credit granting products, 11 related to credit granting approval and 6 related to post-disbursement management, which pushed the Bank to change from controlling risks to proactively managing risks.

Secondly, effectively implement the credit policies with the credit structure evidently optimized. In accordance with the requirements of the Credit Policy Guidelines of Zhongyuan Bank for 2017 (中原銀行2017年信貸政策指引), the Bank continued to optimize its structure of credit granting business and achieved significant results, and the proportion of credits granted to industries which fell into the active support category significantly expanded; while the proportion of credits granted to industries which fell into the cautionary support and strict limit categories significantly decreased, indicating its credit policies had been well and thoroughly implemented.

Thirdly, proactively organize and implement inspections and examinations of risks and increase accountability efforts. Through eight credit risk inspection and examination works, such as organization and implementation of examinations of credit granting and authorization, thorough inspections of credit business, self-inspection of credit granting business in terms of real estate and institutional customers and ad hoc inspections by appraisal institutions in 2017, the Bank discovered the concealed danger of credit risks in a timely manner and increased the accountability efforts, which urged the branches to rectify and to discover problems, in order to further consolidate the credit risk management basis of the Bank.

Fourthly, strengthen system construction and improve credit risk management levels. The Bank puts great importance on the construction of credit risk management tools by continuing to increase its investments in scientific and technological resources and proactively introducing big data analysis tools to improve the credit risk management levels. At present, the test for big data-based credit risk alert system has been completed. The system covers 273 corporate alert indicators and 476 retail alert indicators. It is expected to develop into an advanced risk management tool after its launch, which is based on big data information and penetrates into the whole process and entire cycle of the credit business. In the meanwhile, currently the Bank is proactively promoting the construction of big data retail risk control projects and building anti-fraud model and retail credit risk assessment model to improve scientificity in credit examination, approval and decision-making.

9.5.2 Market risk management

The Bank continuously promotes the construction of market risk management systems. It implemented and issued the Market Risk Management Policies of Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司市場風險管理政策) at the beginning of 2017, which clarified the responsibilities of the Board of Directors, senior management, the risk management department and business departments of financial markets, standardized the basic methods for identification, measurement, monitoring, control and mitigation of market risk management, and confirmed the contents and paths of market risk reports. On this basis, market risk monitoring and reporting works are regularly conducted to constantly improve the market risk management levels.

Since 2017, the Bank has further enhanced its authority management, strengthened market risk monitoring and reporting and initiated market risk consulting projects to promote the effective improvement of the market risk management levels.

Firstly, enhance the authorization and limit management. The authorization and limit management by classification in terms of financial market business is enhanced and more scientific and stricter authorization plans in relation to transaction authorization are adopted, authorization and limit management is conducted in respect of various dimensions, including investment scale, investment structure and investment products, and strict segregation management is implemented on proprietary investment business and direct investment business in relation to wealth management.

Secondly, strengthen the identification, measurement, monitoring and control of market risks. The Bank monitors market risks on an ongoing basis, clearly divides bank accounts and trading accounts, conducts measurement and monitoring of indicators day by day, including valuation of bonds held under trading accounts, duration and leverage ratio, and regularly implements stress tests, taking into account risk tolerance capabilities under the extreme event scenarios, to make it clear what corresponding measures should be taken.

Thirdly, reinforce risk reporting and management. Various market risk reports are regularly produced and submitted to the senior management for them to have a full, clear and dynamic grasp of the market risk position of the Bank.

Fourthly, the construction work for market risk management consultancy projects has been initiated. The Bank cooperates with advanced market risk management consultancy firms in the PRC via centralized bidding and initiates market risk management consultancy projects with aims to establish market risk management models which adapt to the business development of the Bank, to set up a platform for unified measurement and management indicators of various market risks covering each type of relevant businesses, and adapting to future development and market risk control needs.

9.5.3 Operational risk management

The Bank has established its operational risk management structure which is composed of the Board of Directors, the Board of Supervisors, the senior management, the compliance department, the internal audit department, various business lines (divisions) and branches and sub-branches.

The Bank constantly strengthens its operational risk management through various measures, such as check for various business lines and inspection and examination of staff behavior, improving institutional systems, conducting educational activities in relation to compliance. In the meanwhile, currently the Bank is promoting the construction of internal control, compliance and operational risk systems, striving to realize informatization and automation in terms of operational risk, internal control and compliance management to further enhance its elaborate management capability of operational risks.

9.5.4 Bank account interest rate risk management

The Bank has established its bank account interest rate risk management systems which are suitable for business scale, nature and complexity. Specifically, such systems include effective bank account interest rate risk management and governance structure, sound strategies, policies and procedures for bank account interest rate risk management, effective identification, measurement, monitoring and control of bank account interest rate risks and complete management information system.

The Bank regularly measures its bank account interest rate risk via expansion and gap analysis, duration analysis, sensitivity analyses, scenario simulation and stress tests, and is promoting the implementation project in relation to asset and liability management system to start as soon as possible, in order to further improve its bank account interest rate risk management capability.

9.5.5 Exchange rate risk

Exchange rate risk arises primarily from exchange rate fluctuations, as well as mismatches in the currency denomination of our on- and off-balance sheet assets and liabilities and mismatches in the currency positions of our foreign currency transactions, which may result in a loss of profits and a reduction of value of assets. 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 while 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 while converting foreign currencies into the bookkeeping base currency. The Bank seeks to maintain the adverse effects of exchange rate changes within a tolerable range by adopting various measures. The Bank has put together various policies and operational procedures regarding the Bank's foreign exchange businesses, such as foreign exchange settlement, sales and payment and foreign exchange trading, so as to ensure that our risk mitigation measures are effectively implemented. Pursuant to the Bank's standard operational procedures, the Bank checks the position of the respective main foreign currency in the international market on a daily basis and actively monitors key indicators, such as exposure limit. Based on the monitoring, the Bank sets overnight and daily limits for currency exposure.

9.5.6 Liquidity risk management

The Bank has established its liquidity risk management systems which are suitable for business scale, nature and complexity. Specifically, such systems include effective liquidity risk management and governance structure, sound strategies, policies and procedures for liquidity risk management, effective identification, measurement, monitoring and control of liquidity risks and complete management information system.

Since 2017, the liquidity risk management awareness and capability of the Bank have continued to strengthen with continuous enhancement of fund management levels, continuous improvement and enrichment in liquidity management tools and continuous improvement in monitoring, analyzing and reporting systems in respect of liquidity risks. The Bank has established assessment and analysis frameworks for cash flows to effectively measure, monitor and control cash flow gaps at different time frames in the future in normal and stress scenarios. In addition, the Bank has taken effects of payment, settlement, agency and custodian businesses on cash flows into full consideration. In case of increasing liquidity risks, the Bank would moderately extend the duration of liabilities and reduce the repurchase and financing balances, strengthen the research and prediction of market liquidity and prevent liquidity risks by adopting a series of measures, such as implementation liquidity arrangements in advance. In the meanwhile, the Bank strengthens liquidity risk limits management and implements monitoring, alert, stress tests and reports for liquidity risks on a regular basis to ensure that liquidity risks are controllable.

9.5.7Compliance risk management

Based on its own practical conditions, the Bank has established its compliance risk management organization system which is suitable for its business scale and complexity and in compliance with regulatory requirements. Such system is composed of the Board of Directors, the Board of Supervisors, the senior management, the compliance departments at different levels from the head office and branches, various functional departments and operating entities at different levels.

The Bank actively implementes a series of fundamental institutional requirements in relation to compliance management, including the Compliance Risk Management System of Zhongyuan Bank (Provisional) (中原銀行合規風險管理制度(試行)), the Measures for the Administration of Case Prevention of Zhongyuan Bank (Provisional) (中原銀行案防工作管理辦法(試行)), the Interim Measures for the Administration of Rules and Systems of Zhongyuan Bank (中原銀行規章制度管理暫行辦法), the Disciplinary Procedures for Employee Misconduct of Zhongyuan Bank (Provisional) (中原銀行員工違規行為處理辦法(試行)), the Employee Compliance Handbook of Zhongyuan Bank (中原銀行員工合規手冊). At the combination of the practical conditions, matters including its compliance management organizational structure, compliance management responsibilities, the division and coordination between the compliance department and other different departments, the identification, assessment and monitoring of compliance risks, compliance risk reports and reporting lines, compliance risk reward and punishment, compliance standards that employees should follow, misconducts and corresponding settlement are further clarified at a bank-wide level by way of preach and training, creating a bank-wide compliant operation atmosphere and preventing compliance risks on an ongoing basis.

The Bank has formulated its plan for compliance work for the year 2017, which clarifies main points in compliance management and principal compliance measures. The Bank implements strict compliance review for 228 internal control systems which have been newly issued or revised since 2017, and it organizes compliance management functional departments at different levels and each business line management department to implement daily compliance supervision and inspection activities according to such plan and takes accountability and rectification measures for problems discovered in a timely manner to ensure that compliance risks are controllable.

9.5.8Strategic risk management

The Bank places high importance on prevention of strategic risks which may result in banking crisis and has formulated the Administrative Measures on the Strategic Risk of Zhongyuan Bank (Provisional) (中原銀行戰略風險管理辦法(試行)) with an aim to establish and perfect its strategic risk management mechanism, achieve proactive and effective prevention of strategic risks and minimize the impacts on its current and future earnings, capitals, reputations and positions resulting from inappropriate operating strategies or changes in external operating environment. Correct understanding and effective execution of strategic objectives and measures are ensured throughout the Bank. A decomposing mechanism for the strategic objectives is also established, which through the decomposition by layers of the strategic objectives converts the same into specific work goals and conduct requirements for various departments and individual staff of the Bank to support the realization of its overall strategic objectives.

The Bank continuously enhances its research and analysis capabilities for external environment and trends, including macroeconomic cycles, national policies, industry developments, etc., to provide effective supports for strategic decisions. The Bank steadily promotes strategic sub-plans for corporate and retail business segments and enhances inter-bank communications and cooperation. At the combination of its development strategies, the Bank takes part in communicative learning activities covering various areas including financial technology innovation, asset management and macroeconomic analysis and actively learns from other banks' experiences and advanced practices to improve the strategic risk management levels.

9.5.9Information technology risk management

The Bank has established its tiered information technology risk management organization system on the basis of the three lines of defense; it takes information technology risk management policies as its core and information technology risk management institutional system is formulated by tiers and re-inspected on a regular basis; it proactively implements relevant works, such as information technology risk control self-assessment, information technology key risk indicators monitoring and information technology risk loss (incidents) database collection, and establishes an effective risk management process system which supports risk identification, assessment, control/mitigation, monitoring/reporting.

The Bank has further improved its information technology risk management levels since 2017 through a series of measures, including continuously implementing information technology risk examination and inspection, optimizing organization and management process, improving information technology management system, perfecting disaster backup system and contingency plans, ensuring its business continuity.

9.5.10Reputational risk

The Bank proactively implements reputational risk examination and inspection, public sentiment information monitoring and identification, complaints handling supervision and assessment. It does a good job in managing reputational incidents by classification and tiers. It continuously improves the alert management mechanism, actively and effectively prevents reputational risks and copes with reputational incidents and establishes an emergency mechanism for reputational risk incidents to safeguard quick identification, report, decision-making and response to reputational risk incidents.

The Bank has set up a full network and full media public sentiment monitoring system which operates 24/7 by introducing professional public sentiment monitoring service companies, and established a systematic public sentiment risk prevention system. The Bank has not experienced any significant negative incidents in respect of public sentiment and reputational risks since 2017.

10. DISTRIBUTION NETWORK

Branch and Sub-branch Network

The Bank continued to optimize its branch and sub-branch network, with an aim to penetrate new markets by providing quality services. As of June 30, 2017, the Bank had one head office, 17 branches, 403 sub-branches, including 283 city-level sub-branches, 120 county-level and township-level sub-branches, a total of 421 outlets, which covered 18 provincial cities in Henan Province and 87 counties.

To provide its customers with tailor-made services and to better serve those in certain fields or industries, the Bank established specialized sub-branches directly operated and managed by its head office. As of June 30, 2017, the Bank had three specialized sub-branches, offering professional services to institutional customers, customers in the automobile industry and in the real estate industry, respectively.

Electronic Banking

The Bank's electronic channels provide comprehensive financial services through online banking, mobile banking, telephone banking, self-service banking and WeChat banking.

Online Banking

The Bank's online banking platform (http://www.zybank.com.cn) serves as its corporate cyber bank, providing corporate banking customers with account inquiry and management, payment and settlement, money transfer and remittance, supply chain finance business, bills business, international settlement service, cash management service and other services, and providing retail banking customers with account inquiry and management, money transfer and remittances, wealth management products and personal loans and other services. As of June 30, 2017, the Bank had a total number of 69,495 corporate online banking customers. For the six months ended June 30, 2017, the aggregate transaction amount was RMB469,102 million, and online banking transactions reached to 1,823,487 in number, accounting for

81.65% of the total number of transactions by corporate banking accounts during the same period. As of June 30, 2017, the Bank had 387,843 personal online banking accounts. For the six months ended June 30, 2017, the Bank had a total of online personal transactions of 2,173,354 in number and a transaction amount of RMB144,090 million.

Mobile Banking

The Bank launched a new version of mobile banking, with an aim to pursue ultimate user experience and provide ultra-convenient financial services experience. In addition to basic financial services such as money transfer and remittances and investment and financial management, it has launched Yong Xu Dai (永續貸), Zhong Yuan Miao Dai (中原秒貸) for credit accounts, withdrawal without cards, convenience payment and medical registration and other functions to provide convenient financial services. As of June 30, 2017, the accumulative number of the Bank's mobile banking users amounted to 1,956,839, representing a mobile banking user coverage of 43.64%.

Telephone Banking

The telephone number for the Bank's telephone banking is 95186, which can provide better services for customers nationwide. The telephone banking services include automated voice services and manual services, mainly offering account inquiry and management, emergency reporting for lost or stolen cards, money transfer, bill payment agency services and dealing with customer complaint. At the same time, the Bank launched the intelligent customer service (Artificial Elephant (人工象寶)) to achieve online customer service. As of June 30, 2017, the Bank had a total of approximately 142,769 contracted telephone banking customers, and had a total number of 53 customer service staff.

Self-Service Banking

The Bank's self-service banking facilities include automated teller machine (ATM), Cash Recycling System (CRS), multi-media self-service terminals (BSM), video teller machines (VTM) and automated cards issuance machines. The Bank's self-service banking facilities are placed in regions where its outlets are located, and services provide through these facilities mainly include balance inquiry, cash deposit and withdrawal, fund transfer, payment of public utilities bills, purchase of wealth management products, remote opening of accounts, reporting the loss of and replacement of cards, contracting for various electronic banking services, distribution of online banking shield and other services. As of June 30, 2017, the Bank had a total number of 2,785 self-service banking facilities throughout Henan Province.

WeChat Banking

Currently, the Bank's WeChat official account ranks 13th among all banks' official accounts nationwide in terms of reading volume, and both its subscriptions and reading volume surpass the average of its peers. At present, the WeChat Banking can provide customers with services including outlet inquiry, account inquiry, purchase of wealth management products, Yong Xu Dai (永續貸) online application, fee payment, and credit card application. Meanwhile, it will introduce the Bank's preferential activities and mall bonus point activities for its customers. As of June 30, 2017, the Bank had a total number of 1,409,349 WeChat official account subscriptions.

11. CORPORATE STRATEGIES AND FUTURE PROSPECT

The Bank intends to become a leading commercial bank in China, holding the core value of "stability, innovation, motivation and efficiency", and intends to further enhance the risk management and internal control systems, and continue to develop efficient, convenient and innovative financial services that cater to different customers' needs while keep on expanding the scope of the products and services, so that the Bank can further enhance and promote market recognition of the brand name.

1. In line with the strategy of "rooted in Henan with country-wide radiation (深耕河南,輻射全國)", the Bank intends to further enhance the leading market position in Henan Province while observing opportunities to expand the business scope.

2. Leveraging historical opportunity and the expected further development of Henan Province's economy as a result of multiple favorable policies, including the core national strategies, such as"Henan Grain Production Core Region (河南糧食生產核心區)", "Central Plains Economic Zone (中原經濟區)", "Zhengzhou Airport Economic Experimental Zone (鄭州航空港經濟綜合試驗區)" and"China (Henan) Pilot Free Trade Zone (中國(河南)自由貿易試驗區)", the Bank intends to enhance our leading market position in this region by taking advantage of the development trend of local economy.

3. In line with the strategy of "offering featured products in traditional banking business", the Bank intends to build a well-recognized brand name associated with quality products and services.

4. The Bank intends to promote the brand as a transaction bank capable of offering comprehensive financial services, focusing on developing businesses that could effectively integrate with ease into services under corporate banking, investment banking and financial markets business.

5. The Bank plans to transform into a "smart bank (智慧銀行)" where it can rely on advanced technologies, particularly big-data and cloud computing technologies to improve cost-efficiency of our business operations.

Changes in Share Capital and Information on Shareholders

Changes in Share Capital

There was no change in the share capital of the Bank during the Reporting Period. Following the issue of 3,000,000,000 H Shares and the conversion of 300,000,000 Domestic Shares into H Shares, the H Shares of the Bank were listed on the Main Board of the Stock Exchange on July 19, 2017. In addition, the over-allotment option as set out in the Prospectus was fully exercised, which involved an aggregate of 495,000,000 H Shares. Following the listing of those H Shares on the Main Board of the Stock Exchange on August 15, 2017, the total issued share capital of the Bank was increased to 20,075,000,000 Shares, including 3,795,000,000 H Shares and 16,280,000,000 Domestic Shares.

Information on Shareholders

Shareholdings of Top 10 Shareholders of Domestic Shares of the Bank

No.	Name of Shareholders	The number of Shares held at the end of the Reporting Period	Approximate percentage of the total issued shares capital of the Bank at the end of the Reporting Period
1	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	1,500,000,000	9.0226%
2	Yongcheng Coal and Electricity Holding Group Co., Ltd. (永城煤電控股集團有限公司)	1,232,960,305	7.4163%
3	Henan Shengrun Holdings Group Co., Ltd. (河南盛潤控股集團有限公司)	753,000,000	4.5293%
4	Henan Guangcai Group Development Co., Ltd. (河南光彩集團發展有限公司)	568,000,000	3.4165%
5	Henan Xingda Investment Co., Ltd. (河南興達投資有限公司)	566,395,712	3.4069%
6	Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限責任公司)	474,836,916	2.8562%
7	Xinxiang City Finance Bureau (新鄉市財政局)	359,727,164	2.1638%
8	Southern Henan Highway Investment Co., Ltd. (河南省豫南高速投資有限公司)	327,637,129	1.9707%
9	Henan Aike Industrial Development Co., Ltd. (河南省愛克實業發展有限公司)	300,000,000	1.8045%
10	Xuchang City Finance Bureau (許昌市財政局)	268,623,539	1.6158%
	Total	6,351,180,765	38.2026%

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

As of June 30, 2017, the Bank had not been listed on the Main Board of the Hong Kong Stock Exchange, therefore, section 336 of the SFO was not applicable.

So far as is known to the Bank and the Directors, as of the Listing Date, substantial shareholders of the Bank and other persons (other than Directors, Supervisors and chief executive officers of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to be notified to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

Name of Shareholder	Class of Shares	Nature of interests	Number of Shares [1]	Approximate percentage of the total issued share capital of the relevant class of the Bank (%) [2]	Approximate percentage of the total issued share capital of the Bank (%) [2]
Henan Investment Group Co., Ltd. (河南投資集團有限公司) [3]	Domestic Shares	Beneficial owner	1,419,378,680 (L)	8.69	7.23
Yongcheng Coal and Electricity Holding Group Co., Ltd. (永城煤電控股集團有限公司) [4]	Domestic Shares	Beneficial owner	1,166,691,713 (L)	7.15	5.94
	Domestic Shares	Interest in controlled corporation	54,979,908(L)	0.33	0.28
Henan Energy and Chemical Group Investment Co., Ltd. (河南能源化工集團投資有限公司) [5]	Domestic Shares	Interest in controlled corporation	1,310,610,003 (L)	8.03	6.68
China Create Capital Limited	H Shares	Beneficial owner	322,058,000(L)	9.76	1.64
Geoswift International Limited [6]	H Shares	Beneficial owner	315,500,000(L)	9.56	1.61
QU Xiaochuan (瞿曉川) [6]	H Shares	Interest in controlled corporation	315,500,000(L)	9.56	1.61
CMB International Finance Limited [7]	H Shares	Held Security Interest in Shares	214,168,000(L)	6.49	1.09
China Merchants Bank Co., Ltd. [7]	H Shares	Interest in controlled corporation	214,168,000(L)	6.49	1.09
Zhong Sheng Capital (Hongkong) Co., Limited	H Shares	Beneficial owner	214,168,000(L)	6.49	1.09
TIAN KUN INVESTMENT LIMITED [8]	H Shares	Beneficial owner	726,000,000(L)	22.00	3.70
YINGCHUANG INTERNATIONAL INVESTMENT LIMITED [8]	H Shares	Interest in controlled corporation	726,000,000(L)	22.00	3.70

Name of Shareholder	Class of Shares	Nature of interests	Number of Shares [1]	Approximate percentage of the total issued share capital of the relevant class of the Bank (%) [2]	Approximate percentage of the total issued share capital of the Bank (%) [2]
Zhongchuang Investment (Holdings) Limited [8]	H Shares	Interest in controlled corporation	726,000,000(L)	22.00	3.70
Ruipei Investment (Shanghai) Co., Ltd. (芮沛投資 (上海) 有限公司) [8]	H Shares	Interest in controlled corporation	726,000,000(L)	22.00	3.70
China Minsheng Investment Group Futurelife Co., Ltd. (中民未來控股集團有限公司) [8]	H Shares	Interest in controlled corporation	726,000,000(L)	22.00	3.70
China Minsheng Investment Group (中國民生投資股份有限公司) [8]	H Shares	Interest in controlled corporation	726,000,000(L)	22.00	3.70
Shanghai Huaxin Group (HongKong) Limited (上海華信集團 (香港) 有限公司)	H Shares	Beneficial owner	573,964,000(L)	17.39	2.92
CCB International Capital Limited [9]	H Shares	Others	495,000,000 (L)	15.00	2.52
	H Shares	Others	495,000,000 (S)	15.00	2.52
CCB International (Holdings) Limited [9]	H Shares	Others	495,000,000 (L)	15.00	2.52
	H Shares	Others	495,000,000 (S)	15.00	2.52
CCB Financial Holding Limited [9]	H Shares	Others	495,000,000 (L)	15.00	2.52
	H Shares	Others	495,000,000 (S)	15.00	2.52
CCB International Group Holding Limited [9]	H Shares	Others	495,000,000 (L)	15.00	2.52
	H Shares	Others	495,000,000 (S)	15.00	2.52
Central Huijin Investment Ltd. [9]	H Shares	Others	495,000,000 (L)	15.00	2.52
	H Shares	Others	495,000,000 (S)	15.00	2.52
China Construction Bank Corporation [9]	H Shares	Others	495,000,000 (L)	15.00	2.52
	H Shares	Others	495,000,000 (S)	15.00	2.52
CITIC Securities Company Limited	H Shares	Interest in controlled corporation	496,691,000 (L)	15.05	2.53
	H Shares	Interest in controlled corporation	495,000,000 (S)	15.00	2.52

Notes:

1. (L) represents the long position, (S) represents short position.

2. As of July 19, 2017, the number of total issued Shares of the Bank was 19,625,000,000, including 16,325,000,000 Domestic Shares and 3,300,000,000 H Shares.

3. Henan Investment Group Co., Ltd. (河南投資集團有限公司) is wholly-owned by the Henan Provincial Development and Reform Commission (河南省發展和改革委員會).

4. Yongcheng Coal and Electricity Holding Group Co., Ltd. (永城煤電控股集團有限公司) directly holds 1,166,691,713 Domestic Shares of the Bank (long positions) and indirectly holds 54,979,908 Domestic Shares of the Bank (long positions) through its controlled corporations, including 23,345,167 Domestic Shares of the Bank (long positions) directly held by Yongcheng Jingchuang Industry Co., Ltd. (永城精創實業有限公司), 10,047,456 Domestic Shares of the Bank (long positions) directly held by Yongcheng Coal and Electricity Group (Kaifeng) Tower Investment Co., Ltd. (永城煤電集團 (開封) 鐵塔投資有限公司) and 21,587,285 Domestic Shares of the Bank (long positions) directly held by Shangqiu Tianlong Investment Co., Ltd. (商丘天龍投資有限公司), respectively. Therefore, by virtue of the SFO, Yongcheng Coal and Electricity Holding Group Co., Ltd. (永城煤電控股集團有限公司) is deemed to be interested in the Domestic Shares (long positions) held by Yongcheng Jingchuang Industry Co., Ltd. (永城精創實業有限公司), Yongcheng Coal and Electricity Group (Kaifeng) Tower Investment Co., Ltd. (永城煤電集團 (開封) 鐵塔投資有限公司) and Shangqiu Tianlong Investment Co., Ltd. (商丘天龍投資有限公司).

5. Henan Energy and Chemical Group Investment Co., Ltd. (河南能源化工集團投資有限公司) is wholly-owned by the State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會). Henan Energy and Chemical Group Investment Co., Ltd. (河南能源化工集團投資有限公司) indirectly holds 1,310,610,003 Domestic Shares of the Bank (long positions) through its controlled corporations, including 1,221,671,621 Domestic Shares of the Bank (long positions) directly and indirectly held by Yongcheng Coal and Electricity Holding Group Co., Ltd. (永城煤電控股集團有限公司), 23,750,621 Domestic Shares of the Bank (long positions) directly held by Anyang Chemical Engineering Group Co., Ltd. (安陽化學工業集團有限責任公司), 15,755,726 Domestic Shares of the Bank (long positions) directly held by Henan Energy and Chemical Engineering Group Finance Co., Ltd. (河南能源化工集團財務有限公司) and 49,432,035 Domestic Shares of the Bank (long positions) indirectly held by Henan Energy and Chemical Construction Group Co., Ltd. (河南能源化工建設集團有限公司) through its controlled corporation, namely Henan Guolong Mineral Construction Co., Ltd. (河南國龍礦業建設有限公司), respectively. Therefore, by virtue of the SFO, Henan Energy and Chemical Group Investment Co., Ltd. (河南能源化工集團投資有限公司) is deemed to be interested in the Domestic Shares (long positions) held by Yongcheng Coal and Electricity Holding Group Co., Ltd. (永城煤電控股集團有限公司), Anyang Chemical Engineering Group Co., Ltd. (安陽化學工業集團有限責任公司), Chemical Engineering Group Finance Co., Ltd. (河南能源化工集團財務有限公司) and Henan Guolong Mineral Construction Co., Ltd. (河南國龍礦業建設有限公司).

6. Geoswift International Limited is 100% owned by QU Xiaochuan (瞿曉川).

7. China Merchants Bank Co., Ltd., through its controlled corporations, namely CMB International Capital Holdings Corporation Limited and CMB International Capital Corporation Limited, is indirectly interested in 214,168,000 H Shares of the Bank (long positions) held by CMB International Finance Limited in the capacity of a person having a security interest in shares. Therefore, by virtue of the SFO, China Merchants Bank Co., Ltd., CMB International Capital Holdings Corporation Limited and CMB International Capital Corporation Limited are deemed to be interested in the H Shares of the Bank (long positions) held by CMB International Finance Limited in the capacity of a person having a security interest in shares.

8. China Minsheng Investment Group (中國民生投資股份有限公司), through its controlled corporations, namely China Minsheng Investment Group Futurelife Co., Ltd. (中民未來控股集團有限公司), Ruipei Investment (Shanghai) Co., Ltd. (芮沛投資 (上海) 有限公司), Zhongchuang Investment (Holdings) Limited and YINGCHUANG INTERNATIONAL INVESTMENT LIMITED, is indirectly interested in 726,000,000 H Shares of the Bank (long positions) held by TIAN KUN INVESTMENT LIMITED. Therefore, by virtue of the SFO, each of China Minsheng Investment Group (中國民生投資股份有限公司), China Minsheng Investment Group Futurelife Co., Ltd. (中民未來控股集團有限公司), Ruipei Investment (Shanghai) Co., Ltd. (芮沛投資(上海) 有限公司), Zhongchuang Investment (Holdings) Limited and YINGCHUANG INTERNATIONAL INVESTMENT LIMITED is deemed to be interested in the H Shares of the Bank (long positions) held by TIAN KUN INVESTMENT LIMITED.

9. Central Huijin Investment Ltd. through its controlled corporations, namely China Construction Bank Corporation, CCB International Group Holding Limited, CCB Financial Holding Limited and CCB International (Holdings) Limited, is indirectly interested in the Bank's 495,000,000 H Shares (long positions) and 495,000,000 H Shares (short positions) directly held by CCB International Capital Limited. Therefore, by virtue of the SFO, each of Central Huijin Investment Ltd., China Construction Bank Corporation, CCB International Group Holding Limited, CCB Financial Holding Limited and CCB International (Holdings) Limited is deemed to be interested in the Bank's H Shares (long positions) and H Shares (short positions) held by CCB International Capital Limited.

Save as disclosed above, none of the substantial Shareholders of the Bank or other persons had, as of July 19, 2017, any interests or short positions in the Shares or underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO.

Shareholders with an Interest in 5% or More of the Total Issued Share Capital of the Bank

Please refer to "Information on Shareholders" for the details of Shareholders with an interest in 5% or more of the share capital of the Bank.

Purchase, Sale or Redemption of Listed Securities

The Bank and its subsidiaries did not purchase, sell or redeem any listed securities of the Bank for the six months ended June 30, 2017.

Incumbent Directors, Supervisors and Senior Management

The constitution of the incumbent Board of Directors, the Board of Supervisors and the senior management of the Bank were as follows:

The Board of Directors of the Bank consisted of a total of 11 members, including five executive Directors, namely Mr. DOU Rongxing (chairperson of the Board of Directors), Ms. HU Xiangyun, Mr. WANG Jiong, Mr. HAO Jingtao, Mr. ZHANG Bin; two non-executive Directors, namely Mr. LI Qiaocheng and Mr. LI Xipeng; and four independent non-executive Directors, namely Mr. LI Hongchang, Ms. PANG Hong, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny.

The Board of Supervisors of the Bank consisted of nine Supervisors, including three Shareholder representative Supervisors, namely Mr. ZHAO Ming, Ms. LI Weizhen and Mr. LI Wanbin; three external Supervisors, namely Mr. LI Xiaojian, Mr. HAN Wanghong and Mr. SUN Xuemin; and three employee representative Supervisors, namely Mr. MA Guoliang (chairperson of the Board of Supervisors), Ms. JIA Jihong (vice chairperson of the Board of Supervisors) and Mr. SI Qun.

The senior management of the Bank consisted of 11 members, namely Mr. WANG Jiong, Mr. HAO Jingtao, Mr. ZHANG Bin, Mr. LIU Kai, Mr. LI Yulin, Mr. ZHAO Weihua, Mr. WANG Liubao, Mr. WEI Jie, Mr. ZHANG Ke, Ms. ZHANG Yi and Mr. FU Fei.

Changes in Directors, Supervisors and Senior Management during the Reporting Period

Changes in Directors

On March 22, 2017, the CBRC Henan Office issued the approval of qualification of Mr. LI Qiaocheng as a Director. On May 15, 2017, the CBRC Henan Office issued the approval of qualification of Mr. CHAN Ngai Sang Kenny as a Director.

Changes in Supervisors

On February 13, 2017, Mr. QIN Jianhua resigned as a Supervisor and the vice chairman of the Board of Supervisors due to his retirement.

On March 20, 2017, Ms. JIA Jihong was elected as an employee representative Supervisor of the Bank at the 2nd meeting of the first session of the employee representatives of the Bank. On April 6, 2017, the Bank's Board of Supervisors elected Ms. JIA Jihong as the vice chairperson of the Board of Supervisors.

Changes in Senior Management

On March 12, 2017, Mr. FU Fei was appointed as a general manager of the audit department at the 17th meeting of the first session of the Board of Directors of the Bank.

Since the issuance of the Prospectus by the Bank on June 30, 2017, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Securities Transactions by Directors, Supervisors and Relevant Employees

As of June 30, 2017, the Bank had not been listed on the Main Board of the Hong Kong Stock Exchange, therefore, the Model Code was not applicable. The Bank has adopted the Model Code as the code of conduct for securities transactions of the Bank by all Directors and Supervisors. The Bank has also put in place guidelines in respect of dealings in securities of the Bank, which terms are no less exacting than those of the Model Code, for the relevant employees (as defined in the Hong Kong Listing Rules). Having made specific enquiries to all Directors and Supervisors regarding their compliance with the Model Code, each of the Directors and Supervisors confirmed that those standards as provided thereunder have been complied with during the period from the Listing Date to the date of this report. Having made specific enquiries to the relevant employees regarding their compliance with the guidelines of dealing in securities of the Bank, the Bank is not aware of any incompliance with the guidelines.

Interests and Short Positions of Directors, Supervisors and Senior Management in Shares, Underlying Shares and Debentures

As of June 30, 2017, the Bank had not been listed on the Main Board of the Hong Kong Stock Exchange. Therefore, section 352 of the SFO and the Model Code were not applicable.

As of the Listing Date, the Directors, Supervisors and chief executive officers of the Bank who had interests and short positions in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code were as follows:

Interests in Shares of the Bank (Long Positions)

Name	Class of Shares	Nature of interests	Number of Shares	Approximate percentage of the total issued share capital of the relevant class of the Bank (%) [1]	Approximate percentage of the total issued share capital of the Bank (%) [1]
Ms. HU Xiangyun	Domestic Shares	Beneficial owner	500,000	0.00	0.00
Mr. LI Xipeng [2]	Domestic Shares	Interest in controlled corporation	753,000,000	4.61	3.83
Ms. JIA Jihong	Domestic Shares	Beneficial owner	2,472	0.00	0.00
Mr. SI Qun	Domestic Shares	Beneficial owner	126,321	0.00	0.00
Mr. LI Wanbin [3]	Domestic Shares	Interest in controlled corporation	407,657,871	2.50	2.08
Mr. ZHAO Ming [4]	Domestic Shares	Interest in controlled corporation	568,000,000	3.48	2.89

Notes:

1. As of July 19, 2017, the number of total issued Shares of the Bank was 19,625,000,000, including 16,325,000,000 Domestic Shares and 3,300,000,000 H Shares.

2. Mr. LI Xipeng and his spouse hold 100% equity interest in Henan Shengrun Holdings Group Co., Ltd. (河南盛潤控股集團有限公司). Therefore, by virtue of the SFO, Mr. LI Xipeng is deemed to be interested in the 753,000,000 Domestic Shares of the Bank (long positions) directly held by Henan Shengrun Holdings Group Co., Ltd. (河南盛潤控股集團有限公司).

3. Mr. LI Wanbin and his spouse directly and indirectly hold 100% equity interest in Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司) and Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司). Therefore, by virtue of the SFO, Mr. LI Wanbin is deemed to be interested in the 407,657,871 Domestic Shares of the Bank (long positions) directly held by Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司) and Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司).

4. Mr. ZHAO Ming holds 75.34% equity interest in Henan Guangcai Group Development Co., Ltd. (河南光彩集團發展有限公司). By virtue of the SFO, Mr. ZHAO Ming is deemed to be interested in the 568,000,000 Domestic Shares of the Bank (long positions) directly held by Henan Guangcai Group Development Co., Ltd. (河南光彩集團發展有限公司).

Interests in Associated Corporations (Long Positions)

Name	Associated corporation	Nature of interests	Number of Shares	Approximate percentage of share capital (%)
Ms. HU Xiangyun	Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司)	Beneficial owner	600,000	0.86

Note: The Bank holds 51.72% equity interest and voting rights of Xinyang Pingqiao Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司), a subsidiary of the Bank.

Employees' Remuneration Policies And Training Programs

As of June 30, 2017, the Bank has 12,956 employees in total. The Bank's remuneration policies for its employees is set up by the nomination and remuneration committee under the Board of Directors on the basis of their merit, qualifications and competence. As of June 30, 2017, there were no material changes in the remuneration policies of the Bank. Details of the remuneration of the Bank's employees is set out in the note "operating expenses" to the financial statements.

The Bank upholds a people-oriented management philosophy and provides continuous training to its employees at various levels, in various categories, through multiple channels, in multiple forms on the basis of its three major development strategies and training rules, with an aim to enhances the overall quality, professional capabilities and management skills of its staff in a continuous and comprehensive manner, to build up a professional team specializing in business operations and management, and to drive the rapid and healthy development of its businesses. The Bank manages its training programs based on "standardized principles and planning, and hierarchical management and implementation", and establishes a three-tier training system comprising "head office, branch, sub-branch (sector)". Plan for the next annual training programs is to be reported and reviewed at the end of each year, with an emphasis on continuously strengthening the supervision and management of tier 1 training, having a comprehensive understanding of the training progress, and making timely adjustments to training schedules. For the six-month period ended June 30, 2017, the Bank had carried out 124 tier 1 trainings throughout the year, and had completed 35.8% of its annual training plan, and the number of staff trained was 23,872. This series of training has significantly improved the level of knowledge and operational capability of the Bank's management and staff at all levels, and contributed to the sustainable development of its businesses.

Implementation of Share Incentive Scheme

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

Basic Information of Institutions Under the Bank

The following table sets out the branches and sub-branches of the Bank as of June 30, 2017

Region	Name of the Branch	Business Address	Notes
Zhengzhou, Henan	Headquarter	Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province, PRC	Directly in charge of 3 sub-branch institutions
Zhengzhou, Henan	Head Business Department	Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province, PRC	In charge of the head business department and 22 sub-branch institutions
Kaifeng, Henan	Kaifeng	No. 246, West Daliang Road, Kaifeng City, Henan Province	In charge of one business department and 28 sub-branch institutions
Xinyang, Henan	Xinyang	1/F, Approval Centre, Xinshi Street, Yangshan New District, Xinyang City, Henan Province	In charge of one business department and 27 sub-branch institutions
Anyang, Henan	Anyang	No. 11, Jiefang Avenue, Anyang City, Henan Province	In charge of one business department and 25 sub-branch institutions
Hebi, Henan	Hebi	1/F, Finance Centre, Qishui Avenue, Qibin District, Hebi City, Henan Province	In charge of one business department and 16 sub-branch institutions
Luohe, Henan	Luohe	Intersection of Huangshan Road and Songjiang Road, Yancheng District, Luohe City, Henan Province	In charge of one business department and 18 sub-branch institutions
Nanyang, Henan	Nanyang	No.6, Zhangheng Road, Nanyang City, Henan Province	In charge of one business department and 46 sub-branch institutions
Pingdingshan, Henan	Pingdingshan	Northwest Corner, Intersection of Zhongxing Road and Zhannan Road, Zhanhe District, Pingdingshan City, Henan Province	In charge of one business department and 7 sub-branch institutions
Puyang, Henan	Puyang	No.444, Shenglizhong Road, Puyang Ciry, Henan Province	In charge of one business department and 21 sub-branch institutions

Region	Name of the Branch	Business Address	Notes
Sanmenxia, Henan	Sanmenxia	No. 64, Middle Xiaoshan Road, Sanmenxia City, Henan Province	In charge of one business department and 26 sub-branch institutions
Shangqiu, Henan	Shangqiu	Northeast Corner, Shangzi Plaza, Shangqiu City, Henan Province	In charge of one business department and 39 sub-branch institutions
Xinxiang, Henan	Xinxiang	No.559 Pingyuan Road, Hongqi District, Xinxiang City, Henan Province	In charge of one business department and 39 sub-branch institutions
Xuchang, Henan	Xuchang	East Jianan Avenue, Xuchang City, Henan Province(On the west to the Bureau of Finance)	In charge of one business department and 26 sub-branch institutions
Zhoukou, Henan	Zhoukou	MOCO New world Business Office Building, intersection of Qingfeng Road and Zhoukou Avenue, Zhoukou City, Henan Province	In charge of one business department and 25 sub-branch institutions
Zhumadian, Henan	Zhumadian	No. 168, Wenming Road, Zhumadian City, Henan Province	In charge of one business department and 35 sub-branch institutions
Jiaozuo, Henan	Jiaozuo	No.479, Renmin Road, Jiefang District, Jiaozuo City, Henan Province	In charge of one business department
Jiyuan, Henan	Jiyuan	No. 481, Middle Yellow River Road, Jiyuan City, Henan Province	In charge of one business department
Luoyang, Henan	Luoyang	No.66, Changxing Street, Luolong District, Luoyang City, Henan Province	In charge of one business department

Corporate Governance

Compliance with the Corporate Governance Code

As of June 30, 2017, the Bank had not been listed on the Main Board of the Stock Exchange. Therefore, the Corporate Governance Code was not applicable. During the period from the Listing Date to the date of this report, the Bank has been in compliance with all the code provisions as stated in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, and most of the recommended best practices have been adopted by the Bank.

Information Regarding the Convening of the Shareholders' General Meetings

Two Shareholders' general meetings were held during the Reporting Period.

On February 7, 2017, the Bank held the first extraordinary general meeting for 2017, at which nine proposals were considered, including "Proposal on the Amendment of the Articles of Association of Zhongyuan Bank Co., Ltd.", "Proposal on the Amendment of the Rules of Procedure for Shareholders' General Meeting of Zhongyuan Bank Co., Ltd.", "Proposal on the Amendment of the Rules of Procedure for Meetings of the Board of Directors of Zhongyuan Bank Co., Ltd." and "Proposal on the Amendment of the Rules of Procedure for Meetings of the Board of Supervisors of Zhongyuan Bank Co., Ltd.".

On April 6, 2017, the Bank held the 2016 annual general meeting, at which 9 proposals were considered, including "Proposal on the Working Report of the Board of Directors for 2016", "Proposal on the Working Report of the Board of Supervisors for 2016", "Proposal on the Final Financial Accounts for 2016", "Proposal on the Financial Budgets for 2017"and "Proposal on the Issuance of Green Financial Bonds".

The convening, notice, holding and voting procedures of the aforesaid Shareholders'general meetings were in accordance with the relevant laws and regulations and the relevant requirements of the Articles of Association of the Bank.

Information Regarding the Convening of Meetings of the Board of Directors and its Special Committees

During the Reporting Period, the Board of Directors convened three meetings, at which 47 proposals were considered and approved. The special committees under the Board of Directors held five meetings, including one meeting of the strategy and development committee, one meeting of the audit committee, one meeting of the risk management committee, one meeting of the nomination and remuneration committee and one meeting of the related party transactions control committee, at which 19 proposals in total were considered and approved.

Information Regarding the Convening of Meetings of the Board of Supervisors and its Special Committees

During the Reporting Period, the Board of Supervisors held four meetings, at which 17 proposals were considered and approved. The special committees under the Board of Supervisors held two meetings, including one meeting of the supervision committee and one meeting of the nomination committee, at which nine proposals in total were considered and approved.

Internal Control

Based on the principles of full coverage, checks and balance, prudence and compatibility, the Bank has established a relatively scientific and standardized internal control system in accordance with relevant laws and regulations, such as the *Commercial Banking Law of the PRC* (《中華人民共和國商業銀行法》) and the *Internal Control Guidelines for Commercial Banks* (《商業銀行內部控制指引》), and the relevant requirements of the Hong Kong Stock Exchange, aiming to ensure the consistent compliance with relevant laws, regulations and rules of the PRC, the application of the Bank's development strategies and the accomplishment of its operating objectives, the accuracy and completeness of the Bank's financial information and other management information, and the effectiveness of the risk management of the Bank.

The Bank continues to implement and optimize the defense mechanism comprising of three lines for internal control. The first line of defense consists of various branches and operating units, which are the owners of, and are accountable for risks and controls, and have to undertake self-risk control functions in the course of their business operation, including the formulation and implementation of policies, business examination, the reporting of control deficiencies and the organization of rectification measures. The second line of defense consists of the internal control and risk management departments at all levels, which are responsible for the overall planning, organizing and implementing, and examining and assessing of risk management and internal control. The third line of defense consists of the audit and supervision departments, which are responsible for performing internal audit on the adequacy and effectiveness of the internal control and risk management, taking disciplinary actions against staff in violation of regulations or disciplinary rules, carrying out case investigations and promoting management accountability.

During the Reporting Period, in light of the five-year development strategic plan, the Bank had, followed on the principle of "prudential operation with risk-based supervision", conducted procedure and risk reviews and assessments on all departments, branches at all levels, all work positions and all personnel, and all aspects of business operations and management procedures, and continued to improve internal control compliance and enhance the effectiveness of management tools for operational risks, in an effort to lay a solid foundation for internal control, compliance and operational risk management, and to realize the effective integration of internal control management, compliance risk management and operational risk management. The Bank continued to optimize its regulatory framework by establishing a three-tier system comprising of basic norms, administrative measures and operational rules. For the purpose of operational management and to meet the need of business development, the Bank also introduced an internal control system covering all of its businesses such as credit business, counter business, financial markets business, financial accounting, information systems and intermediate business and management lines, and established a mechanism to assess internal control system. The Bank continued to modify and improve its internal control system in accordance with the changing requirements of the external laws and regulations and the regulatory requirements, to ensure compliance with external laws and regulations and regulatory requirements, and to provide a basis and support for the Bank's operational management, business operations and effective risk prevention and control.

The Bank continued to promote the culture building of internal control compliance and actively organized compliance training courses and campaigns for all of its staff, with a view to refine its long-term policy on compliance education, and enhance the effectiveness of its internal control system through continuous organization of case study discussions, competitions on compliance knowledge, and compliance training courses and campaigns.

Important Events

Use of Proceeds

The net proceed received from the Bank's global offering was approximately HK$8,200 million, including the net proceeds of approximately HK$1,100 million from the H Shares issued pursuant to the in full exercise of the over-allotment option as set out in the Prospectus. The Bank will apply all of those proceeds raised in the global offering towards the uses as disclosed in the Prospectus.

Profits and Dividends

Income and financial position of the Bank for the six months ended June 30, 2017 were set out in the interim financial statement in this interim report.

The Bank will not distribute any interim dividend for the six months ended June 30, 2017.

Material Connected Transactions

As of June 30, 2017, there had not been any material connected transactions entered into between the Bank and its connected persons.

Material Litigations and Arbitrations

As of June 30, 2017, material pending legal proceedings in which the Bank was involved as a defendant amounted to RMB686.56 million.

Material legal proceedings where the Bank was defendants are set forth below:

Litigations against the Xinxiang branch of the Bank in relation to alleged lending and borrowing

As of June 30, 2017, the Bank received 49 cases filed against the Xinxiang branch of the Bank for alleged lending and borrowing raised by 43 plaintiffs demanding the Xinxiang branch of the Bank to repay alleged loan principal of approximately RMB219.0 million with accrued interest. Among the 49 cases, 9 cases involved a claim over RMB10.0 million with an aggregate loan principal of RMB123.9 million. As of June 30, 2017, 6 cases had received judgements or orders, while 43 cases were still pending for judgements.

Litigation against the Puyang branch of the Bank in relation to alleged lending and borrowing

In July 2016, the plaintiff of the case filed a lawsuit against the Puyang branch of the Bank for alleged lending and borrowing. On June 21, 2017, the Puyang branch of the Bank received a judgement from Puyang Intermediate People's Court, in which the court determining that, we shall be liable for up to one half of the amount of loans and accrued interest that Puyang Borrower could not repay. As of June 30, 2017, the Puyang branch of the Bank was in the process of preparing to apply for retrial before the Henan High People's Court.

Property rights dispute of Zhoukou Branch of the branch Bank

In April 2016, the plaintiff of the case filed a lawsuit against the Zhoukou Branch of the Bank for property rights dispute. Zhoukou Intermediate People's Court determined that the ownership of the buildings at issue belonged to the plaintiff and ordered the Zhoukou branch of the Bank to return the property claimed by the plaintiff. In September 2016, the Zhoukou branch of the Bank appealed to the Henan High People's Court. As of June 30, 2017, the court has not rendered any judgment on this case.

Litigation against Lushi Defeng County Bank in relation to alleged lending and borrowing

Lushi Defeng County Bank was sued in April 2015 and March 2017 respectively, for two cases regarding alleged lending and borrowing. In April 2016, Luoyang Intermediate People's Court rendered judgment of one of the above-mentioned cases against the Lushi County Bank, which later appealed to Henan High People's Court. As of June 30, 2017, the court of second instance remanded the case for retrial to the court of first instance. The other case was still pending for judgements.

Penalties for the Bank and its Directors, Supervisors and Senior Management

During the Reporting Period, none of the Bank, the Directors, Supervisors or senior management of the Bank had been subject to any investigation, administrative penalty or public criticism by the CSRC or any public censure by any stock exchange or any punishment by any other regulatory authorities which would have a material impact on the operation of the Bank.

Performance of Commitments by the Bank and Shareholders with 5% or more of Shares

During the Reporting Period, neither the Bank nor Shareholders with 5% or more of the total issued shares of the Bank, has made any commitments.

Material Contracts and their Performance

During the Reporting Period, the Bank was not involved in any material contracts to be performed.

Material Investment and Plan

During the Reporting Period, the Company did not have any material investments, and did not have any specific plans for material investments or acquisition of material capital assets or other businesses.

Important Events

Acquisitions and Disposals of Assets and Business Mergers

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of assets or business mergers.

Appointment and Dismissal of Auditors

After consideration and approval in the 2016 annual general meeting convened on April 6, 2017, the Bank re-appointed KPMG Huazhen LLP and KPMG as our domestic and international auditors in 2017 and 2018, respectively, with the term of office shall expire on the end of audit in 2018.

Review of the Interim Report

The interim financial statements disclosed in this interim report have not been audited. KPMG has reviewed the interim financial statements of the Bank for the six months ended June 30, 2017, which were prepared in accordance with the International Financial Reporting Standards, pursuant to the Hong Kong Standards on Review Engagements.

The audit committee of the Bank has reviewed and confirmed the interim results announcement of the Bank for the six months ended June 30, 2017, the 2017 interim report and the unaudited interim financial statements for the six months ended June 30, 2017 prepared in accordance with the requirements of the International Financial Reporting Standard.

Interim Results

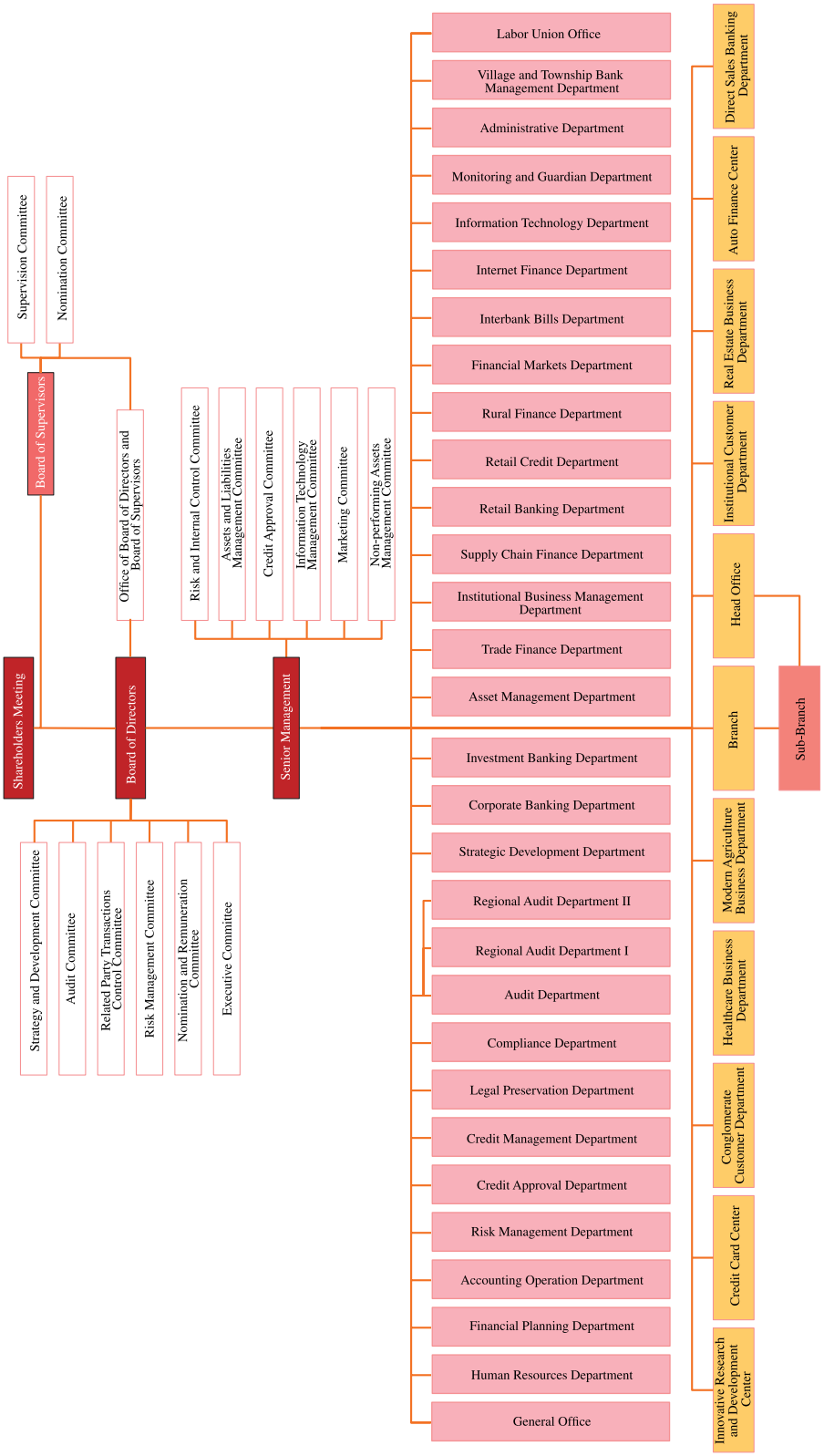
The interim results announcement of the Bank for the six months ended June 30, 2017 has been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank's website (http://www.zybank.com.cn) on August 29, 2017.

Subsequent Events

The Bank's global offering was completed and the H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange on July 19, 2017.

In addition, the over-allotment option as set out in the Prospectus was fully exercised, which involved an aggregate of 495,000,000 H Shares, and those H Shares were listed on the Main Board of the Hong Kong Stock Exchange on August 15, 2017. For details, please refer to the announcement of the Bank dated August 10, 2017.

Organizational Structure



Review Report to the Board of Directors

Review report to the board of directors of Zhongyuan Bank Co., Ltd.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on page 73 to 154 which comprises the consolidated statement of financial position of Zhongyuan Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as of June 30, 2017, the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institutes of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial report as of June 30, 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting.*

KPMG
Certificated Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

August 29, 2017

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2017 - unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended June 30,	
	Note	**2017**	2016
Interest income		**9,521,325**	8,057,092
Interest expense		**(3,907,683)**	(2,603,398)
Net interest income	4	**5,613,642**	5,453,694
Fee and commission income		**307,027**	186,950
Fee and commission expense		**(30,853)**	(31,205)
Net fee and commission income	5	**276,174**	155,745
Net trading losses	6	**(73,604)**	(159,286)
Net (losses)/gains arising from investment securities	7	**(1,758)**	1,958
Other operating income	8	**61,427**	54,629
Operating income		**5,875,881**	5,506,740
Operating expenses	9	**(2,359,220)**	(2,180,119)
Impairment losses on assets	10	**(1,278,546)**	(1,343,885)
Profit before tax		**2,238,115**	1,982,736
Income tax expense	11	**(490,468)**	(482,051)
Profit for the period		**1,747,647**	1,500,685

The notes on pages 81 to 154 form part of this interim financial report.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2017 - unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended June 30,	
	Note	**2017**	2016
Profit for the period		**1,747,647**	1,500,685
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
– Available-for-sale financial assets: net movement in the fair value reserve	34(a)	**(160,192)**	73,088
Items that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability	34(a)	**243**	—
Other comprehensive income, net of tax		**(159,949)**	73,088
Total comprehensive income		**1,587,698**	1,573,773
Net profit attributable to:			
Equity shareholders of the Bank		**1,718,552**	1,528,397
Non-controlling interests		**29,095**	(27,712)
		1,747,647	1,500,685
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**1,558,603**	1,601,485
Non-controlling interests		**29,095**	(27,712)
		1,587,698	1,573,773
Basic and diluted earnings per share (in RMB)	12	**0.10**	0.09

The notes on pages 81 to 154 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

at June 30, 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	June 30, 2017	December 31, 2016
Assets			
Cash and deposits with central bank	13	**52,448,529**	49,370,893
Deposits with banks and other financial institutions	14	**3,683,153**	12,830,492
Placements with banks and other financial institutions	15	**2,429,249**	8,700,000
Financial assets at fair value through profit or loss	16	**17,990,843**	4,207,070
Financial assets held under resale agreements	17	**1,099,838**	6,573,627
Loans and advances to customers	18	**176,972,789**	158,547,291
Available-for-sale financial assets	19	**97,563,295**	102,258,809
Held-to-maturity investments	20	**20,638,542**	17,851,813
Debt securities classified as receivables	21	**69,465,952**	58,678,326
Property and equipment	23	**4,671,843**	4,785,468
Deferred tax assets	24	**1,825,591**	1,529,574
Goodwill	25	**468,397**	468,397
Other assets	26	**8,752,309**	7,269,679
Total assets		**458,010,330**	433,071,439
Liabilities and equity			
Liabilities			
Borrowing from the central bank		**2,486,412**	4,517,048
Deposits from banks and other financial institutions	27	**47,168,013**	44,954,774
Placements from banks and other financial institutions	28	**795,375**	10,400,000
Financial assets sold under repurchase agreements	29	**27,381,698**	27,580,567
Deposits from customers	30	**279,554,000**	245,352,754
Income tax payable		**718,914**	748,761
Debt securities issued	31	**57,527,558**	57,387,758
Other liabilities	32	**5,293,423**	6,631,138
Total liabilities		**420,925,393**	397,572,800

The notes on pages 81 to 154 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

at June 30, 2017 - unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	June 30, 2017	December 31, 2016
Equity			
Share capital	33	**16,625,000**	16,625,000
Capital reserve	34	**10,114,517**	10,274,466
Surplus reserve	34	**877,063**	877,063
General reserve	34	**5,134,776**	5,134,776
Retained earnings		**3,526,411**	1,807,859
Total equity attributable to equity shareholders of the Bank		**36,277,767**	34,719,164
Non-controlling interests		**807,170**	779,475
Total equity		**37,084,937**	35,498,639
Total liabilities and equity		**458,010,330**	433,071,439

Approved and authorised for issue by the board of directors on August 29, 2017.

Dou Rongxing
Chairman of the Board of Directors
Executive Director

Wang Jiong
President
Executive Director

Zhang Yi
General Manager of the Planning and Finance Department

(Company chop)

The notes on pages 81 to 154 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

for the six months ended June 30, 2017 - unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank							
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
Balance at January 1, 2016	**16,625,000**	**10,919,640**	**542,346**	**2,209,150**	**2,648,920**	**32,945,056**	**472,968**	**33,418,024**
Changes in equity for the period:								
Net profit for the period	—	—	—	—	1,528,397	1,528,397	(27,712)	1,500,685
Other comprehensive income	—	73,088	—	—	—	73,088	—	73,088
Total comprehensive income	**—**	**73,088**	**—**	**—**	**1,528,397**	**1,601,485**	**(27,712)**	**1,573,773**
Capital contribution by non-controlling interests	—	—	—	—	(25,413)	(25,413)	189,317	163,904
Appropriation to general reserve	—	—	—	1,026,337	(1,026,337)	—	—	—
Appropriation to shareholders	—	—	—	—	(914,376)	(914,376)	(3,360)	(917,736)
Balance at June 30, 2016	**16,625,000**	**10,992,728**	**542,346**	**3,235,487**	**2,211,191**	**33,606,752**	**631,213**	**34,237,965**
Balance at June 30, 2016	16,625,000	10,992,728	542,346	3,235,487	2,211,191	33,606,752	631,213	34,237,965
Changes in equity for the period:								
Net profit for the period	—	—	—	—	1,830,674	1,830,674	28,725	1,859,399
Other comprehensive income	—	(721,857)	—	—	—	(721,857)	—	(721,857)
Total comprehensive income	**—**	**(721,857)**	**—**	**—**	**1,830,674**	**1,108,817**	**28,725**	**1,137,542**
Purchase of non-controlling interests	—	3,595	—	—	—	3,595	(53,162)	(49,567)
Capital contribution by non-controlling interests of newly established subsidiary	—	—	—	—	—	—	175,000	175,000
Appropriation to surplus reserve	—	—	334,717	—	(334,717)	—	—	—
Appropriation to general reserve	—	—	—	1,899,289	(1,899,289)	—	—	—
Appropriation to shareholders	—	—	—	—	—	—	(2,301)	(2,301)
Balance at December 31, 2016	**16,625,000**	**10,274,466**	**877,063**	**5,134,776**	**1,807,859**	**34,719,164**	**779,475**	**35,498,639**
Balance at January 1, 2017	**16,625,000**	**10,274,466**	**877,063**	**5,134,776**	**1,807,859**	**34,719,164**	**779,475**	**35,498,639**
Changes in equity for the period:								
Net profit for the period	—	—	—	—	1,718,552	1,718,552	29,095	1,747,647
Other comprehensive income	—	(159,949)	—	—	—	(159,949)	—	(159,949)
Total comprehensive income	**—**	**(159,949)**	**—**	**—**	**1,718,552**	**1,558,603**	**29,095**	**1,587,698**
Appropriation to shareholders	—	—	—	—	—	—	(1,400)	(1,400)
Balance at June 30, 2017	**16,625,000**	**10,114,517**	**877,063**	**5,134,776**	**3,526,411**	**36,277,767**	**807,170**	**37,084,937**

The notes on pages 81 to 154 form part of this interim financial report.

Unaudited Consolidated Cash Flow Statement

for the six months ended June 30, 2017 - unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities		
Profit before tax	**2,238,115**	1,982,736
Adjustments for:		
Impairment losses on assets	**1,278,546**	1,343,885
Depreciation and amortisation	**348,713**	317,541
Depreciation of investment properties	**4,595**	5,549
Unwinding of discount	**(33,970)**	(56,012)
Unrealised foreign exchange losses/(gains)	**878**	(1,969)
Net gains on disposal of property and equipment	**(8,913)**	(2,022)
Net trading losses of financial assets at fair value through profit or loss	**72,726**	161,255
Net losses/(gains) on disposal of investment securities	**1,758**	(1,958)
Interest expense on debt securities issued	**931,211**	176,642
	4,833,659	3,925,647
Changes in operating assets		
Net increase in deposits with central bank	**(3,333,197)**	(9,367,961)
Net (increase)/decrease in deposits and placements with banks and other financial institutions	**(1,340,158)**	550,821
Net increase in financial assets at fair value through profit or loss	**(13,856,499)**	(19,173,506)
Net increase in loans and advances to customers	**(19,540,150)**	(24,060,005)
Net decrease in financial assets held under resale agreements	**—**	2,071,195
Net increase in other operating assets	**(1,468,184)**	(2,456,039)
	(39,538,188)	(52,435,495)

The notes on pages 81 to 154 form part of this interim financial report.

	Six months ended June 30,	
	2017	2016
Changes in operating liabilities		
Net decrease in borrowing from central bank	**(2,030,636)**	(377,239)
Net increase in deposits from banks and other financial institutions	**2,213,239**	15,272,290
Net decrease in placements from banks and other financial institutions	**(9,604,625)**	—
Net (decrease)/increase in financial assets sold under repurchase agreements	**(198,869)**	6,432,065
Net increase in deposits from customers	**34,201,246**	35,687,574
Income tax paid	**(816,332)**	(788,656)
Net decrease in other operating liabilities	**(1,315,813)**	(502,787)
	22,448,210	55,723,247
Net cash flows (used in)/generated from operating activities	**(12,256,319)**	7,213,399
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	**158,020,868**	56,010,839
Proceeds from disposal of property and equipment and other assets	**31,800**	183,413
Payments on acquisition of investments	**(167,194,265)**	(111,568,370)
Payments on acquisition of property and equipment and other assets	**(274,321)**	(323,090)
Net cash flows used in investing activities	**(9,415,918)**	(55,697,208)

The notes on pages 81 to 154 form part of this interim financial report.

Unaudited Consolidated Cash Flow Statement

for the six months ended June 30, 2017 - unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended June 30,	
	Note	**2017**	2016
Cash flows from financing activities			
Capital contribution by non-controlling interests		**—**	163,904
Proceeds received from debt securities issued		**51,378,589**	47,954,925
Repayment of debt securities issued		**(52,170,000)**	(20,680,000)
Dividends paid		**(23,059)**	(260,167)
Net cash flows (used in)/generated from financing activities		**(814,470)**	27,178,662
Effect of foreign exchange rate changes on cash and cash equivalents		**(891)**	—
Net decrease in cash and cash equivalents	36(a)	**(22,487,598)**	(21,305,147)
Cash and cash equivalents as of January 1		**43,741,320**	40,807,410
Cash and cash equivalents as of June 30	36(b)	**21,253,722**	19,502,263
Interest received		**9,396,159**	7,601,084
Interest paid		**(2,732,749)**	(2,437,264)

The notes on pages 81 to 154 form part of this interim financial report.

1 Background Information

The Bank was established in Zhengzhou, Henan Province, the People's Republic of China (the "PRC") on December 23, 2014 with the approval of China Banking Regulatory Commission (the "CBRC"). Prior to its establishment, the banking business was carried out by thirteen city commercial banks (the "Predecessor Entities"), each being located in Henan Province.

Pursuant to the reorganization initiated by the People's Government of Henan Province (the "Henan Government"), the Bank was established through the merger and reorganization of the Predecessor Entities (the "Reorganization").

The Bank obtained its financial institution license No. B0615H241010001 from the CBRC, and obtained its business license No. 410000100034311 from the State Administration for Industry and Commerce of the PRC. The Bank is regulated by the CBRC authorized by the State Council. In July 2017, the Bank's H-shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 1216).

As of June 30, 2017, the Bank has one head office and 17 branches across Henan Province, 9 subsidiaries which are county banks and 1 subsidiary which is consumer finance company. The principle activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the CBRC.

2 Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

2 Basis of preparation (Continued)

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

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institution of Certified Public Accountants.

The financial information relating to the financial year ended December 31, 2016 that is included in the interim financial report as comparative information does not constitute the Bank's statutory annual financial statements for that financial year but is derived from those financial statements.

3 Changes in accounting polices

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

4 Net interest income

	Six months ended June 30,	
	2017	2016
Interest income arising from		
Deposits with central bank	**295,511**	263,907
Deposits with banks and other financial institutions	**75,529**	47,430
Placements with banks and other financial institutions	**54,686**	25,353
Loans and advances to customers		
– Corporate loans and advances	**3,550,033**	3,670,823
– Personal loans and advances	**1,474,862**	1,103,404
– Discounted bills	**133,173**	233,201
Financial assets held under resale agreements	**62,872**	109,977
Investments	**3,874,659**	2,602,997
Sub-total	**9,521,325**	8,057,092
Interest expense arising from		
Borrowing from the central bank	**(33,970)**	(21,573)
Deposits and placements from banks and other financial institutions	**(775,367)**	(540,043)
Placements from banks and other financial institutions	**(23,812)**	—
Deposits from customers	**(1,805,687)**	(1,698,648)
Financial assets sold under repurchase agreements	**(337,636)**	(166,492)
Debt securities issued	**(931,211)**	(176,642)
Sub-total	**(3,907,683)**	(2,603,398)
Net interest income	**5,613,642**	5,453,694

Total interest income arising from financial assets that are not at fair value through profit or loss for the period ended June 30, 2017 amounted to RMB 9,379.37 million (six months ended June 30, 2016: RMB 7,629.09 million).

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the period ended June 30, 2017 amounted to RMB 3,907.68 million (six months ended June 30, 2016: RMB 2,603.40 million).

Interest income arising from impaired financial assets for the period ended June 30, 2017 amounted to RMB 33.97 million (six months ended June 30, 2016: RMB 56.01 million).

5 Net fee and commission income

	Six months ended June 30,	
	2017	2016
Fee and commission income		
Wealth management business fees	**81,871**	63,232
Advisory and consulting fees	**60,095**	2,414
Settlement and clearing services fees	**39,141**	31,808
Agency services fees	**50,465**	39,315
Acceptance and guarantee services fees	**28,323**	30,675
Bank card services fees	**19,186**	17,724
Custodial services fees	**27,946**	1,782
Sub-total	**307,027**	186,950
Fee and commission expense	**(30,853)**	(31,205)
Net fee and commission income	**276,174**	155,745

6 Net trading losses

		Six months ended June 30,	
	Note	**2017**	2016
Net losses from debt securities	(a)	**(72,726)**	(161,255)
Net foreign exchange (losses)/gains	(b)	**(878)**	1,969
Total		**(73,604)**	(159,286)

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

(b) Net foreign exchange losses/(gains) mainly included gains from translation of foreign currency monetary assets and liabilities into Renminbi.

7 Net (losses)/gains arising from investment securities

	Six months ended June 30,	
	2017	2016
Net (losses)/gains on disposal of available-for-sale financial assets	**(1,758)**	1,958

8 Other operating income

	Six months ended June 30,	
	2017	2016
Government grants	**35,104**	34,016
Rental income	**12,559**	12,760
Net gains on disposal of property and equipment	**8,913**	2,022
Others	**4,851**	5,831
Total	**61,427**	54,629

9 Operating expenses

	Six months ended June 30,	
	2017	2016
Staff costs		
– Salaries, bonuses and allowance	**895,204**	822,020
– Social insurance and annuity	**147,612**	123,428
– Staff welfare	**91,748**	62,380
– Housing allowance	**58,474**	46,378
– Employee education expenses and labor union expenses	**38,583**	35,726
– Others	**26,365**	16,789
Sub-total	**1,257,986**	1,106,721
Depreciation and amortisation	**348,713**	317,541
Office expenses	**399,535**	331,405
Rental and property management expenses	**130,088**	94,476
Tax and surcharges	**50,411**	222,700
Other general and administrative expenses	**172,487**	107,276
Total	**2,359,220**	2,180,119

10 Impairment losses on assets

	Six months ended June 30,	
	2017	2016
Loans and advances to customers	**1,088,218**	1,113,598
Debt securities classified as receivables	**132,604**	118,404
Others	**57,724**	111,883
Total	**1,278,546**	1,343,885

11 Income tax

(a) Income tax for the period:

		Six months ended June 30,	
	Note	**2017**	2016
Current tax		**733,087**	683,323
Deferred tax	24	**(242,619)**	(201,272)
Total		**490,468**	482,051

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

		Six months ended June 30,	
	Note	**2017**	2016
Profit before tax		**2,238,115**	1,982,736
Statutory tax rate		**25%**	25%
Income tax calculated at statutory tax rate		**559,529**	495,684
Non-deductible expenses			
– Staff welfare expenses		**4,820**	4,645
– Others		**201**	968
Non-taxable income	(1)	**(72,089)**	(39,844)
Changes in deductible temporary differences or deductible losses for which no deferred tax assets was recognized		**(873)**	20,598
Others		**(1,120)**	—
Income tax		**490,468**	482,051

(1) The non-taxable income mainly represents the interest income from the PRC government bonds and local government bonds.

12 Basic and diluted earnings per share

	Note	Six months ended June 30, 2017	2016
Net profit attributable to equity shareholders of the Bank		**1,718,552**	1,528,397
Weighted average number of ordinary shares (in thousands)	(a)	**16,625,000**	16,625,000
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		**0.10**	0.09

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

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

	Six months ended June 30, 2017	2016
Number of ordinary shares as of 1 January	**16,625,000**	16,625,000
Increase in weighted average number of ordinary shares	**—**	—
Weighted average number of ordinary shares	**16,625,000**	16,625,000

13 Cash and deposits with central bank

	Note	June 30, 2017	December 31, 2016
Cash on hand		**1,376,532**	1,292,479
Deposits with central bank			
– Statutory deposit reserves	(a)	**35,449,663**	32,029,080
– Surplus deposit reserves	(b)	**15,055,108**	15,394,722
– Fiscal deposits		**567,226**	654,612
Sub-total		**51,071,997**	48,078,414
Total		**52,448,529**	49,370,893

13 Cash and deposits with central bank (Continued)

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

	June 30, 2017	December 31, 2016
Reserve ratio for RMB deposits	**13.50%**	13.50%
Reserve ratio for foreign currency deposits	**5%**	5%

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

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

14 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	June 30, 2017	December 31, 2016
Deposits in mainland China		
– Banks	**3,448,916**	12,666,112
– Other financial institutions	**193,273**	107,910
Sub-total	**3,642,189**	12,774,022
Deposits outside mainland China		
– Banks	**40,964**	56,470
Total	**3,683,153**	12,830,492

15 Placements with banks and other financial institutions

	June 30, 2017	December 31, 2016
Placements in mainland China		
– Banks	**340,662**	7,414,703
– Other financial institutions	**2,107,380**	1,304,958
Total	**2,448,042**	8,719,661
Less: Provision for impairment losses	**(18,793)**	(19,661)
Net carrying amount	**2,429,249**	8,700,000

16 Financial assets at fair value through profit or loss

	Note	June 30, 2017	December 31, 2016
Debt securities held for trading purpose			
– Government		**395,086**	49,551
– Policy banks		**2,210,864**	1,652,447
– Banks and other financial institutions		**14,984,939**	49,990
– Corporate		**399,954**	2,455,082
Total		**17,990,843**	4,207,070
– Listed		**419,087**	260,148
– Unlisted		**17,571,756**	3,946,922
Total	(a)	**17,990,843**	4,207,070

(a) As of the end of the Reporting Period, certain financial assets at fair value through profit or loss was pledged for repurchase agreements (Note 40(f)). No other investments were subject to material restrictions on the realization.

17 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	June 30, 2017	December 31, 2016
In mainland China		
– Banks	**541,568**	6,073,627
– Other financial institutions	**558,270**	500,000
Total	**1,099,838**	6,573,627

(b) Analysed by type of collateral held

	June 30, 2017	December 31, 2016
Debt securities	**558,270**	6,573,627
Discounted bills	**541,568**	—
Total	**1,099,838**	6,573,627

18 Loans and advances to customers

(a) Analysed by nature

	June 30, 2017	December 31, 2016
Corporate loans and advances	**119,728,882**	110,633,078
Personal loans and advances		
– Personal business loans	**22,027,979**	19,460,542
– Residential mortgage	**27,108,171**	18,878,284
– Personal consumption loans	**10,617,671**	6,127,169
– Others	**185,329**	193,792
Sub-total	**59,939,150**	44,659,787
Discounted bills	**4,567,974**	9,595,672
Gross loans and advances to customers	**184,236,006**	164,888,537
Less: Provision for impairment losses		
– Individually assessed	**(1,612,255)**	(1,400,604)
– Collectively assessed	**(5,650,962)**	(4,940,642)
Total provision for impairment losses	**(7,263,217)**	(6,341,246)
Net loans and advances to customers	**176,972,789**	158,547,291

18 Loans and advances to customers (Continued)

(b) Analysed by economic sector

	June 30, 2017		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	33,383,736	18.12%	8,839,689
Wholesale and retail	21,124,058	11.47%	9,676,849
Leasing and Commercial service	11,340,443	6.16%	4,423,803
Construction	11,138,496	6.05%	4,687,741
Real estate	10,932,297	5.93%	8,644,312
Water, environment and public facility management	6,224,819	3.38%	2,291,119
Agriculture, forestry, animal husbandry and fishery	5,367,856	2.91%	1,497,361
Production and supply of electric and heating power, gas and water	3,882,700	2.11%	1,006,860
Education	3,192,860	1.73%	1,579,964
Accommodation and catering	3,057,399	1.66%	1,797,355
Mining	3,043,278	1.65%	368,870
Transportation, storage and postal service	2,431,784	1.32%	818,917
Others	4,609,156	2.50%	1,501,620
Sub-total of corporate loans and advances	119,728,882	64.99%	47,134,460
Personal loans and advances	59,939,150	32.53%	48,933,551
Discounted bills	4,567,974	2.48%	2,108,420
Gross loans and advances to customers	184,236,006	100.00%	98,176,431

18 Loans and advances to customers (Continued)

(b) Analysed by economic sector (Continued)

	December 31, 2016		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	33,818,433	20.51%	9,307,325
Wholesale and retail	21,435,247	13.00%	10,848,261
Construction	9,998,497	6.06%	3,920,949
Real estate	9,586,305	5.81%	8,913,988
Renting and business activities	5,483,633	3.33%	1,782,641
Agriculture, forestry, animal husbandry and fishery	5,461,284	3.31%	1,594,573
Water, environment and public facility management	4,933,050	2.99%	1,586,636
Transportation, storage and postal services	3,423,987	2.08%	1,596,005
Mining	3,121,696	1.89%	327,788
Production and supply of electric and heating power, gas and water	2,991,664	1.81%	467,920
Education	2,721,614	1.65%	1,197,314
Accommodation and catering	2,541,138	1.54%	1,664,191
Others	5,116,530	3.11%	1,336,967
Sub-total of corporate loans and advances	110,633,078	67.09%	44,544,558
Personal loans and advances	44,659,787	27.09%	35,162,671
Discounted bills	9,595,672	5.82%	9,394,370
Gross loans and advances to customers	164,888,537	100.00%	89,101,599

18 Loans and advances to customers (Continued)

(b) Analysed by economic sector (Continued)

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

	June 30, 2017				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	**1,127,304**	**(778,946)**	**(1,175,057)**	**(236,624)**	**73,780**
Wholesale and retail trade	**568,631**	**(389,972)**	**(669,307)**	**(166,973)**	**24,260**

	December 31, 2016				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	995,681	(717,183)	(1,054,489)	(602,109)	586,210
Wholesale and retail trade	440,456	(327,976)	(595,008)	(322,452)	100,231

(c) Analysed by type of collateral

	June 30, 2017	December 31, 2016
Unsecured loans	**8,737,535**	6,671,356
Guaranteed loans	**77,322,040**	69,115,582
Collateralised	**80,360,376**	63,991,525
Pledged	**17,816,055**	25,110,074
Gross loans and advances to customers	**184,236,006**	164,888,537
Less: Provision for impairment losses		
– Individually assessed	**(1,612,255)**	(1,400,604)
– Collectively assessed	**(5,650,962)**	(4,940,642)
Total provision for impairment losses	**(7,263,217)**	(6,341,246)
Net loans and advances to customers	**176,972,789**	158,547,291

18 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period

	June 30, 2017				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	3,360	1,394	50,178	2,958	57,890
Guaranteed loans	1,538,200	2,154,854	1,069,395	65,179	4,827,628
Collateralised	940,618	2,051,900	1,048,049	20,746	4,061,313
Pledged	15,192	38,935	742,282	—	796,409
Total	2,497,370	4,247,083	2,909,904	88,883	9,743,240
As a percentage of gross loans and advances to customers	1.35%	2.31%	1.58%	0.05%	5.29%

	December 31, 2016				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,656	1,784	50,691	3,196	57,327
Guaranteed loans	2,129,981	869,279	929,117	38,992	3,967,369
Collateralised	1,871,516	789,552	631,821	47,596	3,340,485
Pledged	16,825	44,296	701,350	—	762,471
Total	4,019,978	1,704,911	2,312,979	89,784	8,127,652
As a percentage of gross loans and advances to customers	2.44%	1.03%	1.40%	0.05%	4.92%

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

18 Loans and advances to customers (Continued)

(e) Loans and advances and provision for impairment losses

	June 30, 2017				
	Loans and advances for which loans and provision are collectively assessed	Impaired loans and advances		Total	Gross impaired loans and advances as a percentage of gross loans and advances
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	180,834,387	1,008,125	2,393,494	184,236,006	1.85%
Less: Provision for impairment losses	(4,851,293)	(799,669)	(1,612,255)	(7,263,217)	
Net loans and advances to customers	175,983,094	208,456	781,239	176,972,789	

	December 31, 2016				
	Loans and advances for which loans and provision are collectively assessed	Impaired loans and advances		Total	Gross impaired loans and advances as a percentage of gross loans and advances
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	161,826,397	1,090,763	1,971,377	164,888,537	1.86%
Less: Provision for impairment losses	(4,106,671)	(833,971)	(1,400,604)	(6,341,246)	
Net loans and advances to customers	157,719,726	256,792	570,773	158,547,291	

18 Loans and advances to customers (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

Notes:

(i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.

(ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:

- Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
- Collectively, representing portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

(iii) As of December 31, 2016 and June 30, 2017, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB 1,971.38 million and RMB 2,393.49 million, respectively. The covered portion of these loans and advances were RMB 891.22 million and RMB 841.78 million, respectively. The uncovered portion of these loans and advances were RMB 1,080.16 million and RMB 1,551.71 million, respectively. The fair value of collateral held against these loans and advances amounted to RMB 302.52 million and RMB 331.08 million, respectively. As of December 31, 2016 and June 30, 2017, the individual impairment allowances made for these loans and advances were RMB 1,400.60 million and RMB 1,612.26 million, respectively.

(f) Movements of provision for impairment losses

	Six months ended June 30, 2017			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		Total
		which are collectively assessed	which are individually assessed	
As of January 1	4,106,671	833,971	1,400,604	6,341,246
Charge for the period	744,622	12,962	490,908	1,248,492
Release for the period	—	—	(160,274)	(160,274)
Recoveries	—	2,729	43,022	45,751
Write-offs	—	(49,993)	(128,035)	(178,028)
Unwinding of discount	—	—	(33,970)	(33,970)
As of June 30	4,851,293	799,669	1,612,255	7,263,217

18 Loans and advances to customers (Continued)

(f) Movements of provision for impairment losses (Continued)

	Year ended December 31, 2016			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		Total
		which are collectively assessed	which are individually assessed	
As of January 1	3,880,276	406,725	1,436,409	5,723,410
Charge for the year	1,138,442	474,791	623,176	2,236,409
Release for the year	(195,653)	—	(46,129)	(241,782)
Transfer out	(716,394)	—	—	(716,394)
Recoveries	—	2,057	234,412	236,469
Write-offs	—	(49,602)	(763,517)	(813,119)
Unwinding of discount	—	—	(83,747)	(83,747)
As of December 31	4,106,671	833,971	1,400,604	6,341,246

(g) Disposal of loans and advances to customers

In 2016, the Group disposed certain loans having credit enhancement support from the Henan Government as part of the Reorganization with gross amount of RMB 8,623.80 million to asset management companies and institutional investors at a consideration of RMB 8,270.01 million. As of June 30, 2017, the Group has received cash of RMB 6,593.65 million, and the remaining consideration was recorded as other assets after discounting based on the repayment schedule.

19 Available-for-sale financial assets

	Note	June 30, 2017	December 31, 2016
Equity investment at cost			
– Unlisted	19(a)	**23,896**	23,896
Debt securities at fair value			
– Government		**8,275,310**	8,528,073
– Policy banks		**12,387,692**	11,768,748
– Banks and other financial institutions		**9,189,018**	25,004,081
– Corporate		**7,013,826**	6,480,321
Sub-total		**36,865,846**	51,781,223
– Listed		**8,711,658**	9,002,475
– Unlisted		**28,154,188**	42,778,748
Sub-total		**36,865,846**	51,781,223
Investment management products managed by securities companies and trust plans			
– Unlisted		**9,926,955**	9,389,752
Wealth management products issued by financial institutions			
– Unlisted		**43,453,100**	34,287,700
Investment fund managed by private fund manager			
– Unlisted	19(b)	**5,458,081**	5,522,250
Investment portfolio managed by financial institutions			
– Unlisted	19(c)	**1,835,417**	1,253,988
Total		**97,563,295**	102,258,809

(a) Available-for-sale unlisted equity investments which do not have any quoted price in an active market for an identical instrument and whose fair values cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment.

(b) The underlying assets of investment fund managed by private fund manager are the beneficial rights of certain loans. The principal of the investment fund is guaranteed by an asset management company in the PRC.

(c) Investment portfolio managed by financial institutions represented investments in funds, bonds, trust schemes, and wealth management products.

(d) As of the end of the Reporting Period, certain available-for-sale financial assets were pledged for repurchase agreements (Note 40(f)). No other investments were subject to material restrictions on the realization.

20 Held-to-maturity investments

	Note	**June 30, 2017**	December 31, 2016
Debt Securities issued by the following institutions in mainland China			
– Government		**11,772,452**	11,308,683
– Policy banks		**6,394,728**	6,443,130
– Banks and other financial institutions		**2,471,362**	100,000
Total	20(a)	**20,638,542**	17,851,813
– Listed		**11,402,473**	10,938,704
– Unlisted		**9,236,069**	6,913,109
Total	20(a)	**20,638,542**	17,851,813
Fair value		**20,166,346**	17,833,300

(a) As of the end of the Reporting Period, certain held-to-maturity investments were pledged as security for repurchase agreements (Note 40(f)).

(b) The Group did not dispose of material held-to-maturity debt investments prior to their maturity dates during the Reporting Period.

21 Debt securities classified as receivables

	June 30, 2017	December 31, 2016
Investment management products managed by securities companies and trust plans	**54,319,568**	53,963,887
Investment management products managed by private fund manager	**15,938,050**	5,373,500
Sub-total	**70,257,618**	59,337,387
Less: Provision for impairment losses	**(791,666)**	(659,061)
Net carrying amount	**69,465,952**	58,678,326

22 Investment in subsidiaries

The Group's subsidiaries as of the end of the Reporting Period are as follows:

	Note	June 30, 2017	December 31, 2016
Xiping Fortune County Bank Co., Ltd. ("西平財富村鎮銀行股份有限公司")	(a)	**176,686**	176,686
Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. ("信陽平橋中原村鎮銀行股份有限公司")	(b)	**38,341**	38,341
Qixian Zhongyuan County Bank Co., Ltd. ("淇縣中原村鎮銀行股份有限公司")	(c)	**41,531**	41,531
Henan Xinxiang Xinxing County Bank Co., Ltd. ("河南新鄉新興村鎮銀行股份有限公司")	(d)	**58,806**	58,806
Linzhou Defeng County Bank Co., Ltd. ("林州德豐村鎮銀行股份有限公司")	(e)	**29,771**	29,771
Puyang Zhongyuan County Bank Co., Ltd. ("濮陽中原村鎮銀行股份有限公司")	(f)	**30,736**	30,736
Lushi Defeng County Bank Co., Ltd. ("盧氏德豐村鎮銀行股份有限公司")	(g)	**32,497**	32,497
Xiangcheng Huipu County Bank Co., Ltd. ("襄城匯浦村鎮銀行股份有限公司")	(h)	**28,250**	28,250
Suiping Hengsheng County Bank Co., Ltd. ("遂平恆生村鎮銀行股份有限公司")	(i)	**27,120**	27,120
Henan Zhongyuan Consumer Finance Corp., Ltd. ("河南中原消費金融股份有限公司")	(j)	**325,000**	325,000
Total		**788,738**	788,738

Notes:

(a) Xiping Fortune County Bank Co., Ltd. ("Xiping Fortune") was incorporated on December 17, 2009 at Zhumadian, Henan Province, with registered capital of RMB 208.52 million. The principal activities of Xiping Fortune are the provision of corporate and retail banking services. The Bank holds 43.69% of equity interest and voting rights of Xiping Fortune in the year 2016 and for the six months in 2017. According to the acting in concert arrangement between the Bank and certain other shareholders with 32.99% equity interest of Xiping Fortune in 2016, Xiping Fortune was deemed to be controlled by the Bank and was a subsidiary of the Bank during the reporting period.

(b) Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. ("Xinyang Pingqiao", formerly known as Xinyang Pingqiao Hengfeng County Bank Co., Ltd.) was incorporated on December 13, 2010 at Xinyang, Henan Province, with registered capital of RMB 69.60 million. The principal activities of Xinyang Pingqiao are the provision of corporate and retail banking services. Xinyang Pingqiao is the subsidiary of the Bank. The Bank holds 51.72% of equity interest and voting rights of Xinyang Pingqiao.

22 Investment in subsidiaries (Continued)

Notes: (Continued)

(c) Qixian Zhongyuan County Bank Co., Ltd. ("Qixian Zhongyuan", formerly known as Qixian Heyin County Bank Co., Ltd.) was incorporated on December 23, 2010 at Hebi, Henan Province, with registered capital of RMB 50.00 million. The principal activities of Qixian Zhongyuan are the provision of corporate and retail banking services. Qixian Zhongyuan is the subsidiary of the Bank. The Bank holds 51% of equity interest and voting rights of Qixian Zhongyuan.

(d) Henan Xinxiang Xinxing County Bank Co., Ltd. ("Xinxiang Xinxing") was incorporated on March 23, 2010 at Xinxiang, Henan Province, with registered capital of RMB 130.00 million. The principal activities of Xinxiang Xinxing are the provision of corporate and retail banking services. The Bank holds 31.54% of equity interest of Xinxiang Xinxing. According to the acting in concert arrangement between the Bank and certain other shareholders with 21.92% equity interest of Xinxiang Xinxing, Xinxiang Xinxing was deemed to be controlled by the Bank and was a subsidiary of the Bank during the Reporting Period.

(e) Linzhou Defeng County Bank Co., Ltd. ("Linzhou Defeng") was incorporated on September 30, 2011 at Linzhou, Henan Province, with registered capital of RMB 50.00 million. The principal activities of Linzhou Defeng are the provision of corporate and retail banking services. Linzhou Defeng is the subsidiary of the Bank. The Bank holds 51% of equity interest and voting rights of Linzhou Defeng.

(f) Puyang Zhongyuan County Bank Co., Ltd. ("Puyang Zhongyuan", formerly known as Puyang Heyin County Bank Co., Ltd.) was incorporated on March 16, 2012 at Puyang, Henan Province, with registered capital of RMB 58.75 million. The principal activities of Puyang Zhongyuan are the provision of corporate and retail banking services. Puyang Zhongyuan is the subsidiary of the Bank. The Bank holds 51% of equity interest and voting rights of Puyang Zhongyuan.

(g) Lushi Defeng County Bank Co., Ltd. ("Lushi Defeng") was incorporated on May 15, 2012 at Sanmenxia, Henan Province, with registered capital of RMB 60.00 million. The principal activities of Lushi Defeng are the provision of corporate and retail banking services. Lushi Defeng is the subsidiary of the Bank. The Bank holds 51% of equity interest of Lushi Defeng.

(h) Xiangcheng Huipu County Bank Co., Ltd. ("Xiangcheng Huipu") was incorporated on October 27, 2011 at Xuchang, Henan Province, with registered capital of RMB 61.00 million. The principal activities of Xiangcheng Huipu are the provision of corporate and retail banking services. The Bank holds 41% of equity interest of Xiangcheng Huipu in the year 2016 and for the six months in 2017. According to the acting in concert arrangement between the Bank and certain other shareholders with 10% equity interest of Xiangcheng Huipu, Xiangcheng Huipu was deemed to be controlled by the Bank and became a subsidiary of the Bank since the year 2015.

(i) Suiping Hengsheng County Bank Co., Ltd. ("Suiping Hengsheng") was incorporated on March 12, 2012 at Zhumadian, Henan Province, with registered capital of RMB 50.00 million. The principal activities of Suiping Hengsheng are the provision of corporate and retail banking services. The Bank holds 45% of equity interest of Suiping Hengsheng in the 2016 and for six months in 2017. According to the acting in concert arrangement between the Bank and certain other shareholders with 33% equity interest of Suiping Hengsheng, Suiping Hengsheng was deemed to be controlled by the Bank and became a subsidiary of the Bank since the year 2015.

(j) Henan Zhongyuan Consumer finance Corp., Ltd. ("Consumer Finance") was incorporated on December 29, 2016 at Zhengzhou, Henan Province, with registered capital of RMB 500.00 million. The principal activities of Consumer Finance is the provision loans for consumption. The Bank holds 65% of equity interest and voting rights of Consumer Finance.

23 Property and equipment

	Premises	Investment properties	Electronic equipments	Motor vehicles	Office equipment &others	Construction in progress	Total
Cost							
As of January 1, 2016	5,173,954	164,314	760,353	59,207	381,509	436,787	6,976,124
Additions	297,622	—	205,359	617	63,714	63,180	630,492
Disposals	(121,774)	(5,821)	(29,302)	(27,137)	(81,790)	—	(265,824)
Transfers out of construction in progress	—	—	—	—	—	(49,170)	(49,170)
As of December 31, 2016	5,349,802	158,493	936,410	32,687	363,433	450,797	7,291,622
Additions	21,790	—	66,160	386	21,755	44,658	154,749
Disposals	(10,114)	(15,967)	(10,347)	(1,527)	(1,567)	—	(39,522)
Transfers out of construction in progress	—	—	—	—	—	(895)	(895)
As of June 30, 2017	5,361,478	142,526	992,223	31,546	383,621	494,560	7,405,954
Accumulated depreciation							
As of 1 January 2016	(1,249,234)	(59,814)	(535,600)	(46,707)	(186,716)	—	(2,078,071)
Additions	(309,280)	(11,092)	(127,250)	(2,458)	(30,787)	—	(480,867)
Disposals	12,120	2,129	23,700	21,941	6,148	—	66,038
As of December 31, 2016	(1,546,394)	(68,777)	(639,150)	(27,224)	(211,355)	—	(2,492,900)
Additions	(151,165)	(4,595)	(70,350)	(1,164)	(18,117)	—	(245,391)
Disposals	5,782	7,678	2,391	1,347	235	—	17,433
As of June 30, 2017	(1,691,777)	(65,694)	(707,109)	(27,041)	(229,237)	—	(2,720,858)
Impairment							
As of 1 January 2016	(29,771)	—	(2,505)	(1,043)	(2,917)	—	(36,236)
Disposals	21,295	—	42	760	885	—	22,982
As of December 31, 2016	(8,476)	—	(2,463)	(283)	(2,032)	—	(13,254)
Disposals	—	—	—	1	—	—	1
As of June 30, 2017	(8,476)	—	(2,463)	(282)	(2,032)	—	(13,253)
Net book value							
As of December 31, 2016	3,794,932	89,716	294,797	5,180	150,046	450,797	4,785,468
As of June 30, 2017	3,661,225	76,832	282,651	4,223	152,352	494,560	4,671,843

23 Property and equipment (Continued)

The carrying amount of the premises with incomplete title deeds as of June 30, 2017 was RMB 1,133.82 million (December 31, 2016: RMB 1,745.61 million). The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant cost in obtaining the title deeds.

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

	June 30, 2017	December 31, 2016
Held in mainland China		
– Long-term leases (over 50 years)	**581,280**	834,007
– Medium-term leases (10 - 50 years)	**3,029,051**	2,896,180
– Short-term leases (less than 10 years)	**50,894**	64,745
Total	**3,661,225**	3,794,932

The net book value of investment properties at the end of the Reporting Period are analyzed by the remaining terms of the leases as follows:

	June 30, 2017	December 31, 2016
Held in mainland China		
– Medium-term leases (10 - 50 years)	**76,832**	89,716

24 Deferred tax assets

(a) Analysed by nature

	June 30, 2017		December 31, 2016	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	**6,997,432**	**1,749,358**	6,028,684	1,507,171
Accrued staff costs	**864,576**	**216,144**	1,035,244	258,811
Supplemental retirement benefits	**133,660**	**33,415**	148,544	37,136
Fair value changes in financial instruments	**1,089,664**	**272,416**	833,160	208,290
Deferred income	**234,932**	**58,733**	220,280	55,070
Assets appraisal and related depreciation	**(2,140,608)**	**(535,152)**	(2,228,136)	(557,034)
Others	**122,708**	**30,677**	80,520	20,130
Net balances	**7,302,364**	**1,825,591**	6,118,296	1,529,574

(b) Movement of the deferred tax

	Allowance for impairment losses	Staff cost payable	Supplemental retirement benefits	Change in fair value	Deferred income	Assets appraisal and related depreciation	Others	Net balance of deferred tax assets
December 31, 2015	1,351,593	229,743	43,714	(42,468)	56,767	(622,058)	10,830	1,028,121
Recognized in profit or loss	155,578	29,068	(6,578)	34,320	(1,697)	65,024	9,300	285,015
Recognized in other comprehensive income	—	—	—	216,438	—	—	—	216,438
December 31, 2016	1,507,171	258,811	37,136	208,290	55,070	(557,034)	20,130	1,529,574
Recognized in profit or loss	242,187	(42,667)	(3,721)	10,728	3,663	21,882	10,547	242,619
Recognized in other comprehensive income	—	—	—	53,398	—	—	—	53,398
June 30, 2017	1,749,358	216,144	33,415	272,416	58,733	(535,152)	30,677	1,825,591

25 Goodwill

	Goodwill
Cost:	
At December 31, 2016 and June 30, 2017	**468,397**
Accumulated impairment losses:	
At December 31, 2016 and June 30, 2017	**—**
Carrying amount:	
At December 31, 2016 and June 30, 2017	**468,397**

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to three individual cash generating units (CGUs), including corporate banking, retail banking and financial markets business. The carrying amounts of goodwill at the end of the Reporting Period allocated to these units are as follows:

	June 30, 2017	December 31, 2016
Corporate banking	**309,219**	309,219
Retail banking	**97,029**	97,029
Financial markets business	**62,149**	62,149
Total	**468,397**	468,397

The recoverable amounts of corporate banking unit, retail banking unit and financial markets business unit have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 13.00% and 12.20% as of December 31, 2016 and June 30, 2017 respectively. Cash flows beyond five-year period are extrapolated using an estimated weighted average growth rate of 3%, which is consistent with the forecasts included in industry reports. The cash flows are discounted using a discount rate which is used are pre-tax and reflect specific risks relating to the CGUs.

At the end of the Reporting Period, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of these CGUs to exceed its recoverable amount.

26 Other assets

	Note	June 30, 2017	December 31, 2016
Interests receivable	26(a)	**2,688,360**	2,514,570
Receivables from disposal of loans	18(g)	**1,481,523**	1,595,120
Intangible assets	26(b)	**1,224,666**	1,235,603
Repossessed assets		**927,899**	758,214
Leasehold improvements		**451,520**	467,662
Other receivables		**1,978,341**	698,510
Total		**8,752,309**	7,269,679

(a) Interests receivable

	June 30, 2017	December 31, 2016
Interests receivable arising from:		
– Investments	**1,727,959**	1,751,362
– Loans and advances to customers	**909,099**	693,721
– Others	**51,302**	69,487
Total	**2,688,360**	2,514,570

26 Other assets (Continued)

(b) Intangible assets

	June 30, 2017	December 31, 2016
Cost		
As of 1 January	**1,568,889**	966,909
Additions	**34,853**	692,611
Disposals	**(2,292)**	(90,631)
As of 30 June/December 31	**1,601,450**	1,568,889
Accumulated amortisation		
As of 1 January	**(322,771)**	(249,885)
Additions	**(45,887)**	(84,041)
Disposals	**2,281**	11,155
As of 30 June/December 31	**(366,377)**	(322,771)
Impairment		
As of 1 January	**(10,515)**	(10,515)
Disposals	**108**	—
As of 30 June/December 31	**(10,407)**	(10,515)
Net book value		
As of 1 January	**1,235,603**	706,509
As of 30 June/December 31	**1,224,666**	1,235,603

27 Deposits from banks and other financial institutions

Analyzed by type of counterparty

	June 30, 2017	December 31, 2016
In mainland China		
– Banks	**20,830,151**	36,401,414
– Other financial institutions	**26,337,862**	8,553,360
Total	**47,168,013**	44,954,774

28 Placements from banks and other financial institutions

Analyzed by type of counterparty

	June 30, 2017	December 31, 2016
In mainland China		
– Banks	**795,375**	10,400,000

29 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	June 30, 2017	December 31, 2016
In mainland China		
– Banks	**24,797,426**	26,207,364
– Other financial institutions	**2,584,272**	1,373,203
Total	**27,381,698**	27,580,567

29 Financial assets sold under repurchase agreements (Continued)

(b) Analysed by type of collateral held

	June 30, 2017	December 31, 2016
Debt securities	**27,381,698**	26,757,633
Discounted bills	**—**	822,934
Total	**27,381,698**	27,580,567

30 Deposits from customers

	June 30, 2017	December 31, 2016
Demand deposits		
– Corporate deposits	**107,055,734**	87,606,551
– Personal deposits	**38,538,686**	31,941,420
Sub-total	**145,594,420**	119,547,971
Time deposits		
– Corporate deposits	**30,379,630**	29,034,685
– Personal deposits	**74,769,154**	71,549,624
Sub-total	**105,148,784**	100,584,309
Pledged deposits		
– Acceptances	**20,167,480**	19,988,120
– Letters of credit and guarantees	**7,165,970**	4,396,834
– Others	**979,063**	463,984
Sub-total	**28,312,513**	24,848,938
Inward and outward remittances	**498,283**	371,536
Total	**279,554,000**	245,352,754

31 Debt securities issued

	Note	June 30, 2017	December 31, 2016
Interbank deposits issued	(a)	**57,527,558**	57,387,758

(a) For the six months ended June 30, 2017, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB 52,500.00 million and duration between 1-12 months. The coupon rates ranged from 4.3% to 5.3% per annum.

In 2016, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB 147,670.00 million and duration between 3-12 months. The coupon rates ranged from 2.5% to 5.3% per annum.

As of June 30, 2017, the fair value of interbank deposits issued was RMB 57,519.73 million (December 31, 2016: RMB 57,244.37 million).

32 Other liabilities

	Note	June 30, 2017	December 31, 2016
Interest payable	32(a)	**2,650,163**	2,406,441
Payment and collection clearance accounts		**688,228**	1,759,577
Accrued staff costs	32(b)	**1,128,981**	1,601,688
Other tax payable		**239,151**	112,420
Dividend payable		**207,356**	229,015
Litigations and disputes provision		**25,966**	25,966
Other payable		**353,578**	496,031
Total		**5,293,423**	6,631,138

(a) Interest payable

	June 30, 2017	December 31, 2016
Interest payable arising from:		
– Deposits from customers	**2,311,043**	2,229,126
– Deposits and placements from banks and other financial institutions	**332,085**	154,399
– Repurchase agreements	**5,621**	22,132
–Others	**1,414**	784
Total	**2,650,163**	2,406,441

32 Other liabilities (Continued)

(b) Accrued staff costs

	Note	**June 30, 2017**	December 31, 2016
Salary, bonuses and allowances payable		**869,939**	1,335,269
Social insurance payable		**49,246**	44,563
Housing allowances payable		**1,938**	1,437
Labor union fee, staff and workers' education fee		**73,286**	70,720
Supplementary retirement benefits payable	(1)	**134,572**	149,699
Total		**1,128,981**	1,601,688

(1) Supplementary retirement benefits payable

The supplementary retirement benefits of the Bank include early retirement plan and supplementary retirement plan. The early retirement benefits is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Bank's eligible employees.

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

	June 30, 2017	December 31, 2016
Present value of early retirement plan	**128,393**	143,361
Present value of supplementary retirement plan	**6,179**	6,338
Total	**134,572**	149,699

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

	June 30, 2017	December 31, 2016
As of 1 January	**149,699**	176,556
Benefits paid during the period/year	**(12,517)**	(30,929)
Defined benefit cost recognised in profit or loss	**(2,367)**	4,617
Defined benefit cost recognised in other comprehensive income	**(243)**	(545)
As of 30 June/31 December	**134,572**	149,699

32 Other liabilities (Continued)

(b) Accrued staff costs (Continued)

(1) Supplementary retirement benefits (Continued)

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

Early retirement plan	June 30, 2017	December 31, 2016
Discount rate	**3.50%**	3.00%
Retired age		
– Male	**60**	60
– Female	**55**	55
Annual increase rate of internal salary	**4.50%**	4.50%

Supplementary retirement plan	June 30, 2017	December 31, 2016
Discount rate	**4.00%**	3.75%
Retired age		
– Male	**60**	60
– Female	**55**	55

33 Share capital

Authorised and issued share capital

	Number of shares	Amount
As of December 31, 2016	16,625,000	16,625,000
As of June 30, 2017	16,625,000	16,625,000

34 Reserves

(a) Capital reserve

	Note	**June 30, 2017**	December 31, 2016
Share premium		**10,851,269**	10,851,269
Changes in fair value recognized in other comprehensive income	(i)	**(735,062)**	(574,870)
Changes on remeasurement of defined benefit liabilities	(ii)	**(913)**	(1,156)
Changes in ownership in subsidiaries without changes in control		**(777)**	(777)
Total		**10,114,517**	10,274,466

(i) Investment revaluation reserve

	June 30, 2017	December 31, 2016
As of January 1	**(574,870)**	74,444
Changes in fair value recognised in other comprehensive income	**(430,522)**	(895,372)
Transfer to profit or loss upon disposal	**216,932**	29,620
Less: deferred income tax	**53,398**	216,438
As of June 30/December 31	**(735,062)**	(574,870)

(ii) Deficit on remeasurement of net defined benefit liability

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

	June 30, 2017	December 31, 2016
As of January 1	**(1,156)**	(1,701)
Changes in fair value recognised in other comprehensive income	**243**	545
As of June 30/December 31	**(913)**	(1,156)

34 Reserves (Continued)

(b) Surplus reserve

The surplus reserve at the end of the Reporting Period represented statutory surplus reserve fund and discretionary surplus reserve fund. Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(c) General reserve

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

35 Profit distribution

As of June 30, 2017, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB 16.86 million to surplus reserve made by subsidiaries (December 31, 2016: RMB 16.86 million).

36 Notes to consolidated cash flow statement

(a) Net decrease in cash and cash equivalents

	June 30, 2017	June 30, 2016
Cash and cash equivalents as of June 30	**21,253,722**	19,502,263
Less: Cash and cash equivalents as of January 1	**43,741,320**	40,807,410
Net decrease in cash and cash equivalents	**(22,487,598)**	(21,305,147)

(b) Cash and cash equivalents comprise:

	June 30, 2017	June 30, 2016
Cash on hand	**1,376,532**	1,457,720
Deposits with the central bank	**15,055,108**	11,994,202
Deposits with banks and other financial institutions	**2,637,032**	2,186,965
Placements with banks and other financial institutions	**1,085,212**	—
Financial assets held under resale agreements	**1,099,838**	3,863,376
Total	**21,253,722**	19,502,263

37 Related party relationships and transactions

(a) Relationship of significant related parties

(i) Major shareholders

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

Shareholding in the Bank:

	June 30, 2017	December 31, 2016
Henan Investment Group Co., Ltd.	**9.02%**	9.02%
Henan Energy and Chemical Engineering Group Co., Ltd. (*)	**8.19%**	8.19%
Yongcheng Coal and Electricity Holdings Group Co., Ltd.	**7.42%**	7.42%
Henan Shengrun Holdings Co., Ltd.	**4.53%**	4.53%

* The interest in the Bank owned by Henan Energy and Chemical Engineering Group Co., Ltd. includes interests owned by Yongcheng Coal and Electricity Holdings Group Co., Ltd., Yongcheng Jingchuang Industry Co., Ltd., Kaifeng Tieta Rubber (Group) Co., Ltd., Anyang Chemical Engineering Group Co., Ltd., Henan Energy and Chemical Engineering Group Finance Co., Ltd., and Henan Guolong Mineral Construction Co., Ltd..

(ii) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 22.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37(a) (i) or their controlling shareholders.

37 Related party relationships and transactions (Continued)

(b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions with major shareholders

	June 30, 2017	December 31, 2016
Balances at the end of the period/year:		
Loans and advances to customers	**1,100,000**	800,000
Debt securities classified as receivables	**1,400,000**	1,400,000
Interests receivable	**24,799**	6,453
Deposits from customers	**89,964**	422,784
Interest payable	**11**	50

	Six months ended June 30,	
	2017	2016
Transactions during the period:		
Interest income	**58,445**	37,140
Interest expense	**993**	2,610

(ii) Transactions with subsidiaries

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

37 Related party relationships and transactions (Continued)

(b) Related party transactions and balances (Continued)

(iii) Transactions with other related parties

	June 30, 2017	December 31, 2016
Balances at the end of the period/year:		
Loans and advances to customers	**2,055,300**	1,722,947
Debt securities classified as receivables	**1,600,000**	1,520,000
Interests receivable	**6,946**	4,600
Deposits from customers	**2,338,508**	960,781
Deposits from banks and other financial institutions	**689,488**	195,666
Interest payable	**31,763**	9,027

	Six months ended June 30,	
	2017	2016
Transactions during the period:		
Interest income	**133,042**	71,418
Interest expense	**30,978**	23,296
Operation expenses	**4,026**	2,013

37 Related party relationships and transactions (Continued)

(c) Key management personnel

(i) Transactions with key management personnel

	June 30, 2017	December 31, 2016
Balances at the end of the period/year:		
Loans and advances to customers	**16,300**	17,947
Deposits from customers	**13,638**	10,686
Interests receivable	**24**	26
Interest payable	**13**	3

	Six months ended June 30,	
	2017	2016
Transactions during the period:		
Interest income	**361**	346
Interest expense	**35**	18

(ii) Key management personnel remuneration

	Six months ended June 30,	
	2017	2016
Salaries and other emoluments	**6,552**	4,906
Discretionary bonuses	**5,045**	3,068
Contribution by the employer to social insurance and welfare plans, housing fund, etc.	**1,158**	449
Total	**12,755**	8,423

No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel for the period ended June 30, 2017 and June 30, 2016.

38 Fair value

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the Reporting Period.

(ii) Receivables and other non-derivative financial assets

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

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

Fair values of debt securities issued are based on their quoted market prices at the end of the Reporting Period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the Reporting Period. The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

(b) Fair value measurement

(i) Financial assets

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

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

38 Fair value (Continued)

(b) Fair value measurement (Continued)

(i) Financial assets (Continued)

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

Available-for-sale investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments are disclosed in Note 20. The carrying amounts of debt securities classified as receivables are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, deposits from customers and subordinated debts issued.

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 31. The carrying amounts of other financial liabilities approximate their fair value.

(c) Fair value hierarchy

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

Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

Level 3: Fair value measured using significant unobservable inputs

38 Fair value (Continued)

(c) Fair value hierarchy (Continued)

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

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
Financial asset at fair value through profit or loss				
– debt instruments	—	17,990,843	—	17,990,843
Available-for-sale financial assets				
– debt instruments	—	36,865,846	—	36,865,846
– investment management products	—	9,926,955	—	9,926,955
– wealth management products	—	43,453,100	—	43,453,100
– others	—	7,293,498	—	7,293,498
Total	—	115,530,242	—	115,530,242

38 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
Financial asset at fair value through profit or loss				
– debt instruments	—	4,207,070	—	4,207,070
Available-for-sale financial assets				
– debt instruments	—	51,781,223	—	51,781,223
– investment management products	—	9,389,752	—	9,389,752
– wealth management products	—	34,287,700	—	34,287,700
– others	—	6,776,238	—	6,776,238
Total	—	106,441,983	—	106,441,983

During the Reporting Period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

39 Entrusted lending business

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

	June 30, 2017	December 31, 2016
Entrusted loans	**33,356,405**	21,898,680
Entrusted funds	**33,356,405**	21,898,680

40 Commitments and contingent liabilities

(a) Credit commitments

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

The contractual amounts of loans commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	June 30, 2017	December 31, 2016
Bank acceptances	**30,048,857**	33,238,846
Letters of credit	**3,060,308**	1,205,172
Loan commitments	**3,437,206**	1,688,575
Letters of guarantees	**832,826**	735,478
Total	**37,379,197**	36,868,071

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

40 Commitments and contingent liabilities (Continued)

(b) Credit risk-weighted amount

	June 30, 2017	December 31, 2016
Credit risk-weighted amount of contingent liabilities and commitments	**11,632,701**	15,175,182

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the CBRC.

(c) Operating lease commitments

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

	June 30, 2017	December 31, 2016
Within one year (inclusive)	**208,310**	110,550
After one year but within five years (inclusive)	**604,258**	405,209
After five years	**290,761**	159,956
Total	**1,103,329**	675,715

(d) Capital commitments

As of June 30, 2017 and December 31, 2016, the authorised capital commitments of the Group are as follows:

	June 30, 2017	December 31, 2016
Contracted but not paid for	**159,707**	253,553
Approved but not contracted for	**279,784**	272,396
Total	**439,491**	525,949

40 Commitments and contingent liabilities (Continued)

(e) Outstanding litigations and disputes

As of June 30, 2017 and December 31, 2016, the Group was the defendant in certain pending litigation and disputes with an estimated gross amounts of RMB 686.56 million and RMB 599.52 million, respectively. The Group recognised the related litigation provision, which they believed to be reasonable and sufficient.

(f) Pledged assets

(i) Assets pledged as collateral

	Note	June 30, 2017	December 31, 2016
For repurchase agreements			
– Discounted bills		—	823,400
– Financial assets at fair value through profit or loss	16	**1,497,990**	3,626,089
– Available-for-sale financial assets	19	**16,329,428**	17,090,621
– Held-to-maturity investments	20	**9,566,125**	6,073,247
Total		**27,393,543**	27,613,357

Financial assets pledged by the Group as collaterals for liabilities which are for repurchase agreements.

(ii) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As of June 30, 2017 and December 31, 2016, the carrying amounts of the received pledged assets is RMB 1,100.55 million and RMB 6,583.63 million.

41 Involvement with unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statement of financial position in which relevant assets are recognized as of June 30, 2017 and December 31, 2016:

	June 30, 2017	
	Carrying amount	**Maximum exposure**
Available-for-sale financial assets	**58,838,136**	**58,838,136**
Debt securities classified as receivables	**69,465,952**	**69,465,952**
Total	**128,304,088**	**128,304,088**

	December 31, 2016	
	Carrying amount	Maximum exposure
Available-for-sale financial assets	49,398,702	49,398,702
Debt securities classified as receivables	58,678,326	58,678,326
Total	108,077,028	108,077,028

As of June 30, 2017 and December 31, 2016, the carrying amounts of the unconsolidated structural entities are equal to the maximum exposures.

41 Involvement with unconsolidated structured entities (Continued)

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

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

As of June 30, 2017, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group, is RMB 22,696.63 million (December 31, 2016: RMB 21,956.22 million).

(c) Unconsolidated structure entities sponsored by the Group during the six months period which the Group does not consolidate and does not have an interest in as of June 30, 2016 and 2017

During the six months ended June 30, 2017, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after January 1, 2017, but matured before June 30, 2017, is RMB 14,009.08 million (the six months ended June 30, 2016: RMB 8,878.58 million).

42 Capital management

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

42 Capital management (Continued)

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

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

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC.

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

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

42 Capital management (Continued)

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

	June 30, 2017	December 31, 2016
Total core tier-one capital		
– Share capital	**16,625,000**	16,625,000
– Qualifying portion of capital reserve	**10,114,517**	10,274,466
– Surplus reserve	**877,063**	877,063
– General reserve	**5,134,776**	5,134,776
– Retained earnings	**3,526,411**	1,807,859
– Qualifying portions of non-controlling interests	**362,930**	385,683
Core tier-one capital deductions		
– Goodwill	**(468,397)**	(468,397)
– Other intangible assets other than land use rights	**(141,636)**	(141,628)
Net core tier-one capital	**36,030,664**	34,494,822
Other tier-one capital	**26,901**	39,629
Net tier-one capital	**36,057,565**	34,534,451
Tier-two capital		
– Surplus provision for loan impairment	**3,806,844**	3,279,105
– Qualifying portions of non-controlling interests	**65,381**	153,751
Net capital base	**39,929,790**	37,967,307
Total risk weighted assets	**337,725,946**	307,001,851
Core tier-one capital adequacy ratio	**10.67%**	11.24%
Tier-one capital adequacy ratio	**10.68%**	11.25%
Capital adequacy ratio	**11.82%**	12.37%

43 Segment reporting

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

Corporate banking

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

Retail banking

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

Financial markets business

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

Others

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

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

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

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

43 Segment reporting (Continued)

	Six months ended June 30, 2017				
	Corporate banking	Retail banking	Financial Markets business	Others	Total
Operating income					
External net interest income	4,444,026	630,439	539,177	—	5,613,642
Internal net interest (expense)/income	(1,080,708)	882,907	197,801	—	—
Net interest income	3,363,318	1,513,346	736,978	—	5,613,642
Net fee and commission income	200,541	31,646	43,987	—	276,174
Net trading losses	—	—	(72,726)	(878)	(73,604)
Net losses arising from investment securities	—	—	(1,758)	—	(1,758)
Other operating income	2,459	4,125	99	54,744	61,427
Operating income	3,566,318	1,549,117	706,580	53,866	5,875,881
Operating expenses	(883,817)	(849,906)	(120,269)	(505,228)	(2,359,220)
Impairment losses on assets	(764,798)	(323,420)	(182,636)	(7,692)	(1,278,546)
Profit/(loss) before tax	1,917,703	375,791	403,675	(459,054)	2,238,115
Other segment information					
– Depreciation and amortization	169,947	79,503	33,601	65,662	348,713
– Capital expenditure	143,922	63,148	28,399	38,852	274,321

	June 30, 2017				
	Corporate banking	Retail banking	Financial Markets business	Others	Total
Segment assets	212,104,148	79,691,611	159,624,933	4,764,047	456,184,739
Deferred tax assets	—	—	—	1,825,591	1,825,591
Total assets	212,104,148	79,691,611	159,624,933	6,589,638	458,010,330
Segment liabilities	167,243,515	115,999,255	136,000,657	1,681,966	420,925,393
Total liabilities	167,243,515	115,999,255	136,000,657	1,681,966	420,925,393

43 Segment reporting (Continued)

	Six months ended June 30, 2016				
	Corporate banking	Retail banking	Financial Markets business	Others	Total
Operating income					
External net interest income	4,086,141	225,127	1,142,426	—	5,453,694
Internal net interest (expense)/income	(839,850)	1,174,615	(334,765)	—	—
Net interest income	3,246,291	1,399,742	807,661	—	5,453,694
Net fee and commission income	85,006	14,230	56,509	—	155,745
Net trading (losses)/gain	—	—	(161,255)	1,969	(159,286)
Net gains arising from investment securities	—	—	1,958	—	1,958
Other operating income	1,158	1,132	27	52,312	54,629
Operating income	3,332,455	1,415,104	704,900	54,281	5,506,740
Operating expenses	(843,038)	(779,047)	(141,382)	(416,652)	(2,180,119)
Impairment losses on assets	(959,759)	(153,839)	(230,413)	126	(1,343,885)
Profit/(loss) before tax	1,529,658	482,218	333,105	(362,245)	1,982,736
Other segment information					
– Depreciation and amortization	154,755	72,396	30,598	59,792	317,541
– Capital expenditure	169,508	74,374	33,448	45,760	323,090

	December 31, 2016				
	Corporate banking	Retail banking	Financial Markets business	Others	Total
Segment assets	178,167,940	66,027,463	181,576,549	5,769,913	431,541,865
Deferred tax assets	—	—	—	1,529,574	1,529,574
Total assets	178,167,940	66,027,463	181,576,549	7,299,487	433,071,439
Segment liabilities	153,272,387	106,492,255	134,988,907	2,819,251	397,572,800
Total liabilities	153,272,387	106,492,255	134,988,907	2,819,251	397,572,800

44 Risk management

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

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

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

(a) Credit risk

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

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible departments for credit risk management include the Credit Approval Department, Credit Management Department, and Risk Management Department. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments of branches carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

44 Risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

44 Risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Financial markets business

The Group sets credit limits for financial markets business operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as of the end of the Reporting Period.

44 Risk management (Continued)

(a) Credit risk (Continued)

Financial markets business (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows:

	At June 30, 2017			
	Loans and advances	Deposits/ Placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (*)
Impaired				
Individually assessed				
gross amount	2,393,494	18,793	—	1,459,491
Provision for impairment losses	(1,612,255)	(18,793)	—	(344,094)
Sub-total	781,239	—	—	1,115,397
Collectively assessed				
gross amount	1,008,125	—	—	—
Provision for impairment losses	(799,669)	—	—	—
Sub-total	208,456	—	—	—
Overdue but not impaired				
Less than three months (inclusive)	2,474,603	—	—	240,000
Between three months and six months (inclusive)	1,365,000	—	—	—
Between six months and one year (inclusive)	1,679,919	—	—	—
More than one year	822,169	—	—	—
Gross amount	6,341,691	—	—	240,000
Provision for impairment losses	(1,312,493)	—	—	(7,200)
Sub-total	5,029,198	—	—	232,800
Neither overdue nor impaired				
Gross amount	174,492,696	6,112,402	1,099,838	204,726,911
Provision for impairment losses	(3,538,800)	—	—	(440,372)
Sub-total	170,953,896	6,112,402	1,099,838	204,286,539
Total	176,972,789	6,112,402	1,099,838	205,634,736

44 Risk management (Continued)

(a) Credit risk (Continued)

Financial markets business (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: *(Continued)*

	At December 31, 2016			
	Loans and advances	Deposits/ Placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (*)
Impaired				
Individually assessed				
gross amount	1,971,377	19,661	—	1,650,000
Provision for impairment losses	(1,400,604)	(19,661)	—	(330,406)
Sub-total	570,773	—	—	1,319,594
Collectively assessed				
gross amount	1,090,763	—	—	—
Provision for impairment losses	(833,971)	—	—	—
Sub-total	256,792	—	—	—
Overdue but not impaired				
Less than three months (inclusive)	3,869,772	—	—	—
Between three months and six months (inclusive)	223,527	—	—	—
Between six months and one year (inclusive)	106,600	—	—	—
More than one year	869,683	—	—	—
Gross amount	5,069,582	—	—	—
Provision for impairment losses	(895,782)	—	—	—
Sub-total	4,173,800	—	—	—
Neither overdue nor impaired				
Gross amount	156,756,815	21,530,492	6,573,627	181,981,183
Provision for impairment losses	(3,210,889)	—	—	(328,655)
Sub-total	153,545,926	21,530,492	6,573,627	181,652,528
Total	158,547,291	21,530,492	6,573,627	182,972,122

44 Risk management (Continued)

(a) Credit risk (Continued)

Financial markets business (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: *(Continued)*

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

As of June 30, 2017, the fair value of collaterals held against loans and advances overdue but not impaired and loans and advances impaired amounted to RMB 7,645.46 million and RMB 989.70 million, respectively (December 31,2016: RMB 5,419.07 million and RMB 568.84 million, respectively). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Rescheduled loans and advances to customers

The Group has formulated a set of loan restructuring policies to reschedule the contractual terms with customers, to maximise the collectability of loans and to manage customer relationships.

The carrying amount of rescheduled loans and advances to customers is as follows:

	June 30, 2017	December 31, 2016
Rescheduled loans and advances to customers	**6,231**	—
Impaired loans and advances to customers included in above	**2,521**	—

44 Risk management (Continued)

(a) Credit risk (Continued)

Financial markets business (Continued)

(iv) Amounts due from banks and other financial institutions

The amounts due from banks and non-bank financial institutions including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institution. Neither overdue nor impaired amounts due from banks and non-bank financial institutions are rated with reference to major rating agencies accepted by the People's Bank of China.

	June 30, 2017	December 31, 2016
Neither overdue nor impaired		
Ratings		
– A to AAA	**4,324,733**	26,196,209
– B to BBB	**2,887,507**	1,907,910
Total	**7,212,240**	28,104,119

(v) Debt securities

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as of the end of the Reporting Period are as follows:

	June 30, 2017	December 31, 2016
Neither overdue nor impaired		
Ratings		
– AAA	**3,002,473**	3,767,587
– AA- to AA+	**1,405,970**	1,540,759
– A- to A+	**149,443**	646,785
– unrated	**70,937,345**	67,884,975
Total	**75,495,231**	73,840,106

44 Risk management (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk and Internal Control Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial markets business. The Financial Market Department is responsible for carrying out capital investments and transactions. The Finance Management Department is responsible for monitoring and managing the interest rate risk, the Trade Finance Department is responsible for monitoring and managing the foreign exchange risk on a daily basis. The Finance Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

44 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

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

Trading interest rate risk

Trading interest rate risk mainly arises from the financial markets business' investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

44 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At June 30, 2017					
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non- interest bearing	Total
Assets						
Cash and deposits with the central bank	51,071,997	—	—	—	1,376,532	52,448,529
Deposits with banks and other financial institutions	2,637,032	1,046,121	—	—	—	3,683,153
Placement with banks and other financial institutions	1,085,212	1,344,037	—	—	—	2,429,249
Financial assets held under resale agreements	1,099,838	—	—	—	—	1,099,838
Loans and advances to customers (Note (i))	104,097,502	61,225,337	10,876,525	773,425	—	176,972,789
Investments (Note (ii))	61,414,759	52,610,491	60,160,241	31,449,245	23,896	205,658,632
Others	—	—	—	—	15,718,140	15,718,140
Total assets	221,406,340	116,225,986	71,036,766	32,222,670	17,118,568	458,010,330
Liabilities						
Borrowing from the central bank	516,289	1,970,123	—	—	—	2,486,412
Deposits from banks and other financial institutions	24,751,013	22,167,000	250,000	—	—	47,168,013
Placement from banks and other financial institutions	491,111	304,264	—	—	—	795,375
Financial assets sold under repurchase agreements	27,381,698	—	—	—	—	27,381,698
Deposits from customers	189,536,811	65,713,386	23,784,698	20,822	498,283	279,554,000
Debt securities issued	19,827,673	37,699,885	—	—	—	57,527,558
Others	—	—	—	—	6,012,337	6,012,337
Total liabilities	262,504,595	127,854,658	24,034,698	20,822	6,510,620	420,925,393
Asset-liability gap	(41,098,255)	(11,628,672)	47,002,068	32,201,848	10,607,948	37,084,937

44 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

	At December 31, 2016					
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non- interest bearing	Total
Assets						
Cash and deposits with the central bank	48,078,414	—	—	—	1,292,479	49,370,893
Deposits with banks and other financial institutions	12,780,492	50,000	—	—	—	12,830,492
Placement with banks and other financial institutions	7,700,000	1,000,000	—	—	—	8,700,000
Financial assets held under resale agreements	6,573,627	—	—	—	—	6,573,627
Loans and advances to customers (Note (i))	63,963,131	82,925,251	10,911,050	747,859	—	158,547,291
Investments (Note (ii))	53,475,106	55,051,732	53,104,955	21,340,329	23,896	182,996,018
Others	—	—	—	—	14,053,118	14,053,118
Total assets	192,570,770	139,026,983	64,016,005	22,088,188	15,369,493	433,071,439
Liabilities						
Borrowing from the central bank	2,634,048	1,883,000	—	—	—	4,517,048
Deposits from banks and other financial institutions	33,999,274	10,705,500	250,000	—	—	44,954,774
Placement from banks and other financial institutions	10,400,000	—	—	—	—	10,400,000
Financial assets sold under repurchase agreements	27,580,567	—	—	—	—	27,580,567
Deposits from customers	168,119,458	53,149,500	23,612,895	20,936	449,965	245,352,754
Debt securities issued	21,177,923	36,209,835	—	—	—	57,387,758
Others	—	—	—	—	7,379,899	7,379,899
Total liabilities	263,911,270	101,947,835	23,862,895	20,936	7,829,864	397,572,800
Asset-liability gap	(71,340,500)	37,079,148	40,153,110	22,067,252	7,539,629	35,498,639

44 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

Notes:

(i) As of June 30, 2017, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB 6,018.85 million (December 31, 2016: RMB 4,999.86 million).

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

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As of June 30, 2017, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to decrease RMB 651.19 million (December 31, 2016: RMB 719.39 million), and the Group's equity to decrease RMB 302.41 million (December 31, 2016: RMB 363.88 million); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to increase RMB 651.19 million (December 31, 2016: RMB 719.39 million), and the Group's equity to increase RMB 302.41 million (December 31, 2016: RMB 363.88 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

– Interest rate movements at the end of the Reporting Period apply to non-derivative financial instruments of the Group;

– At the end of the Reporting Period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

44 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

Foreign currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors considered the Group's exposure to foreign currency risk is not significant during the Reporting Period.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

44 Risk management (Continued)

(c) Liquidity risk (Continued)

The Finance Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the bank. It is also responsible for managing and forecasting the working capital on a regular basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Finance Market Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

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

	At June 30, 2017							
	Indefinite Note (i)	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	Total
Assets								
Cash and deposits with the central bank	36,016,889	16,431,640	—	—	—	—	—	52,448,529
Deposits with banks and other financial institutions	—	2,377,032	240,000	20,000	1,046,121	—	—	3,683,153
Placements with banks and other financial institutions	—	—	444,566	640,646	1,344,037	—	—	2,429,249
Loans and advances to customers	5,223,160	795,733	8,019,335	16,451,023	87,426,521	24,079,307	34,977,710	176,972,789
Financial assets held under resale agreements	—	—	1,099,838	—	—	—	—	1,099,838
Investments	1,372,093	91,000	11,036,180	48,839,413	52,493,656	60,377,045	31,449,245	205,658,632
Others	11,204,189	—	2,546,118	357,121	363,091	1,247,621	—	15,718,140
Total assets	53,816,331	19,695,405	23,386,037	66,308,203	142,673,426	85,703,973	66,426,955	458,010,330

44 Risk management (Continued)

(c) Liquidity risk (Continued)

	At June 30, 2017							
	Indefinite Note (i)	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	Total
Liabilities								
Borrowing from the central bank	—	—	178,547	337,742	1,970,123	—	—	2,486,412
Deposits from banks and other financial institutions	—	1,236,013	7,187,000	16,328,000	22,167,000	250,000	—	47,168,013
Placements from banks and other financial institutions	—	—	347,421	143,690	304,264	—	—	795,375
Financial assets sold under repurchase agreements	—	—	27,381,698	—	—	—	—	27,381,698
Deposits from customers	—	153,445,736	13,077,539	23,511,819	65,713,386	23,784,698	20,822	279,554,000
Debt securities issued	—	—	2,643,817	17,183,856	37,699,885	—	—	57,527,558
Others	—	1,147,433	403,289	426,751	3,285,603	742,954	6,307	6,012,337
Total liabilities	—	155,829,182	51,219,311	57,931,858	131,140,261	24,777,652	27,129	420,925,393
Long/(short) position	53,816,331	(136,133,777)	(27,833,274)	8,376,345	11,533,165	60,926,321	66,399,826	37,084,937

44 Risk management (Continued)

(c) Liquidity risk (Continued)

	At December 31, 2016							
	Indefinite Note (i)	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	Total
Assets								
Cash and deposits with the central bank	32,683,692	16,687,201	—	—	—	—	—	49,370,893
Deposits with banks and other financial institutions	—	1,543,296	5,325,000	5,912,196	50,000	—	—	12,830,492
Placements with banks and other financial institutions	—	—	7,400,000	300,000	1,000,000	—	—	8,700,000
Loans and advances to customers	3,717,131	1,284,235	9,613,451	20,256,555	87,753,075	15,317,051	20,605,793	158,547,291
Financial assets held under resale agreements	—	—	6,573,627	—	—	—	—	6,573,627
Investments	1,343,490	348,250	18,400,117	33,407,145	55,051,732	53,104,955	21,340,329	182,996,018
Others	10,008,974	6,912	1,808,611	957,397	283,951	987,273	—	14,053,118
Total assets	47,753,287	19,869,894	49,120,806	60,833,293	144,138,758	69,409,279	41,946,122	433,071,439

44 Risk management (Continued)

(c) Liquidity risk (Continued)

	At December 31, 2016							
	Indefinite Note (i)	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	Total
Liabilities								
Borrowing from the central bank	—	45,860	2,315,273	272,915	1,883,000	—	—	4,517,048
Deposits from banks and other financial institutions	—	1,516,274	12,149,000	20,334,000	10,705,500	250,000	—	44,954,774
Placements from banks and other financial institutions	—	—	10,400,000	—	—	—	—	10,400,000
Financial assets sold under repurchase agreements	—	—	27,580,567	—	—	—	—	27,580,567
Deposits from customers	—	128,532,881	10,936,234	29,100,309	53,149,499	23,612,895	20,936	245,352,754
Debt securities issued	—	—	7,587,565	29,076,050	20,724,143	—	—	57,387,758
Others	—	865,164	—	2,300,276	3,343,670	725,280	145,509	7,379,899
Total liabilities	—	130,960,179	70,968,639	81,083,550	89,805,812	24,588,175	166,445	397,572,800
Long/(short) position	47,753,287	(111,090,285)	(21,847,833)	(20,250,257)	54,332,946	44,821,104	41,779,677	35,498,639

Note:

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.

44 Risk management (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and loan commitments at the end of the Reporting Period:

	At June 30, 2017							
	Carrying amount	Contractual undiscounted cash flow	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 liabilities								
Borrowing from the central bank	2,486,412	2,520,805	—	179,439	339,721	2,001,645	—	—
Deposits from banks and other financial institutions	47,168,013	47,966,174	1,236,496	7,199,204	16,453,873	22,783,461	293,140	—
Placements from banks and other financial institutions	795,375	806,185	—	347,577	144,058	314,550	—	—
Financial assets sold under repurchase agreements	27,381,698	27,393,543	—	27,393,543	—	—	—	—
Deposits from customers	279,554,000	282,575,702	153,623,304	13,107,560	23,623,147	66,607,856	25,592,521	21,314
Debt securities issued	57,527,558	58,557,840	—	2,650,064	17,322,078	38,585,698	—	—
Other financial liabilities	2,650,163	2,650,163	180,730	241,820	420,824	1,313,665	492,969	155
Total non-derivative financial liabilities	417,563,219	422,470,412	155,040,530	51,119,207	58,303,701	131,606,875	26,378,630	21,469
Loan commitments	—	3,437,206	1,237,790	1,899,416	—	290,000	10,000	—

44 Risk management (Continued)

(c) Liquidity risk (Continued)

	At December 31, 2016							
	Carrying amount	Contractual undiscounted cash flow	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 liabilities								
Borrowing from the central bank	4,517,048	4,579,834	45,884	2,321,055	274,441	1,938,454	—	—
Deposits from banks and other financial institutions	44,954,774	45,376,762	1,517,131	12,164,950	20,475,723	10,919,322	299,636	—
Placements from banks and other financial institutions	10,400,000	10,410,975	—	10,410,975	—	—	—	—
Financial assets sold under repurchase agreements	27,580,567	27,613,356	—	27,613,356	—	—	—	—
Deposits from customers	245,352,754	247,956,133	128,697,706	10,938,836	29,170,388	53,767,091	25,358,678	23,434
Debt securities issued	57,387,758	58,212,889	—	7,607,789	29,713,422	20,891,678	—	—
Other financial liabilities	4,973,458	4,973,458	837,206	—	1,530,174	2,333,958	232,352	39,768
Total non-derivative financial liabilities	395,166,359	399,123,407	131,097,927	71,056,961	81,164,148	89,850,503	25,890,666	63,202
Loan commitments	—	1,688,575	777,790	730,785	—	170,000	10,000	—

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

44 Risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

45 Subsequent events

The Bank's Global Offering was completed and the H shares of the Bank were Listed on the Main Board of the Hong Kong Stock Exchange on July 19, 2017. In addition, the over-allotment option as set out in the Prospectus was fully exercised, and those H Shares were listed on the Main Board of the Hong Kong Stock Exchange on August 15, 2017.

Except for the event as disclosed above, the Group has no material events for disclosure subsequent to the end of the reporting period.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

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

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

1 Liquidity coverage ratio and leverage ratio

	June 30, 2017	Average for the six months ended June 30, 2017
Liquidity coverage ratio (RMB and foreign currency)	**194.73%**	**202.35%**

	December 31, 2016	Average for the year ended December 31, 2016
Liquidity coverage ratio (RMB and foreign currency)	**201.24%**	**200.99%**

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

Leverage ratio

	June 30 2017,	December 31 2016,
Leverage ratio	**7.42%**	**9.36%**

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

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

2 Currency concentrations

	June 30, 2017			
	US Dollars (RMB equivalent)	**HK Dollars (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**502,005**	**131**	**119,193**	**621,329**
Spot liabilities	**(495,763)**	**(133)**	**(118,145)**	**(614,041)**
Net position	**6,242**	**(2)**	**1,048**	**7,288**

	December 31, 2016			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	192,978	89	1,593	194,660
Spot liabilities	(185,019)	(89)	(1,607)	(186,715)
Net position	7,959	—	(14)	7,945

The Group has no structural position at the end of Reporting Periods.

3 International claims

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

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

3 International claims (Continued)

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

	June 30, 2017			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
All regions outside Mainland China	**40,964**	**—**	**—**	**40,964**
	40,964	**—**	**—**	**40,964**

	December 31, 2016			
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	56,470	—	—	56,470
	56,470	—	—	56,470

4 Gross amount of overdue loans and advances

	June 30, 2017	December 31, 2016
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**1,917,025**	399,073
– between 6 months and 1 year (inclusive)	**2,330,058**	1,305,838
– over 1 year	**2,998,787**	2,402,763
Total	**7,245,870**	4,107,674
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**1.04%**	0.24%
– between 6 months and 1 year (inclusive)	**1.27%**	0.79%
– over 1 year	**1.63%**	1.45%
Total	**3.94%**	2.48%

Definition of Terms

"Articles of Association"	The articles of association of the Bank as may be amended, supplemented or otherwise modified from time to time
"Bank", "Our Bank", "we" or "us"	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司), a joint stock company established on December 23, 2014 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches
"Board" or "Board of Directors"	the board of Directors of the Bank
"Board of Supervisors"	the board of Supervisors of the Bank
"CBRC"	China Banking Regulatory Commission
"CBRC Henan Office"	China Banking Regulatory Commission Henan Office
"China" or "PRC"	the People's Republic of China, but for the purpose of this interim report only and, unless the context otherwise requires, excluding Hong Kong, Macau and Taiwan
"Consumer Finance Company"	Henan Zhongyuan Consumer Finance Co., Ltd. (河南中原消費金融股份有限公司), a joint stock company established in the PRC on December 29, 2016 and a subsidiary of our Bank
"Corporate Governance Code"	the Code on Corporate Governance and the Report on Corporate Governance under Appendix 14 to the Hong Kong Listing Rules
"Directors"	directors of the Bank
"Domestic Shares"	ordinary shares of RMB1.00 each in the share capital of the Bank, which are subscribed for or credited as paid up in Renminbi
"H Shares"	ordinary shares of RMB1.00 each in the share capital of the Bank, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
"HK$"	the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

Definition of Terms

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	July 19, 2017, the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange
"Lushi Defeng County Bank"	Lushi Defeng County Bank Co., Ltd. (盧氏德豐村鎮銀行股份有限公司), a joint stock company established in the PRC on May 15, 2012 and a subsidiary of our Bank
"Main Board"	the stock market operated by the Hong Kong Stock Exchange (excluding the option market), independent of and to be operated in parallel with the GEM Board of the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"Nine County Banks"	the nine county banks located in Henan Province, the PRC, which are subsidiaries of the Bank, namely, Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司), Linzhou Defeng County Bank Co., Ltd., (林州德豐村鎮銀行股份有限公司), Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司), Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司), Xiping Caifu County Bank Co., Ltd. (西平財富村鎮銀行股份有限公司), Suiping Hengsheng County Bank Co., Ltd. (遂平恒生村鎮銀行股份有限公司), Lushi Defeng County Bank Co., Ltd. (盧氏德豐村鎮銀行股份有限公司), Xiangcheng Huipu County Bank Co., Ltd. (襄城匯浦村鎮銀行股份有限公司) and Henan Xinxiang Xinxing County Bank Co., Ltd. (河南新鄉新興村鎮銀行股份有限公司)
"PBoC" or "Central Bank"	The People's Bank of China (中國人民銀行), the central bank of the PRC
"Prospectus"	the prospectus of the Bank dated June 30, 2017 in connection with the public offering in Hong Kong
"Reporting Period"	the six months ended 30 June 2017
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as may be amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	the holder(s) of the Shares
"Shares"	shares in the share capital of RMB1.00 each of the Bank, including Domestic Shares and H Shares
"Supervisors"	the supervisors of the Bank