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錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 0416)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “**Board**”) of Bank of Jinzhou Co., Ltd.* (the “**Bank**”, including its subsidiaries unless the context otherwise requires) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank for the year ended 31 December 2016 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Annual Results.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

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

1.2 Contact Persons and Contact Details

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

2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with Accounting Standards for Business Enterprises of the PRC and those in accordance with IFRSs, there is no difference in respect of the profit attributable to equity shareholders of the Bank for the year ended 31 December 2016 and total equity attributable to equity shareholders of the Bank as of the end of the Reporting Period.

2.1 Financial Data

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December				
	2016	2015	2016 vs 2015 Change (%)	2014	2013
Operating Results					
Interest income	27,897,191	21,819,437	27.9	13,582,488	8,522,877
Interest expense	(12,448,982)	(11,015,124)	13.0	(7,954,065)	(4,701,435)
Net interest income	<u>15,448,209</u>	<u>10,804,313</u>	43.0	<u>5,628,423</u>	<u>3,821,442</u>
Net fee and commission income	809,265	500,790	61.6	116,323	75,271
Net trading gains/(losses)	49,948	97,164	(48.6)	470	(5,671)
Dividend income	895	6,440	(86.1)	6,360	6,320
Net gains/(losses) arising from investment securities	10,348	2,896	257.3	8,396	(3,643)
Foreign exchange gain	53,724	85,895	(37.5)	7,872	4,257
Other net operating income	41,460	19,886	108.5	26,765	24,121
Operating income	<u>16,413,849</u>	<u>11,517,384</u>	42.5	<u>5,794,609</u>	<u>3,922,097</u>
Operating expenses	(2,758,039)	(2,724,872)	1.2	(2,213,490)	(1,888,077)

	For the year ended 31 December 2016				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>			vs		
	2016	2015	2015	2014	2013
Operating Results	Change (%)				
Operating profit before impairment	13,655,810	8,792,512	55.3	3,581,119	2,034,020
Impairment losses on assets	(2,784,895)	(2,296,943)	21.2	(793,469)	(274,739)
Profit before taxation	<u>10,870,915</u>	<u>6,495,569</u>	67.4	<u>2,787,650</u>	<u>1,759,281</u>
Income tax expense	(2,671,469)	(1,587,513)	68.3	(664,473)	(403,783)
Profit for the year	<u>8,199,446</u>	<u>4,908,056</u>	67.1	<u>2,123,177</u>	<u>1,355,498</u>
Net profit attributable to equity shareholders of the Bank	8,129,590	4,898,761	66.0	2,115,715	1,350,691
Calculated on a Per Share Basis (RMB)	Change				
Basic earnings per share	1.40	1.09	0.31	0.54	0.35
Major Indicators of Assets/ Liabilities	Change (%)				
Total assets	539,059,522	361,659,913	49.1	250,692,720	175,513,850
Of which: loans and advances to customers	121,930,761	97,313,206	25.3	86,548,794	76,728,790
Total liabilities	496,165,210	335,388,599	47.9	234,815,584	164,004,535
Of which: Deposits from customers	262,969,211	170,178,722	54.5	119,402,997	92,764,588
Share capital	6,781,616	5,781,616	17.3	4,402,234	3,902,234
Total equity attributable to equity shareholders of the Bank	39,035,430	25,598,461	52.5	15,658,315	11,398,776
Total equity	42,894,312	26,271,314	63.3	15,877,136	11,509,315

2.2 Financial Indicators

	For the year ended 31 December 2016				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>			vs		
	2016	2015	2015	2014	2013
Profitability Indicators (%)	Change				
Return on average total assets ⁽¹⁾	1.82	1.60	0.22	1.00	0.91
Return on average equity ⁽²⁾	25.16	23.75	1.41	15.64	12.00
Net interest spread ⁽³⁾	3.41	3.29	0.12	2.43	2.32
Net interest margin ⁽⁴⁾	3.67	3.51	0.16	2.63	2.52
Net fee and commission income to operating income ratio	4.93	4.35	0.58	2.01	1.92
Cost-to-income ratio ⁽⁵⁾	14.83	18.80	(3.97)	31.26	40.47
Assets Quality Indicators (%)	Change				
Non-performing loan ratio ⁽⁶⁾	1.14	1.03	0.11	0.99	0.87
Allowance coverage ratio ⁽⁷⁾	336.30	369.13	(32.83)	256.15	226.40
Allowance-to-loans ratio ⁽⁸⁾	3.84	3.82	0.02	2.53	1.97

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December				
	2016	2015	2015	2014	2013
			vs		
Capital Adequacy Indicators (%)			Change		
Core tier 1 capital adequacy ratio ⁽⁹⁾	9.79	8.96	0.83	8.64	9.76
Tier 1 capital adequacy ratio ⁽¹⁰⁾	9.80	8.97	0.83	8.64	9.76
Capital adequacy ratio	11.62	10.50	1.12	10.45	10.89
Total equity to total assets	7.96	7.26	0.70	6.33	6.56
Other Indicators (%)			Change		
Loan-to-deposit ratio ⁽¹¹⁾	40.36	47.44	(7.08)	55.70	66.62

Notes:

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

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business and Financial Review

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

In the year 2016, the Bank recorded a net profit of RMB8,199 million, representing an increase of 67.1% as compared to the previous year. The Bank’s performance not only delivered sound returns to its Shareholders and investors, but also laid a solid foundation for its sustainable development.

As of 31 December 2016, the total assets of the Bank amounted to RMB539,060 million, representing a year-on-year increase of 49.1%; the net loans and advances to customers amounted to RMB121,931 million, representing a year-on-year increase of 25.3%; the non-performing loan ratio was 1.14%; the deposits from customers balance of the Bank amounted to RMB262,969 million, representing a year-on-year increase of 54.5%. During the Reporting Period, the operating income of the Bank amounted to RMB16,414 million, representing a year-on-year increase of 42.5%; and the net profit amounted to RMB8,199 million, representing a year-on-year increase of 67.1%.

On 28 December 2016, the Bank issued additional 1,000 million H shares with all proceeds used for supplementing the Bank’s capital. As of 31 December 2016, the Bank’s capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio was increased to 11.62%, 9.80% and 9.79%, respectively.

As of the end of the Reporting Period, the Bank had invested in 7 village and township banks, under which there were 19 operation departments and sub-branches, 5 in Jinzhou City, 1 in Chaoyang City and 1 in Benxi City, Liaoning province, the PRC. During the Reporting Period, the Bank and other relevant shareholders newly established Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司) and Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司).

During the Reporting Period, Bank of Jinzhou Financial Leasing Co., Ltd., a subsidiary of the Bank, followed consistently the regional development strategy of “basing on Liaoning for nationwide presence” to support development of the real economy, promote industrial structural adjustment and support development of small and medium enterprises, actively serving national major strategies including “One Belt, One Road (一帶一路)”, coordinated development of Beijing-Tianjin-Hebei, “Made In China 2025” and rejuvenation of the old industrial base in northeast China. The leasing investment customers are mainly spread over aviation, health care, equipment manufacturing, automobile manufacturing, infrastructure construction, etc.

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the Income Statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2016	2015	Change in amount	Percentage of change (%)
Interest income	27,897,191	21,819,437	6,077,754	27.9
Interest expense	(12,448,982)	(11,015,124)	(1,433,858)	13.0
Net interest income	<u>15,448,209</u>	<u>10,804,313</u>	<u>4,643,896</u>	43.0
Net fee and commission income	809,265	500,790	308,475	61.6
Net trading gains	49,948	97,164	(47,216)	(48.6)
Dividend income	895	6,440	(5,545)	(86.1)
Net gains arising from investment securities	10,348	2,896	7,452	257.3
Foreign exchange gain	53,724	85,895	(32,171)	(37.5)
Other net operating income	41,460	19,886	21,574	108.5
Operating income	16,413,849	11,517,384	4,896,465	42.5
Operating expenses	(2,758,039)	(2,724,872)	(33,167)	1.2
Impairment losses on assets	(2,784,895)	(2,296,943)	(487,952)	21.2
Profit before tax	<u>10,870,915</u>	<u>6,495,569</u>	<u>4,375,346</u>	67.4
Income tax expense	(2,671,469)	(1,587,513)	(1,083,956)	68.3
Profit for the year	<u>8,199,446</u>	<u>4,908,056</u>	<u>3,291,390</u>	67.1

During the Reporting Period, the Bank’s profit before tax was RMB10,871 million, representing a year-on-year increase of 67.4%; net profit was RMB8,199 million, representing a year-on-year increase of 67.1%, mainly attributable to the stable growth of interest-earning assets and net interest margin resulting in the increase in net interest income of RMB4,644 million or 43.0% as compared to last year.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 94.1% and 93.9% of operating income for 2016 and 2015, respectively. The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2016	2015	Change in amount	Percentage of change (%)
Interest income	27,897,191	21,819,437	6,077,754	27.9
Interest expense	(12,448,982)	(11,015,124)	(1,433,858)	13.0
Net interest income	<u>15,448,209</u>	<u>10,804,313</u>	<u>4,643,896</u>	43.0

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2016 Interest income/expense	Average yield/cost (%)	Average balance	2015 Interest income/expense	Average yield/cost (%)
Interest-Earning Assets						
Loans and advances to customers	112,343,694	7,597,435	6.76	96,450,243	7,153,354	7.42
Investment securities and other financial assets ⁽¹⁾	264,092,219	19,390,157	7.34	166,829,498	13,541,335	8.12
Cash and deposits with the central bank	33,961,224	515,757	1.52	28,645,780	442,343	1.54
Deposits with banks and other financial institutions	4,207,779	178,037	4.23	14,077,277	660,314	4.69
Placements with banks and other financial institutions	980,721	10,100	1.03	609,967	5,241	0.86
Financial assets held under resale agreements	3,931,486	87,682	2.23	782,280	16,850	2.15
Financial lease receivables	<u>1,742,711</u>	<u>118,023</u>	6.77	<u>—</u>	<u>—</u>	<u>—</u>
Total interest-earning assets	<u>421,259,834</u>	<u>27,897,191</u>	6.62	<u>307,395,045</u>	<u>21,819,437</u>	7.10

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2016			2015		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Interest-Bearing Liabilities						
Deposits from customers	215,073,252	5,238,664	2.44	144,319,899	4,097,737	2.84
Deposits from banks and other financial institutions	130,440,389	5,723,145	4.39	112,549,763	5,574,446	4.95
Placements from banks and other financial institutions	4,157,929	42,496	1.02	4,515,732	34,003	0.75
Financial assets sold under repurchase agreements	17,831,179	588,392	3.30	11,303,093	435,724	3.85
Debt securities issued	3,925,479	185,795	4.73	1,853,425	125,979	6.80
Financial liabilities at fair value through profit or loss	16,474,314	670,490	4.07	14,376,612	744,791	5.18
Other liabilities	—	—	—	72,955	2,444	3.35
Total interest-bearing liabilities	<u>387,902,542</u>	<u>12,448,982</u>	3.21	<u>288,991,479</u>	<u>11,015,124</u>	3.81
Net interest income		15,448,209			10,804,313	
Net interest spread⁽²⁾			3.41			3.29
Net interest margin⁽³⁾			3.67			3.51

Notes:

- (1) Investment securities and other financial assets consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.
- (2) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (3) Calculated by dividing net interest income by the average interest-earning assets.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2016 vs 2015		Net increase/ (decrease)⁽³⁾
	Volume⁽¹⁾	Interest rate⁽²⁾	
Interest-Earning Assets			
Loans and advances to customers	1,178,758	(734,677)	444,081
Investment securities and other financial assets	7,894,690	(2,045,868)	5,848,822
Cash and deposits with the central bank	82,080	(8,666)	73,414
Deposits with banks and other financial institutions	(462,942)	(19,335)	(482,277)
Placements with banks and other financial institutions	3,186	1,673	4,859
Financial assets held under resale agreements	67,833	2,999	70,832
Financial lease receivables	<u>118,023</u>	<u>—</u>	<u>118,023</u>
Changes in interest income	<u>8,881,628</u>	<u>(2,803,874)</u>	<u>6,077,754</u>
Interest-Bearing Liabilities			
Deposits from customers	2,008,930	(868,003)	1,140,927
Deposits from banks and other financial institutions	886,100	(737,401)	148,699
Placements from banks and other financial institutions	(2,694)	11,187	8,493
Financial assets sold under repurchase agreements	251,652	(98,984)	152,668
Debt securities issued	140,839	(81,023)	59,816
Financial liabilities at fair value through profit or loss	108,673	(182,974)	(74,301)
Other liabilities	<u>(2,444)</u>	<u>—</u>	<u>(2,444)</u>
Changes in interest expense	<u>3,391,056</u>	<u>(1,957,198)</u>	<u>1,433,858</u>
Changes in net interest income	<u>5,490,572</u>	<u>(846,676)</u>	<u>4,643,896</u>

Notes:

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

3.2.1.2 Interest income

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2016		2015	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	6,930,209	24.9	6,409,056	29.4
Retail loans	645,924	2.3	691,526	3.2
Discounted bills	21,302	0.1	52,772	0.2
Subtotal	<u>7,597,435</u>	<u>27.3</u>	<u>7,153,354</u>	<u>32.8</u>
Investment securities and other financial assets	19,390,157	69.5	13,541,335	62.1
Cash and deposits with the central bank	515,757	1.8	442,343	2.0
Deposits with banks and other financial institutions	178,037	0.6	660,314	3.0
Financial assets held under resale agreements	87,682	0.3	16,850	0.1
Placements with banks and other financial institutions	10,100	0.1	5,241	0.0
Financial lease receivables	<u>118,023</u>	<u>0.4</u>	<u>—</u>	<u>—</u>
Total	<u>27,897,191</u>	<u>100.0</u>	<u>21,819,437</u>	<u>100.0</u>

The Bank's interest income increased by 27.9% to RMB27,897,191 thousand in 2016 from RMB21,819,437 thousand in 2015, primarily due to a rapid increase in corresponding interest income resulted from an increase in the scale of interest-bearing assets as the Bank put great efforts in the investment and loan business as well as the finance leasing business by capitalizing on the increase in funds.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 27.3% and 32.8% of the Bank's interest income in 2016 and 2015, respectively. The following table sets forth, for the years indicated, the average balance, relevant interest income and average yield for loans and advances to customers:

<i>(Expressed in millions of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2016 Interest income	Average yield (%)	Average balance	2015 Interest income	Average yield (%)
Corporate loans	102,814,469	6,930,209	6.74	87,244,835	6,409,056	7.35
Retail loans	9,420,358	645,924	6.86	8,838,951	691,526	7.82
Discounted bills	<u>108,867</u>	<u>21,302</u>	19.57	<u>366,457</u>	<u>52,772</u>	14.40
Total	<u>112,343,694</u>	<u>7,597,435</u>	6.76	<u>96,450,243</u>	<u>7,153,354</u>	7.42

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

Interest income from investment securities and other financial assets increased by 43.2% to RMB19,390,157 thousand in 2016 from RMB13,541,335 thousand in 2015, primarily due to increase in the scale of investment assets resulting in corresponding increase in interest income.

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

Interest income from cash and deposits with the central bank increased by 16.6% to RMB515,757 thousand in 2016 from RMB442,343 thousand in 2015, primarily due to increase in the scale of the Bank's deposits resulting in the increase in the amount of the statutory deposit reserves deposited by the Bank with the central bank.

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

Interest income from deposits with banks and other financial institutions decreased by 73.0% to RMB178,037 thousand in 2016 from RMB660,314 thousand in 2015, primarily because that the Bank decreased the scale of the Bank's deposits with banks as the market yield of deposits with banks decreased.

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

Interest income from placements with banks and other financial institutions increased by 92.7% to RMB10,100 thousand in 2016 from RMB5,241 thousand in 2015, primarily due to an increase in the size and yield rate of placements with banks and other financial institutions resulting in an increase in corresponding interest income. The average balance of placements with banks and other financial institutions increased by 60.8% to RMB980,721 thousand in 2016 from RMB609,967 thousand in 2015. The average yield of placements with banks and other financial institutions rose to 1.03% in 2016 from 0.86% for 2015, primarily due to increased scale of the placements with banks and other financial institutions by the Bank as a result of the increase in the interest rate of US dollars in the monetary market.

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

Interest income from financial assets held under resale agreements increased by 420.4% to RMB87,682 thousand in 2016 from RMB16,850 thousand in 2015, primarily due to an increase in the average balance and the average yield. The average balance of financial assets held under resale agreements increased by 402.6% to RMB3,931,486 thousand in 2016 from RMB782,280 thousand for 2015, primarily because the Bank invested in financial assets held under resale agreements to satisfy the needs of liquidity. The average yield of financial assets held under resale agreements increased to 2.23% in 2016 from 2.15% in 2015.

(7) Interest income from financial lease receivables

During the Reporting Period, interest income from financial lease receivables was RMB118,023 thousand, mainly attributable to operations commenced in 2016 by Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司), a subsidiary established by the Bank in December 2015.

3.2.13 Interest expense

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2016		2015	
	Amount	% of total	Amount	% of total
Deposits from customers	5,238,664	42.1	4,097,737	37.2
Deposits from banks and other financial institutions	5,723,145	46.0	5,574,446	50.6
Placements from banks and other financial institutions	42,496	0.3	34,003	0.3
Financial assets sold under repurchase agreements	588,392	4.7	435,724	4.0
Debt securities issued	185,795	1.5	125,979	1.1
Borrowings from the central bank	—	—	2,444	0.0
Financial liabilities at fair value through profit or loss	<u>670,490</u>	<u>5.4</u>	<u>744,791</u>	<u>6.8</u>
Total	<u>12,448,982</u>	<u>100.0</u>	<u>11,015,124</u>	<u>100.0</u>

(1) Interest expense on deposits from customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2016			2015		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	87,364,922	2,822,685	3.23	68,216,314	2,382,745	3.49
Demand	47,559,196	191,339	0.40	24,930,937	138,072	0.55
Subtotal	<u>134,924,118</u>	<u>3,014,024</u>	<u>2.23</u>	<u>93,147,251</u>	<u>2,520,817</u>	<u>2.71</u>
Retail deposits						
Time	68,281,154	2,169,640	3.18	41,788,397	1,533,553	3.67
Demand	11,867,980	55,000	0.46	9,384,251	43,367	0.46
Subtotal	<u>80,149,134</u>	<u>2,224,640</u>	<u>2.78</u>	<u>51,172,648</u>	<u>1,576,920</u>	<u>3.08</u>
Total deposits from customers	<u>215,073,252</u>	<u>5,238,664</u>	<u>2.44</u>	<u>144,319,899</u>	<u>4,097,737</u>	<u>2.84</u>

Interest expense on deposits from customers increased by 27.8% to RMB5,238,664 thousand in 2016 from RMB4,097,737 thousand in 2015, primarily due to rapid increase in the scale of the Bank's deposits in 2016.

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

Interest expense on deposits from banks and other financial institutions increased by 2.7% to RMB5,723,145 thousand in 2016 from RMB5,574,446 thousand in 2015, primarily due to more funds borrowed by the Bank from the market in view of a reduction in interest rates in the interbank market in 2016.

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

Interest expense on placements from banks and other financial institutions increased by 25.0% to RMB42,496 thousand in 2016 from RMB34,003 thousand in 2015, primarily due to the increase in the average cost of placements from banks and other financial institutions resulting in the increase in interest expense. The average balance of placements from banks and other financial institutions decreased by 7.9% to RMB4,157,929 thousand in 2016 from RMB4,515,732 thousand in 2015, primarily due to decreased placements with banks and other financial institutions by the Bank as a result of the increase in the offered rate of US dollars in the monetary market in 2016.

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

Interest expense on financial assets sold under repurchase agreements increased by 35.0% to RMB588,392 thousand in 2016 from RMB435,724 thousand in 2015, primarily due to the increase in the average balance. The average balance of financial assets sold under repurchase agreements increased by 57.8% to RMB17,831,179 thousand in 2016 from RMB11,303,093 thousand in 2015 and was mainly used for the needs of managing the Bank's liquidity. The average cost of the financial assets sold under repurchase agreements decreased to 3.30% in 2016 from 3.85% in 2015, mainly due to a decrease in the average interest rate in the interbank market in 2016.

(5) Interest expense on debt securities issued

Interest expense on debt securities issued increased by 47.5% from RMB125,979 thousand in 2015 to RMB185,795 thousand in 2016, primarily due to an increase in the Bank's average balance of debt securities issued, partially offset by a decrease in the average cost. The increase in average balance of 111.8% to RMB3,925,479 thousand in 2016 from RMB1,853,425 thousand in 2015 was mainly attributable to the Bank's issuance of interbank certificates of deposit and additional issuance of tier-two capital debts; the decrease in average cost to 4.73% in 2016 from 6.80% in 2015 was mainly attributable to decrease in market rates.

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

Financial liabilities at fair value through profit or loss are funds of principal-guaranteed wealth management products managed and measured at fair value sold by the Bank. The interest expense on financial liabilities at fair value through profit or loss decreased by 10.0% to RMB670,490 thousand in 2016 from RMB744,791 thousand in 2015, primarily due to a decrease in the average cost in wealth management products funds. The average balance of principal-guaranteed wealth management products increased by 14.6% to RMB16,474,314 thousand in 2016 from RMB14,376,612 thousand in 2015, which was primarily because the Bank issued more principal-guaranteed wealth management products to meet the enlarged demand of customers for investment wealth management.

3.2.1.4 Net Interest Spread and Net Interest Margin

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

The net interest spread increased to 3.41% in 2016 as compared to 3.29% in 2015 and the net interest margin increased to 3.67% in 2016 as compared to 3.51% in 2015, primarily due to the fact that the decrease in the interest rate of interest-bearing liabilities is larger than that in the yield on interest-earning assets as compared with the corresponding period in 2015 as a result of changes in market interest rates.

3.2.1.5 Non-interest income

(1) Net Fee and Commission Income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Percentage of change (%)
	2016	2015	Change	
Fee and Commission Income				
Wealth management service fees	245,069	121,198	123,871	102.2
Underwriting and advisory fees	226,673	187,691	38,982	20.8
Agency services fees	205,069	97,790	107,279	109.7
Settlement and clearing fees	184,083	118,975	65,108	54.7
Bank card service fees	17,374	17,672	(298)	(1.7)
Others	5,665	12,757	(7,092)	(55.6)
Subtotal	<u>883,933</u>	<u>556,083</u>	<u>327,850</u>	<u>59.0</u>
Fee and Commission Expense				
Settlement and clearing fees	43,393	10,992	32,401	294.8
Others	31,275	44,301	(13,026)	(29.4)
Subtotal	<u>74,668</u>	<u>55,293</u>	<u>19,375</u>	<u>35.0</u>
Net fee and commission income	<u>809,265</u>	<u>500,790</u>	<u>308,475</u>	<u>61.6</u>

The bank fee and commission income increased to RMB883,933 thousand in 2016 compared to RMB556,083 thousand in 2015, primarily due to the increase in wealth management service fees, agency services fees, settlement and clearing fees as well as underwriting and advisory fees as a result of an increase in volume of the Bank's business.

Fee and commission expense consists primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense increased by 35.0% to RMB74,668 thousand in 2016 compared to RMB55,293 thousand in 2015, primarily due to an increase in the Bank's settlement volume.

(2) Net Trading Gains

Net trading gains primarily comprises of net gains from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. Net trading gains decreased by 48.6% to RMB49,948 thousand in 2016 from RMB97,164 thousand in 2015. The decrease in the Bank's net trading gains in 2016 was primary due to the fluctuation of the market prices of the bonds held by the Bank.

(3) Dividend Income

Dividend income decreased by 86.1% to RMB895 thousand in 2016 compared with RMB6,440 thousand in 2015.

(4) Net Gains arising from Investment Securities

The Bank had a net gain arising from investment securities of RMB10,348 thousand in 2016, while the net gain arising from investment securities in 2015 was RMB2,896 thousand.

(5) Foreign Exchange Gain

Foreign exchange gain decreased by 37.5% to RMB53,724 thousand in 2016 from RMB85,895 thousand in 2015, primarily due to volatility in exchange rates.

(6) Other Net Operating Income

Other net operating income increased by 108.5% to RMB41,460 thousand in 2016 from RMB19,886 thousand in 2015.

3.2.1.6 Operating Expenses

During 2016, the Bank's operating expenses was RMB2,758,039 thousand, representing an increase of RMB33,167 thousand representing an increase of 1.2%.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Percentage of change (%)
	2016	2015	Change	
Staff costs	1,308,208	1,105,639	202,569	18.3
General and administrative expenses	739,767	708,620	31,147	4.4
Tax and surcharges	328,405	493,952	(165,547)	(33.5)
Depreciation and amortization	381,258	349,408	31,850	9.1
Others	<u>401</u>	<u>67,253</u>	<u>(66,852)</u>	(99.4)
Total operating expenses	<u>2,758,039</u>	<u>2,724,872</u>	<u>33,167</u>	1.2

(1) Staff Costs

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Percentage of change (%)
	2016	2015	Change	
— Salaries and bonuses	943,042	767,274	175,768	22.9
— Staff welfares	61,570	49,950	11,620	23.3
— Pension	122,277	123,498	(1,221)	(1.0)
— Housing allowances	68,514	60,025	8,489	14.1
— Other social insurance	59,956	55,926	4,030	7.2
— Supplementary retirement benefits	466	1,718	(1,252)	(72.9)
— Other long-term staff welfares	14,703	16,420	(1,717)	(10.5)
— Others	<u>37,680</u>	<u>30,828</u>	<u>6,852</u>	22.2
Total staff costs	<u>1,308,208</u>	<u>1,105,639</u>	<u>202,569</u>	18.3

In 2016, the Bank's total staff costs was RMB1,308,208 thousand, representing an increase of RMB202,569 thousand or 18.3% than 2015, primarily due to an increase in labour costs as a result of increases in the remuneration and number of the Bank's employees due to the business development of the Bank.

(2) General and Administrative Expenses

General and administrative expenses increased by 4.4% to RMB739,767 thousand in 2016 compared to RMB708,620 thousand in 2015, primarily due to (i) the increase of daily administration expenses as a result of an increase in outlets; and (ii) the increase of general and administrative expenses as a result of an increase in volume of the Bank's business.

(3) Tax and Surcharges

The Bank's tax and surcharges decreased by 33.5% to RMB328,405 thousand in 2016 as compared to RMB493,952 thousand in 2015, primarily because the Bank has paid value added taxes instead of business taxes since 1 May 2016 pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]第36號))".

(4) Depreciation and Amortization

Depreciation and amortization increased by 9.1% to RMB381,258 thousand in 2016 from RMB349,408 thousand in 2015, primarily due to increases in depreciation and amortization expenses as a result of an increase in the Bank's properties and equipment and increase in the rental expenses of the Bank's operating outlets.

3.2.1.7 Impairment Losses on Assets

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Percentage of change (%)
	2016	2015	Change	
Impairment losses on loans and advances to customers	1,153,424	1,867,757	(714,333)	(38.2)
Impairment losses on debt securities classified as receivables	1,583,849	429,003	1,154,846	269.2
Impairment losses on financial lease receivables	47,154	—	47,154	N/A
Impairment losses on other assets	<u>468</u>	<u>183</u>	<u>285</u>	155.7
Total	<u>2,784,895</u>	<u>2,296,943</u>	<u>487,952</u>	21.2

Impairment losses on assets increased by 21.2% to RMB2,784,895 thousand in 2016 from RMB2,296,943 thousand in 2015, primarily due to (i) the Bank's decision to implement more prudent risk management policies in view of the overall economic downturn, (ii) the rapid increase of the Bank's investments in debt securities classified as receivables, and (iii) the increase of the Bank's non-performing loans in line with the overall growth of the Bank's loan portfolio.

3.2.1.8 Income Tax Expense

In 2016, the Bank's income tax was RMB2,671,469 thousand, representing an increase of RMB1,083,956 thousand or 68.3% than last year. The Bank's actual tax rate was 24.57%, representing an increase of 0.13 percentage points than that of last year.

3.2.2 Analysis of the Statement of Financial Position

3.2.2.1 Assets

As of 31 December 2016 and 31 December 2015, the Bank had total assets of RMB539,059,522 thousand and RMB361,659,913 thousand, respectively. The principal components of the assets were (i) loans and advances to customers; (ii) net investment securities and other financial assets; (iii) cash and deposits with the central bank; and (iv) deposits with banks and other financial institutions, accounting for 22.6%, 64.6%, 8.1% and 1.6% of the Bank's total assets as at 31 December 2016, respectively. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	126,800,083	23.5	101,174,410	28.0
Provision for impairment losses on loans and advances to customers	(4,869,322)	(0.9)	(3,861,204)	(1.1)
Net Loans and advances to customers	121,930,761	22.6	97,313,206	26.9
Investment securities and other financial assets, net ⁽¹⁾	347,990,616	64.6	209,031,999	57.8
Cash and deposits with the central bank	43,666,527	8.1	30,099,321	8.3
Deposits with banks and other financial institutions	8,673,633	1.6	14,954,990	4.1
Placements with banks and other financial institutions	—	—	649,360	0.2
Financial lease receivables ⁽²⁾	4,615,491	0.9	—	—
Other assets ⁽³⁾	<u>12,182,494</u>	<u>2.2</u>	<u>9,611,037</u>	<u>2.7</u>
Total assets	<u>539,059,522</u>	<u>100.0</u>	<u>361,659,913</u>	<u>100.0</u>

Notes:

- (1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables.
- (2) Financial lease receivables of Bank of Jinzhou Financial Leasing Co., Ltd.
- (3) Include derivative financial assets, interests receivable, property and equipment, deferred tax assets and others.

The Bank's total assets increased by 49.1% from RMB361,659,913 thousand as at 31 December 2015 to RMB539,059,522 thousand as at 31 December 2016. The increase in the Bank's total assets was primarily attributable to the growth in relevant assets scale as a result of the Bank's increased efforts on investment business and loan business.

(1) Loans and Advances to Customers

As at 31 December 2016, the Bank's total loans and advances to customers was RMB126,800,083 thousand, representing an increase of 25.3% as compared to the end of last year. Total loans and advances to customers accounted for 23.5% of the Bank's total assets, representing a decrease of 4.5 percentage points as compared to that at the end of last year.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans	117,553,214	92.7	91,234,544	90.2
Retail loans	9,205,425	7.3	9,703,140	9.6
Discounted bills	<u>41,444</u>	<u>0.0</u>	<u>236,726</u>	<u>0.2</u>
Total loans and advances to customers	<u>126,800,083</u>	<u>100.0</u>	<u>101,174,410</u>	<u>100.0</u>

The Bank's total loans and advances to customers primarily comprise of corporate loans (including discounted bills) and retail loans. Corporate loans is the largest component of the Bank's loan portfolio. As at 31 December 2016 and as at 31 December 2015, the Bank's corporate loans amounted to RMB117,553,214 thousand and RMB91,234,544 thousand, accounting for 92.7% and 90.2% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 28.8% from RMB91,234,544 thousand as at 31 December 2015 to RMB117,553,214 thousand as at 31 December 2016, primarily due to (i) the continued growth of the market demand for corporate loans; and (ii) the establishment of new branches and sub-branches by the Bank.

The Bank's retail loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. As at 31 December 2016, the balance of retail loans amounted to RMB9,205,425 thousand, representing a decrease of RMB497,715 thousand or 5.1 percentage points as compared to the end of last year, which accounted for 7.3% of the Bank's total loans and advances to customers, representing a decrease of 2.3

percentage points as compared to the end of last year, which was primarily due to the economic situation. In order to generally prevent and control risk, the Bank proactively withdrew from various guarantee businesses which were of high risks and weak guarantee, such as mutual insurance and joint guarantee.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 96.2% and 93.8% of the Bank's total loans and advances to customers as at 31 December 2016 and as of and 31 December 2015, respectively. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Unsecured loans	4,788,651	3.8	6,282,693	6.2
Guaranteed loans	45,951,515	36.2	30,329,039	30.0
Collateralized loans	56,164,010	44.3	49,416,132	48.8
Pledged loans	<u>19,895,907</u>	<u>15.7</u>	<u>15,146,546</u>	<u>15.0</u>
Total loans and advances to customers	<u>126,800,083</u>	<u>100.0</u>	<u>101,174,410</u>	<u>100.0</u>

The structure of collaterals of the Bank's loans is stable and the Bank's capability of mitigating risks is solid. As at 31 December 2016, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB76,059,917 thousand, representing an increase of RMB11,497,239 thousand or 17.8% as compared to the end of last year, accounting for 60.0% of the Bank's total loans and advances to customers, which showed a decrease as compared to the end of last year. The balance of unsecured and guaranteed loans was RMB50,740,166 thousand, an increase of RMB14,128,434 thousand as compared to the end of last year, accounting for 40.0% of the Bank's total loans and advances to customers, which showed an increase as compared to the end of last year.

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

	2016	2015
As at 1 January	3,861,204	2,250,466
Charge for the year	1,351,168	1,968,943
Release for the year	(197,744)	(101,186)
Recoveries	2,051	816
Unwinding of discount	(35,907)	(21,570)
Disposal	<u>(111,450)</u>	<u>(236,265)</u>
As at 31 December	<u>4,869,322</u>	<u>3,861,204</u>

Provision for impairment losses on loans increased by 26.1% from RMB3,861,204 thousand as at 31 December 2015 to RMB4,869,322 thousand as at 31 December 2016, primarily due to the increase in the Bank's provision for impairment losses to counter against uncertainties arising from macroeconomic operation.

(2) Investment Securities and Other Financial Assets

Investment securities and other financial assets consist of debt investment, equity investment, investments using funds of wealth management products and debt securities classified as receivables. Investment securities and other financial assets was the largest component of the Bank's assets as at 31 December 2016. As at 31 December 2016 and 31 December 2015, the Bank had net investment securities and other financial assets of RMB347,990,616 thousand and RMB209,031,999 thousand, accounting for 64.6% and 57.8% of the Bank's total assets, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)

Item	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Debt investments	45,162,404	12.9	26,995,121	12.9
Held-to-maturity investments	10,436,027	3.0	7,711,333	3.7
Available-for-sale debt investments	34,664,662	9.9	19,219,823	9.2
Investments in debt securities held for trading	61,715	0.0	63,965	0.0
Provision for impairment losses on debt investments	—	—	—	—

(Expressed in thousands of Renminbi, unless otherwise stated)

Item	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Equity investments	58,250	0.0	58,250	0.0
Available-for-sale equity investments	58,250	0.0	58,250	0.0
Provision for impairment losses on equity investments	—	—	—	—
Wealth management products investments	21,089,421	6.1	15,496,243	7.4
Debt securities classified as receivables	281,680,541	81.0	166,482,385	79.7
Investments in wealth management products issued by financial institutions	200,088	0.1	—	—
Beneficial interest transfer plans	283,571,571	81.5	166,989,654	79.9
Provision for impairment losses on debt securities classified as receivables	<u>(2,091,118)</u>	<u>(0.6)</u>	<u>(507,269)</u>	<u>(0.2)</u>
Net investments	<u>347,990,616</u>	<u>100.0</u>	<u>209,031,999</u>	<u>100.0</u>

As at 31 December 2016, the Bank's investment securities and other financial assets, net amounted to RMB347,990,616 thousand, representing an increase of 66.5% from RMB209,031,999 thousand as at 31 December 2015. Such increase was primarily due to increased investment in securities and other financial assets as a result of an increase in the Bank's available funds, the diversification of the Bank's business and services and the strategy of expanding the Bank's treasury business.

3.2.2 Liabilities

As at 31 December 2016 and 31 December 2015, the Bank's total liabilities amounted to RMB496,165,210 thousand and RMB335,388,599 thousand, respectively. The Bank's liabilities comprise (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) financial assets sold under repurchase agreements; and (iv) debt securities issued, accounting for 53.0%, 26.4%, 7.1% and 6.1% of the Bank's total liabilities as at 31 December 2016, respectively.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Deposits from customers	262,969,211	53.0	170,178,722	50.7
Deposits from banks and other financial institutions	131,028,453	26.4	116,351,178	34.7
Financial assets sold under repurchase agreements	35,164,192	7.1	20,244,100	6.0
Debt securities issued	30,223,286	6.1	1,500,000	0.4
Placements from banks and other financial institutions	3,866,521	0.8	3,855,808	1.1
Financial liabilities at fair value through profit or loss	20,986,772	4.2	15,426,941	4.6
Other liabilities ⁽¹⁾	<u>11,926,775</u>	<u>2.4</u>	<u>7,831,850</u>	<u>2.5</u>
Total	<u>496,165,210</u>	<u>100.0</u>	<u>335,388,599</u>	<u>100.0</u>

Note:

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

(1) Deposits from Customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	52,522,396	20.0	31,712,157	18.7
Time deposits	121,059,322	46.0	78,526,650	46.1
Subtotal	<u>173,581,718</u>	<u>66.0</u>	<u>110,238,807</u>	<u>64.8</u>
Retail deposits				
Demand deposits	12,855,119	4.9	11,710,050	6.9
Time deposits	76,532,374	29.1	48,229,865	28.3
Subtotal	<u>89,387,493</u>	<u>34.0</u>	<u>59,939,915</u>	<u>35.2</u>
Total	<u>262,969,211</u>	<u>100.0</u>	<u>170,178,722</u>	<u>100.0</u>

As at 31 December 2016, the Bank's total deposits from customers amounted to RMB262,969,211 thousand, representing an increase of RMB92,790,489 thousand or 54.5% as compared to the end of last year. Deposits from customers accounted for 53.0% of total liabilities, representing an increase of 2.3 percentage points as compared to the end of last year. During the Reporting Period, the increase in deposits from customers was attributed to an increase in the Bank's operating outlets and increased efforts in marketing customer deposits.

(2) Debts Securities Issued

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

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

On 31 December 2016, the fair value of the above payable tier-two capital debts was RMB4,026 million.

As of 31 December 2016, the Bank issued 36 interbank certificates of deposit in total with an aggregate amount of RMB26,229 million. On 31 December 2016, the fair value of the above interbank certificates of deposit was RMB26,134 million.

3.2.2.3 Shareholders' Equity

The following table sets forth the composition of the Shareholders' equity as of the dates indicated.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Share capital	6,781,616	15.8	5,781,616	22.0
Capital reserve	14,240,795	33.2	9,152,898	34.8
Surplus reserve	2,101,109	4.9	1,292,031	4.9
General reserve	7,225,282	16.8	4,801,449	18.3
Retained earnings	8,686,628	20.3	4,570,467	17.4
Non-controlling interests	<u>3,858,882</u>	<u>9.0</u>	<u>672,853</u>	<u>2.6</u>
Total equity	<u>42,894,312</u>	<u>100.0</u>	<u>26,271,314</u>	<u>100.0</u>

On 28 December 2016, the Bank placed 1,000 million new H shares with a par value of RMB1.00 at the price of HK\$7.50 per Share with a premium in the placing. The premium arising from the placing of new H shares amounting to approximately RMB5,638 million was recorded in capital reserve of the Bank.

3.2.3 Assets Quality Analysis

3.2.3.1 Breakdown of Loans by the Five-Category Classification

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at 31 December 2016, the non-performing loans recorded by the Bank amounted to RMB1,447,918 thousand and the Bank's total provision for impairment losses on loans to customers was RMB4,869,322 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Pass	120,769,380	95.3	96,311,855	95.2
Special mention	4,582,785	3.6	3,816,533	3.8
Substandard	751,542	0.6	521,856	0.5
Doubtful	409,402	0.3	405,352	0.4
Loss	<u>286,974</u>	<u>0.2</u>	<u>118,814</u>	<u>0.1</u>
Total loans and advances to customers	<u>126,800,083</u>	<u>100.0</u>	<u>101,174,410</u>	<u>100.0</u>
Non-performing loan	<u>1,447,918</u>	<u>1.14</u>	<u>1,046,022</u>	<u>1.03</u>

As at 31 December 2016 and 31 December 2015, the non-performing loan ratios of the Bank's total loan portfolio were 1.14% and 1.03%, respectively. The Bank's non-performing loan ratio for 2016 increased by 0.11 percentage point as compared to 2015, primarily due to default by individual customer in a certain industry resulting from macroeconomic slowdown and industrial restructuring and upgrading, leading to an increase in the Bank's non-performing loan ratios.

3.2.3.2 Concentration of Loans

(1) Concentration by Industry of Corporate Loans

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	39,985,815	34.0	30,199,593	33.1
Manufacturing	37,272,136	31.7	23,238,642	25.5
Real estate	13,774,113	11.7	11,183,248	12.3
Leasing and commercial services	6,426,944	5.5	8,633,996	9.5
Electricity, gas and water production and supply	3,822,215	3.3	1,045,943	1.1
Education	3,213,742	2.7	2,751,812	3.0
Transportation, storage and postal services	2,802,067	2.4	1,790,687	2.0
Mining	1,801,952	1.5	1,275,037	1.4
Construction	1,647,035	1.4	3,197,190	3.5
Agriculture, forestry, animal husbandry and fishery	1,534,475	1.3	1,334,995	1.5
Water, environment and public utility management	1,352,440	1.2	1,470,634	1.6
Public management and social organization	242,750	0.2	1,620,780	1.8
Others	<u>3,677,530</u>	<u>3.1</u>	<u>3,491,987</u>	<u>3.7</u>
Total corporate loans and advances	<u>117,553,214</u>	<u>100.0</u>	<u>91,234,544</u>	<u>100.0</u>

As at 31 December 2016, loans provided to customers in the industries of (i) wholesale and retail trade, (ii) manufacturing, and (iii) real estate represented the largest components of the Bank's corporate loans. As at 31 December 2016 and 31 December 2015, the balance of loans provided to the corporate customers in these three industries were RMB91,032,064 thousand and RMB64,621,483 thousand, respectively, accounting for 77.4% and 70.9% of the total corporate loans and advances granted by the Bank, respectively. From the perspective of the structure of increased volume, these three industries experienced the largest increment. The increased volume, and increment were respectively as follows: RMB9,786,222 thousand, 32.4%; RMB14,033,494 thousand, 60.4%; and RMB2,590,865 thousand, 23.2%.

(2) Borrower Concentration

A. Indicators of concentration

Major regulatory indicators	Regulatory standard	As at 31 December 2016	As at 31 December 2015
Loan concentration ratio for the largest single customer	<= 10%	4.23%	6.29%
Loan concentration ratio for the top ten customers	<= 50%	39.92%	33.04%

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

B. Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the ten largest single borrowers as of 31 December 2016. As of the same date, all such loans were classified as pass loans.

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

Customer	Industry involved	As at 31 December 2015	
		Amount	% of total loan
Customer A	Real estate	2,010,290	1.6
Customer B	Manufacturing	2,000,000	1.6
Customer C	Manufacturing	2,000,000	1.6
Customer D	Manufacturing	2,000,000	1.6
Customer E	Manufacturing	2,000,000	1.6
Customer F	Electricity, gas and water production and supply	2,000,000	1.6
Customer G	Wholesale and retail trade	1,910,000	1.5
Customer H	Leasing and commercial services	1,894,000	1.5
Customer I	Wholesale and retail trade	1,694,709	1.3
Customer J	Wholesale and retail trade	<u>1,478,622</u>	<u>1.2</u>
Total		<u>18,987,621</u>	<u>15.1</u>

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

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016			As at 31 December 2015		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small Enterprises and Micro Enterprises	61,043,560	537,109	0.88	41,234,165	416,425	1.01
Medium Enterprises	31,158,505	430,161	1.38	33,311,707	358,835	1.08
Others	<u>25,351,149</u>	<u>284,477</u>	<u>1.12</u>	<u>16,688,672</u>	<u>215,810</u>	<u>1.29</u>
Subtotal	<u>117,553,214</u>	<u>1,251,747</u>	1.06	<u>91,234,544</u>	<u>991,070</u>	1.09
Discounted bills	41,444	—	—	236,726	—	—
Retail loans						
Personal business loans	7,896,779	191,647	2.43	8,644,513	53,836	0.62
Personal consumption loans	478,483	3,213	0.67	579,399	—	—
Residential and commercial properties mortgage loans	723,439	291	0.04	390,091	—	—
Credit card overdrafts	106,243	539	0.51	88,548	546	0.62
Others	<u>481</u>	<u>481</u>	<u>100.00</u>	<u>589</u>	<u>570</u>	<u>96.77</u>
Subtotal	<u>9,205,425</u>	<u>196,171</u>	2.13	<u>9,703,140</u>	<u>54,952</u>	0.57
Total	<u>126,800,083</u>	<u>1,447,918</u>	1.14	<u>101,174,410</u>	<u>1,046,022</u>	1.03

The non-performing loan ratio, defined as non-performing loans divided by the Bank's gross loans and advances to customers, was 1.14% and 1.03%, respectively, as at 31 December 2016 and 31 December 2015.

As at 31 December 2016 and 31 December 2015, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 1.06% and 1.09%, respectively.

As 31 December 2016 and 31 December 2015, the non-performing loan ratio of the Bank's retail loans was 2.13% and 0.57%, respectively.

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

(4) Overdue loans and advances to customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Overdue within 3 months	700,660	13.7	1,259,812	43.2
Overdue more than 3 months to 6 months	2,034,531	39.9	377,295	12.9
Overdue more than 6 months to 1 year	1,071,518	21.0	573,258	19.6
Overdue more than 1 year	<u>1,297,004</u>	<u>25.4</u>	<u>710,438</u>	<u>24.3</u>
Total overdue loans and advances to customers	<u>5,103,713</u>	<u>100.0</u>	<u>2,920,803</u>	<u>100.0</u>

3.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法 (試行) 》) (effective since 1 January 2015) promulgated by the CBRC. As at 31 December 2016, the Bank's capital adequacy ratios at all tiers met the regulatory requirements under such new regulation. The Bank's core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio were 9.79% and 9.80%, respectively, 0.83 and 0.83 percentage point higher than those as at the end of last year; the capital adequacy ratio was 11.62%, 1.12 percentage points higher than that as at the end of last year.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016	As at 31 December 2015
Total core tier-one capital		
— Share capital	6,781,616	5,781,616
— Qualifying portion of capital reserve	14,240,795	9,152,898
— Surplus reserve	2,101,109	1,292,031
— General reserve	7,225,282	4,801,449
— Retained earnings	8,686,628	4,570,467
— Qualifying portions of non-controlling interests	1,057,708	318,993
Core tier-one capital deductions		
— Other intangible assets other than land use right	<u>(148,166)</u>	<u>(134,405)</u>
Net core tier-one capital	39,944,972	25,783,049
Other tier-one capital	<u>38,102</u>	<u>6,642</u>
Net tier-one capital	39,983,074	25,789,691
Tier-two capital		
— Instruments issued and share premium	4,000,000	1,500,000
— Surplus provision for loan impairment	3,311,404	2,890,504
— Qualifying portions of non-controlling interests	<u>86,576</u>	<u>13,284</u>
Net capital base	<u>47,381,054</u>	<u>30,193,479</u>
Total risk weighted assets	407,922,931	287,662,070
Core tier-one capital adequacy ratio	9.79%	8.96%
Tier-one capital adequacy ratio	9.80%	8.97%
Capital adequacy ratio	11.62%	10.50%

3.2.5 Segment Information

3.2.5.1 Summary of Geographical Segment

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

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀

行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司).

Other Northeastern Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank (遼寧桓仁錦銀村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司).

Northern China Region: Beijing branch and Tianjin branch.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2016		2015	
	Amount	% of total	Amount	% of total
Operating income				
Jinzhou Region	11,897,713	72.5	7,713,867	67.0
Other Northeastern Region	1,760,085	10.7	1,348,687	11.7
Northern China Region	<u>2,756,051</u>	<u>16.8</u>	<u>2,454,830</u>	<u>21.3</u>
Total	<u>16,413,849</u>	<u>100.0</u>	<u>11,517,384</u>	<u>100.0</u>

3.2.5.2 Summary of Business Segment

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2016		2015	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking	5,213,190	31.8	4,026,209	35.0
Retail banking	1,163,725	7.1	1,087,209	9.4
Treasury business	9,990,517	60.8	6,383,909	55.4
Others	<u>46,417</u>	<u>0.3</u>	<u>20,057</u>	<u>0.2</u>
Total	<u>16,413,849</u>	<u>100.0</u>	<u>11,517,384</u>	<u>100.0</u>

3.2.6 Off-balance Sheet Items

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016	As at 31 December 2015
Bank acceptances	78,222,618	57,702,403
Letters of credit	18,272,197	835,274
Letters of guarantees	9,446,624	6,724,348
Loan commitments	3,537,196	889,982
Credit card commitments	667,338	491,593
Subtotal	<u>110,145,973</u>	<u>66,643,600</u>
Operating lease commitments	508,552	437,313
Capital commitments	615,127	180,763
Subtotal	<u>1,123,679</u>	<u>618,076</u>
Total	<u>111,269,652</u>	<u>67,261,676</u>

3.3 Risk Management

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

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

3.3.1 Credit risk

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

The Bank's risk and compliance department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, gives advice for the improvement of the Bank's credit risk management system and develops and maintains the rating and limit tools. The Bank's post-credit management department is responsible for the determination of five-category loan assets. The Bank's lending-in-progress management department is in charge of the improvement of the Bank's credit review system and operating procedures. The unified credit department is responsible for formulation of limit management and organize to convene meetings of credit management committee under the Bank's headquarters. All of the Bank's credit business activities must be carried out according to the guiding opinions on the credit business.

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

3.3.2 Operational risk

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

3.3.3 Market risk

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

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

3.3.3.1 Interest rate risk

Interest rates in China have been gradually liberalized in recent years. The interest rate risks have gradually changed from policy risks to market risks, and have become one of the major risks for bank operations. The interest rate risk is mainly reflected by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Bank.

The finance management department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Bank regularly performs assessment on the interest rate sensitivity of the repricing gap and impact on the net interest income and economic value results from the changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on the net interest income and the economic value caused by interest rate volatility.

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

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

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	43,666,527	573,486	43,093,041	—	—	—
Deposit with banks and other financial institutions	8,673,633	—	8,464,133	55,000	154,500	—
Loans and advances to customers ⁽¹⁾	121,930,761	—	18,015,649	38,846,128	62,756,576	2,312,408
Investment in securities and other financial assets	347,990,616	58,250	40,162,403	116,457,560	187,390,603	3,921,800
Financial lease receivables	4,615,491	—	1,075,819	595,989	1,907,346	1,036,337
Others	<u>12,182,494</u>	<u>12,128,636</u>	<u>53,858</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	<u>539,059,522</u>	<u>12,760,372</u>	<u>110,864,903</u>	<u>155,954,677</u>	<u>252,209,025</u>	<u>7,270,545</u>
Liabilities						
Deposits from banks and other financial institutions	131,028,453	—	24,590,953	52,170,000	53,267,500	1,000,000
Placements from banks and other financial institutions	3,866,521	—	3,737,146	129,375	—	—
Financial assets sold under repurchase agreements	35,164,192	—	33,874,192	1,290,000	—	—
Deposit from customers	262,969,211	50,815	92,366,755	55,452,195	115,095,660	3,786
Debt securities issued	30,223,286	—	3,925,514	22,303,420	3,994,352	—
Others	<u>32,913,547</u>	<u>11,793,139</u>	<u>7,931,952</u>	<u>13,188,456</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>496,165,210</u>	<u>11,843,954</u>	<u>166,426,512</u>	<u>144,533,446</u>	<u>172,357,512</u>	<u>1,003,786</u>
Asset-liability gap	<u>42,894,312</u>	<u>916,418</u>	<u>(55,561,609)</u>	<u>11,421,231</u>	<u>79,851,513</u>	<u>6,266,759</u>

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

Note: (1) As at 31 December 2016 and 31 December 2015, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB2,215 million and RMB2,048 million, respectively.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2016	Changes in		2015
	Changes in net profit	Shareholders' equity	Changes in net profit	Changes in Shareholders' equity
100 basis points increase	(614,963)	(1,232,282)	(319,686)	(746,032)
100 basis points decrease	614,962	1,261,407	319,685	772,573

3.3.3.2 Exchange rate risk

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

The Bank's currency exposures as at the end of the Reporting Periods are as follows:

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

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

Notes:

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

3.3.4.1 Liquidity risk management

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of normal

businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

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

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

3.3.4.2 Liquidity risk analysis

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

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	39,349,394	4,317,133	—	—	—	—	—	43,666,527
Deposits with banks and other financial institutions	—	866,800	723,596	6,873,737	55,000	154,500	—	8,673,633
Loans and advances to customers	2,342,509	75,408	3,886,020	11,282,942	39,171,197	62,966,851	2,205,834	121,930,761
Investment in securities and other financial assets	58,250	1,926,545	5,506,587	26,540,708	87,264,452	216,482,034	10,212,040	347,990,616
Financial lease receivables	—	—	13,696	292,213	839,935	3,377,459	92,188	4,615,491
Others	8,658,006	134	538,873	854,750	1,752,228	378,492	11	12,182,494
Total assets	<u>50,408,159</u>	<u>7,186,020</u>	<u>10,668,772</u>	<u>45,844,350</u>	<u>129,082,812</u>	<u>283,359,336</u>	<u>12,510,073</u>	<u>539,059,522</u>
Liabilities								
Deposits from banks and other financial institutions	—	220,953	5,730,000	18,640,000	52,170,000	53,267,500	1,000,000	131,028,453
Placements from banks and other financial institutions	—	—	1,726,994	2,010,152	129,375	—	—	3,866,521
Financial assets sold under repurchase agreements	—	—	31,932,192	1,942,000	1,290,000	—	—	35,164,192
Deposits from customers	—	65,377,256	11,151,995	15,888,319	55,452,195	115,095,660	3,786	262,969,211
Debt securities issued	—	—	—	3,925,514	22,303,420	3,994,352	—	30,223,286
Others	—	4,427,104	4,357,670	5,644,031	15,144,415	3,280,226	60,101	32,913,547
Total liabilities	<u>—</u>	<u>70,025,313</u>	<u>54,898,851</u>	<u>48,050,016</u>	<u>146,489,405</u>	<u>175,637,738</u>	<u>1,063,887</u>	<u>496,165,210</u>
Long/(short) position	<u>50,408,159</u>	<u>(62,839,293)</u>	<u>(44,230,079)</u>	<u>(2,205,666)</u>	<u>(17,406,593)</u>	<u>107,721,598</u>	<u>11,446,186</u>	<u>42,894,312</u>

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2015							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	26,862,544	3,236,777	—	—	—	—	—	30,099,321
Deposits with banks and other financial institutions	—	1,074,184	5,728,000	2,320,240	4,678,066	1,154,500	—	14,954,990
Placements with banks and other financial institutions	—	—	—	—	649,360	—	—	649,360
Loans and advances to customers	1,394,696	653,789	5,930,019	10,557,147	40,056,859	37,465,799	1,254,897	97,313,206
Investment securities and other financial assets	58,250	—	10,256,229	10,735,427	77,799,692	100,573,260	9,609,141	209,031,999
others	<u>7,028,387</u>	<u>58,149</u>	<u>423,162</u>	<u>618,990</u>	<u>1,231,420</u>	<u>250,929</u>	<u>—</u>	<u>9,611,037</u>
Total assets	<u>35,343,877</u>	<u>5,022,899</u>	<u>22,337,410</u>	<u>24,231,804</u>	<u>124,415,397</u>	<u>139,444,488</u>	<u>10,864,038</u>	<u>361,659,913</u>
Liabilities								
Deposits from banks and other financial institutions	—	1,147,926	12,880,000	8,860,000	60,832,752	32,480,500	150,000	116,351,178
Placements from banks and other financial institutions	—	—	1,905,093	1,611,946	338,769	—	—	3,855,808
Financial assets sold under repurchase agreements	—	—	18,244,100	2,000,000	—	—	—	20,244,100
Deposits from customers	—	43,427,010	15,882,369	12,699,386	48,203,992	49,949,166	16,799	170,178,722
Debt securities issued	—	—	—	—	—	1,500,000	—	1,500,000
Others	<u>—</u>	<u>2,251,390</u>	<u>4,372,747</u>	<u>3,454,610</u>	<u>10,814,249</u>	<u>2,297,313</u>	<u>68,482</u>	<u>23,258,791</u>
Total liabilities	<u>—</u>	<u>46,826,326</u>	<u>53,284,309</u>	<u>28,625,942</u>	<u>120,189,762</u>	<u>86,226,979</u>	<u>235,281</u>	<u>335,388,599</u>
Long/(short) position	<u>35,343,877</u>	<u>(41,803,427)</u>	<u>(30,946,899)</u>	<u>(4,394,138)</u>	<u>4,225,635</u>	<u>53,217,509</u>	<u>10,628,757</u>	<u>26,271,314</u>

3.4 Future Prospects

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

4. ISSUANCE OF SECURITIES AND BONDS

4.1 Issuance and Listing of Securities Information

4.1.1 Issuance and Listing of Securities

On 28 December 2016, the Bank placed 1,000,000,000 new H shares with a par value of RMB1.00 at the price of HK\$7.5 per share with a premium in the placing. The Bank raised approximately HK\$7,500,000 thousand from the placing, which, after deduction of the expenses relating to the offering, has been used to replenish its core tier 1 capital base. Immediately following the completion of the placing, the total number of issued shares of the Bank was 6,781,615,684 shares, comprising 4,264,295,684 domestic shares and 2,517,320,000 H shares, and the total share capital of the Bank amounted to RMB6,781,615,684.

4.2 Issuance of Bonds

4.2.1 Issuance of Tier 2 Capital Bonds

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

In December 2016, with the approvals from the CBRC and the PBOC, the Bank issued tier 2 capital bonds in an aggregate principal amount of RMB2.50 billion with

a term of ten years at a fixed interest rate of 4.30% per annum, payable on an annual basis. Such bonds are redeemable in part or in full at the discretion of the Bank at the end of fifth year upon approval of the relevant regulatory authorities.

4.2.2 Interbank Certificates of Deposit Issued

As of 31 December 2016, the Bank issued 36 interbank certificates of deposit in total with an aggregate amount of RMB26,229 million.

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

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

During the year ended 31 December 2016, the Bank fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), and adopted the recommended best practices therein, where appropriate. The Bank also strictly abided by the applicable laws and regulations and the Listing Rules in respect of management of inside information.

5.2 Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors, supervisors and senior management, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all directors and supervisors of the Bank, all directors and supervisors of the Bank have confirmed that they have complied with such code of conduct during the year ended 31 December 2016.

5.3 Profits and Dividend

The Bank's revenue for the year ended 31 December 2016 and the Bank's financial position as at the same date are set out in the section headed "Financial Report" of this results announcement.

The Board has proposed the payment of a cash dividend of RMB0.15 per share (tax inclusive) for the year ended 31 December 2016 in aggregate amount of RMB1,017,242,352.6 (tax inclusive) to all Shareholders, subject to the Shareholders' approval at the annual general meeting of the year 2016. Such proposed dividend will be denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HK\$. The exchange rate of RMB to HK\$ to be adopted shall be the average middle exchange rates of the five business days preceding and including the date of declaration of such dividends (being Thursday, 25 May 2017, the date of the annual general meeting of 2016) as announced by the PBOC.

According to the Enterprise Income Tax Law of the PRC (中國企業所得稅法) and its Regulation on the Implementation effective from 1 January 2008, the Bank shall withhold and pay the enterprise income tax at a rate of 10% for the non-resident enterprise Shareholders whose names appear on the H Share Register of the Bank on 9 June 2017.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (關於國發 [1993] 045號檔廢止後有關個人所得稅徵管問題的通知) (國稅函[2011]348號), the Bank shall withhold and pay the individual income tax for non-resident individual Shareholders.

For those non-resident individual Shareholders who reside in the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and other countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of 10%, the Bank shall withhold the personal income tax at the rate of 10% for such Shareholders.

For those non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of less than 10%, the Bank shall withhold the personal income tax at the rate of 10% for such Shareholders. Should such Shareholders demand that amount in excess of the personal income tax payable under the taxation treaty be refunded, the Bank shall apply for the refund from the relevant inland revenue departments, provided however that such Shareholders have submitted relevant documents in accordance with the requirements of Measures for Non-resident Taxpayers to Benefit from the Taxation Treaties (No. 60 of the Announcement of the State Administration of Taxation for 2015) (非居民享受稅收協議待遇管理辦法(試行)) (國稅法[2009]124號) within a stipulated time frame.

For non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank shall withhold and pay the personal income tax for such Shareholders at the applicable rate as stipulated in the said taxation treaty.

For non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of more than 20% (applicable in the case of distributing cash dividends to the residents thereof) or that have not entered into any taxation treaty with the PRC and otherwise, the Bank shall withhold and pay the personal income tax at a rate of 20% for such Shareholders.

The dividend distribution plan will be submitted to the annual general meeting of 2016 for consideration and approval. If such proposal is approved at the annual general meeting of 2016, the dividend will be distributed to holders of domestic shares and holders of H shares whose names appear on the register of members on 9 June 2017 by the Bank. Such dividend is expected to be paid to Shareholders on or before 24 July 2017.

The amounts of cash dividends and ratios of cash dividends to profit for the year of the Bank for the past three years are as follows:

<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	2015	2014	2013
Cash dividend (tax inclusive)	780,518	528,268	409,735
As a percentage of profit for the year	15.9%	25.0%	30.3%

5.4 Annual General Meeting and Closures of Register of Members

The Bank's annual general meeting of 2016 will be held on 25 May 2017. In order to determine the holders of domestic shares and holders of H shares of the Bank who are eligible to attend and vote at the annual general meeting of 2016, the register of members of the Bank will be closed from 25 April 2017 to 25 May 2017 (both days inclusive), during such period no transfer of shares will be registered. Holders of domestic shares and holders of H shares of the Bank whose names appear on the Bank's register of members on 25 May 2017 shall be entitled to attend the annual general meeting of 2016. Holders of H shares of the Bank who wish to attend and vote at the annual general meeting of 2016 must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 April 2017.

In order to determine the holders of domestic shares and holders of H shares who are entitled to the final dividend, subject to approval by the Shareholders on the annual general meeting of 2016, the register of members of the Bank will be closed from 4 June 2017 to 9 June 2017 (both days inclusive), during such period no transfer of shares will be registered. The Bank will pay the final dividends to holders of domestic shares and holders of H shares whose names appear on the Bank's register of members on 9 June 2017. In order to be entitled to the final dividend, holders of H shares of the Bank who have not registered the related transfer documents are required to lodge all the transfer documents, together with the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 2 June 2017.

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

During the Reporting Period, the Bank and any of its subsidiaries had not purchased, sold or redeemed any listed securities of the Bank.

5.6 Review by Audit Committee

The audit committee of the Bank is currently comprised of Mr. Deng Xiaoyang, Mr. Niu Sihu and Ms. Jiang Jian, each of whom is an independent non-executive director of the Bank. The audit committee of the Bank has reviewed the audited consolidated annual financial statements of the Bank for the year ended 31 December 2016.

6. FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2016	2015
Interest income	27,897,191	21,819,437
Interest expense	<u>(12,448,982)</u>	<u>(11,015,124)</u>
Net interest income	<u>15,448,209</u>	<u>10,804,313</u>
Fee and commission income	883,933	556,083
Fee and commission expense	<u>(74,668)</u>	<u>(55,293)</u>
Net fee and commission income	<u>809,265</u>	<u>500,790</u>
Net trading gains	49,948	97,164
Dividend income	895	6,440
Net gains arising from investment securities	10,348	2,896
Foreign exchange gain	53,724	85,895
Other net operating income	<u>41,460</u>	<u>19,886</u>
Operating income	<u>16,413,849</u>	<u>11,517,384</u>
Operating expenses	<u>(2,758,039)</u>	<u>(2,724,872)</u>
Operating profit before impairment	<u>13,655,810</u>	<u>8,792,512</u>
Impairment losses on assets	<u>(2,784,895)</u>	<u>(2,296,943)</u>
Profit before taxation	<u>10,870,915</u>	<u>6,495,569</u>
Income tax expense	<u>(2,671,469)</u>	<u>(1,587,513)</u>
Profit for the year	<u>8,199,446</u>	<u>4,908,056</u>
Attributable to:		
Equity shareholders of the Bank	8,129,590	4,898,761
Non-controlling interests	<u>69,856</u>	<u>9,295</u>
	<u>8,199,446</u>	<u>4,908,056</u>
Basic and diluted earnings per share (in RMB)	<u>1.40</u>	<u>1.09</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2015	2014
Profit for the year	8,199,446	4,908,056
	-----	-----
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Change in fair value recognized in the Capital Reserve	(678,497)	577,968
Reclassified to the profit or loss upon disposal	(54,323)	(879)
Related income tax effect	183,205	(144,272)
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	(247)	1,315
	-----	-----
Other comprehensive income for the year	(549,862)	434,132
	-----	-----
Total comprehensive income for the year	7,649,584	5,342,188
	-----	-----
Attributable to:		
Equity shareholders of the Bank	7,579,728	5,332,893
Non-controlling interests	69,856	9,295
	-----	-----
Total comprehensive income for the year	7,649,584	5,342,188
	-----	-----

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December	
	2016	2015
Assets		
Cash and deposits with the central bank	43,666,527	30,099,321
Deposits with banks and other financial institutions	8,673,633	14,954,990
Placements with banks and other financial institutions	—	649,360
Financial assets at fair value through profit or loss	21,151,136	15,560,208
Positive fair value of derivatives	53,858	10,678
Interests receivable	3,555,448	2,571,972
Loans and advances to customers	121,930,761	97,313,206
Available-for-sale financial assets	34,722,912	19,278,073
Held-to-maturity investments	10,436,027	7,711,333
Debt securities classified as receivables	281,680,541	166,482,385
Financial lease receivables	4,615,491	—
Property and equipment	6,142,076	5,468,880
Deferred tax assets	1,476,339	700,822
Other assets	954,773	858,685
Total assets	<u>539,059,522</u>	<u>361,659,913</u>

	As at 31 December	
	2016	2015
Liabilities and equity		
Liabilities		
Deposits from banks and other financial institutions	131,028,453	116,351,178
Placements from banks and other financial institutions	3,866,521	3,855,808
Financial liabilities at fair value through profit or loss	20,986,772	15,426,941
Negative fair value of derivatives	7,938	10,217
Financial assets sold under repurchase agreements	35,164,192	20,244,100
Deposits from customers	262,969,211	170,178,722
Accrued staff costs	253,268	246,861
Taxes payable	770,886	665,332
Interests payable	7,241,416	5,345,766
Debts securities issued	30,223,286	1,500,000
Other liabilities	<u>3,653,267</u>	<u>1,563,674</u>
Total liabilities	<u>496,165,210</u>	<u>335,388,599</u>
Equity		
Share capital	6,781,616	5,781,616
Capital reserve	14,240,795	9,152,898
Surplus reserve	2,101,109	1,292,031
General reserve	7,225,282	4,801,449
Retained earnings	<u>8,686,628</u>	<u>4,570,467</u>
Total equity attributable to equity shareholders of the Bank	39,035,430	25,598,461
Non-controlling interests	<u>3,858,882</u>	<u>672,853</u>
Total equity	<u>42,894,312</u>	<u>26,271,314</u>
Total liabilities and equity	<u>539,059,522</u>	<u>361,659,913</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank						non- controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2016	5,781,616	9,152,898	1,292,031	4,801,449	4,570,467	25,598,461	672,853	26,271,314
Changes in equity for the year:								
Total comprehensive income	—	(549,862)	—	—	8,129,590	7,579,728	69,856	7,649,584
Changes in share capital								
- Capital contributed by equity shareholders	1,000,000	5,637,759	—	—	—	6,637,759	—	6,637,759
- Capital contribution by non-controlling interests	—	—	—	—	—	—	3,121,570	3,121,570
Appropriation of profits								
- Appropriation to surplus reserve	—	—	809,078	—	(809,078)	—	—	—
- Appropriation to general reserve	—	—	—	2,423,833	(2,423,833)	—	—	—
- Appropriation to shareholders	—	—	—	—	(780,518)	(780,518)	(5,397)	(785,915)
Balance at 31 December 2016	<u>6,781,616</u>	<u>14,240,795</u>	<u>2,101,109</u>	<u>7,225,282</u>	<u>8,686,628</u>	<u>39,035,430</u>	<u>3,858,882</u>	<u>42,894,312</u>
Balance at 1 January 2015	4,402,234	4,962,627	802,364	3,159,078	2,332,012	15,658,315	218,821	15,877,136
Changes in equity for the year:								
Total comprehensive income	—	434,132	—	—	4,898,761	5,332,893	9,295	5,342,188
Changes in share capital								
- Capital contributed by equity shareholders	1,379,382	3,756,139	—	—	—	5,135,521	—	5,135,521
- Capital contribution by non-controlling interests	—	—	—	—	—	—	450,100	450,100
Appropriation of profits								
- Appropriation to surplus reserve	—	—	489,667	—	(489,667)	—	—	—
- Appropriation to general reserve	—	—	—	1,642,371	(1,642,371)	—	—	—
- Appropriation to shareholders	—	—	—	—	(528,268)	(528,268)	(5,363)	(533,631)
Balance at 31 December 2015	<u>5,781,616</u>	<u>9,152,898</u>	<u>1,292,031</u>	<u>4,801,449</u>	<u>4,570,467</u>	<u>25,598,461</u>	<u>672,853</u>	<u>26,271,314</u>

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2016	2015
Cash flows from operating activities		
Profit for the year	8,199,446	4,908,056
Adjustments for:		
Impairment losses on assets	2,784,895	2,296,943
Depreciation and amortization	381,258	349,408
Unwinding of discount	(35,907)	(21,570)
Dividend income	(895)	(6,440)
Unrealized foreign exchange gains	(76,412)	(38,786)
Net gains on disposal of investment securities	(10,348)	(2,896)
Net gains on disposal of trading securities	(25,965)	(21,478)
Revaluation gains on financial instruments at fair value through profit or loss	(23,983)	(75,686)
Interest expense on debts securities issued	185,795	125,979
Net gains on disposal of property and equipment	(15)	(175)
Income tax expense	<u>2,671,469</u>	<u>1,587,513</u>
	<u>14,049,338</u>	<u>9,100,868</u>
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank, banks and other financial institutions	140,861	(2,045,404)
Net decrease/(increase) in placements with banks and other financial institutions	649,360	(649,360)
Net increase in loans and advances to customers	(25,736,853)	(12,607,947)
Net increase in financial assets at fair value through profit or loss	(5,712,570)	(5,438,620)
Net increase in financial lease receivables	(4,662,646)	—
Net increase in other operating assets	<u>(1,032,941)</u>	<u>(1,238,583)</u>
	<u>(36,354,789)</u>	<u>(21,979,914)</u>

For the year ended 31 December
2016 **2015**

Changes in operating liabilities		
Net decrease in borrowing from central bank	—	(190,000)
Net increase in deposits from banks and other financial institutions	14,677,275	33,893,554
Net increase in placements from banks and other financial institutions	10,713	811,131
Net increase in financial assets sold under repurchase agreements	14,920,092	9,985,100
Net increase in financial liabilities designated at fair value through profit or loss	5,712,570	5,438,620
Net increase in deposits from customers	92,790,489	50,775,725
Income tax paid	(3,054,975)	(1,815,020)
Net increase / (decrease) in other operating liabilities	<u>3,927,030</u>	<u>(26,248)</u>
	<u>128,983,194</u>	<u>98,872,862</u>
Net cash flows generated from operating activities	<u>106,677,743</u>	<u>85,993,816</u>
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	608,239,100	656,946,918
Dividends received	895	6,440
Proceeds from disposal of property and equipment and other assets	50	111,411
Payments on acquisition of investments	(743,971,123)	(746,378,641)
Payments on acquisition of property and equipment, intangible assets and other assets	<u>(1,020,040)</u>	<u>(920,353)</u>
Net cash flows used in investing activities	<u>(136,751,118)</u>	<u>(90,234,225)</u>

For the year ended 31 December
2016 **2015**

Cash flows from financing activities

Proceeds from capital contribution by equity shareholders	6,637,759	5,135,521
Capital contribution by non-controlling interests	3,121,570	450,100
Proceeds from issue of new debt securities	28,643,703	—
Repayment of debts securities issued	—	(500,000)
Interest paid on debts securities issued	(105,011)	(134,500)
Dividends paid	<u>(826,967)</u>	<u>(422,615)</u>

Net cash flows generated from financing activities

<u>37,471,054</u>	<u>4,528,506</u>
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Effect of foreign exchange rate changes on cash and cash equivalents

<u>29,031</u>	<u>29,706</u>
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Net increase in cash and cash equivalents

7,426,710	317,803
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Cash and cash equivalents as at 1 January

<u>4,802,961</u>	<u>4,485,158</u>
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Cash and cash equivalents as at 31 December

<u><u>12,229,671</u></u>	<u><u>4,802,961</u></u>
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Interest received

<u>26,876,062</u>	<u>20,754,733</u>
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Interest paid (excluding interest expense on debts securities issued)

<u>(10,368,736)</u>	<u>(8,881,719)</u>
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NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

1 Background information

The Bank (the “**Bank**”) was established on 22 January 1997 with approval of the People’s Bank of China (the “**PBOC**”) (YinFu 1997 No.29).

The Bank obtained its finance permit No. B0127H221070001 from the CBRC. The Bank obtained its business license No. 912107002426682145 from the SAIC. The legal representative is Zhang Wei and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the People’s Republic of China.

In December, 2015, the Bank’s H shares were listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (stock code: 0416). As at 31 December 2016, our paid-in capital was RMB6,781.62 million.

The principal activities of the Bank and its subsidiaries (the “**Group**”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China, which, for the purpose of this announcement, excludes the Hong Kong Special Administration Region of the PRC (“**Hong Kong**”), the Macau Special Administration Region of the PRC (“**Macau**”) and Taiwan. As at 31 December 2016, the Bank has established 14 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao and Benxi.

2 Basis of preparation

This financial statement has been prepared in accordance with all applicable International Financial Reporting Standards (the “**IFRSs**”) and related interpretations, issued by the International Accounting Standards Board (the “**IASB**”), as well as with the applicable disclosure provisions of the Hong Kong Companies Ordinance. This financial statement complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”).

3 Net interest income

	Years ended 31 December	
	2016	2015
Interest income arising from		
Deposits with the central bank	515,757	442,343
Deposits with banks and other financial institutions	178,037	660,314
Placements with banks and other financial institutions	10,100	5,241
Financial assets at fair value through profit or loss	1,067,525	954,041
Loans and advances to customers		
- Corporate loans and advances	6,930,209	6,409,056
- Personal loans and advances	645,924	691,526
- Discounted bills	21,302	52,772
Financial assets held under resale agreements	87,682	16,850
Available-for-sale financial assets	873,549	775,604
Held-to-maturity investments	297,216	394,406
Debt securities classified as receivables	17,151,867	11,417,284
Financial lease receivables	<u>118,023</u>	<u>—</u>
Sub-total	<u>27,897,191</u>	<u>21,819,437</u>
Interest expenses arising from		
Borrowing from the central bank	—	2,444
Deposits from banks and other financial institutions	5,723,145	5,574,446
Placements from banks and other financial institutions	42,496	34,003
Financial liabilities at fair value through profit or loss	670,490	744,791
Deposits from customers		
Corporate deposits	3,014,024	2,520,817
- Individual customers	2,224,640	1,576,920
- Financial assets sold under repurchase agreements	588,392	435,724
Debts securities issued	<u>185,795</u>	<u>125,979</u>
Sub-total	<u>12,448,982</u>	<u>11,015,124</u>
Net interest income	<u>15,448,209</u>	<u>10,804,313</u>
Of which: Interest income arising from impaired financial assets identified	<u>35,907</u>	<u>21,570</u>

4 Net fee and commission income

	Years ended 31 December	
	2016	2015
Fee and commission income		
Wealth management service fees	245,069	121,198
Underwriting and advisory fees	226,673	187,691
Agency services fees	205,069	97,790
Settlement and clearing fees	184,083	118,975
Bank card service fees	17,374	17,672
Others	<u>5,665</u>	<u>12,757</u>
Sub-total	<u>883,933</u>	<u>556,083</u>
Fee and commission expense		
Settlement and clearing fees	43,393	10,992
Others	<u>31,275</u>	<u>44,301</u>
Sub-total	<u>74,668</u>	<u>55,293</u>
Net fee and commission income	<u>809,265</u>	<u>500,790</u>

5 Net trading gains

	Years ended 31 December	
	2016	2015
Trading financial instruments		
Debt securities	(7,700)	(712)
Derivative financial instruments	24,302	25,312
Precious metals	<u>—</u>	<u>(1,174)</u>
Sub-total	<u>16,602</u>	<u>23,426</u>
Financial instruments designated at fair value through profit or loss	<u>33,346</u>	<u>73,738</u>
Total	<u>49,948</u>	<u>97,164</u>

6 Operating expenses

	Years ended 31 December	
	2016	2015
Staff costs		
Salaries and bonuses	943,042	767,274
Staff welfares	61,570	49,950
Pension	122,277	123,498
Housing allowances	68,514	60,025
Other social insurance	59,956	55,926
Supplementary retirement benefits	466	1,718
Other long-term staff welfares	14,703	16,420
Others	<u>37,680</u>	<u>30,828</u>
Sub-total	<u>1,308,208</u>	<u>1,105,639</u>
Premises and equipment expenses		
Depreciation of property and equipment	297,543	268,698
Amortization of intangible assets	24,702	19,805
Amortization of other long-term assets	59,013	60,905
Rental and property management expenses	<u>82,395</u>	<u>63,584</u>
Sub-total	<u>463,653</u>	<u>412,992</u>
Tax and surcharges	328,405	493,952
Other general and administrative expenses (Note)	<u>657,773</u>	<u>712,289</u>
Total	<u>2,758,039</u>	<u>2,724,872</u>

Note: Auditors' remuneration for 2016 and 2015 was RMB4.50 million and RMB3.00 million, respectively.

7 Impairment losses on assets

	Years ended 31 December	
	2016	2015
Loans and advances to customers	1,153,424	1,867,757
Debt securities classified as receivables	1,583,849	429,003
Financial lease receivables	47,154	—
Others	468	183
Total	<u>2,784,895</u>	<u>2,296,943</u>

8 Income tax expense

(a) Income tax expense:

	Years ended 31 December	
	2016	2015
Current tax expense	3,263,781	2,032,641
Deferred tax expense	(592,312)	(445,128)
Total	<u>2,671,469</u>	<u>1,587,513</u>

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

	Years ended 31 December	
	2016	2015
Profit before tax	<u>10,870,915</u>	<u>6,495,569</u>
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	<u>2,717,729</u>	<u>1,623,892</u>
Non-deductible expenses		
Staff costs	581	3,324
Others	3,444	4,557
	<u>4,025</u>	<u>7,881</u>
Non-taxable income		
Interest income from the PRC government bonds	(36,374)	(38,951)
Others	(13,911)	(5,309)
Income tax expense	<u>2,671,469</u>	<u>1,587,513</u>

9 Basic and diluted earnings per share

	Years ended 31 December	
	2016	2015
Weighted average number of ordinary shares (in thousands)	5,789,835	4,485,070
Net profit attributable to equity shareholders of the Bank	8,129,590	4,898,761
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	1.40	1.09

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

	Years ended 31 December	
	2016	2015
Number of ordinary shares as at 1 January (in thousands)	5,781,616	4,402,234
New added weighted average number of ordinary shares (in thousands)	<u>8,219</u>	<u>82,836</u>
Weighted average number of ordinary shares (in thousands)	<u>5,789,835</u>	<u>4,485,070</u>

10 Available-for-sale financial assets

	Note	As at 31 December	
		2016	2015
Available-for-sale debt investments	(a)	34,664,662	19,219,823
Available-for-sale equity investments	(b)	<u>58,250</u>	<u>58,250</u>
Total		<u>34,722,912</u>	<u>19,278,073</u>
Unlisted		<u>34,722,912</u>	<u>19,278,073</u>
Total		<u>34,722,912</u>	<u>19,278,073</u>

(a) *Available-for-sale debt investments*

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

	As at 31 December	
	2016	2015
In mainland China		
Government	998,188	2,014,765
Banks and other financial institutions	30,749,630	13,428,811
Corporations	<u>2,916,844</u>	<u>3,776,247</u>
Total	<u>34,664,662</u>	<u>19,219,823</u>

As at the end of each of the Relevant Periods, part of the available-for-sale financial assets was pledged for repurchase agreements.

(b) *Available-for-sale equity investments*

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

11 Held-to-maturity investments

Analyzed by type and location of issuers

	<i>Note</i>	As at 31 December	
		2016	2015
Debt securities issued by the following institutions in mainland China			
Government		4,331,042	4,749,402
Banks and other financial institutions		6,085,197	2,942,193
Corporations		<u>19,788</u>	<u>19,738</u>
Total carrying value	(a)	<u>10,436,027</u>	<u>7,711,333</u>
Unlisted		<u>10,436,027</u>	<u>7,711,333</u>
Fair value		<u>10,189,621</u>	<u>7,976,975</u>

Notes:

(a) As at the end of each of the reporting period, part of the held-to-maturity investments was pledged as security for repurchase agreements.

- (b) The Group has not disposed of any held-to-maturity debt investments prior to their maturity dates during the reporting period.

12 Debt securities classified as receivables

	<i>Note</i>	As at 31 December	
		2016	2015
Wealth management products issued by financial institutions	(a)	200,088	—
Beneficial interest transfer plans	(b)	<u>283,571,571</u>	<u>166,989,654</u>
Gross balance		<u>283,771,659</u>	<u>166,989,654</u>
Less: Provision for impairment losses		<u>(2,091,118)</u>	<u>(507,269)</u>
Net balance		<u>281,680,541</u>	<u>166,482,385</u>

Notes:

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

13 Appropriation of profits

(a) *In accordance with the resolution of the Bank's Board of directors meeting on 22 March 2017, the proposed profit appropriations for the year ended 31 December 2016 is listed as follows:*

- Appropriate statutory surplus reserve amounted to RMB809.08 million, based on 10% of the net profit of the Bank.
- Appropriate general reserve amounted to RMB2,423.83 million.
- Declaration of cash dividend of RMB0.15 per share before tax and in aggregation amount of RMB1,017.24 million to all shareholders.

The proposed profit appropriations above are subject to approval by the general meetings of the Bank.

(b) *In accordance with the resolution at the Bank's Annual General Meeting on 29 June 2016, the shareholders approved the following profit appropriations for the year ended 31 December 2015:*

- Appropriation of statutory surplus reserve amounted to RMB489.67 million, based on 10% of the net profit of the Bank.
- Appropriation of general reserve amounted to RMB1,642.37 million.
- Declaration of cash dividend of RMB0.135 per share before tax and in aggregation amount of RMB780.52 million to all shareholders.

14 Segment reporting

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

Corporate banking

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

Retail banking

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

Treasury business

This segment covers the Group's treasury operations. The treasury business enters into inter-bank money market transactions, repurchases transactions and investments. Such 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 accounting period to acquire property and equipment, intangible assets and other long-term assets.

Segment results, assets and liabilities

	Year ended 31 December 2016				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income / (expense)	4,074,068	(2,090,265)	13,464,406	—	15,448,209
Internal net interest income / (expense)	<u>681,578</u>	<u>3,086,639</u>	<u>(3,768,217)</u>	<u>—</u>	<u>—</u>
Net interest income	4,755,646	996,374	9,696,189	—	15,448,209
Net fee and commission income	397,145	167,230	244,890	—	809,265
Net trading gains	—	—	49,948	—	49,948
Dividend income	—	—	895	—	895
Net gains arising from investment securities	—	—	10,348	—	10,348
Foreign exchange gains	60,399	121	(11,753)	4,957	53,724
Other operating income	<u>—</u>	<u>—</u>	<u>—</u>	<u>41,460</u>	<u>41,460</u>
Operating income	5,213,190	1,163,725	9,990,517	46,417	16,413,849
Operating expenses	<u>(1,374,285)</u>	<u>(599,406)</u>	<u>(783,854)</u>	<u>(494)</u>	<u>(2,758,039)</u>
Operating income before impairment	3,838,905	564,319	9,206,663	45,923	13,655,810
Impairment losses on assets	<u>(1,201,174)</u>	<u>595</u>	<u>(1,583,849)</u>	<u>(467)</u>	<u>(2,784,895)</u>
Segment total profit before tax	<u>2,637,731</u>	<u>564,914</u>	<u>7,622,814</u>	<u>45,456</u>	<u>10,870,915</u>
Segment assets	119,894,847	9,325,590	400,735,204	7,627,542	537,583,183
Deferred tax assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,476,339</u>	<u>1,476,339</u>
Total assets	<u>119,894,847</u>	<u>9,325,590</u>	<u>400,735,204</u>	<u>9,103,881</u>	<u>539,059,522</u>
Segment liabilities	190,106,923	100,056,009	201,562,894	4,322,552	496,048,378
Dividend payable	<u>—</u>	<u>—</u>	<u>—</u>	<u>116,832</u>	<u>116,832</u>
Total liabilities	<u>190,106,923</u>	<u>100,056,009</u>	<u>201,562,894</u>	<u>4,439,384</u>	<u>496,165,210</u>
Other segment information					
Depreciation and amortization	<u>(190,417)</u>	<u>(83,720)</u>	<u>(107,056)</u>	<u>(65)</u>	<u>(381,258)</u>
Capital expenditure	<u>509,454</u>	<u>223,989</u>	<u>286,423</u>	<u>174</u>	<u>1,020,040</u>

	Year ended 31 December 2015				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income / (expense)	3,924,357	(1,476,845)	8,356,801	—	10,804,313
Internal net interest (expense) / income	<u>(171,264)</u>	<u>2,470,195</u>	<u>(2,298,931)</u>	<u>—</u>	<u>—</u>
Net interest income	3,753,093	993,350	6,057,870	—	10,804,313
Net fee and commission income	224,414	93,797	182,579	—	500,790
Net trading gains	—	—	97,164	—	97,164
Dividend income	—	—	6,440	—	6,440
Net gains arising from investment securities	—	—	2,896	—	2,896
Foreign exchange gains	48,702	62	36,960	171	85,895
Other net operating income	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,886</u>	<u>19,886</u>
Operating income	4,026,209	1,087,209	6,383,909	20,057	11,517,384
Operating expenses	<u>(1,284,355)</u>	<u>(520,164)</u>	<u>(909,797)</u>	<u>(10,556)</u>	<u>(2,724,872)</u>
Operating income before impairment	2,741,854	567,045	5,474,112	9,501	8,792,512
Impairment losses on assets	<u>(1,680,191)</u>	<u>(187,566)</u>	<u>(429,003)</u>	<u>(183)</u>	<u>(2,296,943)</u>
Profit before tax	<u>1,061,663</u>	<u>379,479</u>	<u>5,045,109</u>	<u>9,318</u>	<u>6,495,569</u>
Segment assets	88,500,160	9,858,784	255,773,910	6,826,237	360,959,091
Deferred tax assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>700,822</u>	<u>700,822</u>
Total assets	<u>88,500,160</u>	<u>9,858,784</u>	<u>255,773,910</u>	<u>7,527,059</u>	<u>361,659,913</u>
Segment liabilities	116,881,258	72,117,521	144,026,142	2,205,794	335,230,715
Dividend payable	<u>—</u>	<u>—</u>	<u>—</u>	<u>157,884</u>	<u>157,884</u>
Total liabilities	<u>116,881,258</u>	<u>72,117,521</u>	<u>144,026,142</u>	<u>2,363,678</u>	<u>335,388,599</u>
Other segment information					
Depreciation and amortization	<u>(164,692)</u>	<u>(66,700)</u>	<u>(116,663)</u>	<u>(1,353)</u>	<u>(349,408)</u>
Capital expenditure	<u>438,282</u>	<u>177,504</u>	<u>310,466</u>	<u>3,602</u>	<u>929,854</u>

15 Commitments and contingent liabilities

(a) Credit commitments

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

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

	As at 31 December	
	2016	2015
Loan commitments		
Original contractual maturity within one year	506,456	163,070
Original contractual maturity more than one year (inclusive)	3,030,740	726,912
Credit card commitments	<u>667,338</u>	<u>491,593</u>
Sub-total	<u>4,204,534</u>	<u>1,381,575</u>
Acceptances	78,222,618	57,702,403
Letters of credit	18,272,197	835,274
Letters of guarantees	<u>9,446,624</u>	<u>6,724,348</u>
Total	<u>110,145,973</u>	<u>66,643,600</u>

The Group may be exposed to credit risk in all the above credit businesses. Our 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. contractual amounts shown above is not representative of expected future cash outflows.

(b) Operating lease commitments

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

	As at 31 December	
	2016	2015
Within one year (inclusive)	71,125	63,685
After one year but within two years (inclusive)	94,521	81,887
After two years but within three years (inclusive)	93,888	80,903
After three years but within five years (inclusive)	144,832	155,663
After five years	<u>104,186</u>	<u>55,175</u>
Total	<u><u>508,552</u></u>	<u><u>437,313</u></u>

(c) Capital commitments

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

	As at 31 December	
	2016	2015
Contracted but not paid for		
Purchase of property and equipment	167,127	106,283
Authorized but not contracted for		
Purchase of property and equipment	<u>448,000</u>	<u>74,480</u>
Total	<u><u>615,127</u></u>	<u><u>180,763</u></u>

(d) Outstanding litigations and disputes

As at 31 December 2016, the Group was the defendant in certain pending litigations and disputes with a gross claimed amount of RMB95 million (31 December 2015: RMB68 million).

The Bank was also involved in a shareholding dispute litigation with a former shareholder since July 2012 where the former shareholder requested the court to (i) order the Bank to issue to it a 12-year term warrants that are convertible into such numbers of shares equal to 9.16% of the Bank's total share capital in August 2012, and (ii) together with 2 other defendants jointly indemnify it with an amount of RMB104 million plus 9.16% of the Bank's profit recorded in its respective financial statements from 2010 to the date of court judgment. If the court judgment is unfavourable to the Bank and, in such event, shareholders' shareholdings in the Bank may be diluted, which would represent approximately 5% of the Bank's Shares as at 31 December 2016

after the hypothetical issue and full exercise of the warrants, rendering the former shareholder become the Bank's single largest shareholder. The Bank's directors and its legal advisor in this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this shareholding dispute litigation is low.

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

7. RELEASE OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

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

Jinzhou, the PRC
22 March 2017

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

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