BANK OF TIANJIN CO., LTD.*
天津銀行股份有限公司*

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

(Stock Code: 1578)

2016 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Bank of Tianjin Co., Ltd. (the "**Bank**") hereby announces the audited consolidated annual results of the Bank for the year ended December 31, 2016 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of annual results and the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board. Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise stated, financial data of the Bank and its subsidiaries are presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	天津銀行股份有限公司
Abbreviation in Chinese	天津銀行
Legal English Name	Bank of Tianjin Co., Ltd.
Abbreviation in English	Bank of Tianjin
Legal Representative	LI Zongtang
Authorized Representatives	ZHANG Furong, NGAI Wai Fung
Listing Place of H shares	The Stock Exchange of Hong Kong Limited
Stock Name	Bank of Tianjin
Stock Code	1578

1.2 Contact Persons and Contact Details

Board Secretary	ZHANG Furong
Joint Company Secretaries	ZHANG Furong, NGAI Wai Fung
Registered Address and Headquarter Address	No. 15 Youyi Road, Hexi District, Tianjin, China
Principal Place of Business in Hong Kong	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Telephone	86-22-2840 5262
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2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended December 31,		
	2015	**2016**	**Rate of change (%)**
	(Amounts in thousands of RMB unless otherwise stated)		
OPERATING RESULTS			
Interest income	26,656,584	**25,202,576**	**(5.5)%**
Interest expense	(15,977,161)	**(14,843,351)**	**(7.1)%**
NET INTEREST INCOME	10,679,423	**10,359,225**	**(3.0)%**
Fee and commission income	1,026,900	**1,442,473**	**40.5%**
Fee and commission expense	(31,171)	**(40,421)**	**29.7%**
NET FEE AND COMMISSION INCOME	995,729	**1,402,052**	**40.8%**
Net trading gains/(losses)	101,680	**(120,090)**	**(218.1)%**
Net gains arising from investment securities	52,182	**63,342**	**21.4%**
Other income, gains or losses	92,730	**110,207**	**18.8%**
OPERATING INCOME	11,921,744	**11,814,736**	**(0.9)%**
Operating expenses	(3,817,123)	**(3,767,642)**	**(1.3)%**
Impairment losses on assets	(1,757,695)	**(2,352,964)**	**33.9%**
Share of profit of associated companies	–	**16,244**	**–**
PROFIT BEFORE TAX	6,346,926	**5,710,374**	**(10.0)%**
Income tax expense	(1,414,543)	**(1,192,470)**	**(15.7)%**
PROFIT FOR THE YEAR	4,932,383	**4,517,904**	**(8.4)%**
Attributable to:			
Equity holders of the Bank	4,916,440	**4,522,053**	**(8.0)%**
Non-controlling interests	15,943	**(4,149)**	**(126.0)%**
Earnings per share (Expressed in RMB Yuan per share)			
– Basic	0.96	**0.77**	**(19.8)%**
– Diluted	–	**0.77**	**–**

	For the year ended December 31,		
	2015	**2016**	**Rate of change (%)**
	(Amounts in thousands of RMB unless otherwise stated)		
MAJOR INDICATORS OF ASSETS/LIABILITIES			
Total assets	565,667,731	**657,310,107**	**16.2%**
Of which: loans and advances to customers	179,570,910	**207,854,530**	**15.8%**
Total liabilities	532,420,027	**615,555,327**	**15.6%**
Of which: deposits from customers	334,691,026	**365,470,957**	**9.2%**
Share capital	5,126,048	**6,070,552**	**18.4%**
Equity attributable to equity holders of the Bank	33,023,651	**41,709,929**	**26.3%**
Total equity	33,247,704	**41,754,780**	**25.6%**

	For the year ended December 31,		
	2015	**2016**	**Rate of Change (%)**
PROFITABILITY INDICATORS (%)			
Return on average total assets[1]	0.94%	**0.74%**	**(0.20)%**
Return on average equity[2]	15.88%	**12.05%**	**(3.83)%**
Net interest spread[3]	1.74%	**1.43%**	**(0.31)%**
Net interest margin[4]	2.08%	**1.76%**	**(0.32)%**
Net fee and commission income to operating income	8.35%	**11.87%**	**3.52%**
Cost-to-income ratio[5]	22.49%	**27.52%**	**5.03%**

	As of December 31, 2015	**As of December 31, 2016**	**Rate of Change (%)**
ASSET QUALITY INDICATORS (%)			
Non-performing loan ratio[6]	1.34%	**1.48%**	**0.14%**
Allowance coverage ratio[7]	202.84%	**193.56%**	**(9.28)%**
Allowance to gross loan ratio[8]	2.73%	**2.87%**	**0.14%**

	As of December 31, 2015	**As of December 31, 2016**	**Rate of Change (%)**
CAPITAL ADEQUACY RATIO INDICATORS (%)			
Calculated based on Capital Adequacy Measures			
Core capital adequacy ratio[9]	N/A	**N/A**	**N/A**
Capital adequacy ratio[10]	N/A	**N/A**	**N/A**
Calculated based on Capital Administrative Measures			
Core tier-one capital adequacy Ratio[11]	9.33%	**9.48%**	**0.15%**
Tier-one capital adequacy ratio[12]	9.33%	**9.48%**	**0.15%**
Capital adequacy ratio[13]	12.23%	**11.88%**	**(0.35)%**
Total equity to total assets	5.88%	**6.35%**	**0.47%**
OTHER INDICATORS (%)			
Loan-to-deposit ratio[14]	55.93%	**58.57%**	**2.64%**
Liquidity ratio[15]	43.14%	**34.39%**	**(8.75)%**
Percentage of loans to the single largest customer[16]	4.50%	**7.83%**	**3.33%**
Percentage of loans to the top ten customers[17]	28.49%	**35.76%**	**7.27%**

Notes:

(1) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.

(2) Calculated by dividing net profit for the year by average balance of total equity at the beginning and the end of the year.

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

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

(5) Calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income.

(6) Calculated by dividing total non-performing loans by gross loans.

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

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

(9) Calculated by dividing (i) core capital, net of core capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk.

(10) Calculated by dividing (i) total capital, net of capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk.

(11) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(12) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(13) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(14) Loan-deposit ratio of as of December 31, 2015 and December 31, 2016 were calculated according to the Notice on Adjusting the Calculation of Loan-to-Deposit Ratio for Commercial Banks (《中國銀監會關於調整商業銀行存貸比計算口徑的通知》).

(15) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

(16) Calculated by dividing total loans to the single largest customer by net capital.

(17) Calculated by dividing total loans to the top ten customers by net capital.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment and Prospects

In 2016, we herald a good start for the "13th Five-Year Plan", with the domestic economic structure continuing to optimize while the economy saw a slower but stable, positively biased performance. Economic activities are moving forward within a reasonable range with quality and efficiency both improving. In general, China experienced stable and healthy economic and social development during the year. 2017 represents a year to deepen the supply-side structural reform, during which, the five major tasks of "cutting overcapacity, destocking, de-leveraging, lowering costs, and improving weak links" will render support to improve the adaptability of the supply-side structure to the demand-side structure, thus effectively realizing a new dynamic balance between the supply and demand relationship regarding economic activities, as well as pushing forward stable economic development.

The economy of China is under increased pressure in the context of on-going deep correction of the global economy, weak recovery, further arising of long-term accumulated contradictions and risks of domestic economy and re-geared economic growth. However, due to the solid development foundation, strong economic resilience, significant potential, huge development spaces as well as continuous new impetus and emerging benefits from opening up and reform of China in general, in particular the continued advancement of new type of industrialization, informatization, urbanization, and agricultural modernization in the domestic market, a comparatively favorable external environment has been created for the development of commercial banks. By closely following central policies and capitalizing on excellent opportunities arising from the synergistic development of the Beijing-Tianjin-Hebei region, we will deepen the reforms, strengthen our innovation, optimize our balance sheet management, exercise stringent risk management, and enhance our profitability.

3.2 Corporate Strategies

Our strategic objectives are: (i) being headquartered in Tianjin with strong presence in Beijing-Tianjin-Hebei region and Bohai Economic Zone, to improve our business coverage in Yangtze River Delta and Southwestern China and establish ourselves as a city commercial bank that serves all major economic zones in China; (ii) capitalizing our distinguished business management, to offer good returns to shareholders; (iii) to continue to utilize sound risk control mechanisms and strategies to maintain solid asset quality; and (iv) to promote innovation and enhance competitiveness and growth potential. We plan to achieve our objectives and strategies through the following measures: (1) we will adjust and optimize the wholesale business structure to support the supply-side structural reform and the deepening of the mixed ownership reform of state-owned enterprises through actively participating in the implementation of national development strategy, and will explore new business model to develop new customer resources and build more new business drivers; (2) we are committed to expanding our customer base and providing diversified financial products and services by enhancing our retail banking operations, focusing on the improvement of customer experience, and integrating and improving our retail business operations and bank card product pipeline; (3) we will further enhance the competitiveness of our SME business by increasing participation in transactions and capital management of our corporate banking clients, maintaining our competitive advantages in providing financial services to SMEs in technology industries, building multi-channel platforms, and enriching functions of banking products; (4) we will expand the profit margin of our business lines in the financial market, constantly broaden our investing and financing channels for assets, and cement partnership with industrial peers and non-banking institutions with a comparatively stronger capability to provide assets, while putting special effort to enhance the profitability of our treasure business; (5) we will expand the range of our financial services, and promote synergies among our different business segments through coordination amongst intra-group companies; (6) we will be committed to sharpening our market competitive edges by building our network outlets into customer service centers and profitability centers, which can be achieved by strategically optimizing our network layout and strengthening the centralized management of the business network; (7) we will expand our network-based financial services by focusing on the key development of internet finance and mobile finance business and integrating the "internet +" into our one-stop financial services for customers; (8) we will maintain asset quality by continuously enhancing our comprehensive risk management system and improving our risk control; and (9) we will improve our organizational and management structure, establish a market-oriented human resources system, and cultivate high-quality financial talent.

3.3 Analysis of the Income Statement

	For the year ended December 31,		
	2015	**2016**	**Rate of change (%)**
	(Amounts in thousands of RMB, unless otherwise stated)		
Interest income	26,656,584	**25,202,576**	**(5.5)%**
Interest expense	(15,977,161)	**(14,843,351)**	**(7.1)%**
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Net gains arising from investment securities	52,182	**63,342**	**21.4%**
Other income, gains or losses	92,730	**110,207**	**18.8%**
OPERATING INCOME	11,921,744	**11,814,736**	**(0.9)%**
Operating expenses	(3,817,123)	**(3,767,642)**	**(1.3)%**
Impairment losses on assets	(1,757,695)	**(2,352,964)**	**33.9%**
Share of profit of associated companies	–	**16,244**	**–**
PROFIT BEFORE TAX	6,346,926	**5,710,374**	**(10.0)%**
Income tax expense	(1,414,543)	**(1,192,470)**	**(15.7)%**
PROFIT FOR THE YEAR	4,932,383	**4,517,904**	**(8.4)%**

For the year ended December 31, 2016, the Bank's profit before tax decreased by 10.0% to RMB5,710.4 million from RMB6,346.9 million for the year ended December 31, 2015 and the profit for the same year decreased by 8.4% to RMB4,517.9 million from RMB4,932.4 million for the year ended December 31, 2015.

3.3.1 Net Interest Income, Net Interest Spread and Net Interest Margin

For the year ended December 31, 2016, the Bank's net interest income decreased by 3.0% to 10,359.2 million from RMB10,679.4 million for the year ended December 31, 2015. Our net interest spread decreased from 1.74% for the year ended December 31, 2015 to 1.43% for the year ended December 31, 2016, primarily due to the fact that our average yield on interest-earning assets decreased by 89 basis points, which was higher than the decrease of the average cost of interest-bearing liabilities by 58 basis points. Our net interest margin decreased from 2.08% for the year ended December 31, 2015 to 1.76% for the year ended December 31, 2016, because our net interest income decreased by 3.0% for the year ended December 31, 2016, while our average balance of our interest-earning assets increased by 14.3% for the year ended December 31, 2016.

The following tables set forth, for the year ended December 31, 2015 and 2016, the average balance of our interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities.

	For the year ended December 31,					
	2015			**2016**		
	Average balance	Interest income/ expense	Average yield/cost	**Average balance**	**Interest income/ expense**	**Average yield/cost**
	(Amounts in millions of RMB, except percentages)					
Interest-earning Assets						
Loans and advances to customers	186,701.5	11,405.7	6.11%	**199,576.5**	**10,015.1**	**5.02%**
Investment securities and other financial assets, including	161,316.8	9,333.1	5.79%	**262,941.4**	**12,174.2**	**4.63%**
– Trust beneficiary rights, wealth management products and asset management plans	101,408.0	7,466.5	7.36%	**163,354.8**	**9,254.1**	**5.67%**
– Debt securities investment	59,908.8	1,866.6	3.12%	**99,586.6**	**2,920.1**	**2.93%**
Amounts due from banks and other financial institutions[1]	83,080.4	3,915.7	4.71%	**48,880.4**	**1,520.8**	**3.11%**
Deposits with banks and other financial institutions	28,243.2	1,163.5	4.12%	**21,904.7**	**658.7**	**3.01%**
Balances with central bank	55,027.9	838.6	1.52%	**54,703.3**	**833.8**	**1.52%**
Total interest-earning assets	514,369.8	26,656.6	5.18%	**588,006.3**	**25,202.6**	**4.29%**
Allowance for impairment losses	(5,695.9)			**(6,851.7)**		
Non-interest earning assets[2]	5,468.6			**9,891.4**		
Total assets	514,142.5	26,656.6	5.18%	**591,046.0**	**25,202.6**	**4.26%**

	For the year ended December 31,					
	2015			**2016**		
	Average balance	Interest income/ expense	Average yield/cost	**Average balance**	**Interest income/ expense**	**Average yield/cost**
	(Amounts in millions of RMB, except percentages)					
Interest-bearing Liabilities						
Due to customers	302,239.6	8,970.8	2.97%	**340,782.2**	**9,117.3**	**2.68%**
Deposits from banks and other financial institutions	134,023.2	5,914.3	4.41%	**117,889.8**	**3,860.6**	**3.27%**
Amounts due to banks and other financial institutions(3)	20,466.1	694.2	3.39%	**29,608.1**	**685.0**	**2.31%**
Debt securities issued	7,453.6	389.0	5.22%	**30,950.6**	**1,180.4**	**3.81%**
Borrowings from central bank	325.6	8.9	2.73%	**4.4**	**0.1**	**2.27%**
Total interest-bearing liabilities	464,508.1	15,977.2	3.44%	**519,235.1**	**14,843.4**	**2.86%**
Non-interest-bearing liabilities(4)	19,763.1			**33,171.7**		
Total liabilities	484,271.2	15,977.2	3.30%	**552,406.8**	**14,843.4**	**2.69%**
Net interest income		10,679.4			**10,359.2**	
Net interest spread(5)			1.74%			**1.43%**
Net interest margin(6)			2.08%			**1.76%**

Notes:

(1) Consists of financial assets held under resale agreements and placements with banks and other financial institutions.

(2) Consists of cash, interest receivable, fixed assets, intangible assets, other receivables, repossessed assets and deferred income tax assets.

(3) Consists of financial assets sold under repurchase agreements and placements from banks and other financial institutions.

(4) Consists of interest payable, taxes payable, other payables, accrued liabilities, accrued staff salaries and dividends payable.

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

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

3.3.2 Interest Income

For the year ended December 31, 2016, our interest income decreased by 5.5% to RMB25,202.6 million from RMB26,656.6 million for the year ended December 31, 2015, which was primarily attributable to an decrease of the average yield of our interest-earning assets from 5.18% for the year ended December 31, 2015 to 4.29% for the year ended December 31, 2016, which was primarily due to an decrease in the average yield of our loans and advances to customers, amounts due from banks and other financial institutions, and investment securities and other financial assets, partially offset by a 14.3% increase in the average balance of interest-earning assets from RMB514,369.8 million for the year ended December 31, 2015 to RMB588,006.3 million for the year ended December 31, 2016, mainly as a result of increases in the average balance of our loans and advances to customers and our investment securities and other financial assets.

Interest income from loans and advances to customers

For the year ended December 31, 2016, interest income from loans and advances to customers decreased by 12.2% from RMB11,405.7 million for the year ended December 31, 2015 to RMB10,015.1 million for the year ended December 31, 2016, primarily due to the decrease of the average yield of our loans and advances to customers from 6.11% for the year ended December 31, 2015 to 5.02% for the year ended December 31, 2016, reflecting the consecutive reductions of benchmark interest rates by the People's Bank of China (the "PBoC"), the tax policy reform of replacing business tax with value-added tax expanded to financial industry in China since May 1, 2016 and intensified competition in PRC banking industry, partially offset by a 6.9% increase in average balance of loans and advances to customers from RMB186,701.5 million for the year ended December 31, 2015 to RMB199,576.5 million for the year ended December 31, 2016, primarily reflected our continued efforts to increase our extending of loans to support the development of real economies.

Interest income from trust beneficiary rights, wealth management products and asset management plans

For the year ended December 31, 2016, interest income from trust beneficiary rights, wealth management products and asset management plans increased by 23.9% from RMB7,466.5 million for the year ended December 31, 2015 to RMB9,254.1 million for the year ended December 31, 2016, primarily as a result of a 61.1% increase in average balance of trust beneficiary rights, wealth management products and asset management plans from RMB101,408.0 million for the year ended December 31, 2015 to RMB163,354.8 million for the year ended December 31, 2016, primarily due to our increased investment in trust beneficiary rights, wealth management products and asset management plans to generate relatively higher returns as compared with other interest-earning assets. The average yield of our trust beneficiary rights, wealth management products and asset management plans decreased from 7.36% for the year ended December 31, 2015 to 5.67% for the year ended December 31, 2016. The decrease in average yield of our trust beneficiary rights, wealth management products and asset management plans was mainly due to a decrease in the interbank market interest rate for Renminbi resulted from increased liquidity of the PRC interbank market.

Interest income from debt securities investment

Interest income from debt securities investment increased by 56.4% from RMB1,866.6 million for the year ended December 31, 2015 to RMB2,920.1 million for the year ended December 31, 2016, primarily due to a 66.2% increase in the average balance of our debt securities investment from RMB59,908.8 million for the year ended December 31, 2015 to RMB99,586.6 million for the year ended December 31, 2016, partially offset by a decrease in the average yield of our debt securities investment from 3.12% for the year ended December 31, 2015 to 2.93% for the year ended December 31, 2016. The increase in the average balance of our debt securities investment was primarily due to an increase in our holding of debt securities to generate higher returns. The decrease in the average yield of our debt securities investment was primarily due to a decrease in the bond market interest rate resulted from increased liquidity of the PRC interbank market.

Interest income from amounts due from banks and other financial institutions

Interest income from amounts due from banks and other financial institutions decreased by 61.2% from RMB3,915.7 million for the year ended December 31, 2015 to RMB1,520.8 million for the year ended December 31, 2016, primarily due to a 41.2% decrease in the average balance of our amounts due from banks and other financial institutions from RMB83,080.4 million for the year ended December 31, 2015 to RMB48,880.4 million for the year ended December 31, 2016, and a decrease in the average yield of our amounts due from banks and other financial institutions from 4.71% for the year ended December 31, 2015 to 3.11% for the year ended December 31, 2016. The decrease in the average balance of our amounts due from banks and other financial institutions was primarily due to our bills held under resale agreements and certain of our other financial assets held under resale agreements came to maturity. The decrease in the average yield of our amounts due from banks and other financial institutions was due to a decrease in the interbank market interest rate for Renminbi resulted from increased liquidity of the PRC interbank market.

Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions decreased by 43.4% from RMB1,163.5 million for the year ended December 31, 2015 to RMB658.7 million for the year ended December 31, 2016, primarily due to a 22.4% decrease in the average balance of deposits with banks and other financial institutions from RMB28,243.2 million for the year ended December 31, 2015 to RMB21,904.7 million for the year ended December 31, 2016 and a decrease in the average yield of our deposits with banks and other financial institutions from 4.12% for the year ended December 31, 2015 to 3.01% for the year ended December 31, 2016. The decrease in the average balance of our deposits with banks and other financial institutions was our adjustment of overall assets portfolio to allocate our fund resources to the higher-yielding assets while meeting our liquidity needs. The decrease of average yield of our deposits with banks and other financial institutions was mainly due to a decrease in the interbank market interest rate for Renminbi resulted from increased liquidity of the PRC interbank market.

Interest income from balances with central bank

Interest income from balances with central bank decreased by 0.6% from RMB838.6 million for the year ended December 31, 2015 to RMB833.8 million for the year ended December 31, 2016, primarily due to a 0.6% decrease in the average balance of our balances with central bank from RMB55,027.9 million for the year ended December 31, 2015 to RMB54,703.3 million for the year ended December 31, 2016.

3.3.3 Interest Expense

Our interest expense decreased by 7.1% from RMB15,977.2 million for the year ended December 31, 2015 to RMB14,843.4 million for the year ended December 31, 2016, primarily due to a decrease in the average cost of our interest-bearing liabilities from 3.44% for the year ended December 31, 2015 to 2.86% for the year ended December 31, 2016, partially offset by an increase of 11.8% in the average balance of the interest-bearing liabilities from RMB464,508.1 million for the year ended December 31, 2015 to RMB519,235.1 million for the year ended December 31, 2016. The decrease in the average cost of our interest-bearing liabilities primarily reflected a decrease in the average cost in our due to customers, deposits from banks and other financial institutions, amounts due to banks and other financial institutions, debt securities issued and borrowings from central bank. The increase in the average balance of our interest-bearing liabilities was primarily due to an increase in the average balances of our amounts due to customers and debt securities issued.

Interest expense on amounts due to customers

Our interest expense on amounts due to customers increased by 1.6% from RMB8,970.8 million for the year ended December 31, 2015 to RMB9,117.3 million for the year ended December 31, 2016, primarily due to an increase of 12.8% in the average balance of total amounts due to customers from RMB302,239.6 million for the year ended December 31, 2015 to RMB340,782.2 million for the year ended December 31, 2016, partially offset by a decrease in the average cost of the amounts due to customers from 2.97% for the year ended December 31, 2015 to 2.68% for the year ended December 31, 2016.The increase in the average balance of the amounts due to customers was primarily due to our continued efforts in sales and marketing activities and improving our service quality. The decrease in the average cost of the amounts due to customers was primarily due to the consecutive reductions of benchmark interest rates by PBoC, and our efforts to increase our due to customers with lower cost to optimize our deposit structure.

Interest expense on deposits from banks and other financial institutions

Our interest expense on deposits from banks and other financial institutions decreased by 34.7% from RMB5,914.3 million for the year ended December 31, 2015 to RMB3,860.6 million for the year ended December 31, 2016, primarily due to a decrease in the average cost of the relevant liabilities from 4.41% for the year ended December 31, 2015 to 3.27% for the year ended December 31, 2016, and a 12.0% decrease in the average balance of the underlying liabilities from RMB134,023.2 million for the year ended December 31, 2015 to RMB117,889.8 million for the year ended December 31, 2016. The decrease in the average cost of our deposits from banks and other financial institutions primarily reflected a decrease in the interbank market interest rate for Renminbi resulted from increased liquidity of the PRC interbank market.

Interest expense on amounts due to banks and other financial institutions

Our interest expense on amounts due to banks and other financial institutions decreased by 1.3% from RMB694.2 million for the year ended December 31, 2015 to RMB685.0 million for the year ended December 31, 2016, primarily due to a decrease of the average cost of our amounts due to banks and other financial institutions from 3.39% for the year ended December 31, 2015 to 2.31% for the year ended December 31, 2016, partially offset by a 44.7% increase of the average balance of our amounts due to banks and other financial institutions from RMB20,466.1 million for the year ended December 31, 2015 to RMB29,608.1 million for the year ended December 31, 2016. The increase in the average balance of our amounts due to banks and other financial institutions was primarily due to our decision to increase our inter-bank liabilities to meet our liquidity needs. The decrease in the average cost of our amounts due to banks and other financial institutions was primarily due to a decrease in the interbank market interest rate resulted from increased liquidity of the PRC interbank market.

Interest expense on debt securities issued

Our interest expense on debt securities issued increased by 203.4% from RMB389.0 million for the year ended December 31, 2015 to RMB1,180.4 million for the year ended December 31, 2016, primarily due to a 315.2% increase in the average balance of our debt securities issued from RMB7,453.6 million for the year ended December 31, 2015 to RMB30,950.6 million for the year ended December 31, 2016, partially offset by a decrease in the average cost of our debt securities issued from 5.22% for the year ended December 31, 2015 to 3.81% for the year ended December 31, 2016. The increase in the average balance of our debt securities issued was primarily due to the issuance of our interbank negotiable certificates of deposit at a nominal value of RMB62.8 billion for the year ended December 31,2016. The decrease in the average cost of our debt securities issued was primarily due to the average costs of the interbank negotiable certificates we issued in 2016 were lower than that of the debt securities we issued before 2016.

Interest expense on borrowings from central bank

Our interest expense on borrowings from central bank decreased by 98.9% from RMB8.9 million for the year ended December 31, 2015 to RMB0.1 million for the year ended December 31, 2016, primarily due to a 98.6% decrease of the average balance of borrowings from central bank from RMB325.6 million for the year ended December 31, 2015 to RMB4.4 million for the year ended December 31, 2016, accompanied by a decrease in the average cost of our borrowings from central bank from 2.73% for the year ended December 31, 2015 to 2.27% for the year ended December 31, 2016.

3.3.4 Non-interest Income

Net fee and commission income

The following table sets forth the principal components of our net fee and commission income for the year ended December 31, 2015 and 2016.

	For the year ended December 31,			
	2015	**2016**	**Change in amount**	**Rate of change**
	(Amounts in millions of RMB, except percentages)			
Fee and commission income				
Settlement and clearing fees	260.5	**168.1**	(92.4)	(35.5)%
Wealth management service fees	306.0	**860.9**	554.9	181.3%
Acceptance and guarantee commitment fees	265.6	**186.8**	(78.8)	(29.7)%
Agency and fiduciary services fees	110.2	**166.0**	55.8	50.6%
Bank card fees	30.2	**33.4**	3.2	10.6%
Others(1)	54.4	**27.3**	(27.1)	(49.8)%
Subtotal	1,026.9	**1,442.5**	415.6	40.5%
Fee and commission expenses	(31.2)	**(40.4)**	(9.2)	29.7%
Net fee and commission income	995.7	**1,402.1**	406.4	40.8%

Note:

(1) Consists primarily of fees earned from financial assets beneficiary rights transfer business.

Our net fee and commission income increased by 40.8% from RMB995.7 million for the year ended December 31, 2015 to RMB1,402.1 million for the year ended December 31, 2016. The increase was primarily due to the increase in our wealth management service fees and agency and fiduciary services fees. For the year ended December 31, 2016, wealth management service fees amounted to RMB860.9 million, compared to RMB306.0 million for the year ended December 31, 2015.

Fee and Commission Expenses

Fee and commission expenses consist primarily of fees paid to third parties in connection with our fee- and commission-based services that can be directly allocated to the provision of such services. Our fee and commission expenses increased by 29.7% from RMB31.2 million for the year ended December 31, 2015 to RMB40.4 million for the year ended December 31, 2016.

Net trading gains or losses

Net trading gains or losses arise from buying and selling of, and changes in the fair value of financial assets held for trading. Our net trading losses amounted to RMB120.1 million for the year ended December 31, 2016, primarily due to the fluctuation of conditions of the bond market, while the Bank had a net trading gains of RMB101.7 million for the year ended December 31, 2015.

Net gains arising from investment securities

Net gains arising from investment securities represent net gains on disposal of available-for-sale financial assets. The Bank's net gains arising from investment securities increased by 21.4% from RMB52.2 million for the year ended December 31, 2015 to RMB63.3 million for the year ended December 31, 2016, primarily due to an increase of trading volumes of our available-for-sale financial assets for the year ended December 31, 2016.

Other components of our operating income

Other components of our operating income consist primarily of exchange gains, government subsidies, rental income and dividends income. Other components of our operating income totaled RMB92.7 million for the year ended December 31, 2015 and RMB110.2 million for the year ended December 31, 2016.

3.3.5 Operating Expenses

The following table sets forth, for the year ended December 31, 2015 and 2016, the principal components of our operating expenses.

	For the year ended December 31,			
	2015	**2016**	**Change in amount**	**Rate of change**
	(Amounts in millions of RMB, except percentages)			
Operating expenses				
Staff costs	1,556.8	**2,141.3**	584.5	37.5%
Tax and surcharges	1,136.2	**516.8**	(619.4)	(54.5)%
Other general and administrative expenses	322.3	**343.3**	21.0	6.5%
Office expenses	312.9	**252.2**	(60.7)	(19.4)%
Rental and property management expenses	284.0	**314.3**	30.3	10.7%
Depreciation and amortization	178.5	**199.7**	21.2	11.9%
Others(1)	26.5	**–**	(26.5)	(100.0)%
Total operating expenses	3,817.2	**3,767.6**	(49.6)	(1.3)%
Cost-to-income ratio(2)	22.5%	**27.5%**	–	5.0%

Notes:

(1) Consists primarily of tax expenses.

(2) Calculated by dividing total operating expenses, excluding tax and surcharges, by total operating income.

Our operating expenses decreased by 1.3% from RMB3,817.2 million for the year ended December 31, 2015 to RMB3,767.6 million for the year ended December 31, 2016. The decrease was primarily due to the decrease in tax and surcharges.

Our cost-to-income ratio (excluding tax and surcharges) was 22.5% and 27.5% for the year ended December 31, 2015 and 2016, respectively.

Staff costs

Staff costs are the largest component of our operating expenses, which amounted to RMB2,141.3 million for the year ended December 31, 2016, representing an increase of 37.5% from RMB1,556.8 million for the year ended December 31, 2015. The following table sets forth the major components of staff costs for the periods indicated.

	For the year ended December 31,			
	2015	**2016**	**Change in amount**	**Rate of change**
	(Amounts in millions of RMB, except percentages)			
Salaries, bonuses and allowances	1,053.4	**1,575.7**	522.3	49.6%
Social insurance	284.7	**321.9**	37.2	13.1%
Housing funds	89.6	**92.4**	2.8	3.1%
Staff welfare	43.7	**49.6**	5.9	13.5%
Labor union fees and staff education expenses	16.3	**18.7**	2.4	14.7%
Contribution to annuity funds	69.1	**83.0**	13.9	20.1%
Total	1,556.8	**2,141.3**	584.5	37.5%

Tax and surcharges

The tax and surcharges amounted to RMB516.8 million for the year ended December 31, 2016, representing a decrease of 54.5% from RMB1,136.2 million for the year ended December 31, 2015. The decrease in tax and surcharges was primarily due to the tax policy reform of replacing business tax with value-added tax expanded to financial industry in China since May 1, 2016.

Office expenses and rental and property management expenses

The office expenses and rental and property management expenses amounted to RMB566.5 million for the year ended December 31, 2016, representing a decrease of 5.1% from RMB596.9 million for the year ended December 31, 2015.

Other general and administrative expenses

Our other general and administrative expenses amounted to RMB343.3 million for the year ended December 31, 2016, representing an increase of 6.5% from RMB322.3 million for the year ended December 31, 2015.

Depreciation and amortization

Depreciation and amortization amounted to RMB199.7 million for the year ended December 31, 2016, representing an increase of 11.9% from RMB178.5 million for the year ended December 31, 2015.

3.3.6 Impairment Losses on Assets

The following table sets forth the principal components of our impairment losses on assets for the periods indicated.

	For the year ended December 31,			
	2015	**2016**	**Change in amount**	**Rate of change**
	(Amounts in millions of RMB, except percentages)			
Loans and advances to customers	1,322.3	**1,865.9**	543.6	41.1%
Investments classified as receivables	406.9	**221.9**	(185.0)	(45.5)%
Financial assets held under resale agreements	23.5	**251.7**	228.2	971.1%
Others	5.0	**13.5**	8.5	170.0%
Total	1,757.7	**2,353.0**	595.3	33.9%

Our impairment losses on assets for the year ended December 31, 2016 were RMB2,353.0 million, representing an increase of 33.9% from RMB1,757.7 million for the year ended December 31, 2015, primarily due to our impairment losses on loans and advances to customers increasing by 41.1% from RMB1,322.3 million for the year ended December 31, 2015 to RMB1,865.9 million for the year ended December 31, 2016, reflecting an increase in our total loans and advances to customers.

3.3.8 Income Tax Expenses

The following table sets forth the principal components of our income tax expenses for the periods indicated.

	For the year ended December 31,			
	2015	**2016**	**Change in amount**	**Rate of change**
	(Amounts in millions of RMB, except percentages)			
Profit before tax	6,346.9	**5,710.4**	(636.5)	(10.0)%
Tax calculated at applicable statutory tax rate of 25%	1,586.7	**1,427.6**	(159.1)	(10.0)%
Underprovision of tax in prior years	1.3	**1.3**	0.0	0.0%
Tax effect of expense not deductible for tax purpose	14.6	**7.1**	(7.5)	(51.4)%
Tax effect of income not taxable for tax purpose[1]	(188.1)	**(245.3)**	(57.2)	30.4%
Tax effect of tax losses/deductible temporary differences not recognized	–	**1.8**	1.8	–
Income tax expense	1,414.5	**1,192.5**	(222.0)	(15.7)%

Note:

(1) The income not taxable for tax purpose mainly represents interest income arising from government bonds, which is income tax free in accordance with the PRC tax regulations.

Our income tax for the year ended December 31, 2016 amounted to RMB1,192.5 million, representing a 15.7% decrease from RMB1,414.5 million for the year ended December 31, 2015, which was generally consistent with the decrease in our profit before tax.

3.4 Analysis of the Statement of Financial Position

3.4.1 Assets

The following table sets forth, as of the dates indicated, the components of our total assets.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
ASSETS				
Gross loans and advances to customers	184,603.7	32.6%	**214,000.7**	**32.5%**
Allowance for impairment losses	(5,032.8)	(0.9)%	**(6,146.2)**	**(0.9)%**
Loans and advances to customers, net	179,570.9	31.7%	**207,854.5**	**31.6%**
Investment securities and other financial assets, net	203,459.1	36.0%	**310,737.3**	**47.3%**
Financial assets held under resale agreements	70,328.4	12.4%	**33,277.0**	**5.1%**
Cash and deposits with central bank	62,107.2	11.0%	**58,107.6**	**8.8%**
Deposits with banks and other financial institutions	30,817.9	5.4%	**26,118.0**	**4.0%**
Placements with banks and other financial institutions	13,421.2	2.4%	**13,780.0**	**2.1%**
Other assets[(1)]	5,963.0	1.1%	**7,435.7**	**1.1%**
TOTAL ASSETS	565,667.7	100.0%	**657,310.1**	**100.0%**

Note:

(1) Consists primarily of interest receivable, property and equipment, deferred tax assets, interests in associated companies, intangible assets and other receivables.

As of December 31, 2016, our total assets amounted to RMB657,310.1 million, representing an increase of 16.2% compared to RMB565,667.7 million as of December 31, 2015. The increase was mainly due to the increase in our loans and advances to customers and investment securities and other financial assets.

Loans and advances to customers

The following table sets forth, as of the dates indicated, a breakdown of our loans by business line.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Corporate loans	154,018.1	83.5%	**182,240.3**	**85.2%**
Personal loans	24,775.2	13.4%	**28,515.5**	**13.3%**
Discounted bills	5,810.4	3.1%	**2,941.3**	**1.4%**
Finance lease receivables	–	–	**303.6**	**0.1%**
Total	184,603.7	100.0%	**214,000.7**	**100.0%**

Corporate loans

Our corporate loans amounted to RMB182,240.3 million as of December 31, 2016, representing an increase of 18.3% compared to RMB154,018.1 million as of December 31, 2015. The increase in our corporate loans was in line with the development of our corporate banking business.

The following table sets forth a breakdown of our corporate loans by contract maturity as of the dates indicated.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Short-term loans (one year or less)	108,110.4	70.2%	**110,081.1**	**60.4%**
Medium- and long-term loans (over one year)	45,907.7	29.8%	**72,159.2**	**39.6%**
Total corporate loans	154,018.1	100.0%	**182,240.3**	**100.0%**

Short-term loans as a percentage of our corporate loan portfolio decreased from 70.2% as of December 31, 2015 to 60.4% as of December 31, 2016 and our medium- and long-term loans as a percentage of our corporate loan portfolio increased from 29.8% as of December 31, 2015 to 39.6% as of December 31, 2016. The changes in the above percentages of our corporate loan portfolio were primarily caused by the fact that certain short-term loans came to maturity and our decision to optimize our loan maturity structure.

The following table sets forth, as of the dates indicated, the distribution of our corporate loans by product type.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Working capital loans	108,193.3	70.2%	**136,335.5**	**74.7%**
Fixed assets loans	42,125.0	27.4%	**41,104.3**	**22.6%**
Trade finance	1,764.2	1.1%	**3,595.5**	**2.0%**
Others[1]	1,935.6	1.3%	**1,205.0**	**0.7%**
Total corporate loans	154,018.1	100.0%	**182,240.3**	**100.0%**

Note:

(1) Consists primarily of advances under bank acceptance and letters of credit issued by the Bank and corporate overdraft.

Our working capital loans amounted to RMB136,335.5 million as of December 31, 2016, representing an increase of 26.0% compared to RMB108,193.3 million as of December 31, 2015. The increase in our working capital loans was primarily due to our continued efforts to extend our working capital loans to meet our SME borrowers' increasing funding needs and support their development.

Our fixed assets loans amounted to RMB41,104.3 million as of December 31, 2016, representing a decrease of 2.4% compared to RMB42,125.0 million as of December 31, 2015. The decrease in our fixed assets loans was primarily due to our decision to optimize our lending structure, including the type and terms of our loans.

Our trade finance amounted to RMB1,764.2 million and RMB3,595.5 million as of December 31, 2015 and December 31, 2016. Our other corporate loans amounted to RMB1,935.6 million and RMB1,205.0 million as of December 31, 2015 and December 31, 2016.

Personal loans

Our personal loans amounted to RMB28,515.5 million as of December 31, 2016, representing an increase of 15.1% compared to RMB24,775.2 million as of December 31, 2015. This increase was mainly attributable to our strategy and continued efforts to grow our retail banking business.

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

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Personal consumption loans	10,801.7	43.6%	**10,220.7**	**35.8%**
Residential mortgage loans	10,028.1	40.5%	**14,520.1**	**50.9%**
Personal business loans	3,570.0	14.4%	**3,357.7**	**11.8%**
Credit card overdrafts	375.4	1.5%	**417.0**	**1.5%**
Total personal loans	24,775.2	100.0%	**28,515.5**	**100.0%**

Our personal consumption loans amounted to RMB10,220.7 million as of December 31, 2016, representing a decrease of 5.4% compared to RMB10,801.7 million as of December 31, 2015.

Our residential mortgage loans amounted to RMB14,520.1 million as of December 31, 2016, representing an increase of 44.8% compared to RMB10,028.1 million as of December 31, 2015. The increase in our residential mortgage loans was primarily due to (i) our efforts to grow our residential mortgage loan business to meet the various needs of our retail customers, and (ii) our increased marketing efforts on residential mortgage loans as our response to the PRC government's sound policy on the residential mortgage loans.

Our personal business loans amounted to RMB3,357.7 million as of December 31, 2016, representing a decrease of 5.9% compared to RMB3,570.0 million as of December 31, 2015. The decrease in our personal business loans was primarily due to (i) the maturity of certain of our personal business loans, and (ii) the decrease in our lending to individual businesses given their deteriorated repayment abilities during the slowdown in the PRC economy.

Our credit card overdrafts amounted to RMB375.4 million and RMB417.0 million as of December 31, 2015 and December 31, 2016.

Discounted bills

Discounted bills represented an important component of our portfolio of loans and advances to customers. Our discounted bills decreased by 49.4% to RMB2,941.3 million as of December 31, 2016 from RMB5,810.4 million as of December 31, 2015, primarily due to our decision to decrease the business volume of discounted bills given the relatively lower market prices of discounted bills in 2016.

Finance lease receivables

As of December 31, 2016, we recorded finance lease receivables amounted to RMB303.6 million, primarily due to the establishment and commence of business of Bank of Tianjin Financial Leasing Co., Ltd. in 2016, a newly established subsidiary of the Bank. We did not record any finance lease receivable as of December 31, 2015.

Investment securities and other financial assets

As of December 31, 2016, the balance of our investment securities and other financial assets amounted to RMB310,737.3 million, representing an increase of 52.7% compared to RMB203,459.1 million as of December 31, 2015. This increase was mainly due to an increase of our holding of debt securities, trust beneficiary rights and assets management plans to generate higher returns.

The following table sets forth, as of December 31, 2015 and December 31, 2016, the components of our investment securities and other financial assets.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Debt securities				
Held-to-maturity investments	31,684.0	15.6%	**42,340.6**	**13.6%**
Available-for-sale debt securities	17,605.4	8.7%	**48,706.9**	**15.7%**
Debt securities held for trading	5,952.1	2.9%	**5,880.4**	**1.9%**
Debt securities classified as receivables	8,378.9	4.1%	**26,756.1**	**8.6%**
Allowance for impairment losses	–	–	**(57.5)**	**(0.0)%**
Subtotal	63,620.4	31.3%	**123,626.5**	**39.8%**
Funds	200.4	0.1%	**1,824.3**	**0.6%**
Wealth management products issued by other financial institutions	35,305.2	17.3%	**64,717.1**	**20.8%**
Trust beneficiary rights and assets management plans, net				
Asset management plans	64,088.4	31.5%	**85,898.6**	**27.7%**
Trust beneficiary rights	40,692.6	20.0%	**35,246.8**	**11.3%**
Allowance for impairment losses	(506.5)	(0.2)%	**(634.6)**	**(0.2)%**
Subtotal	104,274.5	51.3%	**120,510.8**	**38.8%**
Equity investments				
Available-for-sale equity investments	58.6	0.0%	**58.6**	**0.0%**
Subtotal	58.6	0.0%	**58.6**	**0.0%**
Total investment securities and other financial assets, net	203,459.1	100.0%	**310,737.3**	**100.0%**

Debt securities

The following table sets forth, as of December 31, 2015 and December 31, 2016, the components of our debt securities.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
PRC government bonds	23,646.8	37.2%	**40,887.5**	**33.1%**
Debt securities issued by PRC policy banks	22,330.2	35.1%	**27,272.0**	**22.0%**
Debt securities issued by PRC corporate issuers	10,427.4	16.4%	**27,667.9**	**22.4%**
Debt securities issued by PRC banks and other financial institutions	7,216.0	11.3%	**27,856.6**	**22.5%**
Total	63,620.4	100.0%	**123,684.0**	**100.0%**

Our holding of debt securities issued by PRC governments increased by 72.9% from RMB23,646.8 million as of December 31, 2015 to RMB40,887.5 million as of December 31, 2016, primarily due to our preference for their high liquidity and relatively low risks.

Our holding of debt securities issued by PRC policy banks increased by 22.1% from RMB22,330.2 million as of December 31, 2015 to RMB27,272.0 million as of December 31, 2016, which primarily because of our preference for their high liquidity and relatively low risks.

Our holding of debt securities issued by PRC corporate issuers increased by 165.3% from RMB10,427.4 million as of December 31, 2015 to RMB27,667.9 million as of December 31, 2016, which primarily because of our decision to achieve higher returns on investments whilst maintaining reasonable level of liquidity.

Our holding of debt securities issued by PRC banks and other financial institutions increased by 286.0% from RMB7,216.0 million as of December 31, 2015 to RMB27,856.6 million as of December 31, 2016, which reflected our preference for such financial debt securities with relatively high returns.

Distribution of investment securities and other financial assets by investment intention

The following table sets forth, as of December 31, 2015 and December 31, 2016, the distribution of our investment securities and other financial assets by our investment intention.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Investment classified as receivables	147,958.6	72.7%	**211,926.5**	**68.2%**
Held-to-maturity investments	31,684.0	15.6%	**42,340.6**	**13.6%**
Available-for-sale financial assets	17,864.4	8.8%	**50,589.8**	**16.3%**
Financial assets held for trading	5,952.1	2.9%	**5,880.4**	**1.9%**
Total	203,459.1	100.0%	**310,737.3**	**100.0%**

Financial assets held under resale agreements

The table below sets forth, as of December 31, 2015 and December 31, 2016, the distribution of our financial assets held under resale agreements by collateral type.

	As of December 31 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Analyzed by collateral type:				
Bills	51,815.2	73.7%	**10,097.5**	**30.1%**
Trust beneficial rights and asset management plans[(1)]	9,642.0	13.7%	**630.0**	**1.9%**
Bonds	8,894.7	12.6%	**22,824.7**	**68.0%**
Gross amount	70,351.9	100.0%	**33,552.2**	**100.0%**
Allowance for impairment losses	(23.5)		**(275.2)**	
Net amount	70,328.4		**33,277.0**	

Note:

(1) The underlying investments were debt instruments with fixed or determinable return and fixed term of maturity.

Our financial assets held under resale agreements amounted to RMB33,277.0 million as of December 31, 2016, representing a decrease of 52.7% compared to RMB70,328.4 million as of December 31, 2015, primarily due to the fact that our bills held under resale agreements and certain of our other financial assets held under resale agreements came to maturity.

Other components of our assets

Other components of our assets primarily consist of (i) cash and deposits with central bank, (ii) deposits with banks and other financial institutions, (iii) placements with banks and other financial institutions, and (iv) others.

Our cash and deposits with central bank amounted to RMB58,107.6 million as of December 31, 2016, representing a decrease of 6.4% compared to RMB62,107.2 million as of December 31, 2015.

Deposits with banks and other financial institutions amounted to RMB26,118.0 million as of December 31, 2016, representing a decrease of 15.3% compared to RMB30,817.9 million as of December 31, 2015. This decrease was primarily due to our adjustment of overall assets portfolio to allocate our fund resources to the higher-yielding assets while meeting our liquidity needs.

Our placements with banks and other financial institutions amounted to RMB13,780.0 million as of December 31, 2016, representing an increase of 2.7% compared to RMB13,421.2 million as of December 31, 2015, primarily due to our adjustment of overall assets portfolio to allocate our fund resources to the higher-yielding assets while meeting our liquidity needs.

Our other assets consist primarily of interest receivable, property and equipment, deferred tax assets, interests in associated companies, intangible assets and other receivables. Our other assets increased by 24.7% from RMB5,963.0 million as of December 31, 2015 to RMB7,435.7 million as of December 31, 2016, primarily due to the increase of our reprocessed assets by RMB560.7 million.

3.4.2 Liabilities

The following table sets forth, as of the dates indicated, the components of our total liabilities.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Deposits from customers	334,691.0	62.9%	**365,471.0**	**59.4%**
Deposits from banks and other financial institutions	148,732.7	27.9%	**119,333.0**	**19.4%**
Financial assets sold under repurchase agreements	14,557.3	2.7%	**58,805.6**	**9.5%**
Debt securities issued	13,903.8	2.6%	**40,631.6**	**6.6%**
Placements from banks	4,283.6	0.8%	**18,550.3**	**3.0%**
Borrowings from central bank	237.4	0.1%	**–**	**–**
Income tax payable	701.1	0.1%	**567.2**	**0.1%**
Other liabilities(1)	15,313.1	2.9%	**12,196.6**	**2.0%**
TOTAL LIABILITIES	532,420.0	100.0%	**615,555.3**	**100.0%**

Note:

(1) Consists primarily of interest payable, employee benefits payables, dividend payable, accrued liabilities, and certain other liabilities.

As of December 31, 2016, our total liabilities were RMB615,555.3 million, representing an increase of 15.6% compared to RMB532,420.0 million as of December 31, 2015.

Deposits from customers

As of December 31, 2016, our deposits from customers amounted to RMB365,471.0 million, representing an increase of 9.2% compared to RMB334,691.0 million as of December 31, 2015. The increase in our deposits from customers was primarily due to the increases in both corporate and personal deposits, resulting from the expansion of outlets, improvement of services and strengthening of marketing capabilities.

The following table sets forth, as of December 31, 2015 and December 31, 2016, our due to customers by product type and maturity profile of deposits.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Corporate deposits				
Demand	132,621.1	39.6%	**159,939.7**	**43.8%**
Time(1)	111,215.9	33.2%	**119,638.9**	**32.7%**
Subtotal	243,837.0	72.8%	**279,578.6**	**76.5%**
Personal deposits				
Demand	17,734.3	5.3%	**16,218.4**	**4.5%**
Time(1)	45,122.3	13.5%	**48,041.7**	**13.1%**
Subtotal	62,856.6	18.8%	**64,260.1**	**17.6%**
Others(2)	27,997.4	8.4%	**21,632.3**	**5.9%**
Total deposits from customers	334,691.0	100.0%	**365,471.0**	**100.0%**

Notes:

(1) Includes principal-protected wealth management products, which we classify as deposits from customers pursuant to PBoC rules.

(2) Consists primarily of margin deposits, funds deposited with us for remittance and temporary deposits.

Our corporate deposits increased, both in absolute terms and as a percentage of our total deposits, from RMB243,837.0 million and 72.8% as of December 31, 2015 to RMB279,578.6 million and 76.5% as of December 31, 2016. The increase in our corporate deposits, both in absolute terms and as a percentage of total deposits, was primarily due to (i) the increase in our business with our core corporate customers that we have attributed to the long term strategic cooperation relationships, and (ii) the growth of our small- and medium- corporate client base as a result of continued marketing efforts.

Our personal deposits increased by 2.2% from RMB62,856.6 million as of December 31, 2015 to RMB64,260.1 million as of December 31, 2016. The increase in the absolute terms of our personal deposits was primarily due to our continued efforts to grow retail banking business, the expansion of our branch and sub-branch network for our retail banking business and the growth in our retail customer base.

Deposits from banks and other financial institutions

As of December 31, 2016, our deposits from banks and other financial institutions amounted to RMB119,333.0 million, representing a decrease of 19.8% from RMB148,732.7 million as of December 31, 2015. The decrease in our deposits from banks and other financial institutions primarily reflected capital sources of the Bank obtained in other ways other than the deposits from banks and other financial institutions.

Financial assets sold under repurchase agreements

As of December 31, 2016, our financial assets sold under repurchase agreements amounted to RMB58,805.6 million, representing an increase of 304.0% from RMB14,557.3 million as of December 31, 2015. The increase in our financial assets sold under repurchase agreements was primarily due to the change of our liquidity needs.

3.4.3 Equity

The table below sets forth the components of the equity of the Bank as of the dates indicated.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
EQUITY				
Share capital	5,126.0	15.4%	**6,070.5**	**14.5%**
Capital reserve	5,990.8	18.0%	**10,699.8**	**25.6%**
Investment revaluation reserve	166.0	0.5%	**(215.6)**	**(0.5)%**
Surplus reserve	2,563.0	7.7%	**3,014.7**	**7.2%**
General reserve	5,819.6	17.5%	**7,136.6**	**17.1%**
Retained earnings	13,358.2	40.2%	**15,003.9**	**36.0%**
Equity attributable to equity holders of the Bank	33,023.6	99.3%	**41,709.9**	**99.9%**
No-controlling interests	224.1	0.7%	**44.9**	**0.1%**
TOTAL EQUITY	33,247.7	100.0%	**41,754.8**	**100.0%**

As of December 31, 2016, our shareholders' equity amounted to RMB41,754.8 million, representing an increase of 25.6% compared to RMB33,247.7 million as of December 31, 2015. Equity attributable to equity holders of the Bank was RMB41,709.9 million as of December 31, 2016, representing an increase of 26.3% compared to RMB33,023.6 million as of December 31, 2015. The increase in the shareholders' equity in the year ended December 31, 2016 was mainly due to the issue of our new H shares in 2016.

3.5 Analysis of Off-Balance Sheet Items

The following table sets forth, as of December 31, 2015 and December 31, 2016, the contractual amounts of our off-balance sheet commitments.

	As of December 31, 2015	**As of December 31, 2016**
	(Amounts in millions of RMB)	
Bank acceptance	57,341.3	**48,612.3**
Letters of credit	11,614.2	**8,329.6**
Letters of guarantee issued	5,718.4	**7,693.4**
Undrawn credit card commitments	2,473.2	**1,625.2**
Subtotal	77,147.1	**66,260.5**
Operating lease commitments	985.8	**1,168.0**
Capital commitments	194.4	**217.3**
Total	78,327.3	**67,645.8**

3.6 Analysis

Distribution of loans by five-category loan classification

The following table sets forth, as of December 31, 2015 and December 31, 2016, the distribution of our loan portfolio by the five-category loan classification.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Normal	175,657.0	95.2%	**201,313.4**	**94.1%**
Special mention	6,465.6	3.5%	**9,512.0**	**4.4%**
Subtotal	182,122.6	98.7%	**210,825.4**	**98.5%**
Substandard	1,433.1	0.8%	**2,624.1**	**1.2%**
Doubtful	640.8	0.3%	**177.8**	**0.1%**
Loss	407.2	0.2%	**373.4**	**0.2%**
Subtotal	2,481.1	1.3%	**3,175.3**	**1.5%**
Total loans to customers	184,603.7	100.0%	**214,000.7**	**100.0%**

As of December 31, 2016, according to the five-category classification, the normal loans amounted to RMB201,313.4 million, representing an increase of RMB25,656.4 million as compared to that as of December 31, 2015. The normal loans accounted for 94.1% of all the loans of the Bank as of December 31, 2016. Loans classified as special mention were RMB9,512.0 million, representing an increase of RMB3,046.4 million as compared to that as of December 31, 2015. The loans classified as special mention accounted for 4.40% of all loans. The non-performing loans were RMB3,175.3 million, representing an increase of RMB694.2 million as compared to that as of December 31, 2015 with a non-performing loan ratio of 1.48%, representing an increase of 0.14 percentage point as compared to that as of December 31, 2015, primarily due to operational difficulties and deteriorated repayment abilities of certain of our corporate and retail customers as a result of the slowdown of the PRC economy.

Distribution of corporate loans by industry

The following table sets forth the distribution of our corporate loans by industry as of the dates indicated.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Manufacturing	34,138.4	22.0%	**49,707.3**	**27.1%**
Wholesale and retail	33,930.0	22.0%	**39,334.3**	**21.6%**
Construction	22,935.4	14.9%	**22,671.5**	**12.4%**
Water, environment and public facilities management	12,334.4	8.0%	**15,833.8**	**8.7%**
Real estate	16,989.2	11.0%	**15,484.9**	**8.5%**
Leasing and business services	8,713.6	5.7%	**13,863.0**	**7.6%**
Resident services repair and other services	4,765.6	3.1%	**5,315.1**	**2.9%**
Transportation, storage and postal services	4,567.2	3.0%	**4,290.7**	**2.4%**
Electricity, heat, gas and water production and supply	2,143.9	1.4%	**3,693.1**	**2.0%**
Public administration, social security and social organization	3,207.0	2.1%	**2,479.0**	**1.4%**
Information transmission, software and information technology services,	1,014.7	0.7%	**2,125.9**	**1.2%**
Finance	2,015.6	1.3%	**1,564.5**	**0.9%**
Accommodation and catering	1,355.4	0.9%	**1,414.1**	**0.8%**
Mining	852.5	0.6%	**1,206.9**	**0.7%**
Scientific research and technical services	2,072.9	1.3%	**1,077.7**	**0.6%**
Agriculture, forestry, animal husbandry and fishery	1,871.4	1.2%	**888.2**	**0.5%**
Health and social services	552.6	0.4%	**631.0**	**0.3%**
Education	243.3	0.2%	**353.9**	**0.2%**
Cultural, sports and entertainment	315.0	0.2%	**305.4**	**0.2%**
Total corporate loans	154,018.1	100.0%	**182,240.3**	**100.0%**

For the year ended December 31, 2016, the Bank actively supported the development of the real economy with its lending structure further optimized. As of December 31, 2016, loans provided to customers in the industries of (i) manufacturing, (ii) wholesale and retail, (iii) construction, (iv) water, environment and public facilities management, and (v) real estate represented the top five largest components of the Bank's corporate loans. As of December 31, 2016 and December 31, 2015, the balance of loans provided to the corporate customers in these five industries were RMB143,031.8 million and RMB120,327.4 million, respectively, accounting for 78.3% and 77.9% of the total corporate loans and advances issued by the Bank, respectively.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth, as of the dates indicated, the distribution of our non-performing loans to corporate customers by industry.

	As of December 31, 2015			**As of December 31, 2016**		
	Amount	% of total	NPL ratio[1]	**Amount**	**% of total**	**NPL ratio[1]**
	(Amounts in millions of RMB, except percentages)					
Wholesale and retail	1,460.0	66.3%	4.30%	**1,226.1**	**44.8%**	**3.12%**
Manufacturing	388.6	17.6%	1.14%	**1,157.2**	**42.2%**	**2.33%**
Mining	–	–	–	**150.6**	**5.5%**	**12.48%**
Transportation, storage and postal services	25.6	1.2%	0.56%	**76.5**	**2.8%**	**1.78%**
Information transmission, software and information technology services	–	–	–	**34.0**	**1.3%**	**1.60%**
Real estate	32.5	1.5%	0.19%	**32.5**	**1.2%**	**0.21%**
Leasing and business services	75.0	3.4%	0.86%	**25.0**	**0.9%**	**0.18%**
Agriculture, forestry, animal husbandry and fishery	4.5	0.2%	0.24%	**23.0**	**0.8%**	**2.59%**
Scientific research and technical services	–	–	–	**14.8**	**0.5%**	**1.37%**
Accommodation and catering	33.0	1.5%	2.43%	**–**	**–**	**–**
Health and social services	9.8	0.4%	1.77%	**–**	**–**	**–**
Resident services repair and other services	149.3	6.8%	3.13%	**–**	**–**	**–**
Construction	19.5	0.9%	0.09%	**–**	**–**	**–**
Cultural, sports and entertainment	5.2	0.2%	1.65%	**–**	**–**	**–**
Total non-performing corporate loans	2,203.0	100.0%	1.43%	**2,739.7**	**100.0%**	**1.50%**

The non-performing loan ratio for our corporate loans in the wholesale and retail industry was 4.30% and 3.12% as of December 31, 2015 and December 31, 2016, respectively. As of December 31, 2015 and December 31, 2016, non-performing corporate loans to borrowers in this industry accounted for 66.3% and 44.8% of our total non-performing corporate loans, respectively. The decrease in the non-performing loan ratio for our corporate loans to borrowers in the wholesale and retail industry was primarily due to (i) our efforts of active management and collection of non-performing loans, and (ii) our lending to corporate borrowers in the wholesale and retail industry increased by 15.9% from RMB33,930.0 million as of December 31, 2015 to RMB39,334.3 million as of December 31, 2016.

The non-performing loan ratio for our corporate loans in the manufacturing industry was 1.14% and 2.33% as of December 31, 2015 and December 31, 2016, respectively. As of December 31, 2015 and December 31, 2016, non-performing corporate loans to borrowers in this industry accounted for 17.6% and 42.2% of our total non-performing corporate loans, respectively. The increase in the non-performing ratio for our corporate loans to borrowers in manufacturing industry primarily reflected the financial condition of certain corporate borrowers deteriorated due to a general slowdown in the PRC economy.

We did not record any non-performing loan for our corporate loans in the mining industry as of December 31, 2015. The non-performing loan ratio for our corporate loans in the mining industry was 12.48% as of December 31, 2016. As of December 31, 2016, non-performing corporate loans to borrowers in this industry accounted for 5.5% of our total non-performing corporate loans. The increase in the non-performing ratio for our corporate loans to borrowers in mining industry primarily reflected the financial condition of certain corporate borrowers deteriorated due to a general slowdown in the PRC economy.

The non-performing loan ratio for our corporate loans in the transportation, storage and postal services industry was 0.56% and 1.78% as of December 31, 2015 and December 31, 2016, respectively. As of December 31, 2015 and December 31, 2016, non-performing corporate loans to borrowers in this industry accounted for 1.2% and 2.8% of our total non-performing corporate loans, respectively. The increase in the non-performing ratio for our corporate loans to borrowers in transportation, storage and postal services industry primarily reflected the financial condition of certain corporate borrowers deteriorated due to a general slowdown in the PRC economy.

We did not record any non-performing loan for our corporate loans in the information transmission, software, and information technology services industry as of December 31, 2015. The non-performing loan ratio for our corporate loans in the information transmission, software, and information technology services industry was 1.60% as of December 31, 2016. As of December 31, 2016, non-performing corporate loans to borrowers in this industry accounted for 1.3% of our total non-performing corporate loans, primarily reflected the financial condition of certain corporate borrowers deteriorated due to a general slowdown in the PRC economy.

Distribution of Non-Performing Loans by Product Type

The following table sets forth, as of the dates indicated, the distribution of our non-performing loans by product type.

	As of December 31, 2015			**As of December 31, 2016**		
	Amount	% of total	NPL ratio[1]	**Amount**	**% of total**	**NPL ratio[1]**
	(Amounts in millions of RMB, except percentages)					
Corporate loans						
Working capital loans	1,554.9	62.7%	1.44%	**2,250.8**	**70.9%**	**1.65%**
Fixed asset loans	38.1	1.5%	0.09%	**32.8**	**1.0%**	**0.08%**
Trade finance	23.8	1.0%	1.35%	**24.4**	**0.8%**	**0.68%**
Others[2]	586.2	23.6%	30.29%	**431.7**	**13.6%**	**35.83%**
Subtotal	2,203.0	88.8%	1.43%	**2,739.7**	**86.3%**	**1.5%**
Discounted bills	–	–	–	**85.0**	**2.6%**	**2.89%**
Subtotal	–	–	–	**85.0**	**2.6%**	**2.89%**
Personal loans						
Residential mortgage loans	48.8	2.0%	0.49%	**43.1**	**1.4%**	**0.30%**
Personal consumption loans	44.8	1.8%	0.41%	**55.7**	**1.8%**	**0.54%**
Personal business loans	161.4	6.5%	4.52%	**228.1**	**7.2%**	**6.79%**
Credit card overdrafts	23.1	0.9%	6.15%	**23.7**	**0.7%**	**5.68%**
Subtotal	278.1	11.2%	1.12%	**350.6**	**11.1%**	**1.23%**
Total non-performing loans	2,481.1	100.0%	1.34%	**3,175.3**	**100.0%**	**1.48%**

Notes:

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

(2) Consists primarily of advances under bank acceptances and letters of credit issued by us and corporate overdraft.

The non-performing loan ratio for our corporate loans increased from 1.43% as of December 31, 2015 to 1.50% as of December 31, 2016, with a 24.4% increase in our non- performing corporate loans from RMB2,203.0 million to RMB2,739.7 million. The increase in our non-performing corporate loans was primarily due to the increase of the non-performing loans of our working capital loans by 44.8% from RMB1,554.9 million as of December 31, 2015 to RMB2,250.8 million as of December 31, 2016, resulting from operational difficulties and deteriorated repayment abilities of certain of our corporate customers as a result of the slowdown in the PRC economy.

The non-performing loan ratio for our personal loans increased from 1.12% as of December 31, 2015 to 1.23% as of December 31, 2016, with a 26.1% increase in our non-performing personal loans from RMB278.1 million as of December 31, 2015 to RMB350.6 million as of December 31, 2016. The increases in our non-performing personal loans and the non-performing loan ratio for our personal loans were primarily due to the increase in our non-performing personal business loans, reflecting the operational difficulties and deteriorated repayment abilities of certain individual business during the slowdown in the PRC economy.

We did not record any non-performing loans for our discounted bills as of December 31, 2015. The non-performing loan ratio for our discounted bills was 2.89% as of December 31, 2016 and our non-performing loans for discounted bills amounted to RMB85.0 million as of the same date. The record of non-performing loans as of December 31, 2016 was primarily due to operational difficulties and deteriorated repayment abilities of certain of our customers as a result of the slowdown in the PRC economy.

Distribution of non-performing loans by geographical region

The following table sets forth, as of December 31, 2015 and December 31, 2016, the distribution of our non-performing loans by geographical region.

	As of December 31, 2015			**As of December 31, 2016**		
	Amount	% of the total	NPL ratio	**Amount**	**% of the total**	**NPL ratio**
	(Amounts in millions of RMB, except percentages)					
Tianjin	1,557.6	62.8%	1.47%	**1,141.4**	**36.0%**	**1.04%**
Beijing	154.2	6.2%	1.10%	**228.7**	**7.2%**	**1.52%**
Shandong Province	90.6	3.7%	0.47%	**330.7**	**10.4%**	**1.16%**
Shanghai	338.8	13.7%	1.80%	**291.9**	**9.2%**	**1.29%**
Hebei Province	264.1	10.6%	2.23%	**1,138.0**	**35.8%**	**4.83%**
Sichuan Province	75.8	3.0%	0.53%	**44.6**	**1.4%**	**0.32%**
Total non-performing loans	2,481.1	100.0%	1.34%	**3,175.3**	**100.0%**	**1.48%**

Distribution of loans by collateral

The following table sets forth, as of December 31, 2015 and December 31, 2016, the distribution of our loans and advances to customers by type of collateral.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Unsecured loan	12,297.4	6.7%	**20,876.9**	**9.8%**
Guaranteed loan	84,475.3	45.7%	**99,013.3**	**46.2%**
Collateralized loans[1]	59,406.9	32.2%	**56,006.5**	**26.2%**
Pledged loans[1]	28,424.1	15.4%	**38,104.0**	**17.8%**
Total loans and advances to customers	184,603.7	100.0%	**214,000.7**	**100.0%**

Note:

(1) Represents the total amount of loans fully or partially secured by collateral in each category. If a loan is secured by more than one form of security interest, the allocation is based on the primary form of security interest.

Borrowers concentration

For the year ended December 31, 2016, the Bank's total loans to its largest single borrower accounted for 7.83% of its regulatory capital while total loans to its top ten customers accounted for 35.76% of its regulatory capital, which were in compliance with regulatory requirements.

a. Indicators of concentration

Major regulatory indicators	**Regulatory standard**	**As of December 31, 2015**	**As of December 31, 2016**
Loan concentration ratio for the largest single customer (%)	<=10	4.50	7.83
Loan concentration ratio for the top ten customers (%)	<=50	28.49	35.76

Note: The data above are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

b. Loans to top ten single borrowers

The following table sets forth, as of the date indicated, our loan exposure to our ten largest single borrowers, all of which were classified as normal at that date.

		As of December 31, 2016			
	Industry	**Amount**	**% of total loans**	**% of regulatory capital**[(1)]	**Classification**
		(Amounts in millions of RMB, except percentages)			
Borrower A	Manufacturing	**4,071.5**	**1.90%**	**7.83%**	Normal
Borrower B	Manufacturing	**2,900.0**	**1.35%**	**5.58%**	Normal
Borrower C	Manufacturing	**2,428.0**	**1.13%**	**4.67%**	Normal
Borrower D	Real estate	**2,287.0**	**1.07%**	**4.40%**	Normal
Borrower E	Water, environment and public facilities management	**1,273.5**	**0.60%**	**2.45%**	Normal
Borrower F	Water, environment and public facilities management	**1,224.0**	**0.57%**	**2.36%**	Normal
Borrower G	Manufacturing	**1,200.0**	**0.56%**	**2.31%**	Normal
Borrower H	Construction	**1,189.8**	**0.56%**	**2.29%**	Normal
Borrower I	Water, environment and public facilities management	**1,010.8**	**0.47%**	**1.95%**	Normal
Borrower J	Real estate	**1,000**	**0.47%**	**1.92%**	Normal
Total		**18,584.6**	**8.68%**	**35.76%**	

Note:

(1) Represents loan balances as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Administrative Measures and based on our financial statements prepared in accordance with PRC GAAP.

As of December 31, 2016, the loan balance of the largest single borrower of the Bank was RMB4,071.5 million, accounting for 1.90% of the total amount of loans of the Bank, and the total amount of loans of the top ten single borrowers was RMB18,584.6 million, representing 8.68% of the total amount of loans of the Bank.

Loan Aging Schedule

The following table sets forth, as of the dates indicated, our loan aging schedule.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Current loans	178,697.6	99.5%	**208,421.0**	**100.3%**
Loans past due but not impaired[1]				
Up to 30 days	2,091.8	1.2%	**1,270.7**	**0.6%**
31 to 60 days	446.3	0.2%	**395.9**	**0.2%**
61 to 90 days	806.3	0.4%	**737.8**	**0.4%**
More than 90 days	80.6	0.1%	**–**	**–**
Sub-total	3,425.0	1.9%	**2,404.4**	**1.2%**
Impaired loans	2,481.1	1.4%	**3,175.3**	**1.5%**
Allowances for impairment losses	5,032.8	2.8%	**6,146.2**	**3.0%**
Total	179,570.9	100.0%	**207,854.5**	**100.0%**

Note:

(1) Represents the principal amount of the loans on which principal or interest is overdue but not impaired.

Changes to allowance for impairment losses

The allowance for impairment losses of loans increased by 22.1% to RMB6,146.2 million as of December 31, 2016 from RMB5,032.8 million as of December 31, 2015. This increase was mainly due to the overall increase of our total loans, and an increase in our non-performing loans.

	As of December 31, 2015		**As of December 31, 2016**	
	Amount	NPL ratio	**Amount**	**NPL ratio**
	(Amounts in millions of RMB, except percentages)			
Beginning of year	4,456.8	1.09%	**5,032.8**	**1.34%**
Charge-offs for the year[1]	1,322.3		**1,865.9**	
Unwinding of discount	(55.7)		**(63.0)**	
Write-off and transfers	(691.4)		**(730.5)**	
Recoveries	0.8		**41.0**	
End of year	5,032.8	1.34%	**6,146.2**	**1.48%**

Note:

(1) Represents the net amount of allowance for impairment losses recognized in the profit or loss statement.

3.7 Segment Report

Geographical Segment Report

In presenting information on the basis of geographical regions, operating income is gathered according to the locations of the branches or subsidiaries that generated the income. For the purpose of presentation, we categorize such information by geographical regions. The following table sets forth the total operating income of each of the geographical regions for the periods indicated.

	For the year ended December 31,			
	2015		**2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Tianjin	7,981.6	67.0%	**7,146.4**	**60.5%**
Shandong Province	1,064.4	8.9%	**1,472.3**	**12.5%**
Shanghai	835.8	7.0%	**992.9**	**8.4%**
Sichuan Province	902.0	7.6%	**1,124.0**	**9.5%**
Beijing	538.6	4.5%	**296.5**	**2.5%**
Hebei Province	599.4	5.0%	**769.7**	**6.5%**
Ningxia	–	–	**12.9**	**0.1%**
Total	11,921.8	100.0%	**11,814.7**	**100.0%**

Business Segment Report

The following table sets forth, for the years indicated, the operating income of each of our principal segment.

	For the year ended December 31,			
	2015		**2016**	
	Amount	% of the total	**Amount**	**% of the total**
	(Amounts in millions of RMB, except percentages)			
Corporate banking	6,730.8	56.5%	**6,114.1**	**51.7%**
Retail banking	1,656.9	13.9%	**2,028.8**	**17.2%**
Treasury business	3,506.8	29.4%	**3,661.6**	**31.0%**
Other[1]	27.3	0.2%	**10.2**	**0.1%**
Total	11,921.8	100.0%	**11,814.7**	**100.0%**

Note:

(1) Consists primarily of income that are not directly attributable to any specific segment.

3.8 Analysis on Capital Adequacy Ratio

Our Bank calculated and disclosed the capital adequacy ratios according to the Administrative Measures for the Capital of Commercial Banks (Provisional)(《商業銀行資本管理辦法》(試行))(effective since January 1, 2013) promulgated by the China Banking Regulatory Commission. As of December 31, 2016, our Bank's capital adequacy ratios met the regulatory requirements under such regulations. As of December 31, 2016, the capital adequacy ratio was 11.88%, 0.35 percentage points lower than that as of December 31, 2015 and tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 9.48% and 9.48% as of December 31, 2016, 0.15 percentage points higher than those as of December 31, 2015.

The following table sets forth the relevant information of our Bank's capital adequacy ratio as of the dates indicated:

	As of December 31, 2015	**As of December 31, 2016**
	(Amounts in millions of RMB, except percentages)	
Core capital		
– Share capital	5,126.0	**6,070.5**
– Capital reserve and other comprehensive income	6,156.8	**10,484.2**
– Surplus reserve	2,563.0	**3,014.7**
– General reserve	5,819.6	7,136.6
– Retained earnings	13,358.2	**15,003.9**
– Non-controlling interests	46.6	**20.3**
Total Core Capital	33,070.2	**41,730.2**
Core tier-one capital	33,070.2	**41,730.2**
Core tier-one capital deductible items	(52.3)	**(260.4)**
Net core tier-one capital	33,017.9	**41,469.8**
Net tier-one capital	33,024.1	**41,472.5**
Tier-two capital		
– Net tier-two capital instruments and related premiums	7,700.0	**7,520.0**
– Surplus allowance for impairment losses on loans	2,552.5	**2,970.9**
– Portion of minority shareholders that may be included	11.4	**5.4**
Total tier-two capital	10,263.9	**10,496.3**
Net capital base	43,288.0	**51,968.8**
Total risk-weighted assets	353,950.2	**437,559.1**
Core tier-one capital adequacy ratio	9.33%	**9.48%**
Tier-one capital adequacy ratio	9.33%	**9.48%**
Capital adequacy ratio	12.23%	**11.88%**

As of December 31, 2016, the Bank's leverage ratio was 5.80%.

(Expressed in percentage)

	As of December 31, 2015	**As of December 31, 2016**
Leverage ratio	5.23%	**5.80%**

Pursuant to the Leverage Ratio Management of Commercial Bank (Amended) issued by CBRC, effective from April 2015, a minimum leverage ratio of 4% is required. The above leverage ratios are calculated according to the formula promulgated by the China Banking Regulatory Commission ("**CBRC**").

3.9 Risk Management

Our Bank is exposed to the following primary risks: credit risk, operational risk, market risk, liquidity risk and information technology risk. In 2016, we continuously enhanced our comprehensive risk management system and improved our risk control, continued to facilitate the establishment of an integrated and comprehensive risk management system through which we have managed to successfully meet relevant regulatory requirements, mitigate risks associated with general unstable economic conditions, and secure the sustainable development of our business. In particular, our Bank strives to maintain a risk management system to strike the balance between risk and return, so as to strictly control our risk exposure while maintaining the flexibility to allow business innovations and asset quality.

Credit Risk

Credit risk refers to risk resulting from the failure by an obligor or counterparty to fulfill its obligations under the contract or changes in its credit ratings. Our Bank is exposed to credit risks primarily associated with our corporate loan business, personal loan business and treasury business.

Our Bank has established a standardized authorization and credit review and extension system that covers the whole Bank, where we have promulgated comprehensive policies to identify, assess, measure, monitor, mitigate, and control risks that may arise from the entire business process, including our treasury business. Our Bank seeks to improve our overall credit risk management capabilities through a variety of measures, such as the implementation of a vertical credit risk management system, the establishment of an digital credit extension management system, the establishment of a twelve-level loan categorization system to adopt specific procedures to manage relevant risks, the enhancement of our capacity to process credit risk management by utilizing information technology, the implementation of post-credit extension risk management work, and the further tightening of credit review and monitoring. We are developing a credit risk internal rating system for retail and non-retail operations to effectively manage the approval, monitoring and risk alert of our credit extension process, which will further enhance our credit risk control capabilities. In accordance with working guidelines of "reducing the management levels, compressing the management radiance, and promoting the continual healthy development of our Bank", we re-plan the risk management structure and operation management system construction of our business operations within Tianjin, optimize the management functions, clarify the job responsibilities, adjust the management authority and improve the control measures to achieve the overall goal to improve quality and efficiency.

Operational Risk

Operational risk refers to risk caused by inadequate or problematic internal procedures, personnel and information technology systems, as well as external events. Our Bank's operational risks primarily arise from internal and external frauds, worksite safety failures, business interruptions and failures in the information technology system.

Our Bank has formulated operational risk management policies and procedures, aiming to effectively identify, assess, monitor, control and mitigate our Bank's operational risk, and minimize any losses associated with the operational risk. In addition, our Bank established "three lines of defenses" to manage operational risks on an end-to-end basis, where our business departments, risk and compliance departments and audit departments work closely to achieve effective risk control. Our branches and sub-branches along with our business lines and functions are the first line of defense against operational risks, taking direct responsibilities for operational risk management. The legal compliance department at our head office is the second line of defense against operational risks, responsible for formulation of our operational risk management policies, coordination, support and supervision of our operational risk management. Our audit department is the third line of defense against operational risks, responsible for evaluating the effectiveness of our operational risk management policies and assessing our internal control system and compliance.

Market Risk

Market risk refers to the risk of losses in on- and off-balance sheet positions arising from the movements in market prices caused by interest rates, exchange rates and other market factors. It mainly includes interest rate risk and exchange rate risk. We have established a three-level market risk management system covering our Board of Directors, senior management, and functional operation departments including our risk management department, interbank business department, and asset management department. Our Board of Directors is responsible for supervising our market risk management. Our senior management is responsible for formulating, reviewing and supervising the implementation of market risk management strategies, policies and procedures, and closely monitors over our market risk level and management status. The interbank business department and asset management department are the business operation departments responsible for implementing our market risk management measures through their daily business operations, while the risk management department is responsible for identifying, calculating, supervising, and controlling our market risk.

Market Risk of Banking Book

Interest Rate Risk

The interest rate risk of the banking book primarily arises from the mismatch of the maturity dates or repricing dates of our Bank's interest rate-sensitive on- and off-balance sheet assets and liabilities. The Bank manages the interest rate risk of the banking book primarily through the adjustments of interest rates and the management of maturity dates. We conduct maturity analysis on the bond instruments within our investment portfolios where we evaluate their potential price fluctuations through our analysis on the sensitivity of the bonds' price against the interest rate fluctuations. We primarily use repricing gap analysis, duration gap analysis, interest rate sensitivity analysis, stress testing, and scenario analysis to weigh our exposure to potential interest rate changes.

Exchange Rate Risk

Exchange rate risk refers to risk caused by the adverse impact on the banks' foreign currency position and cash flow as a result of the exchange rate fluctuations of their primary foreign currency. Our primary principle for controlling our exchange rate risk is to match asset and liability denominated in every currency and actively monitor our foreign currency exposure on a daily basis. Based on the relevant regulatory requirements and our management's judgments on the current situation, we seek to control our exposure to exchange rate risk through reasonably arranging our sources and use of funds denominated in foreign currencies and minimizing our mismatches of assets and liabilities in different currencies.

Market Risk of Trading Book

The market risk of the trading book of our Bank primarily arises from fluctuations in the value of the financial instruments on our trading book due to changes in interest rates and exchange rates. Based on our overall market risk management policies, have adopted a number of risk management techniques, including exposure limits, stop-loss limits, and value-at-risk analysis, to monitor on a daily basis and control market risk arising from our trading book. We evaluate the market value of the bonds assets within the trading accounts and accounts held for trading that are managed by our interbank business department on a daily basis. Our Risk Management Department also has designated staff to station at the interbank business department to ensure that their business operations are in line with the authorization limits. We have introduced a market risk management system as a means to improve our market risk measurement capability. We also conduct sensitivity tests and stress tests on a monthly basis for our trading book.

Liquidity Risk Management

Liquidity risk refers to the risk of failure for commercial banks to acquire sufficient funds in a timely manner and at a reasonable cost to pay off debts due or meet the liquidity demand in line with expansion of our business operations. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our liquidity positions. Our bank adopts the centralized management model for our liquidity risk management. Guided by the Board's liquidity risk management policies and led by the senior management, the headquarters and branches work in conjunction with all relevant departments to implement the centralized management model that accords with our business model and overall development plans, under which the headquarters will uniformly manage our general liquidity risks.

Liquidity Risk Analysis

In light of the changes in the macro environment, currency policy and regulatory policy, our Bank continues to take a prudent approach on its liquidity risk management and strives to enhance the level of liquidity risk management. By managing the liquidity risk through monitoring the maturity of assets and liabilities, the Bank also monitors several other key liquidity indicators. Our Bank also formulated asset and management strategies to mitigate liquidity risks by constantly optimizing our own asset structure and improving our liquidity management capability. Our Bank conducts stress tests for liquidity risk on a quarterly basis. In such regard, it can ensure that Our Bank has sufficient liquidity.

Information Technology Risk Management

We are subject to information technology risk which may cause risks on our operation, legal risks and reputational risks. We strive to improve our information technology risk management and enhance the application of information technology, to ensure the security of our systems, websites and data. We also strengthened our management and increased our investment in the information technology to effectively mitigate risks.

3.10 Business Review

Corporate Banking Business

In response to the changes of the economic and policy environment of China, we continued to strengthen our marketing capabilities and improve customer services through business innovation, and promoted the development of our corporate banking business. For the year ended December 31, 2016, our operating income from corporate banking business amounted to RMB6,114.1 million, accounting for 51.7% of the total operating income over the same period, representing a decrease of 9.2% as compared to the same period last year.

As of December 31, 2016, the balance of our corporate loans (excluding discounted bills) amounted to RMB182,240.3 million, representing an increase of 18.3% as compared to that of December 31, 2015. As of the same date, RMB135,553.7 million of these loans were loans to SMEs, accounting for 74.4% of our total corporate loans and representing an increase of 28.1% as compared to that of December 31, 2015. As of December 31, 2016, our total corporate deposits amounted to RMB279,578.6 million, representing an increase of 14.7% as compared to that of December 31, 2015. In the year ended December 31, 2016, our Bank focused on the development of fee- and commission-based corporate banking business and services, continued to refine our business structure and diversify our product portfolio. Our branches have also strengthened promotion of fee- and commission-based corporate banking products.

The balance of our loans to technology SMEs was RMB19,535.0 million as of December 31, 2016, representing a decrease of 1.3% as compared to that of December 31, 2015. Further, due to our prudent risk control, our non-performing loan ratio of SME loans was 1.92% as of December 31, 2016.

Furthermore, the Bank developed the financial leasing business through establishing Bank of Tianjin Financial Leasing Co., Ltd., which commenced its business operation on October 18, 2016. As of December 31, 2016, total assets and net profit of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB1,031.6 million and RMB10.0 million, respectively.

Retail Banking Business

In the year ended December 31, 2016, our Bank strengthened marketing efforts to retail banking customers and continued to improve our retail banking business by diversifying the product offering of our retail banking business and enhancing the structure of our retail banking customers. For the year ended December 31, 2016, the number of our retail banking customers exceeded 7.42 million and the operating income from our retail banking business amounted to RMB2,028.8 million, accounting for 17.2% of our total operating income over the same period and representing an increase of 22.4% as compared to the same period last year. As of December 31, 2016, the balance of our personal loans reached RMB28,515.3 million, accounting for 13.3% of our total loans to customers. As of December 31, 2016, our residential mortgage loans, personal consumption loans, personal business loans and credit card overdrafts amounted to RMB14,520.1 million, RMB10,220.7 million, RMB3,357.7 million and RMB417.0 million, respectively, and accounted for 50.9%, 35.8%, 11.8%, and 1.5%, respectively, of our total personal loans. As of that date, our total personal deposits amounted to RMB64,260.1 million, representing an increase of 2.2% as compared to that of December 31, 2015.

In the year ended December 31, 2016, our Bank continued to enhance our product offering and the product features of credit cards. As of December 31, 2016, our Bank had issued 167,788 credit cards.

Rural Financial Services

The nationwide developments of modern agriculture and urbanization have facilitated the expansion of our rural financial services. Taking into account the characteristics of modern agriculture, we continued to improve our rural financial services. As of December 31, 2016, we provided rural financial services through a network of 97 outlets, which included 53 branch outlets, 8 financial service stations and 36 convenience stores in rural areas.

Treasury Business

In the year ended December 31, 2016, our Bank continued to focus our research on macroeconomic policies and market analysis in order to reduce the adverse impacts of market volatility, minimize the impact of a slowdown in the PRC economic development and ensure steady growth of the operating income of our treasury business. For the year ended December 31, 2016, the operating income of our treasury operations amounted to RMB3,661.6 million, accounting for 31.0% of our total operating income and representing an increase of 4.4% as compared to the same period last year.

Money Market Transactions

In the year ended December 31, 2016, our Bank closely monitored the development and changes in the cost of capital in the money market, actively took advantage of market opportunities and increased profitability whilst ensuring liquidity. As of December 31, 2016, the balance of our deposits and placements with banks and other financial institutions and financial assets held under resale agreements reached RMB73,175.0 million, representing a decrease of 36.1% as compared to that as of December 31, 2015 and accounting for 11.1% of our total assets as of December 31, 2016. As of the same date, the balance of our deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements reached RMB196,688.9 million, representing an increase of 17.4% as compared to that as of December 31, 2015 and accounting for 32.0% of our total liabilities as of December 31, 2016.

Investments in Securities and Other Financial Assets

In the year ended December 31, 2016, our Bank adjusted our investment strategies by further strengthening research and analysis on financial market and changes of policy environment. As of December 31, 2016, the balance of our debt securities investments was RMB123,626.5 million, representing an increase of 94.3% as compared to that as of December 31, 2015. As of December 31, 2016, the balance of our investments in debt securities issued by PRC banks and financial institutions was RMB55,128.6 million, representing an increase of 86.6% as compared to that as of December 31, 2015.

Treasury Business Conducted on Behalf of Customers

In the year ended December 31, 2016, the wealth management business of our Bank grew rapidly because (i) our continued efforts to provide various wealth management products to meet our customers' diversified needs, resulting in comparatively stronger market competitiveness; and (ii) we strengthened marketing efforts towards our corporate banking customers, retail banking customers and interbank customers.

As of December 31, 2016, the total outstanding amount of wealth management products issued by us was RMB95,868.2 million. For the year ended December 31, 2016, the net fee and commission income from the wealth management products issued by us amounted to RMB860.9 million.

International Business

For the year ended December 31, 2016, our Bank's international settlement volume amounted to US$7,337.5 million.

4. ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

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

5. OTHER INFORMATION

5.1 Corporate Governance Code

During the Reporting Period, our Bank continues to improve the transparency of its corporate governance to protect the interests of shareholders and enhance corporate value and commitment.

Our Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The composition of the Board and the special committees of the Board is in compliance with the requirements of the Hong Kong Listing Rules.

Our Bank has adopted the Corporate Governance Code (the "**Code**") in Appendix 14 of the Hong Kong Listing Rules, and has met the requirements of the PRC commercial bank administrative measures and corporate governance requirements and has established a sound corporate governance system. The Board believes that, upon listing on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on March 30, 2016, our Bank has complied with the requirements of the code provisions in Appendix 14 of the Hong Kong Listing Rules.

Our Bank is committed to maintaining high standards in corporate governance. Our Bank will continue to enhance its corporate governance to ensure compliance with the Code and meeting expectations from the shareholders of the Bank and potential investors.

5.2 Directors, Supervisors and Senior Management of the Bank

As of the date of this announcement, the composition of the Board, the board of supervisors and senior management of the Bank are as follows:

The Board of the Bank comprised a total of 15 directors, including four executive directors, namely Mr. Li Zongtang (Chairman), Mr. Sun Liguo (President), Mr. Yue Desheng (Vice President) and Ms. Zhang Furong (Vice President, Secretary of the Board of Directors); six non-executive directors, namely Mr. Zhao Jiawang, Mr. Yu Yang, Mr. Alistair Marshall Bulloch, Mr. Zhao Wei, Mr. Luan Fengxiang and Mr. Zeng Xiangxin and five independent non-executive directors, namely Mr. Liu Baorui, Mr. Feng Heping, Mr. Guo Tianyong, Mr. Law Yee Kwan, Quinn and Mr. Jin Qingjun.

The board of supervisors of the Bank comprised a total of six supervisors, including two employee supervisors, namely Mr. Zhang Xiang and Mr. Yao Tao; two shareholder supervisors, namely Ms. Feng Xia and Ms. Cheng Yifeng; and two external supervisors, namely Mr. Zhang Lianming and Ms. Zhang Xiaoli.

The senior management of the Bank comprised a total of six members, namely Mr. Sun Liguo, Mr. Yue Desheng, Ms. Zhang Furong, Ms. Zhang Ying, Mr. Liang Jianfa and Mr. Xia Zhenwu.

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

During the Reporting Period, there was no change in supervisors of the Bank.

Mr. Zeng Xiangxin was appointed as a non-executive director by the shareholders of the Bank at the Bank's 2015 annual general meeting held on June 21, 2016. The qualification of Mr. Zeng Xiangxin as a director of the Bank has been approved by Tianjin Regulatory Bureau of China Banking Regulatory Commission and the term of office of Mr. Zeng Xiangxin commenced from July 29, 2016. Announcements regarding the appointment of Mr. Zeng Xiangxin as a non-executive Director were published on May 31, 2016, June 21, 2016 and August 5, 2016.

Mr. Jia Hongqian has tendered his resignation as a non-executive director of the Bank and a member of the audit committee under the Board during the Reporting Period. For details, please see the announcement named "RESIGNATION OF DIRECTOR AND PROPOSED APPOINTMENT OF DIRECTOR" of the Bank dated August 30, 2016.

Mr. Yuan Fuhua, Mr. Wen Yuanhua and Mr. Liang Zhixiang have tendered their resignations as Directors of the Bank and members of the relevant committees under the Board during the Reporting Period. For details, please see the announcement named "CHANGES OF DIRECTORS, CHAIRMAN AND PRESIDENT" of the Bank dated December 21, 2016.

Mr. Li Zongtang, Mr. Sun Liguo, Mr. Zhao Jiawang and Mr Jin Qingjun (collectively the "**New Directors**") were appointed as directors by the shareholders of the Bank at the 2017 first extraordinary general meeting held on February 16, 2017. The qualifications of the New Directors as directors of the Bank have been approved by Tianjin Regulatory Bureau of China Banking Regulatory Commission and the term of office of the New Directors commenced from March 14, 2017. Announcements regarding the appointment of the New Directors as directors were published on August 30, 2016, December 21, 2016, February 16, 2017 and March 14, 2017.

Mr. Wen Yuanhua and Mr. Yuan I-Pei resigned from the position of president and vice president of the Bank, due to the adjustment of work arrangement and personal job arrangement with effect from December 21, 2016 and August 31, 2016, respectively.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

5.4 Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules as its codes of conduct regulating securities transactions by the directors and supervisors of the Bank.

Having made specific enquiries to all directors and supervisors of the Bank, each of the directors and supervisors has confirmed that they complied with the Model Code during the period from the listing of the Bank on the Hong Kong Stock Exchange on March 30, 2016 to December 31, 2016.

5.5 Profits and Dividends

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

The profit distribution plan for 2015 of the Bank was considered and approved by the shareholders of the Bank at the 2015 annual general meeting of the Bank held on June 21, 2016. A final dividend of RMB1.8 (tax inclusive) per ten shares for the year of 2015, amounting to a total dividend of RMB1,092.7 million (tax inclusive) was distributed to holders of H shares and domestic shares of the Bank on August 8, 2016.

The Board has recommended the payment of the final dividend of RMB2.0 per ten shares (tax inclusive) in cash for the year ended December 31, 2016, representing a total payment of approximately RMB1,214.11 million. The final dividend is subject to approval of the shareholders at the forthcoming annual general meeting of the Bank for 2016. If approved, the final dividend of the Bank for the year ended December 31, 2016 will be denominated and declared in Renminbi. Distribution of the dividends to holders of domestic shares of the Bank will be paid in Renminbi, while dividends to holders of H shares of the Bank will be paid in Hong Kong dollars. For such conversion, Renminbi will be converted into Hong Kong dollars based on the average middle exchange rate of the five business days preceding May 12, 2017 (inclusive), being the date of the Bank's 2016 annual general meeting, as announced by the People's Bank of China. If approved by the Bank's 2016 annual general meeting, it is expected the final dividend will be payable on July 6, 2017. The H shares register of members of the Bank will be closed from Thursday, May 18, 2017 to Tuesday, May 23, 2017 (both days inclusive). Shareholders whose names appear on the register of H share register of members and domestic share register of members of the Bank on Tuesday, May 23, 2017 will be entitled to receive the final dividend. The holders of H Shares who intend to qualify for receiving the final dividend must lodge all the transfer documents accompanied by the relevant H share certificates with the 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 to process the registration not later than 4:30 p.m. on Wednesday, May 17, 2017.

5.6 Purchase, Sale and Redemption of The Listed Securities of The Bank

The Bank was listed on the Hong Kong Stock Exchange on March 30, 2016 upon an issuance of 905,000,000 H shares and the conversion of 725,644,563 foreign shares into H shares. In addition, the Bank partially exercised the over-allotment option for offering 39,504,091 H shares at HK$7.39 per H share. The over-allotment shares were listed on the Main Board of the Hong Kong Stock Exchange on April 21, 2016.

Save as disclosed above, neither the Bank nor its subsidiaries had purchased, sold or redeemed any listed securities of the Bank during the Reporting Period.

5.7 Review of the Final Results

The final financial statements for the year ended December 31, 2016 prepared by the Bank in accordance with the IFRSs promulgated by the International Accounting Standards Board have been audited by Deloitte Touche Tohmatsu in accordance with the International Standard on Auditing.

The Board and the audit committee of the Board have reviewed and approved the final results of the Bank.

5.8 Use of Proceeds

The proceeds from issuance of H shares of the Bank had been used in accordance with the intended usage as disclosed in the prospectus of the Bank. The net proceeds raised from the global offering of the Bank (after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the global offering) had been used to strengthen the capital of the Bank to support the ongoing growth of its business.

5.9 Subsequent Events

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

6. ANNUAL FINANCIAL STATEMENTS

6.1 Consolidated Statement of Profit or Loss

For the year ended December 31, 2016
(Amounts in thousands of Renminbi, unless otherwise stated)

	2016	2015
Interest income	**25,202,576**	26,656,584
Interest expense	**(14,843,351)**	(15,977,161)
Net interest income	**10,359,225**	10,679,423
Fee and commission income	**1,442,473**	1,026,900
Fee and commission expense	**(40,421)**	(31,171)
Net fee and commission income	**1,402,052**	995,729
Net trading (losses)/gains	**(120,090)**	101,680
Net gains arising from investment securities	**63,342**	52,182
Other income, gains or losses	**110,207**	92,730
Operating income	**11,814,736**	11,921,744
Operating expenses	**(3,767,642)**	(3,817,123)
Impairment losses on assets	**(2,352,964)**	(1,757,695)
Share of profit of associated companies	**16,244**	–
Profit before tax	**5,710,374**	6,346,926
Income tax expense	**(1,192,470)**	(1,414,543)
Profit for the year	**4,517,904**	4,932,383
Attributable to:		
Equity holders of the Bank	**4,522,053**	4,916,440
Non-controlling interests	**(4,149)**	15,943
	4,517,904	4,932,383
Earnings per share (Expressed in RMB Yuan per share)		
– Basic	**0.77**	0.96
– Diluted	**0.77**	N/A

6.2 Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2016
(Amounts in thousands of Renminbi, unless otherwise stated)

	2016	2015
Profit for the year	**4,517,904**	4,932,383
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net changes in investment revaluation reserve for available-for-sale financial assets	**(508,895)**	182,363
Income tax relating to available-for-sale financial assets	**127,224**	(45,591)
Other comprehensive income for the year, net of tax	**(381,671)**	136,772
Total comprehensive income for the year	**4,136,233**	5,069,155
Total comprehensive income attributable to:		
Equity holders of the Bank	**4,140,382**	5,053,212
Non-controlling interests	**(4,149)**	15,943
Total comprehensive income for the year	**4,136,233**	5,069,155

6.3 Consolidated Statement of Financial Position

As at December 31, 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	2016	2015
ASSETS		
Cash and balances with central bank	**58,107,633**	62,107,212
Deposits with banks and other financial institutions	**26,118,021**	30,817,893
Placements with banks and other financial institutions	**13,779,965**	13,421,168
Financial assets held for trading	**5,880,431**	5,952,089
Financial assets held under resale agreements	**33,277,007**	70,328,366
Loans and advances to customers	**207,854,530**	179,570,910
Available-for-sale financial assets	**50,589,734**	17,864,413
Held-to-maturity investments	**42,340,601**	31,683,985
Investments classified as receivables	**211,926,509**	147,958,624
Interests in associates	**184,995**	–
Property and equipment	**1,686,422**	1,739,648
Deferred tax assets	**1,698,048**	1,144,441
Other assets	**3,866,211**	3,078,982
Total assets	**657,310,107**	565,667,731
LIABILITIES		
Borrowings from central bank	**–**	237,357
Deposits from banks and other financial institutions	**119,333,012**	148,732,655
Placements from banks	**18,550,308**	4,283,630
Financial assets sold under repurchase agreements	**58,805,600**	14,557,253
Due to customers	**365,470,957**	334,691,026
Income tax payable	**567,216**	701,095
Debt securities issued	**40,631,584**	13,903,769
Other liabilities	**12,196,650**	15,313,242
Total liabilities	**615,555,327**	532,420,027
EQUITY		
Share capital	**6,070,552**	5,126,048
Capital reserve	**10,699,811**	5,990,757
Investment revaluation reserve	**(215,644)**	166,027
Surplus reserve	**3,014,661**	2,563,024
General reserve	**7,136,619**	5,819,593
Retained earnings	**15,003,930**	13,358,202
Equity attributable to equity holders of the Bank	**41,709,929**	33,023,651
Non-controlling interests	**44,851**	224,053
Total equity	**41,754,780**	33,247,704
Total equity and liabilities	**657,310,107**	565,667,731

6.4 Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2016	5,126,048	5,990,757	166,027	2,563,024	5,819,593	13,358,202	33,023,651	224,053	33,247,704
Profit for the year	–	–	–	–	–	4,522,053	4,522,053	(4,149)	4,517,904
Other comprehensive income for the year	–	–	(381,671)	–	–	–	(381,671)	–	(381,671)
Total comprehensive income for the year	–	–	(381,671)	–	–	4,522,053	4,140,382	(4,149)	4,136,233
Issuance of shares	944,504	4,890,668	–	–	–	–	5,835,172	–	5,835,172
Expense related to share issuance	–	(180,933)	–	–	–	–	(180,933)	–	(180,933)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	49,000	49,000
Appropriation to surplus reserve	–	–	–	451,637	–	(451,637)	–	–	–
Appropriation to general reserve	–	–	–	–	1,319,476	(1,319,476)	–	–	–
Dividend distribution	–	–	–	–	–	(1,092,699)	(1,092,699)	(9,750)	(1,102,449)
Others	–	(681)	–	–	(2,450)	(12,513)	(15,644)	(214,303)	(229,947)
As at December 31, 2016	6,070,552	10,699,811	(215,644)	3,014,661	7,136,619	15,003,930	41,709,929	44,851	41,754,780
As at January 1, 2015	5,126,048	5,990,757	29,255	2,356,347	4,879,734	10,290,027	28,672,168	217,773	28,889,941
Profit for the year	–	–	–	–	–	4,916,440	4,916,440	15,943	4,932,383
Other comprehensive income for the year	–	–	136,772	–	–	–	136,772	–	136,772
Total comprehensive income for the year	–	–	136,772	–	–	4,916,440	5,053,212	15,943	5,069,155
Appropriation to surplus reserve	–	–	–	206,677	–	(206,677)	–	–	–
Appropriation to general reserve	–	–	–	–	939,859	(939,859)	–	–	–
Dividend distribution	–	–	–	–	–	(700,723)	(700,723)	(7,800)	(708,523)
Others	–	–	–	–	–	(1,006)	(1,006)	(1,863)	(2,869)
As at December 31, 2015	5,126,048	5,990,757	166,027	2,563,024	5,819,593	13,358,202	33,023,651	224,053	33,247,704

6.5 Consolidated Statement of Cash Flows

For the year ended December 31, 2016
(Amounts in thousands of Renminbi, unless otherwise stated)

	2016	2015
OPERATING ACTIVITIES		
Profit before tax	**5,710,374**	6,346,926
Adjustments for:		
Depreciation and amortization	**199,679**	178,535
Impairment losses on assets	**2,352,964**	1,757,695
Share of profit of associates	**(16,244)**	–
Interest income arising from investment securities	**(12,051,035)**	(9,156,103)
Interest income arising from impaired financial assets	**(63,020)**	(55,671)
Interest expense arising from debt securities issued	**1,180,401**	388,966
Net unrealized trading losses/(gains)	**103,127**	(28,931)
Net gains arising from investment securities	**(63,342)**	(52,182)
Unrealized exchange gains	**(176,713)**	(45,003)
Dividend income from investment securities	**(6,420)**	(5,440)
Other income, gains or losses	**(153,139)**	3,313
Operating cash flows before movements in working capital	**(2,983,368)**	(667,895)
Decrease/(increase) in balances with central bank and deposits with banks and other financial institutions	**3,020,009**	(2,835,655)
Decrease in placements with banks and other financial institutions	**1,123,158**	78,231
(Increase)/decrease in financial assets held for trading	**(15,225)**	1,589,024
Decrease in financial assets held under resale agreements	**25,054,266**	19,975,687
Increase in loans and advances to customers	**(31,662,232)**	(14,375,438)
Decrease in borrowings from central bank	**(237,357)**	(168,555)
(Decrease)/increase in deposits from banks and other financial institutions	**(29,399,643)**	26,410,908
Increase/(decrease) in placements from banks	**14,266,678**	(6,621,447)
Increase in financial assets sold under repurchase agreements	**44,248,347**	701,253
Increase in due to customers	**30,779,931**	45,073,579
Increase in other operating assets	**(120,404)**	(617,896)
(Decrease)/increase in other operating liabilities	**(2,797,747)**	5,579,189
Cash generated by operating activities	**51,276,413**	74,120,985
Income tax paid	**(1,749,005)**	(1,421,500)
Net cash generated by operating activities	**49,527,408**	72,699,485

	2016	2015
INVESTING ACTIVITIES		
Cash received from disposal and redemption of investment securities	**767,166,526**	260,042,661
Cash received from disposal of property and equipment and other assets	**11,344**	1,198
Cash paid for purchase of investment securities	**(875,327,157)**	(341,886,204)
Cash paid for purchase of property and equipment and other assets	**(290,249)**	(434,080)
Interest income received from investment securities	**12,114,377**	9,209,289
Dividend income from investment securities	**6,420**	5,440
Net cash used in investing activities	**(96,318,739)**	(73,061,696)
FINANCING ACTIVITIES		
Cash received from share issuance	**5,835,172**	–
Contributions from non-controlling shareholders	**49,000**	–
Expense paid related to share issuance	**(180,933)**	–
Cash received from debt securities issued	**61,980,544**	10,974,845
Repayment of debt securities issued	**(35,488,708)**	–
Interest expenses paid for debt securities issued	**(944,422)**	(158,933)
Dividends paid	**(1,066,303)**	(705,691)
Net cash generated by financing activities	**30,184,350**	10,110,221
Net (decrease)/increase in cash and cash equivalents	**(16,606,981)**	9,748,010
Cash and cash equivalents at beginning of the year	**68,425,701**	58,508,863
Effect of foreign exchange rate changes	**412,401**	168,828
Cash and cash equivalents at end of the year	**52,231,121**	68,425,701
Net cash generated by operating activities include:		
Interest received	**14,969,000**	17,077,080
Interest paid	**(12,552,518)**	(15,169,638)
Net interest received from operating activities	**2,416,482**	1,907,442

7. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1 Adoption of New and Revised International Financial Reporting Standards ("Ifrss")

Application of amendments to IFRSs

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in current year.

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of these amendments to the IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs which are relevant to the Group that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The Bank is in the process of assessing the impact of the new standards and amendments on the consolidated financial statements. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognized financial assets that are within the scope of IFRS 9 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group's financial instruments and risk management policies as at December 31, 2016, application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale financial assets, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Bank anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Bank do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing/operating cash flows respectively.

Under IAS 17, the Group has already recognised an asset for prepaid lease payments for leasehold lands. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of RMB1,168 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Bank complete a detailed review.

7.2 Net Interest Income

	Year ended December 31 **2016**	2015
Interest income:		
Loans and advances to customers, including:		
Corporate loans and advances	**8,550,426**	9,340,842
Personal loans and advances	**1,296,992**	1,415,177
Discounted bills	**165,940**	649,646
Finance lease	**1,780**	–
Balances with central bank	**833,818**	838,607
Deposits with banks and other financial institutions	**658,673**	1,163,503
Placements with banks and other financial institutions and financial assets held under resale agreements	**1,520,772**	3,915,664
Investments, including:		
Bonds investment	**2,920,124**	1,866,577
Other investments classified as receivables*	**9,254,051**	7,466,568
Subtotal	**25,202,576**	26,656,584
Interest expense:		
Deposits from banks and other financial institutions	**(3,860,563)**	(5,914,281)
Placements from banks and financial assets sold under repurchase agreements	**(684,985)**	(694,181)
Due to customers	**(9,117,308)**	(8,970,803)
Debt securities issued	**(1,180,400)**	(388,966)
Others	**(95)**	(8,930)
Subtotal	**(14,843,351)**	(15,977,161)
Net interest income	**10,359,225**	10,679,423
Including: Interest income on impaired financial assets	**63,020**	55,671

* Other investments classified as receivables include trust beneficiary rights, wealth management products and asset management plans.

Notes:

(i) Total interest income arising from financial assets that are not at fair value through profit or loss for the year ended December 31, 2016 amounted to RMB25,079 million (2015:RMB26,444 million).

(ii) Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the year ended December 31, 2016 amounted to RMB14,843 million (2015:RMB15,977 million).

7.3 Net Fee and Commission Income

	Year ended December 31 2016	2015
Fee and commission income		
Wealth management service fees	**860,912**	306,018
Acceptance and guarantee commitment fees	**186,818**	265,574
Settlement and clearing fees	**168,066**	260,500
Agency commissions and fiduciary service fees	**165,983**	110,210
Bank card fees	**33,396**	30,232
Others	**27,298**	54,366
Subtotal	**1,442,473**	1,026,900
Fee and commission expense	**(40,421)**	(31,171)
Total	**1,402,052**	995,729

7.4 Net Trading (Losses)/Gains

	Year ended December 31 2016	2015
Realized (losses)/gains from debt securities	**(16,963)**	72,749
Unrealized (losses)/gains from debt securities	**(103,127)**	28,931
Total	**(120,090)**	101,680

Net trading gains or losses arise from buying and selling of, and changes in the fair value of financial assets held for trading.

7.5 Net Gains Arising from Investment Securities

	Year ended December 31 2016	2015
Net gains on disposal of available-for-sale financial assets	**63,342**	52,182

7.6 Other Income, Gains or Losses

	Note	Year ended December 31 2016	2015
Dividends income		**6,420**	5,440
Government subsidies		**43,911**	22,365
Exchange gains		**177,222**	45,512
Dormant accounts		**10,209**	3,099
Provision	*(1)*	**(145,600)**	–
Rental income		**6,138**	14,444
Others		**11,907**	1,870
Total		**110,207**	92,730

Note:

(1) Provision was made in relation to the Group's legal proceedings.

7.7 Operating Expenses

	Notes	Year ended December 31 2016	2015
Staff costs	*(1)*	**2,141,339**	1,556,753
Office expenses		**252,188**	312,852
Rental and property management expenses		**314,332**	283,986
Other general and administrative expenses	*(2)*	**343,290**	322,276
Sundry taxes		**516,814**	1,162,721
Depreciation		**134,620**	125,783
Amortization		**65,059**	52,752
Total		**3,767,642**	3,817,123

Notes:

(1) Staff costs

	Year ended December 31 2016	2015
Salaries, bonuses and allowances	**1,575,616**	1,053,361
Social insurance	**321,926**	284,693
Housing funds	**92,416**	89,592
Staff welfare	**49,638**	43,724
Labor union fees and staff education expenses	**18,738**	16,275
Contribution to annuity funds	**83,005**	69,108
Total	**2,141,339**	1,556,753

(2) The Group's statutory audit fee for the year ended December 31, 2016 is RMB2.99 million (2015: RMB1.80 million).

7.8 Impairment Losses on Assets

	Year ended December 31 **2016**	2015
Loans and advances to customers	**1,865,883**	1,322,315
Investments classified as receivables	**221,920**	406,911
Financial assets held under resale agreements	**251,714**	23,500
Others	**13,447**	4,969
Total	**2,352,964**	1,757,695

7.9 Income Tax Expense

	Year ended December 31 **2016**	2015
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	**1,618,853**	1,688,856
Deferred tax	**(426,383)**	(274,313)
Total	**1,192,470**	1,414,543

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to profit before tax per the consolidated statement of profit or loss as follows:

	Year ended December 31 **2016**	2015
Profit before tax	**5,710,374**	6,346,926
Tax calculated at applicable statutory tax rate of 25%	**1,427,594**	1,586,731
Underprovision of tax in prior years	**1,332**	1,275
Tax effect of expenses not deductible for tax purpose	**7,128**	14,588
Tax effect of income not taxable for tax purpose[1]	**(245,348)**	(188,051)
Tax effect of tax losses/deductible temporary differences not recognized	**1,764**	–
Income tax expense	**1,192,470**	1,414,543

Note:

(1) The income not taxable for tax purpose mainly represents interest income arising from government bonds, which is income tax free in accordance with the PRC tax regulations.

7.10 Earnings Per Share

The calculation of basic and diluted earnings per share is as follows:

	Year ended December 31	
	2016	2015
Earnings:		
Profit for the year attributable to equity holders of the Bank	**4,522,053**	4,916,440
Numbers of shares:		
Weighted average number of shares in issue (in thousand)	**5,838,503**	5,126,048
Basic earnings per share (RMB Yuan)	**0.77**	0.96
Diluted earnings per share (RMB Yuan)	**0.77**	N/A

Since the exercise price of the Bank's over-allotment share option in 2016 was higher than the average market price of shares for the option period, the exercise of the share option would not have a dilutive effect on earnings per share for the year ended December 31, 2016. The Group did not have any dilutive event in 2015.

7.11 Dividends

	Notes	Year ended December 31	
		2016	2015
2014 Final Dividend	*(1)*	**–**	700,723
2015 Final Dividend	*(2)*	**1,092,699**	–

Notes:

(1) A final dividend of RMB14 cents per share (tax inclusive) in respect of the year ended 31 December, 2014 amounting in a total of RMB701 million was proposed by the board of directors and approved by the 2014 annual general meeting on 8 May, 2015.

(2) A final dividend of RMB18 cents per share (tax inclusive) in respect of the year ended 31 December, 2015 amounting in a total of RMB1,093 million was proposed by the board of directors and approved by the 2015 annual general meeting on 21 June, 2016.

7.12 Interests in Associates

The balance of interests in associates is as follows:

	As at December 31 **2016**	2015
Unlisted shares, at cost	**174,000**	–
Share of post-acquistion profits and others comprehensive income	**10,995**	–
Total	**184,995**	–

Details of the Bank's associates as at December 31, 2016 are set out below:

Name of entity	Type of legal entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Share capital/ registered capital as at December 31, 2016 (In RMB'000)	Proportion of ownership and voting rights held by the Group As at December 31, 2016 %	Principal activities
Tianjin Jixian County Bank Company Limited (天津市薊縣村鎮銀行股份有限公司)	Limited company	Tianjin, PRC	August 2008	300,000	35	Banking
AlaEr JinHui County Bank Company Limited (阿拉爾津匯村鎮銀行有限責任公司)	Limited company	Xinjiang, PRC	August 2016	50,000	40	Banking
Tiemenguan Jinhui County Bank Company Limited (鐵門關津匯村鎮銀行有限責任公司)	Limited company	Xinjiang, PRC	September 2016	50,000	49	Banking
HuTuBi JinHui County Bank Company Limited (呼圖壁津匯村鎮銀行有限責任公司)	Limited company	Xinjiang, PRC	September 2016	50,000	49	Banking

For the year ended December 31, 2016, the total amount of associated companies' net profit was RMB7 million. Total assets and total equity as at December 31, 2016 were RMB2,364 million and RMB486 million respectively. They represent 0.15%, 0.36%, and 1.16% to the Group's net profit, total assets, and total equity respectively. As of December 31, 2015, the Bank had no interest in associate.

7.13 Debt Securities Issued

	Notes	**As at December 31**	
		2016	2015
12 Tianjin Bank bonds 01	*(1)*	**1,500,237**	1,499,770
12 Tianjin Bank bonds 02	*(2)*	**1,199,407**	1,199,247
15 Tianjin Bank bonds 01	*(3)*	**2,571,381**	2,569,742
15 Tianjin Bank bonds 02	*(4)*	**2,561,646**	2,560,008
15 Tianjin Bank bonds	*(5)*	**5,079,325**	5,077,284
Tianjin Bank 1-month negotiable certificates of deposit	*(6)*	**–**	997,718
Tianjin Bank 3-month negotiable certificates of deposit	*(7)*	**5,482,800**	–
Tianjin Bank 6-month negotiable certificates of deposit	*(8)*	**10,815,575**	–
Tianjin Bank 9-month negotiable certificates of deposit	*(9)*	**7,772,020**	–
Tianjin Bank 1-year negotiable certificates of deposit	*(10)*	**3,649,193**	–
Total		**40,631,584**	13,903,769

Notes:

(1) The 10 year fixed-rate subordinated bonds were issued on December 27, 2012 by the Bank at a face value of RMB1.5 billion with a fixed coupon rate of 5.90% per annum, payable annually. The Bank has an option to redeem all of the bonds at face value on the last day of the fifth year. If no early redemption is exercised, the interested rate will remain at 5.90% per annum.

(2) The 15 year fixed-rate subordinated bonds were issued on December 27, 2012 by the Bank at a face value of RMB1.2 billion with a fixed coupon rate of 5.99% per annum, payable annually. The Bank has an option to redeem all of the bonds at face value on the last day of the tenth year. If no early redemption is exercised, the interested rate will remain at 5.99% per annum.

(3) The 3 year fixed-rate financial bonds were issued on May 11, 2015 by the Bank at a face value of RMB2.5 billion with a fixed coupon rate of 4.64% per annum, payable annually.

(4) The 3 year fixed-rate financial bonds were issued on May 22, 2015 by the Bank at a face value of RMB2.5 billion with a fixed coupon rate of 4.27% per annum, payable annually.

(5) The 10 year fixed-rate tier-two capital bonds were issued on August 21, 2015 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 5% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 5% per annum. The tier-two capital bonds have the write-down feature of a tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These tier-two capital bonds are qualified as tier-two capital instruments in accordance with the CBRC requirements.

(6) The 1 month interbank negotiable certificates of deposit CD were issued on December 25, 2015 by the Bank at a face value of RMB1 billion with a reference interest rate of 3.1002% per annum. The certificates of deposit was matured in 2016.

(7) The Bank issued a series of 3-month negotiable certificates of deposit at a discount during the year ended December 31, 2016. As at December 31, 2016, the face value of outstanding CD amounted to RMB5.5 billion, with a reference interest rate of 2.9002%-4.7000% per annum, payable at maturity.

(8) The Bank issued a series of 6-month negotiable CD at a discount during the year ended December 31, 2016. As at December 31, 2016, the face value of outstanding CD amounted to RMB10.9 billion, with a reference interest rate of 2.9499%-3.4800% per annum, payable at maturity.

(9) The Bank issued a series of 9-month negotiable CD at a discount during the year ended December 31, 2016. As at December 31, 2016, the face value of outstanding CD amounted to RMB7.9 billion, with a reference interest rate of 3.0000%-3.8100% per annum, payable at maturity.

(10) The Bank issued a series of 1-year negotiable CD at a discount during the year ended December 31, 2016. As at December 31, 2016, the face value of outstanding CD amounted to RMB3.7 billion, with a reference interest rate of 3.1000%-3.2199% per annum, payable at maturity.

7.14 Share Capital of the Bank

	Year ended December 31	
	2016	2015
At beginning of the year	**5,126,048**	5,126,048
Issuance of shares	**944,504**	–
At end of the year	**6,070,552**	5,126,048

On 30 March, 2016, the Bank was listed on The Stock Exchange of Hong Kong Limited and issued a total of 944,504,091 H shares (including an over-allotment of 39,504,091 H shares listed on 21 April 2016) with par value of RMB1 per share at an offer price of HKD7.39 per share. Total gross proceeds from the share issuance amounted to RMB5,835.17 million, giving rise to a RMB4,890.67 million of share premium. The share premium (net of share issuance expenses) in the amount of RMB4,709.74 million was recorded in capital reserve. The issuance of H shares was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP with verification report De Shi Bao (Yan) Zi(16) No. 0535 issued on 27 May, 2016.

A summary of movements of the Bank's issued shares (in thousands of shares) during the year is as follows:

		2016		
	As at January 1,	**Conversion/ Issuance**	**Transfer**	**As at December 31,**
Shareholders				
Domestic and foreign shareholders	5,126,048	(725,645)	(94,450)	4,305,953
H shareholders	–	1,670,149	94,450	1,764,599
Total	5,126,048	944,504	–	6,070,552

In accordance with the relevant PRC regulations regarding the transfer and disposal of state-owned shares, the state-owned shareholders are required to transfer 10% shares in cash to the National Council for Social Security Fund, in proportion to their respective holdings in the Bank, of a total amount equivalent to certain number of shares offered pursuant to the Bank's H share offering.

As at 31 December, 2016, all foreign shares had been converted into H shares.

7.15 Segment Analysis

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision maker reviews consolidated financial statements mainly based on operating segments for the purpose of allocating resources and performance assessment.

Measurement of segment assets and liabilities and segment income and result is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

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

The Group has no major customer which contributes to 10 per cent or more of the Group's income. No geographical information is presented as most of the Group's operations are conducted and majority of its non-current assets are located and therefore revenue is derived from activities in Tianjin Municipality of the PRC.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating Segments

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organized into the following operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions, and debt instruments investment for its own accounts or on behalf of customers.

Others

Others include head office operations as well as items that are not attributed to the above segments.

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended December 31, 2016					
External interest income	8,690,373	1,296,992	15,215,211	–	25,202,576
External interest expense	(7,378,493)	(1,738,815)	(5,726,043)	–	(14,843,351)
Inter-segment interest income/ (expense)	3,944,797	2,110,246	(6,055,043)	–	–
Net interest income	5,256,677	1,668,423	3,434,125	–	10,359,225
Fee and commission income	970,008	365,422	107,043	–	1,442,473
Fee and commission expense	(34,870)	(5,543)	(8)	–	(40,421)
Net fee and commission income	935,138	359,879	107,035	–	1,402,052
Net trading losses	–	–	(120,090)	–	(120,090)
Net gains arising from investment securities	–	–	63,342	–	63,342
Other income, gains or losses	(77,689)	486	177,221	10,189	110,207
Operating income	6,114,126	2,028,788	3,661,633	10,189	11,814,736
Operating expenses	(1,555,649)	(1,237,977)	(974,016)	–	(3,767,642)
Impairment losses on assets	(1,762,365)	(181,576)	(409,023)	–	(2,352,964)
Share of profit of associates	–	–	–	16,244	16,244
Profit before tax	2,796,112	609,235	2,278,594	26,433	5,710,374
Income tax expense					(1,192,470)
Profit for the year					4,517,904
Depreciation and amortization	(76,218)	(87,659)	(35,802)	–	(199,679)
Capital expenditure	(145,125)	(130,612)	(14,512)	–	(290,249)
As at December 31, 2016					
Segment assets	183,690,046	28,109,229	444,248,257	1,262,575	657,310,107
Segment liabilities	(307,909,472)	(68,449,313)	(238,584,912)	(611,630)	(615,555,327)
Supplementary information					
Credit commitments	64,635,323	1,625,223	–	–	66,260,546

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended December 31, 2015					
External interest income	10,962,569	1,629,795	14,064,220	–	26,656,584
External interest expense	(7,417,714)	(1,802,660)	(6,756,787)	–	(15,977,161)
Inter-segment interest income/ (expense)	2,485,184	1,606,747	(4,091,931)	–	–
Net interest income	6,030,039	1,433,882	3,215,502	–	10,679,423
Fee and commission income	714,824	225,606	86,470	–	1,026,900
Fee and commission expense	(25,634)	(5,525)	(12)	–	(31,171)
Net fee and commission income	689,190	220,081	86,458	–	995,729
Net trading gains	–	–	101,680	–	101,680
Net gains arising from investment securities	–	–	52,182	–	52,182
Other income, gains or losses	11,555	2,889	50,952	27,334	92,730
Operating income	6,730,784	1,656,852	3,506,774	27,334	11,921,744
Operating expenses	(2,107,450)	(1,123,566)	(586,107)	–	(3,817,123)
Impairment losses on assets	(1,200,974)	(116,147)	(440,574)	–	(1,757,695)
Profit before tax	3,422,360	417,139	2,480,093	27,334	6,346,926
Income tax expense					(1,414,543)
Profit for the year					4,932,383
Depreciation and amortization	(116,047)	(53,561)	(8,927)	–	(178,535)
Capital expenditure	(217,040)	(195,336)	(21,704)	–	(434,080)
As at December 31, 2015					
Segment assets	156,464,549	25,744,519	382,255,622	1,203,041	565,667,731
Segment liabilities	(264,561,164)	(80,283,883)	(186,910,011)	(664,969)	(532,420,027)
Supplementary information					
Credit commitments	74,673,872	2,473,237	–	–	77,147,109

7.16 Structured Entities

7.16.1 Consolidated structured entities

The consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at December 31, 2016, the amount of assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to RMB19,661 million (December 31, 2015: RMB10,148 million).

For the year ended December 31, 2016, the management fee recognized amounted to RMB189.87 million (2015: RMB146.94 million).

7.16.2 Unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Bank holds an interest

The Bank holds an interest in these structured entities sponsored by third party institutions through investments in the rights or plans issued relating to these structured entities. The Bank does not consolidate these structured entities. Such structured entities include wealth management products issued by financial institutions, asset management plans, trust beneficiary rights and asset-backed securities.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2016 in the structured entities sponsored by third party institutions.

	As at December 31	
	2016	2015
Asset-backed securities	**13,251,091**	4,467,844
Wealth management products	**64,717,076**	35,305,163
Asset management plans	**85,898,574**	64,088,354
Trust beneficiary rights	**35,246,849**	40,692,645
Total	**199,113,590**	144,554,006

All of these unconsolidated structured entities are recorded in Investments Classified as Receivables. The maximum exposures to loss in the above investment products are the amortized cost of the assets held by the Group at the end of the year.

(2) Unconsolidated structured entities sponsored by the Bank in which the Bank holds an interest

The types of unconsolidated structured entities sponsored by the Bank mainly include non-principal-guaranteed wealth management products. The purpose of sponsoring these structured entities is to generate fees from managing assets on behalf of investors. Interest held by the Bank includes fees charged by providing management services to these structured entities.

For the year ended December 31, 2016, the management fee recognised amounted to RMB671.04 million (2015: RMB159.08 million).

As at December 31, 2016, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products sponsored by the Bank amounted to RMB76,207 million (December 31, 2015: RMB29,674 million).

In addition, unconsolidated structured entities sponsored by the Bank also include asset-backed securities. Details of this are included in note 46.

The Group did not provide any financial or other support to these unconsolidated structured entities during the year (2015: None).

7.17 Related Party Transactions

(1) Balances and transactions between the Group and the major shareholders and entities under their control

Following major shareholders held more than 5% interest of the Bank and are considered as related parties of the Group:

	Percentage of shares held as at December 31	
	2016	2015
Tianjin Bonded Zone Investment Co., Ltd.	**15.88%**	19.45%
Australia and New Zealand Banking Group Limited ("ANZ")	**11.95%**	14.16%
Tianjin Pharmaceutical Holdings Ltd. and its subsidiaries	**8.06%**	9.84%
Tianjin Bohai Chemical Industry Group Co., Ltd. and its subsidiaries	**8.04%**	9.82%

During the year, the Group had the following material balances and entered into the following material transactions with major shareholders and entities under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

	As at December 31	
	2016	2015
Balances at the end of the year:		
Assets		
Deposits with banks and other financial institutions	**3,594**	4,746
Placements with banks and other financial institutions	**–**	333,022
Interest receivable from related parties	**–**	5,391
Total	**3,594**	343,159
Liabilities		
Placements from banks	**–**	500,000
Due to customers	**118,092**	178,326
Interest payable to related parties	**–**	2,781
Total	**118,092**	681,107

	Year ended December 31	
	2016	2015
Transactions during the year:		
Interest income	**1,753**	10,481
Interest expense	**9,636**	16,402
Interest rate ranges during the year:	**%**	%
Deposits with banks and other financial institutions	**–**	–
Placements with banks and other financial institutions	**0.50~1.80**	0.50~1.80
Placements from banks	**2.77~3.10**	0.80~5.40
Due to customers	**0.35~1.38**	0.39~0.42

(2) Subsidiaries of the Bank

As at December 31, 2016, the Bank's deposits from its subsidiaries amounted to RMB780.03 million (December 31, 2015: RMB1.76 million) and the interest expenses for the year ended December 31, 2016 amounted to RMB3.27 million (2015: RMB1.4 million).

(3) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

Balances and transactions with other related parties

	As at December 31	
	2016	2015
Balances at the end of the year:		
Deposits from banks and other financial institutions	**168,805**	–
Due to customers	**–**	92,798

	Year ended December 31	
	2016	2015
Transactions during the year:		
Interest expense	**1,958**	1,172

	%	%
Interest rate range during the year:		
Due to customers	**0.35~1.38**	0.39~1.27
Deposits from banks and other financial institutions	**0.35~3.00**	–

(4) Key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Year ended December 31	
	2016	2015 (Restated)
Fees	**1,804**	1,275
Basic salaries, bonuses and allowances*	**3,704**	6,588
Contribution to pension schemes	**1,644**	1,761
Total	**7,152**	9,624

* Bonus for 2016 can only be determined after shareholders meeting and regulatory approval.

(5) Annuity Scheme

The Group has the following transactions with the annuity scheme set up by the Bank.

	Year ended December 31	
	2016	2015
Contribution to annuity funds	**83,005**	69,108

7.18 Contingent Liabilities and Commitments

Legal proceedings

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2016, in light of court decisions, the Group recognized provision for litigation loss amounting to RMB145.6 million (December 31, 2015: None). The Group expects no material impact arising from the final results of lawsuits on the financial position or operations of the Group except for above provision made for losses from these claims.

Capital commitments

	As at December 31	
	2016	2015
Contracted but not provided for – commitments for the acquisition of property and equipment	**217,252**	181,805

Operating lease commitments

At the end of the year, the Group had the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	As at December 31	
	2016	2015
Within 1 year	**373,427**	227,436
1 to 2 years	**193,248**	228,497
2 to 3 years	**193,070**	150,628
3 to 4 years	**125,874**	139,847
4 to 5 years	**86,542**	77,454
Over 5 years	**195,798**	161,985
Total	**1,167,959**	985,847

Credit commitments

	As at December 31	
	2016	2015
Acceptances	**48,612,349**	57,341,285
Undrawn credit card limit	**1,625,223**	2,473,237
Letters of credit issued	**8,329,551**	11,614,171
Letters of guarantee	**7,693,423**	5,718,416
Total	**66,260,546**	77,147,109

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. Directors of the Bank are of the opinion that such commitments are conditional and revocable.

Credit risk weighted amounts for credit commitments

	As at December 31	
	2016	2015
Credit commitments	**27,509,516**	26,215,039

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

Collateral

Assets pledged

The total carrying amount of assets pledged as collateral under repurchase agreement and customer deposits for the Group is as follows:

	As at December 31	
	2016	2015
Bonds	**66,280,478**	20,723,600
Bills	**–**	3,961,253
Total	**66,280,478**	24,684,853

As at December 31, 2016, the carrying amount of financial assets sold under repurchase agreements for the Group amounted to RMB58,806 million (December 31, 2015: RMB14,557 million). All repurchase agreements were due within twelve months from inception.

As at December 31, 2016, the balances of customer deposits that were secured by the Group's assets amounted to RMB7,014 million (December 31, 2015: RMB9,000 million), of which RMB2,000 million (December 31, 2015: RMB2,000 million) were due over twelve months from inception.

Collateral accepted

As at December 31, 2016, the Group received RMB34,540 million (December 31, 2015: RMB60,920 million) of bonds and bills as collateral relating to financial assets held under resale agreements. As at December 31, 2016 and 2015, none of these collateral could be resold or repledged by the Group.

Redemption commitments of government bond

The Group is authorized by the Ministry of Finance to underwrite certificate government bonds and e-saving bonds. The investors of these bonds can redeem before maturity date and the Group has the obligation to pay the principal and related interests to investors.

As at December 31, 2016, the principal balance of certificate government bonds which the Group had the obligation to pay in advance amounted to RMB2,150 million (December 31, 2015: RMB2,210 million), and the principal balance of e-saving bonds which the Group has payment obligations amounted to RMB2,331 million (December 31, 2015: RMB2,172 million). The original term of these bonds is from 1 to 5 years.

The Ministry of Finance does not pay the principal and interest of certificate government bonds until the maturity date and pays the principal and interest of the e-saving bonds periodically upon the Group's demand.

7.19 Particulars of Principal Subsidiaries

Details of the Bank's subsidiaries as at December 31, 2016 are set out below:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Share capital as at December 31, 2016	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
			(In RMB '000)	**As at December 31, 2016** %	As at December 31, 2015 %	**As at December 31, 2016** %	As at December 31, 2015 %	
Bank of Tianjin Financial Leasing Co., Ltd (天銀金融租賃有限公司)	Tianjin, PRC	October 2016	1,000,000	**100**	–	**100**	–	Financial Leasing
Ningxia Yuanzhou Jinhui County Bank Co., Ltd (寧夏原州津匯村鎮銀行有限責任公司)	Ningxia, PRC	July 2016	50,000	**51**	–	**51**	–	Banking
Ningxia Tongxin Jinhui County Bank Co., Ltd (寧夏同心津匯村鎮銀行有限責任公司)	Ningxia, PRC	August 2016	50,000	**51**	–	**51**	–	Banking

8. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

This annual results announcement is prepared in both English and Chinese versions, in the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

By Order of the Board
Bank of Tianjin Co., Ltd.
LI Zongtang
Chairman

Tianjin, China
March 24, 2017

As of the date of this announcement, the Board of Directors of the Bank comprises Mr. LI Zongtang, Mr. SUN Liguo, Mr. YUE Desheng and Ms. ZHANG Furong, as executive directors; Mr. ZHAO Jiawang, Mr. YU Yang, Mr. Alistair Marshall Bulloch, Mr. ZHAO Wei, Mr. LUAN Fengxiang and Mr. ZENG Xiangxin as non-executive directors; Mr. LIU Baorui, Mr. FENG Heping, Mr. GUO Tianyong, Mr. LAW Yee Kwan, Quinn and Mr. Jin Qingjun, as independent non-executive directors.

* *Bank of Tianjin Co., Ltd. is not an authorised 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 authorised to carry on banking/deposit-taking business in Hong Kong*