錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

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

2016年度報告

ANNUAL REPORT OF 2016

Stock Code: 0416

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

Contents

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"A Share Offering"	the Bank's proposed initial public offering of not more than 1,927,000,000 A shares, which has been approved by the Shareholders on 29 June 2016
"Articles of Association"	the articles of association of the Bank, as the same may be amended from time to time
"our Bank", "Bank", "Bank of Jinzhou", "we", "us" or "Group"	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless context indicates otherwise, its subsidiaries, branches, sub-branches and special institutions
"Board" or "Board of Directors"	the board of Directors
"Board of Supervisors"	the supervisory board of the Bank
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBRC Liaoning Bureau"	the China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局)
"Director(s)"	the director(s) of the Bank
"Domestic Share(s)"	the ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in Renminbi
"ETC card"	dedicated IC card for motor vehicles (passenger cars) to pay highway tolls
"H Share(s)"	the ordinary shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"HK$" or "HK dollars"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IC card"	integrated circuit card, with microelectronic chips embedded in the card base in line with ISO7816 standards, which is made in the form of a card and widely used in the financial sector
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as the same may be amended, supplemented or otherwise modified from time to time
"PBOC" or "Central Bank"	the People's Bank of China (中國人民銀行)

"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Reporting Period"	the year ended 31 December 2016
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	the shareholder(s) of the Bank
"Share(s)"	the Domestic Share(s) and the H Share(s)
"Supervisor(s)"	the supervisor(s) of the Bank

Chapter 1 Company Profile

I. Basic Information about the Company

Legal Chinese Name and Abbreviation	:	錦州銀行股份有限公司 (abbreviated as 錦州銀行)
Legal English Name and Abbreviation	:	BANK OF JINZHOU CO., LTD. (abbreviated as "BANKOFJINZHOU")
Legal Representative	:	Zhang Wei
Authorized Representatives	:	Zhang Wei, Wang Jing
Secretary of the Board	:	Wang Jing
Joint Company Secretaries	:	Wang Jing, Leung Wing Han Sharon
Registered and Office Address	:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC
Telephone	:	+86 (416) 3220002
Fax	:	+86 (416) 3220003
Postal Code	:	121013
Company Website	:	www.jinzhoubank.com
Email Address	:	webmaster@jinzhoubank.com
Customer Service Hotline	:	+86-400-66-96178
Principal Place of Business in Hong Kong	:	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Accountant	:	KPMG
PRC Legal Advisor	:	Zhong Lun Law Firm
Hong Kong Legal Advisor	:	Luk & Partners
Compliance Advisor	:	First Shanghai Capital Limited
Custodian of Domestic Shares	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
Listing Place of Stock, Stock Name and Stock Code	:	The Stock Exchange of Hong Kong Limited; BANKOFJINZHOU; 0416
Uniform Social Credit Code of Corporation	:	912107002426682145
Finance License No. of Institution	:	B0127H221070001
Website of the Hong Kong Stock Exchange where this annual report is published	:	www.hkexnews.hk
Place where the annual report is maintained	:	Office of the Board

II. Company Profile

Bank of Jinzhou was incorporated, with approval of the PBOC, on 22 January 1997, headquartered in Jinzhou City, Liaoning Province, the PRC. There are 14 branches established in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Jinzhou, the PRC and 7 village and township banks, namely Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yi County Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司"Liaoning Huanren"), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司), Liaoning Kazuo Jinyin Rural Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧淩海錦銀村鎮銀行股份有限公司 "Liaoning Linghai") and Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司"Liaoning Huanren") were promoted and established; meanwhile, Bank of Jinzhou promoted and established Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). As at the end of the Reporting Period, the Bank had, 223 branches in aggregate.

As at the end of the Reporting Period, the Bank had total assets of RMB539.060 billion, total loans and advances released of RMB126.800 billion and total deposits of RMB262.969 billion.

The Bank ranked 250th by the Bank's total tier 1 capital as of 31 December 2015 according to the Top 1,000 World Banks ranking list published by The Banker in July 2016.

The Bank has been listed on the Main Board of the Hong Kong Stock Exchange on 7 December 2015.

III. Awards in 2016

In January 2016, the Bank was recognized as the 2015 Outstanding Standardized Information Transfer Regulation Organization Unit of the EAST System Application Labour Emulation (EAST系統應用勞動競賽監管標準化數據報送優秀組織單位) by Liaoning Financial Union (遼寧金融工會) and CBRC Liaoning Bureau Union (遼寧銀監局工會) in the PRC.

In March 2016, the Bank was granted the 2015 Most Potential Award for UnionPay Card Business (銀聯卡業務最具潛力獎) by China UnionPay (中國銀聯).

In March 2016, the Bank was granted the Best City Commercial Bank (最佳城市商業銀行) Award in the 2015 Inter-Bank Domestic Currency Market Excellent Members Selection (銀行間本幣市場優秀會員評選).

In March 2016, the Bank was recognized as the 2015 Advanced Unit for Security Management (安防管理先進單位) and 2015 Outstanding Member Unit (優秀會員單位) by Liaoning Internal Security Society (遼寧省內保協會) in the PRC.

In March 2016, the Bank was recognized as Model Unit of Corporate Culture Construction in Liaoning Province (遼寧省企業文化建設示範單位) by Publicity Department of Liaoning Province (遼寧省委宣傳部), State-owned Assets Supervision and Administration Commission of Liaoning Province (遼寧省國資委) and Trade Union of Liaoning Province (遼寧省總工會) in the PRC.

In May 2016, the Bank was recognized as the 2015 Advanced Unit of Financial Services for Small and Micro Enterprises (2015年度小微企業金融服務工作先進單位) by the CBRC Jinzhou Bureau (錦州銀監分局) of CBRC Liaoning Bureau in the PRC.

In May 2016, the Bank was recognized as the 2015 Advanced Unit for China Banking Consumer Right Protection Knowledge Contest Internet Contest (中國銀行業消費者權益保護知識競賽網絡競賽先進單位) by Liaoning Banking Association (遼寧省銀行業協會).

In June 2016, the Bank was recognized as the 2015 Jinzhou Meritorious Service Enterprises (錦州市功勳企業) by Jinzhou Municipal Party Committee and Municipal Government.

In September 2016, the Bank ranked first among the city commercial banks with an asset size of over RMB300 billion in terms of overall competitiveness according to the 2015 Report on the Competitiveness of Commercial Banks in China (《2015年中國商業銀行競爭力評價報告》) prepared by The Banker (《銀行家》) issued in the Banker Forum of China (中國銀行家論壇), and was granted the 2015 Best City Commercial Bank Award (2015年度最佳城市商業銀行獎).

In November 2016, the Bank was recognized as the Top Ten Commercial Banks in China for Supporting the Development of SMEs (全國支持中小企業發展十佳商業銀行) at the 11th China SME Owners Annual Summit (第十一屆中國中小企業家年會) for seven consecutive years.

In December 2016, the Bank was recognized as Excellent Asset Management Bank (卓越資產管理銀行) at the 7th Jinding Prize Selection (第七屆金鼎獎評選) with its outstanding performance in asset management.

In December 2016, the Bank was recognized as the Best Employer (最佳僱主) at the 14th Award Ceremony of Best Employer Selected by China College Students (第十四屆中國大學生最佳僱主頒獎典禮) hosted by ChinaHR.com (中華英才網).

In December 2016, the Bank was recognized as the 2016 Model Enterprise for Security Management (2016年度安防管理年度示範企业) by Liaoning Internal Security Society (遼寧省內保協會).

In December 2016, the Bank was granted the Best Organization Award for 10th Anniversary of Quality Services (優服創建十周年最佳組織獎) by Liaoning Banking Association (遼寧省銀行業協會).

I. Financial Data

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2016	2015	2016 vs 2015	2014	2013	2012
Operating Results			Change (%)			
Interest income	**27,897,191**	21,819,437	27.9	13,582,488	8,522,877	5,733,741
Interest expense	**(12,448,982)**	(11,015,124)	13.0	(7,954,065)	(4,701,435)	(2,479,695)
Net interest income	**15,448,209**	10,804,313	43.0	5,628,423	3,821,442	3,254,046
Net fee and commission income	**809,265**	500,790	61.6	116,323	75,271	96,754
Net trading gains/(losses)	**49,948**	97,164	(48.6)	470	(5,671)	24,906
Dividend income	**895**	6,440	(86.1)	6,360	6,320	5,780
Net gains/(losses) arising from investment securities	**10,348**	2,896	257.3	8,396	(3,643)	60,838
Foreign exchange gain	**53,724**	85,895	(37.5)	7,872	4,257	13,115
Other net operating income	**41,460**	19,886	108.5	26,765	24,121	30,663
Operating income	**16,413,849**	11,517,384	42.5	5,794,609	3,922,097	3,486,102
Operating expenses	**(2,758,039)**	(2,724,872)	1.2	(2,213,490)	(1,888,077)	(1,651,408)
Operating profit before impairment	**13,655,810**	8,792,512	55.3	3,581,119	2,034,020	1,834,694
Impairment losses on assets	**(2,784,895)**	(2,296,943)	21.2	(793,469)	(274,739)	(298,712)
Profit before taxation	**10,870,915**	6,495,569	67.4	2,787,650	1,759,281	1,535,982
Income tax	**(2,671,469)**	(1,587,513)	68.3	(664,473)	(403,783)	(364,565)
Profit for the year	**8,199,446**	4,908,056	67.1	2,123,177	1,355,498	1,171,417
Net profit attributable to equity Shareholders of the Bank	**8,129,590**	4,898,761	66.0	2,115,715	1,350,691	1,167,450
Calculated on a per share basis (RMB)			Change			
Basic earnings per share	**1.40**	1.09	0.31	0.54	0.35	0.30
Major indicators of assets/liabilities			Change (%)			
Total assets	**539,059,522**	361,659,913	49.1	250,692,720	175,513,850	123,294,307
Of which: loans and advances to customers	**121,930,761**	97,313,206	25.3	86,548,794	76,728,790	61,781,077
Total liabilities	**496,165,210**	335,388,599	47.9	234,815,584	164,004,535	112,097,202
Of which: Deposits from customers	**262,969,211**	170,178,722	54.5	119,402,997	92,764,588	82,786,317
Share capital	**6,781,616**	5,781,616	17.3	4,402,234	3,902,234	3,902,234
Total equity attributable to euqity shareholders of the Bank	**39,035,430**	25,598,461	52.5	15,658,315	11,398,776	11,118,275
Total equity	**42,894,312**	26,271,314	63.3	15,877,136	11,509,315	11,197,105

II. Financial Indicators

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2016	2015	2016 vs 2015	2014	2013	2012
Profitability indicators (%)			**Change**			
Return on average total assets(1)	**1.82**	1.60	0.22	1.00	0.91	1.02
Return on average equity(2)	**25.16**	23.75	1.41	15.64	12.00	11.30
Net interest spread(3)	**3.41**	3.29	0.12	2.43	2.32	3.06
Net interest margin(4)	**3.67**	3.51	0.16	2.63	2.52	3.30
Net fee and commission income to operating income ratio	**4.93**	4.35	0.58	2.01	1.92	2.78
Cost-to-income ratio(5)	**14.83**	18.80	(3.97)	31.26	40.47	40.55
Assets quality indicators (%)			**Change**			
Non-performing loan ratio(6)	**1.14**	1.03	0.11	0.99	0.87	0.94
Allowance coverage ratio (7)	**336.30**	369.13	(32.83)	256.15	226.40	239.45
Allowance to loans ratio (8)	**3.84**	3.82	0.02	2.53	1.97	2.24
Capital adequacy indicators (%)			**Change**			
Core tier 1 capital adequacy ratio(9)	**9.79**	8.96	0.83	8.64	9.76	N/A
Tier 1 capital adequacy ratio(10)	**9.80**	8.97	0.83	8.64	9.76	N/A
Capital adequacy ratio	**11.62**	10.50	1.12	10.45	10.89	N/A
Total equity to total assets	**7.96**	7.26	0.70	6.33	6.56	9.08
Other Indicators (%)			**Change**			
Loan-to-deposit ratio(11)	**40.36**	47.44	(7.08)	55.70	66.62	65.57

Notes:

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

(2) Represents the net profit attributable to the Bank's equity Shareholders for the year as a percentage of the average balance of total equity attributable to equity Shareholders at the beginning and at the end of that year.

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

(4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.

(5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.

(6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.

(7) Allowance coverage ratio = allowance for impairment losses on loans/total non-performing loans.

(8) Allowance to loans ratio = allowance for impairment losses on loans/total loans and advances to customers.

(9) Core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions)/risk-weighted assets.

(10) Tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions)/risk-weighted assets.

(11) Such ratios represent the ratios the Bank submitted to the CBRC and were calculated in accordance with financial data under PRC GAAP and the CBRC requirements.

Chapter 3 Chairman's Statement

In 2016, the new normal characteristics of the domestic economy were apparent. Led by the new development concept, seeking progress while maintaining stability was the overall working keynote. For the supply side structural reform, important steps had been taken. The economic restructuring showed positive changes, but the endogenous growth momentum of the economy was insufficient. The "L" type economic growth trend continued. Meanwhile, the banking industry was in a development situation of the intertwining of multiple factors such as the deepening of the financial market reform, diversified consumer demand growth, prudent and stringent regulatory policies and increasingly intense competition. Being confronted with an operating environment in which both challenges and opportunities existed, the Board of Directors restarted with the successful listing in Hong Kong as a new impetus and a new starting point, united and led the senior management under the support of shareholders and the supervision of the Board of Supervisors to perform duties diligently and faithfully. By adhering to the concept of "compliance with the laws and regulations is the footstone of our operations" and implementing the operation principle of "mode transfer, structural adjustment, risks control and stable development", the Board assessed the situation, made scientific situations, forged ahead with determination, improved corporate governance, persisted in leading by strategies, deepened the innovation drive, promoted transformation and development, strengthened risk control and achieved fruitful operating results.

In 2016, the Bank actively improved its operation quality and efficiency, and created a new pattern of development. During the year, the Bank completed the placement of 1 billion new H Shares and the issuance of RMB2.5 billion tier-two capital debts to enhance capital strength, initiated and orderly pushed forward the listing of A shares, and injected capital into Bank of Jinzhou Financial Leasing Co., Ltd. with good development momentum. The Bank newly founded and established two rural banks, Liaoning Linghai and Liaoning Huanren. Two branches commenced operations in Huludao and Benxi. The e-commerce platform was officially launched to diversify and enrich service pipelines. Driven by innovation, key business segments such as company, "Three Basis & Three Smalls", retailing and capital achieved coordinated development, which increased effective financial supply to regional economy, small and micro enterprises and urban and rural residents and made finance warmer. The Bank exerted itself to strengthen the construction and optimization of human resources, information technology, financial management, risk control and other systems, enhance the functions of penetration and support for operations and improve the overall professional and meticulous standards of operation and management.

As of 31 December 2016, the Bank's assets reached RMB539.060 billion, representing an increase of 49.1% on a year-on year basis. Total deposits amounted to RMB262.969 billion, representing an increase of 54.5% on a year-on year basis. The total amount of loans and advances granted amounted to RMB126.800 billion, representing an increase of 25.3% on a year-on year basis. Net profit for 2016 amounted to RMB8.199 billion, representing an increase of 67.1% on a year-on-year basis. The operating efficiency was steadily improved, which generated good value returns for the Shareholders. The Bank ranked 250th by tier 1 capital according to the Top 1,000 World Banks ranking by The Banker in 2016, up 100 from the previous year, and ranked 141st by its market capitalization of RMB59.1 billion as at the end of the Reporting Period according to the ranking list of Top 500 Listed Companies in the PRC. The Bank was awarded the "Best Urban Commercial Bank Prize for 2015" and recognized "No.1 in the Ranking of Competitiveness of Urban Commercial Banks with Assets of More than RMB300 Billion" by The Chinese Banker, with the significant enhancement of its brand awareness and influence.

The above hard-won result was the fruit of the wisdom and hard work of all employees, an accomplishment of customers' trust and support, an outcome of investors' attention and favour and a consequence of the assistance and guidance offered by the government and regulatory agencies. We bear this in mind and especially cherish this. On behalf of the Board of Directors, I would like to take this opportunity to extend my heartfelt thanks and high respect to all our friends.

2017 is a key year for the state to implement the "13th Five-year" plan and also a year for the deepening of the supply side structural reform. The Bank will fully understand and grasp the big logic of the economic new normal, plan according to the situation, act in line with the situation, practice the five main development principles of "innovation, coordination, green, liberal and sharing", support the supply side reform, adhere to the risk bottom line, enhance the economic quality and effectiveness of service entities, reach a new level and draw a new chapter again in the aspects of overall strength, management standards, competitiveness and brand image, etc. so as to establish a broader platform for employees, provide customers with better services, generate higher values for the Shareholders and shoulder more responsibilities for the community.

ZHANG Wei
Chairman

Jinzhou, China
22 March 2017

Chapter 4 President's Statement

The year 2016 is the first year of the Bank's 13th Five Year Plan and the first full year after our listing. During the year, closely centering the operation policies of "mode transfer, structural adjustment, risks control and stable development", the Bank strengthened risks control, focused on business innovation and optimized structures of assets and liabilities, with all business achieving ongoing healthy development.

As of 31 December 2016, total assets of the Bank amounted to RMB539.060 billion, representing a year-on-year increase of 49.1%; total deposits amounted to RMB262.969 billion, representing a year-on-year increase of 54.5%; total loans and advances released amounted to RMB126.800 billion, representing a year-on-year increase of 25.3%; net profit was RMB8.199 billion was realized in 2016, representing a year-on-year increase of 67.1%; the capital adequacy ratio was 11.62%, non-performing loan ratio was 1.14%, and cost-to-income ratio was 14.83%, with increasing improvement in management efficiency.

In 2016, the Bank was ranking No.141 on the list of top 500 listed companies in China in terms of capitalization, ranking No.6 on the list of all city commercial banks; ranking No.429 on the list of China's top 500 enterprises in the "Fortune" (Chinese version), a financial magazine; ranking No.1 in terms of comprehensive competitiveness among city commercial banks with asset size of over RMB300 billion in the "Competitiveness Evaluation Report on Chinese Commercial Banks for 2015 (2015年中國商業銀行競爭力評價報告)", and was honored with the "Best City Commercial Bank Award for 2015 (2015年度最佳城市商業銀行獎) "; named among "Top Ten Commercial Banks Supporting the Development of SMEs (全國支持中小企業發展十佳商業銀行) " and recognized as an "Excellent Asset Management Bank (卓越資產管理銀行)".

In 2017, facing the new normal of economy, the Bank will strengthen its strategic confidence, management confidence and development confidence, closely follow economic development themes at home and abroad, closely comply with regulatory policies and keep abreast of customer demands. Adhering to the operation policies of "mode transfer, structural adjustment, risks control and stable development", the Bank will continue to strictly control business risks, enhance capabilities of assets and liabilities management, promote integrated operation and play an active role in the supply side reform, striving to build the Bank into a "standardized, professional, digitized, networkized and channelized" comprehensive leading city commercial bank.

LIU Hong
President

Jinzhou, China
22 March 2017

Chapter 5 Management Discussions and Analysis

I. Environment and Outlook

In 2016, the international economic environment remained depressed and inactive, the global economy maintained a slow rate of growth. Developed economies resumed growth, while significant discrepancies continued to exist in emerging markets and developing economies; international financial markets experienced shocks with divergent developments, international trade continued to grow at sluggish pace, global capital flows increased in intensity, prices of commodities bottomed out and rebounded, production capacities were reduced, global general inflation rate increased, resulting in direct impact on the PRC economy.

In 2016, the PRC economy presented notable characteristics of new normality and adhered to the general basic theme of stability with progress. A policy system guiding by new development concepts and adopting supply-side structural reforms as the main theme was established. By expanding overall demand to an appropriate extent, implementing reforms consistently, responding to challenges of risks properly and providing guidance to generate positive social expectations, the economy and community maintained steady and sound development, realized a good beginning for the "13th Five-year Plan". GDP for the whole year reached RMB74.41 trillion, representing an increase of 6.7%.

Looking ahead in 2017, global economic activities are anticipated to accelerate, with improved prospects in developed economies, the growth prospects in emerging markets and developing economies will remain challenging, and the financial environment will tighten in general. There is a rising tendency of "deglobalization" and protectionism, the direction of policies in major economies and their external impact are subject to greater variations, and factors of instability and uncertainty have increased notably.

2017 is an important year for the implementation of the "13th Five-year Plan" in China and a year to deepen supply-side structural reforms. According to the requirements of coordinating the implementation of the "five-in-one integration" master plan and coordinating the progress of the "four comprehensive aspects" strategic plan, establishing solid new development concepts for consistent implementation, adapting to capitalize on new normality in economic development, adhering to enhancing development quality and efficiency as the core, insisting to proceed with supply-side structural reforms as the main line, deepening the driving force of innovations, performing the tasks of stabilizing growth, promoting reforms, adjusting structures, benefiting public livelihood and preventing risks comprehensively, will be the philosophy and direction of reform and development in the banking industry. A series of strategic moves, such as in-depth implementation of "Made in China 2025", continuous implementation of enterprising and innovation by everyone, making solid progress in the construction of "One Belt, One Road", together with a series of influential factors, such as continuous deepening the reform in inclusive financial mechanism, relaxation and expansion of the banking industry in domestic and overseas markets, will provide entirely new opportunities and challenges to the operation and development of the banking industry.

II. Development Strategies

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

III. Financial Review

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

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

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

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

(I) Analysis of the Income Statement

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

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

1. **Net interest income**

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

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2016 Average balance	Interest income/ expense	Average yield/cost (%)	2015 Average balance	Interest income/ expense	Average yield/cost (%)
Interest-Bearing Liabilities						
Deposits from customers	**215,073,252**	**5,238,664**	**2.44**	144,319,899	4,097,737	2.84
Deposits from banks and other financial institutions	**130,440,389**	**5,723,145**	**4.39**	112,549,763	5,574,446	4.95
Placements from banks and other financial institutions	**4,157,929**	**42,496**	**1.02**	4,515,732	34,003	0.75
Financial assets sold under repurchase agreements	**17,831,179**	**588,392**	**3.30**	11,303,093	435,724	3.85
Debt securities issued	**3,925,479**	**185,795**	**4.73**	1,853,425	125,979	6.80
Financial liabilities at fair value through profit or loss	**16,474,314**	**670,490**	**4.07**	14,376,612	744,791	5.18
Other liabilities	—	—	—	72,955	2,444	3.35
Total interest-bearing liabilities	**387,902,542**	**12,448,982**	**3.21**	288,991,479	11,015,124	3.81
Net interest income		**15,448,209**			10,804,313	
Net interest spread(2)			**3. 41**			3.29
Net interest margin(3)			**3. 67**			3.51

Notes:

(1) Investment securities and other financial assets consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

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

(3) Calculated by dividing net interest income by the average interest-earning assets.

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

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

Notes:

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

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

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

2. Interest income

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

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

The Bank's interest income increased by 27.9% to RMB27,897,191 thousand in the Reporting Period from RMB21,819,437 thousand in 2015, primarily due to the increase in corresponding interest income resulting from the increase in the scale of the interest-beaning assets as the Bank put great efforts in the investment, loan business and financial lease business by capitalizing on the increase in funding.

(1) *Interest income from loans and advances to customers*

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

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

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

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

(3) *Interest income from cash and deposits with the Central Bank*

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

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

Interest income from deposits with banks and other financial institutions decreased by 73.0% to RMB178,037 thousand in the Reporting Period from RMB660,314 thousand in 2015, primarily due to the decrease in the scale of the Bank's deposits with banks since the yield of deposits with banks in the market decreased.

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

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

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

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

(7) Interest income from financial lease receivables

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

3. Interest expense

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

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

(1) ***Interest expense on deposits from customers***

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

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

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

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

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

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

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

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

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

(5) Interest expense on debt securities issued

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

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

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

4. Net Interest Spread and Net Interest Margin

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

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

5. **Non-interest income**

(1) ***Net Fee and Commission Income***

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

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

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

(2) ***Net Trading Gains***

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

(3) Dividend Income

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

(4) Net Gains arising from Investment Securities

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

(5) Foreign Exchange Gain

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

(6) Other Net Operating Income

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

6. Operating Expenses

During the Reporting Period, the Bank's operating expenses was RMB2,758,039 thousand, representing an increase of RMB33,167 thousand or 1.2% than last year.

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

(1) Staff Costs

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

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

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

(2) General and Administrative Expenses

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

(3) Tax and Surcharges

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

(4) Depreciation and Amortization

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

7. Impairment Losses on Assets

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

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

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

8. Income Tax

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

(II) Analysis of the Statement of Financial Position

1. Assets

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

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

Notes:

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

(2) Financial lease receivables of Bank of Jinzhou Financial Leasing Co., Ltd.

(3) Include derivative financial assets, interests receivable, property and equipment, deferred tax assets and others.

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

(1) *Loans and Advances to Customers*

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

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

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

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

The Bank's retail loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. As at the end of the Reporting Period, the balance of retail loans amounted to RMB9,205,425 thousand, representing a decrease of RMB497,715 thousand or 5.1 percentage points as compared to the end of last year, which accounted for 7.3% of the Bank's total loans and advances to customers, representing a decrease of 2.3 percentage points as compared to the end of last year, which was primarily due to the economic situation. In order to generally prevent and control risk, the Bank proactively withdrew from various guarantee businesses which were of high risks and weak guarantee, such as mutual insurance and joint guarantee.

Loans by Collateral

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

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

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

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

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

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

(2) Investment Securities and Other Financial Assets

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

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2016**		As at 31 December 2015	
	Amount	**% of total**	Amount	% of total
Debt investments	**45,162,404**	**12.9**	26,995,121	12.9
Held-to-maturity investments	**10,436,027**	**3.0**	7,711,333	3.7
Available-for-sale debt investments	**34,664,662**	**9.9**	19,219,823	9.2
Financial assets at fair value through profit or loss	**61,715**	**0.0**	63,965	0.0
Provision for impairment losses on debt investments	—	—	—	—
Equity investments	**58,250**	**0.0**	58,250	0.0
Available-for-sale equity investments	**58,250**	**0.0**	58,250	0.0
Provision for impairment losses on equity investments	—	—	—	—
Wealth management products investments	**21,089,421**	**6.1**	15,496,243	7.4
Debt securities classified as receivables	**281,680,541**	**81.0**	166,482,385	79.7
Investments in wealth management products of financial institutions	**200,088**	**0.1**	—	—
Beneficial interest transfer plans	**283,571,571**	**81.5**	166,989,654	79.9
Provision for impairment losses on debt securities classified as receivables	**(2,091,118)**	**(0.6)**	(507,269)	(0.2)
Net investments	**347,990,616**	**100.0**	209,031,999	100.0

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

2. Liabilities

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

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

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

Note:

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

(1) Deposits from customers

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

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

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

(2) Debts securities issued

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

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

As of the end of the Reporting Period, the fair value of the above payable tier-two capital debts was RMB4,026 million.

As of the end of the Reporting Period, the Bank issued 36 interbank certificates of deposit in total with an aggregate amount of RMB26,229 million. As of the end of the Reporting Period, the fair value of the above interbank certificates of deposit was RMB26,134 million.

3. Shareholders' Equity

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

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

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

(III) Assets Quality Analysis

1. Breakdown of Loans by the Five-Category Classification

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

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

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

2. Concentration of Loans

(1) Concentration by industry and distribution of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2016 Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	As at 31 December 2015 Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans								
Wholesale and retail trade	39,985,815	31.5	357,080	0.89	30,199,593	29.8	332,061	1.10
Manufacturing	37,272,136	29.4	829,449	2.23	23,238,642	23.0	600,131	2.58
Real estate	13,774,113	10.9	12,243	0.09	11,183,248	11.1	12,243	0.11
Leasing and commercial services	6,426,944	5.1	1,712	0.03	8,633,996	8.5	4,105	0.05
Electricity, gas and water production and supply	3,822,215	3.0	–	–	1,045,943	1.0	–	–
Education	3,213,742	2.5	1,640	0.05	2,751,812	2.7	8,600	0.31
Transportation, storage and postal services	2,802,067	2.2	8,000	0.29	1,790,687	1.8	8,000	0.45
Mining	1,801,952	1.4	8,282	0.46	1,275,037	1.3	482	0.04
Construction	1,647,035	1.3	4,145	0.25	3,197,190	3.2	2,070	0.06
Agriculture, forestry, animal husbandry and fishery	1,534,475	1.2	17,396	1.13	1,334,995	1.3	3,577	0.27
Water, environment and public utility management	1,352,440	1.1	–	–	1,470,634	1.5	–	–
Public management and social organization	242,750	0.2	2,000	0.82	1,620,780	1.6	2,000	0.12
Others	3,677,530	2.9	9,800	0.27	3,491,987	3.5	17,801	0.51
Discounted bills	41,444	–	–	–	236,726	0.2	–	–
Retail loans	9,205,425	7.3	196,171	2.13	9,703,140	9.6	54,952	0.57
Total	126,800,083	100.0	1,447,918	1.14	101,174,410	100.0	1,046,022	1.03

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry

As at the end of the Reporting Period, loans provided to customers in the industries of (i) wholesale and retail trade, (ii) manufacturingand, (iii) real estate represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and 31 December 2015, the balance of total loans and advances to customers in these three industries were RMB91,032,064 thousand and RMB64,621,483 thousand, respectively, accounting for 71.8% and 63.9% of the total loans and advances granted by the Bank, respectively. From the perspective of the structure of increased volume, these three industries experienced the largest increment. The increased volume, and increment were respectively as follows: RMB9,786,222 thousand, 32.4%; RMB14,033,494 thousand, 60.4%; and RMB2,590,865 thousand, 23.2%. As at the end of the Reporting Period, non-performing loans of the Bank' s corporate loans were mainly concentrated in wholesale and retail trade, as well as manufacturing, with the ratio of non-performing loans of 0.89% and 2.23%.

(2) Borrower Concentration

A. Indicators of concentration

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

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

B. Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the ten largest single borrowers as at the end of the Reporting Period. As of the same date, all such loans were classified as pass loans.

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

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

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

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

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

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

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

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

(4) Overdue loans and advances to customers

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

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

(IV) Analysis on Capital Adequacy Ratio

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

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

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

(V) Segment Information

1. Summary of Geographical Segment

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

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司).

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

Northern China Region: Beijing branch and Tianjin branch.

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

2. **Summary of Business Segment**

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

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

(VI) Off-balance Sheet Items

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

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

IV. Business Overview

(I) Corporate banking

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2016	2015	Rate of change (%)
External net interest income	**4,074,068**	3,924,357	3.8
Internal net interest income/(expense)	**681,578**	(171,264)	(498.0)
Net interest income	**4,755,646**	3,753,093	26.7
Net fee and commission income	**397,145**	224,414	77.0
Other operating income	**60,399**	48,702	24.0
Impairment losses on assets	**(1,201,174)**	(1,680,191)	(28.5)
Operating expenses	**(1,374,285)**	(1,284,355)	7.0
Profit before tax	**2,637,731**	1,061,663	148.5
Depreciation and amortization	**(190,417)**	(164,692)	15.6
Capital expenditure	**509,454**	438,282	16.2

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2016	As at 31 December 2015	Rate of change (%)
Segment assets	**119,894,847**	88,500,160	35.5
Segment liabilities	**190,106,923**	116,881,258	62.6

1. Corporate deposits

At the end of the Reporting Period, total corporate customer deposits (in local and foreign currencies) amounted to RMB173,581,718 thousand, representing an increase of RMB63,342,911 thousand or 57.5% as compared to the end of the previous year, of which, corporate demand deposits amounted to RMB52,522,396 thousand, accounting for 30.3%; corporate time deposits amounted to RMB121,059,322 thousand, accounting for 69.7%.

The Bank actively responded to the macroeconomic development trends. Under the guidance of the state's industrial policy and against the backdrop of a new round of national strategy to revitalize Northeast, we perfected our financial services and enhanced the support of finance for supply-side structural reforms, leveraged on our regional economic features, strengthened influence in the financial market, enhanced marketing development and management, and realized rapid growth in customer base and all business segments. Structure and stability of the deposits taken by the Bank were further optimized. In particular, the proportion of time deposits had increased.

2. Corporate loans

At the end of the Reporting Period, corporate loans of the Bank (excluding discount) amounted to RMB117,553,214 thousand, an increase of RMB26,318,670 thousand or 28.8% as compared to the end of the previous year. During the Reporting Period, the Bank introduced five new development concepts of "innovation, coordination, environmental friendliness, liberalisation and sharing" to guide the allocation of credit assets and conscientiously implement the five major tasks of "three eliminations, one reduction and one improvement" by dedicating efforts to support supply-side structural reforms, focusing support on strategic emerging industries and technological innovation-based corporate loans, strongly supporting the elimination of inventories by real estate enterprises, giving priority to support transformation and upgrading of traditional industries, innovative development loans and green credit, while increasing investment resources for loans to small and micro enterprises at the same time, resolutely restricted industries with high pollution and high energy consumption, and excessive capacity ("**Two High One Excessive**"), and implemented the credit disbursement policies of "protection accompanied by suppression, increment limit and vitalization of stock" on industries with excessive capacity. During the Reporting Period, loans for the wholesale and retail industries, manufacturing industry and real estate industry increased by RMB9,786,222 thousand, RMB14,033,494 thousand and RMB2,590,865 thousand, respectively.

3. Discounted bills

During the Reporting Period, on the basis of an overall balance among the asset scale, liquidity, returns and risks, the Bank flexibly regulated and controlled scale, optimized structure and improved comprehensive returns on the Bank's assets. At the end of the Reporting Period, discounted bills amounted to RMB41,444 thousand, a decrease of RMB195,282 thousand or 82.5% as compared to the end of the previous year. Such movement was attributed to changes in market and customer needs.

4. International business

During the Reporting Period, in respect of our international business, the Bank adhered to product innovation, launched distinctive foreign currency products such as "Youyuebao (悠悅寶)", "Shuanglida (雙利達)" and "Rongfutong (融付通)" by combining traditional deposit and loan products with trade financing products and financial derivative instruments; following the trend of RMB internationalization, the Bank expanded cross-border RMB clearing channels, improved clearing efficiency, and launched RMB Cross-border Interbank Payment System (CIPS); meanwhile, by leveraging the license for derivatives obtained by the Bank, foreign exchange derivatives trading business was commenced.

During the Reporting Period, each international business indicators of the Bank had experienced a sustainable and steady growth. The Bank's international settlement volume amounted to US$6.610 billion, representing an increase of 17.7% as compared to the previous year, of which, cross-border RMB settlement volume amounted to RMB12.399 billion, representing an increase of 44.7% as compared to the previous year; foreign currencies loans and trade financing amounted to US$1.946 billion in total, representing an increase of 3.8% as compared to the previous year; foreign exchange derivative transaction volume amounted to US$4.671 billion, representing an increase of 31.8% as compared to the previous year, and achieved good economic benefits; the network of agency banks covered over 70 countries and regions and the number of agency banks reached 539.

(II) The "Three Basis & Three Smalls" Business

1. Overview of the "Three Basis & Three Smalls" business

During the Reporting Period, the Bank continued adhering to the market positioning based on "Three Basis & Three Smalls" ("Three Basis" means "basic accounts, basic customer base and basic settlement volume" and "Three Smalls" means "small enterprises, small shops and small retail stalls") and actively propelled the joint development of the "Three Basis" business and the "Three Smalls" business. Based on the objectives of "regulatory management, risk prevention and control, structural adjustment, expansion of customer base, creation of brands", the Bank proceeded various tasks of "Three Basis & Three Smalls" steadily. As at the end of the Reporting Period, the "Three Smalls" loan balance of the Bank amounted to RMB9,139,750 thousand, the number of customers of "Three Smalls" loans amounted to 10,515 accounts, representing 90.1% of the accounts of total loans (excluding subsidiaries). The "Three Basis" business maintained its good development momentum and the number of settlement accounts amounted to 64,300 accounts, an increase of 8,295 accounts as compared to the end of the previous year. The coverage of integrated financial services for "Three Smalls" customers was increasing continuously.

During the Reporting Period, the Bank was awarded the honor of "Advanced Unit" of financial services for small and micro enterprises in 2015 by the CBRC Jinzhou Bureau, the Beijing Branch of the Bank was awarded the honor of "Excellent Financial Services Team of Banking Financial Institutions for Small and Micro Enterprises in Beijing" by the CBRC Beijing Bureau, the Harbin Branch of the Bank was awarded the honor of"Advanced Unit" of financial services for small and micro enterprises by the CBRC Heilongjiang Bureau, the Anshan Branch of the Bank was awarded the honor of"Advanced Unit" of financial services for small and micro enterprises by the CBRC Anshan Bureau, the Fuxin Branch of the Bank was awarded the honor of "Advanced Collective" of financial services for small and micro enterprises by the CBRC Fuxin Bureau, and the product "Jin Wei Tong (錦微通)" offered by the Harbin Branch of the Bank was awarded the honor of "Best 10 Exceptional Excellent Financial Products for serving Small and Micro Enterprises and Three Rurals in 2015 in the Banking Industry of Heilongjiang Province".

2. Measures for developing the "Three Basis & Three Smalls" business

(1) Optimizing credit asset structure. The "Three Smalls" credit asset structure is optimized through "Three Enhancements and Three Reductions (三提三降)", which means to increase the number of "Three Smalls" loan accounts and reduce the balance per account of "Three Smalls" loans; to enhance the pricing ability of "Three Smalls" loans and reduce the financing costs for customers of "Three Smalls" loans; and to conduct early risk alert analysis and reduce the percentage of high risk business. At the end of the Reporting Period, the balance per account of "Three Smalls" loans decreased by RMB181,100 when compared with the end of the previous year, the proportion of loan balance below RMB1 million increased by 3.06 percentage points when compared with the end of the previous year; the proportion of balance of the Bank's loans secured by mortgages and pledges increased by 5.97 percentage points when compared with the end of the previous year; the average floating level of new loan interest rate increased by 5.11 percentage points when compared with 2015; which fully diversified loan risks, increased the Bank's capability of mitigating risks and enhanced the pricing ability.

(2) Strengthening risk management and control ability. Conducted data analysis on deferred-interest and other indicators by utilizing early risk alert tools to forward risk identification; expanded the monitoring and control scope of problematic loans, monitored risk on a real-time basis through systematic and artificial levels, conducted multi-dimensional appraisal on risk indicators; for overdue loans, specialized institution and personnel have been established to be responsible for whole process tracking and disposal, got through asset disposal channels through various ways; recognized liabilities for non-performing loans to enhance the awareness of compliance operation.

(3) Carrying out precision marketing among customers. By adhering to the linkage between "Three Basis" and "Three Smalls", the Bank deeply conducted "Three Smalls" customer marketing, optimized its resource allocation through data integration, fully utilized the credit system, core system, data bank and data of the customer relationship management system (CRM system), continued to pursue tiered management of customers, implemented pre-credit management for VIP customers, assessed existing customers for integrated contribution, utilized settlement data to identify funding requirements of potential and quality customers, implemented exit mechanism by considering the creditworthiness of existing customers on a consolidated basis, and implemented precision marketing among "Three Smalls" customers.

(4) Refining small and micro strategic distribution. In order to adapt to the online trend of real economy and strength the support for quality WeChat commerce, internet commerce and group buying commerce, the Bank implemented online customer group distribution; increased cooperation with government platforms to launch the "Yin Shui Tong (銀稅通)" product with tax authorities and promote cooperation between banks and government; the Bank made small and micro specialized institutions work, newly established 6 small and micro specialized teams, and promoted small and micro specialized institutions distribution; the Bank implemented admission standards for account managers and examination regime for employment with certification, improved German small and micro-loan technology, established special technology system to promote the building of a professional team; researched and developed mobile credit APP client devices to strive to realize mobile working during the whole process of small and micro credit business and immediate online transaction of small loans and accelerate internet strategic distribution.

(III) Retail Banking Business

During the Reporting Period, the Bank focused on customer needs in respect of the retail banking business and carried out a series of product innovation, channel innovation and service enhancement to solidify customer base, expand business scale, increase business revenue, resulting in a significant improvement in single-outlet capacity. At the end of the Reporting Period, the number of retail customers amounted to 4,841,400 accounts, an increase of 412,500 accounts or 9.3% when compared with the end of the previous year. The number of VIP customers amounted to 118,800 accounts, an increase of 41,100 accounts or 52.9% when compared with the end of the previous year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2016	2015	Rate of change (%)
External net interest expense	**(2,090,265)**	(1,476,845)	41.5
Internal net interest income	**3,086,639**	2,470,195	25.0
Net interest income	**996,374**	993,350	0.3
Net fee and commission income	**167,230**	93,797	78.3
Other operating income	**121**	62	95.2
Impairment losses on assets	**595**	(187,566)	(100.3)
Operating expenses	**(599,406)**	(520,164)	15.2
Profit before tax	**564,914**	379,479	48.9
Depreciation and amortization	**(83,720)**	(66,700)	25.5
Capital expenditure	**223,989**	177,504	26.2

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2016**	As at 31 December 2015	Rate of change (%)
Segment assets	**9,325,590**	9,858,784	(5.4)
Segment liabilities	**100,056,009**	72,117,521	38.7

1. Retail Deposits

For the retail business products, the Bank adopted differentiated interest strategies in the course of interest marketization to strengthen the customer base, expand the business scale and increase the operation revenue. The Bank has developed a series of new products focusing on retail deposits. Besides Youyuebao (悠悦寶) introduced in 2014 and Lingcunbao (零存寶) and Dinghuobao (定活寶) introduced in 2015, the Bank also introduced new products such as Interest Withdraw Time Deposit of (存本取息) and Huoqibao (活期寶) in 2016. All these new saving products had been well received by the market upon their introduction and brought continuous and stable cash flows for the Bank. At the end of the Reporting Period, the balance of the Bank's retail deposits amounted to RMB89,387,493 thousand, representing an increase of 49.1% as compared to the end of last year, of which the balance of new saving products amounted to RMB48,841,847 thousand.

2. Retail Loans

During the Reporting Period, the Bank strengthened precise marketing for retail loans and commenced business in mass quantities, with a development focus on consumer loans and loans for women entrepreneurs. The Bank also extended the range of consumption loan uses and added new uses such as education, studying abroad, wedding and tourism. Accordingly, the exclusive consumption loan product "Jin Lian Dai (錦聯貸)" for "Three Smalls" and "Yi Jin Dai (易錦貸)" for hired vehicles was launched. At the end of the Reporting Period, the Bank's retail loans comprising personal business loans, personal consumption loans, residential and commercial mortgage loans, credit card overdrafts amounted to RMB9,205,425 thousand, of which personal business loans amounted to RMB7,896,779 thousand, personal consumption loans amounted to RMB478,483 thousand and residential and commercial mortgage loans amounted to RMB723,439 thousand.

At the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB773,620 thousand, representing an increase of RMB193,298 thousand or 33.3%.

3. Bank Cards

The Bank continued to improve the bank card business management in terms of the products process, business standardization and line management. The issuance and the industry application of financial IC cards were conducted actively. The issuance and promotion of healthcare cards and social security cards for residents, ETC cards, Wuyintong Card (物银通卡), salary cards and citizen cards of Anshan City also commenced generally. The Bank continued to improve the business types, transaction channels and product functions of credit cards and enhance the quality and efficiency of card issue, which led to an improvement in market competitiveness. At the end of the Reporting Period, the number of debit cards issued by the Bank amounted to 4,889.3 thousand, representing an increase of 14.8% as compared to the end of last year; while the number of credit cards issued by the Bank amounted to 40,638, representing an increase of 61.0% as compared to the end of last year.

4. Wealth Management

The Bank was dedicated to focusing on customers, and continued to enhance professional wealth management services and increase efforts in promoting the private bank brand. In 2016, the Bank released special wealth management products such as special editions based on the original products, the seckill and private bank editions, which continued to enhance the competitiveness of products of the Bank. During the Reporting Period wealth management products issued by the Bank amounted to RMB86.901 billion. At the end of the Reporting Period, the Bank had a wealth management products size of RMB60.969 billion, representing an increase of 41.6% as compared to the end of last year, and recorded service fee income from wealth management products of RMB245 million. Meanwhile, according to relevant regulatory requirements, the Bank implemented the system of sales in specific areas as well as recording and video recording for wealth management products, and all the sales branches of products of the Bank had been in operation. The Bank has registered 122 branches for business of agency sale of funds and 109 branches for business of agency sale of insurances with regulatory institutions.

(IV) Treasury Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2016	2015	Rate of change (%)
External net interest income	**13,464,406**	8,356,801	61.1
Internal net interest expense	**(3,768,217)**	(2,298,931)	63.9
Net interest income	**9,696,189**	6,057,870	60.1
Net fee and commission income	**244,890**	182,579	34.1
Net trading gains	**49,948**	97,164	(48.6)
Dividend income	**895**	6,440	(86.1)
Net gains arising from investment securities	**10,348**	2,896	257.3
Other operating (expense)/income	**(11,753)**	36,960	(131.8)
Impairment losses on assets	**(1,583,849)**	(429,003)	269.2
Operating expenses	**(783,854)**	(909,797)	(13.8)
Profit before tax	**7,622,814**	5,045,109	51.1
Depreciation and amortization	**(107,056)**	(116,663)	(8.2)
Capital expenditure	**286,423**	310,466	(7.7)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2016	As at 31 December 2015	Rate of change (%)
Segment assets	**400,735,204**	255,773,910	56.7
Segment liabilities	**201,562,894**	144,026,142	39.9

1. Money Market Transactions

During the Reporting Period, the Central Bank made some innovations on manipulative instruments and supervising pattern of monetary policy and had an effect on fund level. By prioritizing liquidity safety, the Bank look into account historical experience and market condition and fully studied the trend of interest rates for 2016, adopted flexible financing structure allocation, strived to reduce the financing costs and enhanced our profitability. As at the end of the Reporting Period, the balance of our financial assets held under resale agreements was RMB nil, the balance of financial assets sold under repurchase agreements was RMB35,164 million.

2. **Investments in Securities and Other Financial Assets**

During the Reporting Period, the domestic economy had gradually stabilized with the effect of supply-side structural reforms. Since the second half of the year, "deleveraging and risk prevention" had gradually become the important goals of monetary policy. Factors affecting the bond market of the PRC have become increasingly complicated and economic fundamentals, fund levels, exchange rate, overseas market, bond market participant structure and product trading chain have always affected bond market participants' emotion and transaction pattern. In general, the bond market started with "irrational prosperity" and ended amidst a correction in 2016.

The Bank paid close attention to changes in the policy environment, further strengthened the analysis and research of the financial market, and timely adjusted the operation strategies. While reducing buy-back financing capital by taking various measures, the Bank selectively allocated some bond assets with relatively suitable maturities and yields, realizing an increase of RMB16.7 billion for bonds for the full year. The size of bond holdings increased by nearly 1 percentage point when compared with the end of the previous year, and the expected bond holding structure had been sustained and no credit risk occurred.

(1) Securities investment by holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2016**		As at 31 December 2015	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**21,151,136**	**6.1**	15,560,208	7.4
Available-for-sale financial assets	**34,722,912**	**10.0**	19,278,073	9.2
Held-to-maturity investment	**10,436,027**	**3.0**	7,711,333	3.7
Debt securities classified as receivables	**281,680,541**	**80.9**	166,482,385	79.7
Total	**347,990,616**	**100.0**	209,031,999	100.0

(2) Securities investment by remaining maturity

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2016**		As at 31 December 2015	
	Amount	**% of total**	Amount	% of total
Indefinite	**58,250**	**0.0**	58,250	0.0
Repayment on demand	**1,926,545**	**0.6**	—	—
Within three months	**32,047,295**	**9.2**	20,991,656	10.0
Between three months and twelve months	**87,264,452**	**25.1**	77,799,692	37.2
Between one year and five years	**216,482,034**	**62.2**	100,573,260	48.1
More than five years	**10,212,040**	**2.9**	9,609,141	4.6
Total	**347,990,616**	**100.0**	209,031,999	100.0

(3) Holding of state bonds

At the end of the Reporting Period, the balance of nominal value of the state bonds held by the Bank amounted to RMB4.31 billion. The table below sets out the state bonds held by the Bank at the end of the Reporting Period.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
12 Coupon-bearing Bonds 10	1,540,000	3.14	7 June 2019
12 Coupon-bearing Bonds 09	1,000,000	3.36	24 May 2022
10 Coupon-bearing Bonds 38	500,000	3.83	25 November 2017
08 State Bonds 25	330,000	2.90	15 December 2018
06 State Bonds 19	300,000	3.27	15 November 2021
09 Coupon-bearing Bonds 16	250,000	3.48	23 July 2019
09 State Bonds 03	220,000	3.05	12 March 2019
09 Coupon-bearing Bonds 20	100,000	4.00	27 August 2029
09 Coupon-bearing Bonds 12	70,000	3.09	18 June 2019

(4) Holding of financial bonds

At the end of the Reporting Period, the balance of nominal value of the financial bonds (mainly the financial bonds issued by policy banks) held by the Bank amounted to RMB32.28 billion. The table below sets out the top ten financial bonds with the highest nominal value held by the Bank at the end of the Reporting Period.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
16 Nong Fa 20	5,000,000	2.79	26 July 2019
16 Nong Fa 15	4,500,000	3.08	22 April 2019
16 Jin Chu 01	2,000,000	2.82	22 February 2019
16 Jin Chu 07	1,500,000	2.76	10 July 2019
16 Jin Chu 13	1,500,000	2.80	7 November 2019
16 Nong Fa 02	1,500,000	2.77	6 January 2019
10 Nong Fa 14	1,240,000	4.00	4 Novembver 2020
16 Jin Chu 04	1,000,000	2.46	18 April 2017
16 Nong Fa 14	880,000	2.60	21 April 2017
11 Guo Kai 44	860,000	4.90	9 August 2021

3. Wealth Management Business

At the end of the Reporting Period, the balance of the Bank's effective wealth management products amounted to RMB60.969 billion, representing an increase of 41.6% or RMB17.910 billion as compared to the end of the previous year. During the Reporting Period, the Bank issued a total of 838 wealth management products, amounting to RMB86.901 billion. 833 wealth management products of the Bank matured with an amount of RMB68.991 billion. All matured products realized expected yields without any complaint event. While maintaining stable product yields and the expansion of scale, the Bank strove to make breakthrough in asset structure and product innovation to meet customers' diversified wealth management demand. We launched "Tiantianshang (天天上)", a 7-day open non-capital guaranteed financial product, on the basis of the former "Jinxiu (錦繡)", "Chuangying (創贏)" and "Chuangfu (創富)" series wealth management products. During the Reporting Period, our wealth management business recorded stable profit growth with increasingly improved investment channels, a more rational investment mix and wider product varieties, which had built up a good "7777 Wealth Management" bond image.

On 9 December 2016, at the seventh Jinding Award selecting process, the Bank was recognized, as the "Bank with Excellent Asset Management (卓越資產管理銀行)" for its excellence in asset management. In 2016, according to the 4th Quarter Ranking of Bank's Capabilities in Wealth Management of PY Standard, we still ranked among the top ten city commercial banks; ranked 8th in terms of comprehensive ranking; ranked fifth among city commercial banks in terms of risk control capability ranking; and ranked fifth among city commercial banks in terms of product richness ranking. All these rankings ranked 1st among city commercial banks in the three northeastern provinces.

4. Interbank Business

The interbank business focuses on full-scale implementation of big asset management, with a proper presence in bills, interbank certificate of deposit, interbank deposit and inberbank investment, and engages in asset securitization and bonds issuance. At the end of the Reporting Period, our deposit with banks and other financial institutions amounted to RMB8.674 billion, and our deposits from banks and other financial institutions amounted to RMB131.028 billion. During the Reporting Period, we issued 36 tranches in total of interbank certificates of deposit after being qualified, in an aggregate amount of RMB26.229 billion.

5. Investment banking business

During the Reporting Period, we adhered to the philosophy of "Serve the Community, Benefit the Public" for investment banking business, and actively expanded our customer base and business area, and vigorously strengthened research and development of new products, so as to meet the diversified financing needs of customers. As at the end of the Reporting Period, the balance of debt securities classified as receivables was RMB281.681 billion.

(V) Distribution Channels

1. Physical Outlets

The development of the Bank's institution complied with the strategic guidance principle, the risk control principle, the market-oriented principle and the distinctive operation principle, with the basic premise of matching cross-regional development speed with self-management and control ability. The Bank scientifically mastered cross-regional development speed and pace, adhered to healthy development and achieved coordinated development of "scale, quality, benefit". During the Reporting Period, we further expanded our presence in allopatric institutions by newly establishing two branches in Huludao and Benxi in Liaoning Province. At the end of the Reporting Period, we (excluding subsidiaries) had a total of 201 outlets. In addition to headquarters, we had, in total, 14 branches, 185 sub-branches and 1 specialized institution. The outlets were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

2. Self-service Banking

At the end of the Reporting Period, we (excluding subsidiaries) had a total of 113 self-service banking and self-service zones, representing an increase of 17 as compared to the end of the previous year. We (excluding subsidiaries) had a total of 635 self-service machines, including 478 ATMs, representing an increase of 52 as compared to the end of the previous year; 106 multi-media enquiry machines, representing an increase of 26 as compared to the end of the previous year; and 51 automatic card issuing machines, representing an increase of 18 as compared to the end of the previous year. The accumulative number of cash withdrawal transactions of self-service machines amounted to 10.20 million for the whole year, and the transaction volume amounted to RMB12.965 billion.

During the Reporting Period, our first portable card issuing machine was successfully running, which has characteristics such as portability, no need for external power, 4G communication, paperless handling of business. With smooth launch, the card issuing machine can satisfy customers' demand for mobile, efficient and quality services, support us with an advanced electronic channel for optimizing the service model, and effectively reduce our banking service costs, increasing our brand image.

During the Reporting Period, the Bank started an era of "Smart Banking 2.0 (智能銀行2.0)". "Smart Banking 2.0" relies on smart equipment, digital media and human-computer interaction techniques to have five types and more than ten new functions. The first is smart comprehensive guide, which can realize 3D display of internal structure, description of business profile and accurate identification and bypass of customers in an outlet. The second is modern payment experience, where a user can experience non-contact payment under real canteen, vegetable market, public transportation, shopping mall and vending machine scenarios as well as access control function of a housing estate. The third is electronic banking experience, which can realize functions of mobile banking interactive display and photo print with a focus on WeChat ID. The fourth is marketing service support, which can realize 3D holographic show of precious metals showcase, interactive tea table and electronic interactive whiteboard. The fifth is addition of the new generation of self-service equipment such as change exchange machine. The upgraded smart banking optimized an outlet's functional division, and completed all-channel integration of electronic banking business, self-service channel and manual channel, increasing service quality and marketing efficiency greatly.

3. Electronic Banking

The Bank will focus on the work of building an infrastructural platform for electronic banking, starting from "business innovation, service enhancement", to the end of "establishment of systems, improvement in risk control", where "product upgrade, cooperation expansion" is underpinned. The Bank continues to expand service channels for electronic banking to enhance customer experience and establish business processes and service models by combining online and offline means, so as to realize rapid development of the electronic banking business.

(1) Online banking

The Bank continued to optimize online banking, with a focus on customer experience, to increase the online banking systems' applicability and easy of use. At the end of the Reporting Period, the Bank had 22,861 corporate online banking clients in aggregate, representing an increase of 31.7% compared with last year. In 2016, the Bank's transaction volume amounted to RMB1,654.664 billion, representing an increase of 30.5% year on year; the number of transactions was 1.621 million, representing an increase of 4.7% year on year.

During the Reporting Period, our new personal online banking was launched for operation and as a result the page looks more young and fashionable, transactions on it can be handled more easily, experience is more smooth, product functions and user experience were enhanced greatly, which provided users with high quality, safe and personalized online banking services and increased systems' overall applicability and easy of use and was well received by customers. At the end of the Reporting Period, we had 206,564 personal online banking customers in aggregate, representing an increase of 14.6% compared with last year. In 2016, the transaction volume of the Bank amounted to RMB184.762 billion, representing an increase of 18.0% year on year; the number of transactions was 4,242,000, representing an increase of 68.9% year on year.

(2) Mobile Banking

Mobile banking closely followed the development of mobile finance by constantly optimizing processes and services and integrating mobile banking version to enhance customers' experience and satisfy their diversified business demands. At the end of the Reporting Period, we had 143,904 mobile banking customers in aggregate. During the Reporting Period, the transaction volume of the Bank amounted to RMB19.352 billion, representing an increase of 107.3% year on year; the number of transactions was 1,694,600, representing an increase of 76.9% year on year.

(3) WeChat Banking

WeChat banking constantly improves business features to offer wider payment channels to customers, and irregularly publishes information push to provide integrated comprehensive information services such as notice, interaction, information push and business enquiry for customers. At the end of the Reporting Period, we had 51,913 WeChat banking customers in aggregate, representing an increase of 83.6% compared with last year. During the Reporting Period, the total transaction volume of the Bank amounted to RMB0.69 billion, representing an increase of 248.5% year on year; the number of transactions was 211,100, representing an increase of 101.6% year on year.

(4) Telephone Banking

We offer round-the-clock services for customers through our national customer service hotline "+86-400-66-96178", including account enquiry, money transfer, bill payment, credit card business and oral consultation. We also constantly improve business process and safety to use, and further satisfy the business needs of customers while developing business compliantly.

(5) E-commerce Platform

E-commerce platform was launched for operation in 2016, integrating sale of commodities and financial services, on which merchants can realize online sale of commodities, shop display and brand promotion, etc. The platform provides many services for customers, including buying commodities and paying phone charges, thus further increasing the Bank's connection with merchants and customers.

(VI) Information on the Subsidiaries

1. Village and Township Banks

During the Reporting Period, we had invested in 7 village and township banks, 5 in Jinzhou City, Liaoning Province, the PRC, 1 in Chaoyang City and 1 in Benxi City. During the Reporting Period, we and other related shareholders newly established Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧淩海錦銀村鎮銀行股份有限公司) and Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司). At the end of the Reporting Period, the total assets of 7 village and townships banks were RMB5,811.203 million, of which the net loans and advances leased were RMB3,338.732 million, representing an increase of 39.3% as compared to the end of last year, the total deposits were RMB4,574.091 million, representing an increase of 44.3% as compared to the end of last year, and net profits realized were RMB36.615 million, representing a year-on-year increase of 95.3%.

The Bank funded and set up village and township banks by actively adhering to the Group's general development strategies and operating guidelines of "change in mode, adjustment to structure, control over risk, stabilizing of development". For the purpose of "basing on urban and rural areas, supporting small and micro enterprises, serving agriculture, rural area and farmers, benefiting the common people", the Bank proactively adapted to the new normal and constantly reinforced new strenghs to improve the corporate governance structure and level, completing change of the names of five village and township banks, with the guiding concept of "compliance with the laws and regulations is the footstone of our operations" and upholding the principle of coordinated development of "scale, quality, efficiency". In addition, the Bank established two new village and township banks to enlarge the brand effect of "Jinyin village and township banks", which increased the influence and competitiveness of "Jinyin village and township banks". We understand the market positioning of "supporting agriculture and small and micro enterprises", and orienting at market, centering on customers and taking innovation as a driving force, pay attention to "Three Basis and Three Smalls (三基、三小)" to solidify bases for development, enhance operation and management, and focus on deposit and loan marketing. We aim to better provide financial services to general urban and rural customers with first-class management, team and environment, and devote to building "Jinyin village and township banks" into "model" village and township banks with regulated management, orderly operation, controllable risks, innovation driving and organic growth that have the characteristic of serving "Three Nongs (三農)" and relatively strong competitiveness.

2. Bank of Jinzhou Financial Leasing Co., Ltd.

During the Reporting Period, Bank of Jinzhou Financial Leasing Co., Ltd., a non-wholly owned subsidiary of the Bank, followed consistently the regional development strategy of "basing on Liaoning for nationwide presence" to support development of the real economy, promote industrial structural adjustement and support development of small and medium enterprises, actively serving national major strategies including "One Belt, One Road", coordinated development of Beijing-Tianjin-Hebei, "Made In China 2025" and rejuvenation of the old industrial base in northeast China. The leasing investment customers are mainly spread over aviation, health care, equipment manufacturing, automobile manufacturing, infrastructure construction, etc. At the end of the Reporting Period, its total assets reached RMB6,075.91 million, of which the balance of financial lease receivables amounted to RMB4,615.491 million, with realized net profit of RMB75.263 million during the Reporting Period.

In future, Bank of Jinzhou Financial Leasing Co., Ltd. will, driven by product, channel, mechanism and innovation, focus on straightening industry positioning and increase specialized level with differentiated development strategies, in order to build Jinyin Leasing into a financial leasing company with uniqueness, scientific governance, finetuned management, higher market recognition and industry recognition.

(VII) Information Technology

During the Reporting Period, our strength of information technology was further improved through a series of efforts made in technology management, infrastructure, information security and system construction. With respect to technology management, we improved standard processes, enhanced control over safety and attended to team building, increasing our internal management level and execution ability. With respect to infrastructure, we focused on upgrading projects to enhance data security and improve resource utilization efficiency, specifically modification of core system hardware, expansion of the capacity of small machine development and test platform as well as expansion of bandwidth capacity in business outlets. With respect to information security, we passed the annual review for ISO27001 information security management system certification and implemented control measures such as security assessment and upgrade of security equipment. With respect to system construction, we newly established a total of 18 systems, including graphical front-end, centralized authorization, Internet finance platform, replacement of business tax with value-added tax, pricing for deposits, treasury business and interbank system. We constantly developed unique applications for financial IC cards, completed connection to third parties' payment platforms and intergrated electronic channels by upgrading the existing 17 systems and developing 4 systems in-house.

V. Risk Management

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

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

(I) Credit risk

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

The Bank's risk and compliance department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, gives advice for the improvement of the Bank's credit risk management system and develops and maintains the rating and limit tools. The Bank's post-credit management department is responsible for the determination of five-category loan assets. The Bank's credit management department is in charge of the improvement of the Bank's credit review system and operating procedures. The unified credit department is responsible for formulation of limit management as well as organizing and convening meetings of Credit Approval Management Committee (established on 16 January 2017) of the Bank's headquarters. All of the Bank's credit business activities must be carried out according to the guiding opinions on the credit business.

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

(II) Operational risk

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

(III) Market risk

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

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

1. Interest rate risk

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

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

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

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

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

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

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

Notes:

(1) As the end of the Reporting Period and 31 December 2015, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB2,215 million and RMB2,048 million, respectively.

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

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

2. **Exchange rate risk**

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

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

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

Notes:

(1) Include investment securities and other financial assets, property and equipment, derivative financial assets and other assets, etc.

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

(IV) Liquidity Risk

Liquidity risk management

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of commencing normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks for commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

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

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

Liquidity risk analysis

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

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

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

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

The Bank's liquidity coverage ratio

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2016**	As at 31 December 2015
Qualified quality current assets	**45,121,694**	29,407,762
Cash outflows in the future 30 days	**14,617,350**	12,386,695
Liquidity coverage ratio(%)	**308.69**	237.41

(V) Anti-money Laundering Management

During the Reporting Period, the Bank earnestly fulfilled anti-money laundering work obligations, strictly complied with anti-money laundering laws and regulations, constantly enhanced check on customer's identity, diligently reported large scale transactions and suspicious transactions. We constantly improved our anti-money internal control systems by steadily driving the establishment of anti-money systems, and seriously conducted anti-money laundering training and promotion. The Bank actively cooperated with regulators in anti-money laundering investigation, enhanced internal inspection on anti-money laundering work, increased anti-money laundering level of the Bank, and implemented our anti-money laundering work further.

Chapter 6 Changes in Share Capital and Particulars of Shareholders

I. Changes in Share Capital of the Bank

(I) Share Capital

On 28 December 2016, the Bank placed 1,000,000,000 new H Shares with a par value of RMB1.00 at the price of HK$7.50 per Share with a premium in the placing. The fund raised from the placing amounted to approximately HK$7,500,000 thousand and the net proceeds after deducting related costs and expenses have all been used to replenish the core tier 1 capital of the Bank. Upon completion of such placing, the total number of issued shares of the Bank was 6,781,615,684 shares, including 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares. The total share capital of the Bank amounted to RMB6,781,615,684.

(II) Chart on Changes in Share Capital

	31 December 2015		Changes during the Reporting Period			31 December 2016	
	Number of Shares	Percentage (%)	Issue of New Shares	Other	Sub-Total	Number of Shares	Percentage (%)
1. shareholding of legal person of domestic Shareholders	4,186,698,558	72.42	—	—	—	4,186,698,558	61.74
Of which:							
(1)Shareholding of domestic legal person	228,158,434	3.95	—	—	—	228,158,434	3.37
(2) shareholding of private legal person	3,958,540,124	68.47	—	—	—	3,958,540,124	58.37
2. shareholding of domestic natural person	77,597,126	1.34	—	—	—	77,597,126	1.14
3. H Shares	1,517,320,000	26.24	1,000,000,000	—	1,000,000,000	2,517,320,000	37.12
Total	5,781,615,684	100.00	1,000,000,000	—	1,000,000,000	6,781,615,684	100.00

II. Particulars of Shareholders

(I) Total Number of Shareholders during the Reporting Period

As at the end of the Reporting Period, the Bank had a total of 2,254 domestic Shareholders.

(II) Shareholding of Shareholders

As at the end of the Reporting Period, the Bank had 6,781,615,684 Shares in total, comprising 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares.

Shareholding of the Top Ten Domestic Shareholders as of the end of the Reporting Period

No.	Name of Shareholders	Nature of Shareholders	Total number of Shares held	Shareholding Percentage (%)	Pledged Shares
1	Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司)	Private	250,000,000	3.69	250,000,000
2	Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司)	Private	213,507,565	3.15	150,000,000
3	Qingzhou Taihe Mines Co., Ltd. (青州泰和礦業有限公司)	Private	180,000,000	2.65	180,000,000
4	Liaoning Tenghua Plastic Co., Ltd. (遼寧騰華塑料有限公司)	Private	180,000,000	2.65	—
5	Liaoning Chengwei Plastic Profile Co., Ltd. (遼寧程威塑料型材有限公司)	Private	170,000,000	2.51	—
6	Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司)	Private	150,000,000	2.21	—
7	Rongcheng Huatai Motor Co., Ltd. (榮成華泰汽車有限公司)	Private	150,000,000	2.21	150,000,000
8	Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司)	Private	130,000,000	1.92	—
9	Jinzhou Finance Bureau (錦州市財政局)	State-owned	117,076,722	1.73	—
10	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司)	Private	110,000,000	1.62	—
Total			**1,650,584,287**	**24.34**	**730,000,000**

Interests and Short Positions of Substantial Shareholders and Other Persons

As at the end of the Reporting Period, the following persons, other than the directors, supervisors and chief executive of the Bank, had interests or short positions in the Shares or underlying Shares of the Bank, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank:

Name of Shareholders	Nature of Interests	Class of Shares	Number of Shares[1] ('000)	Approximate Percentage of the Total Issued Share Capital [1] (%)	Approximate Percentage of the Total Issued Class of Share Capital [1] (%)
Domestic Shares					
Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) [2]	Beneficial owner	Domestic Shares	250,000 (L)	3.69	5.86
Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司) [2]	Interest of controlled corporation	Domestic Shares	250,000 (L)	3.69	5.86
Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司) [2]	Interest of controlled corporation	Domestic Shares	250,000 (L)	3.69	5.86
Sun Hengchao (孫珩超) [2]	Interest of controlled corporation	Domestic Shares	250,000 (L)	3.69	5.86
H Shares					
China Shipbuilding & Offshore International (H.K.) Co., Limited (中國船舶重工國際貿易 (香港) 有限公司)[3]	Beneficial owner	H Shares	218,181(L)	3.22	8.67
China Shipbuilding & Offshore International Co., Ltd. (中國船舶重工國際貿易有限公司)[3]	Interest of controlled corporation	H Shares	218,181(L)	3.22	8.67
China Shipbuilding Industry Corporation (中國船舶重工集團公司)[3]	Interest of controlled corporation	H Shares	218,181(L)	3.22	8.67
Top Seed International Limited[4]	Beneficial owner	H Shares	201,700 (L)	2.97	8.01
Top Harvest Development Limited[4]	Interest of controlled corporation	H Shares	201,700 (L)	2.97	8.01

Name of Shareholders	Nature of Interests	Class of Shares	Number of Shares ('000)	Approximate Percentage of the Total Issued Share Capital (1) (%)	Approximate Percentage of the Total Issued Class of Share Capital (1) (%)
Sun Xiang (孫翔) (4)	Interest of controlled corporation	H Shares	201,700 (L)	2.97	8.01
Hong Kong Tian Yuan Manganese International Trade Co., Limited(5)	Beneficial owner	H Shares	200,000 (L)	2.95	7.95
Ningxia Tian Yuan Manganese International Trade Co., Limited (寧夏天元錳業國際貿易有限公司) (5)	Interest of controlled corporation	H Shares	200,000 (L)	2.95	7.95
Ningxia Tian Yuan Manganese Co., Ltd. (寧夏天元錳業有限公司) (5)	Interest of controlled corporation	H Shares	200,000 (L)	2.95	7.95
Jia Tianjiang (賈天將) (5)	Interest of controlled corporation	H Shares	200,000(L)	2.95	7.95
Dong Jufeng (東菊風) (5)	Interest of spouse	H Shares	200,000(L)	2.95	7.95
Wah Li (Hong Kong) Limited (香港華麗有限公司)	Beneficial owner	H Shares	184,845(L)	2.73	7.34
Asian Sense Investments Limited(6)	Beneficial owner	H Shares	168,086(L)	2.48	6.68
Li Yongjun (李永軍) (6)	Interest of controlled corporation	H Shares	168,256(L)	2.48	6.68
Liu Xinjun (劉新軍) (6)	Interest of controlled corporation	H Shares	168,256(L)	2.48	6.68

Notes:

(1) As at the end of the Reporting Period, the Bank had 6,781,615,684 issued Shares in total, comprising 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares. L represents long positions.

(2) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) ("**Yinchuan Baota**"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司) ("**Baota Energy**"), which is in turn held by Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司) ("**Baota Petrochemical**") and Mr. Sun Hengchao (孫珩超) as to 90.2% and 9.8%, respectively. Baota Petrochemical is controlled by Mr. Sun Hengchao (孫珩超) as to 43.8%. Under the SFO, Baota Energy, Baota Petrochemical and Mr. Sun Hengchao (孫珩超) are deemed to be interested in all the shares held by Yinchuan Baota.

(3) Such Shares are held by China Shipbuilding & Offshore International (H.K.) Co., Limited (中國船舶重工國際貿易 (香港) 有限公司) ("**CSOC HK**"), which is wholly owned by China Shipbuilding & Offshore International Co., Ltd. (中國船舶重工國際貿易有限公司) ("**CSOC**"), which is in turn held by China Shipbuilding Industry Corporation (中國船舶重工集團公司) ("**CSIC**") as to 53.41%. Under the SFO, CSIC and CSOC are deemed to be interested in all the shares held by CSOC HK.

(4) Such Shares are held by Top Seed International Limited, which is wholly owned by Top Harvest Development Limited, which is in turn held by Mr. Sun Xiang (孫翔). Under the SFO, Top Harvest Development Limited and Mr. Sun Xiang (孫翔) are deemed to be interested in all the shares held by Top Seed International Limited.

(5) Such Shares are held by Hong Kong Tian Yuan Mnaganese International Trade Co., Limited, which is wholly owned by Ningxia Tian Yuan Manganese International Trade Co., Limited, which is wholly owned by Ningxia Tian Yuan Manganese Co., Ltd., which is in turn held by Mr. Jia Tianjiang (賈天將) as to 77.19%, and Ms. Dong Jufeng (東菊風) is the spouse of Mr. Jia Tianjiang (賈天將). Under the SFO, Ningxia Tian Yuan Manganese International Trade Co., Limited, Ningxia Tian Yuan Manganese Co., Ltd., Mr. Jia Tianjiang (賈天將) and Ms. Dong Jufeng (東菊鳳) are deemed to be interested in all the shares held by Hong Kong Tian Yuan Mnaganese International Trade Co., Limited.

(6) Such Shares are held by Asian Sense Investments Limited, which is in turn held by Mr. Li Yongjun (李永軍) and Mr. Liu Xinjun (劉新軍) as to 50% and 50%, respectively. Under the SFO, Mr. Li Yongjun (李永軍) and Mr. Liu Xinjun (劉新軍) are deemed to be interested in all the shares held by Asian Sense Investments Limited.

Save as disclosed above, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank as at the end of the Reporting Period, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank.

(III) Shareholders holding more than 5% of the Share Capital

At of the end of the Reporting Period, none of the Shareholders of the Bank holds more than 5% of the Bank's total share capital.

(IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified with no controlling Shareholder and actual controller. The largest Shareholder of the Bank is Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司), which holds as to approximately 3.69% of the Bank's total issued share capital.

Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) is one of the Bank's non state-owned corporate Shareholders and our single largest shareholder and is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司). The scope of operation of Yinchuan Baota mainly comprises (but is not limited to) the production and sales of crude oil, heavy oil and solvent oil.

(V) Performance of Undertakings by the Bank and Shareholders holding more than 5% of Shares

As of the end of the Reporting Period, the Bank has neither shareholder holding more than 5% of Shares nor any undertaking by them.

(VI) Pledging and Freezing of Shares in respect of Shareholders holding more than 5% (inclusive) of Shares

As at the end of the Reporting Period, there is no pledging and freezing of Shares in respect of Shareholders holdings more than 5% (inclusive) of Shares.

III. Placing of New H Shares

Pursuant to the resolutions passed at the 2015 Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting held by the Bank on 29 June 2016, an aggregate of 1,000,000,000 H Shares, representing approximately 39.72% and 14.75%, respectively, of the total enlarged issued H Shares and the total enlarged issued Shares of the Bank after the issue of the Placing Shares, have been successfully placed and issued by the Bank on 28 December 2016 at the placing price of HK$7.50 per Share to not less than six and not more than ten placees. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, all placees and their respective ultimate beneficial owners are third parties independent of the Bank and its connected persons (as defined in the Listing Rules) and have not become a substantial shareholder (as defined in the Listing Rules) of the Bank immediately after the completion of the placing.

The aggregate gross proceeds from such placing amount to approximately HK$7.5 billion which, after deducting the relevant costs and expenses, have been used to replenish the core tier 1 capital of the Bank.

IV. Proposed A Share Offering

Pursuant to the resolutions passed at the 2015 Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting held by the Bank on 29 June 2016, the Bank proposed to issue no more than 1,927,000,000 A Shares of RMB1.00 each, representing approximately 22.13% of total enlarged issued share capital of the Bank upon completion of the A Share Offering. The actual number of shares to be issued will be determined by the Board, as authorized by the general meeting of the Bank, upon communication with the regulatory authorities with reference to the capital requirement of the Bank and the market condition at the time of issue. The Bank will disclose further details of and progress in the A Share Offering in due course.

V. Issuance of Debt Securities

Debt Securities Issued

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

In December 2016, with the approvals from the CBRC and the PBOC, the Bank issued tier 2 capital bonds in an aggregate principal amount of RMB2.50 billion with a term of ten years at a fixed interest rate of 4.30% per annum, payable on an annual basis. Such bonds are redeemable in part or in full at the discretion of the Bank at the end of fifth year upon approval of the relevant regulatory authorities.

Bonds Proposed to be issued

The Board has resolved, and the Shareholders have approved at the 2015 Annual General Meeting of the Bank held on 29 June 2016 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

Tier 2 capital bonds in an aggregate principal amount of up RMB4 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than ten years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used to replenish tier 2 capital.

Financial bonds for small and miniature enterprises in an aggregate principal amount of up to RMB10 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and miniature enterprises.

Interbank Certificate of Deposit Business Issued

During the Reporting Period, the Bank issued 36 interbank certificates of deposit business and in aggregation amount of RMB26.229 billion.

Chapter 7 Directors, Supervisors, Senior Management, Employees and Organizations

I. Information on Directors, Supervisors and Senior Management

At the end of the Reporting Period, the information on Directors, Supervisors and senior management of the Bank are as follows:

Name	Gender	Age	Position
ZHANG Wei	Male	58	Chairman, executive Director
CHEN Man	Female	58	Executive Director, vice president
ZHAO Jie(1)	Female	61	Executive Director
WANG Jing(1)	Male	48	Executive Director, secretary to the Board, vice president
WANG Xiaoyu	Female	48	Executive Director, head of finance
LI Dongjun	Male	58	Non-executive Director
ZHANG Caiguang	Male	54	Non-executive Director
WU Zhengkui	Male	42	Non-executive Director
GU Jie	Female	49	Non-executive Director
JIANG Daxing	Male	45	Independent non-executive Director
DENG Xiaoyang	Male	52	Independent non-executive Director
NIU Sihu	Male	48	Independent non-executive Director
JIANG Jian	Female	55	Independent non-executive Director
CHOON Yew Khee	Male	47	Independent non-executive Director
NING Yongfang	Male	59	Chairman of Board of Supervisors, employee representative Supervisor
XU Fei	Male	52	Vice chairman of Board of Supervisors, employee representative Supervisor
LUO Yan	Female	47	Employee representative Supervisor
SHI Hongmiao	Female	38	Employee representative Supervisor
LI Xiu	Female	44	Employee representative Supervisor
TIAN Deying	Male	63	Shareholder representative Supervisor
HE Baosheng	Male	70	Shareholder representative Supervisor
ZHAO Lanying	Female	52	Shareholder representative Supervisor
JING Fei	Male	43	External Supervisor
CHEN Yingmei	Female	46	External Supervisor
NIE Ying	Female	46	External Supervisor
LI Tongyu	Female	45	External Supervisor
ZHAO Hongxia	Female	38	External Supervisor
LIU Hong(1)	Female	53	Vice president
HUO Lingbo(1)	Male	60	Executive vice president
CAI Hongguang	Male	56	Vice president
GUO Guang	Male	56	Vice president
LIU Wenzhong	Male	54	Vice president
WANG Xin (王昕)	Male	40	Vice president
SONG Yaping	Female	54	Chief Accountant
WANG Xin (王鑫)	Male	46	Assistant to president

Note:

(1) For details of the position changes of Ms. Zhao Jie, Mr. Wang Jing, Ms. Liu Hong and Mr. Huo Lingbo during the Reporting Period and up to the date of this annual report, please see "II. Changes in Directors, Supervisors and Senior Management Members" below.

II. Changes in Directors, Supervisors and Senior Management Members

(I) Changes in Directors

On 29 June 2016, in accordance with the resolution passed at the 2015 Annual General Meeting, Mr. Lin Yanjun was elected as an independent non-executive Director by the Bank. The Bank has received the approval in relation to the Qualification of Mr. Lin Yanjun as Director from Liaoning Regulatory Bureau of CBRC in respect of the qualification of Mr. Lin Yanjun as a Director of the Bank, with term of office commencing from 25 January 2017 till the end of the fourth session of the Board.

On 5 December 2016, in accordance with the resolution passed at the eighteenth meeting of the fourth session of the Board, Ms. Zhao Jie resigned as an executive Director since she had reached the retirement age; Mr. Huo Lingbo was by-elected as an executive Director. According to the relevant requirements of the Articles of Association, Ms. Zhao Jie's resignation will take effect on the date when Mr. Huo Lingbo receives the approval on his eligibility to act as a Director from the relevant regulatory authorities.

On 8 February 2017, upon approval by the 2017 First Extraordinary General Meeting, Mr. Huo Lingbo was appointed as an executive Director of the fourth session of the Board. The qualification as a Director of Mr. Huo Lingbo is subject to the approval of the relevant regulatory authorities, and he shall hold office from the date of approval granted by the relevant regulatory authorities till the expiry of the term of the fourth session of the Board. On 8 February 2017, at the meeting of the Board convened immediately after the 2017 First Extraordinary General Meeting, the Board has resolved to appoint Mr. Huo Lingbo as the vice chairman of the fourth session of the Board, such appointment shall be effective upon his director's qualification being approved by the relevant regulatory authorities.

(II) Changes in Supervisors

During the Reporting Period, there were no changes in Supervisors.

(III) Changes in Senior Management

On 8 January 2016, in accordance with the resolution passed at the eleventh meeting of the fourth session of the Board, Mr. Wang Xin (王昕) and Mr. Wang Jing were employed as vice president.

On 23 March 2016, in accordance with the resolution passed at the twelfth meeting of the fourth session of the Board, Mr. Wang Xin (王鑫) was appointed as the assistant to president and Ms. Zhao Jie was dismissed from vice president.

On 2 September 2016, in accordance with the resolution passed at the seventeenth meeting of the fourth session of the Board, Ms. Liu Hong was elected as president. The qualification of Ms. Liu Hong as president has been approved by CBRC Liaoning Bureau, with her term of office starting from 27 February 2017 till the expiry of the term of the fourth session of the Board. Mr. Huo Lingbo no longer performs the acting duties upon Ms. Liu Hong takes office as president.

On 5 December 2016, in accordance with the resolution passed at the eighteenth meeting of the fourth session of the Board, Mr. Wang Jing resigned as secretary to the Board, but he still held the positions of executive Director and vice president; Mr. Sun Jing was employed as secretary to the Board. The qualification of Mr. Sun Jing as secretary to the Board is subject to the approval of the relevant regulatory authorities, with term of office commencing from the date of approval from relevant regulatory authorities till the end of the fourth session of the Board. The resignation of Mr. Wang Jing will be effective upon the date of approval of qualification of senior management obtained by Mr. Sun Jing from the relevant regulatory authorities.

III. Biographies of Directors, Supervisors and Senior Management Members

(I) Biographies of Directors

1. **Mr. ZHANG Wei (張偉)**, aged 58, has been a Director and chairman of the Board of our Bank since August 2002. He is in charge of the overall operation of the Board and performs his duties as a Director through the Board and the Strategy Committee. Mr. Zhang is also currently a member of the 12th National Committee of the Chinese People's Political Consultative Conference.

   Mr. Zhang has over 24 years of experience in the banking industry and over 24 years of experience in corporate management. Before joining our Bank, Mr. Zhang served as head of Lingyun Urban Credit Cooperative of Jinzhou City (錦州市凌雲城市信用社) from September 1991 to May 1993. He served as deputy head of Jinzhou City Urban Credit United Cooperative (錦州市城市信用聯社) from May 1993 to January 1997, as vice president of our Bank from January 1997 to May 1998 and as president of our Bank from May 1998 to December 2012.

   Mr. Zhang obtained a master's degree in economics from Liaoning University (遼寧大學) in Liaoning, the PRC in July 1997. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 1998. In addition, Mr. Zhang was awarded the "Nationwide May 1st Labor Medal (全國五一勞動獎章)" from the All China Federation of Labor Unions (中華全國總工會) in April 2004. He was also awarded titles including the "Liaoning Top 10 Finance Person For the Year 2006 (2006年度遼寧十大財經人物)" jointly awarded by various institutions, including Liaoning Science and Technology Bureau (遼寧省科學技術廳), Liaoning Small and Medium Enterprises Bureau (遼寧省中小企業廳) and Liaoning Banking Association (遼寧省銀行業協會) in January 2007, "National Top 10 Honest Persons of Outstanding Ability in 2006 (2006年中國十大誠信英才)" *issued by China's Talents (中華英才雜誌)*, and the "Advanced Individual in respect of the Small Business Financial Services of National Banking Financial Institutions (全國銀行業金融機構小企業金融服務先進個人)" issued by the CBRC in February 2011. He had received the special allowance awarded by the State Council (國務院特殊津貼) from 2010 to 2011, and was awarded the "Outstanding Contribution Award (突出貢獻獎)" awarded by Rural Finance Times (農村金融時報社) and China Micro Credit Alliance (中國小額信貸聯盟) in April 2012 and the "Best Individual for the Development of National Small and Medium Services Provider (全國服務中小企業發展先進個人)" granted by the China Association of Small and Medium Commercial Businesses (中國中小商業企業協會) in December 2014. In November 2016, he was awarded the "Top Ten Individuals for the Development of National Small and Medium Services Provider"(2016全國服務中小企業發展十佳個人) granted by the committee of the China Association of Small and Medium Commercial Businesses.

2. **Ms. CHEN Man (陳漫)**, aged 58, has been a Director of our Bank since May 1998 and as vice president of our Bank since June 2004. She is responsible for the development of our corporate culture and outlet standardization, managing our human resources department, and performing her duties as a Director through the Board, the related-party transactions control committee and the strategy committee.

   Ms. Chen has over 24 years of experience in the banking industry. Ms. Chen served as deputy head of Lingyun Urban Credit Cooperative of Jinzhou City (錦州市凌雲城市信用社) from July 1991 to August 1995, president of Lingyun sub-branch of our Bank from August 1995 to February 2001, chief economist of our Bank from February 2001 to April 2004 and president of our Tianjin branch from December 2008 to June 2014.

Ms. Chen completed an undergraduate course in management engineering and graduated from the Northeastern University Liaoning branch (東北大學遼寧分校) in Liaoning, the PRC in July 1993. Ms. Chen obtained a degree of executive master of business administration (part-time) from Tianjin University (天津大學) in Tianjin, the PRC in June 2011. She has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2001.

3. **Ms. ZHAO Jie (趙傑)**, aged 61, has been a Director of our Bank since May 2008, and is performing her duties as a Director through the Board and the nomination and remuneration committee. She has been our deputy party secretary from December 2012 ro July 2015, and she has been our vice president from February 2015 to March 2016.

Ms. Zhao has over 21 years of experience in the banking industry. Ms. Zhao served successively in various positions such as executive, head assistant, deputy director, head of the committee of the party office, deputy secretary of general party branch, vice president and president of the labor union of our Bank from April 1995 to December 2010.

Ms. Zhao completed a full-time course in mechanical studies and graduated from Liaoning Radio and TV University (遼寧廣播電視大學) in Liaoning, the PRC in June 1981. She also graduated from the correspondence college of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) majoring in economic and management studies in December 1998. Ms. Zhao has been accredited as an economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 1994, and has been accredited as a senior ideological and political worker (高級政工師) by the senior professional appointment qualification evaluation committee for corporate ideological and political workers of Liaoning Province since August 1997.

4. **Mr. WANG Jing (王晶)**, aged 48, has been an executive Director of the Bank since March 2015 and vice president of the Bank since January 2016. Mr. Wang is in charge of the daily administration of the Board, investment banking department, interbank business department and capital transactions department.

Mr. Wang has over 21 years of experience in the banking industry. Mr. Wang served as clerk of the savings section in Jinzhou City Urban Credit United Cooperative (錦州城市信用聯社) from July 1994 to February 1997 and section chief of the accounting section of our Bank's operation management department from February 1997 to March 1998. He also served as section chief of the savings section of our Bank's operation management department from March 1998 to August 1998, head of the deposits department and head of the research and development department of our Bank from August 1998 to March 2000 and from March 2000 to April 2009, respectively. He has been as been secretary to the Board of the Bank from November 2004 to December 2016, head of office of the Board from April 2009 to September 2016, assistant to president from April 2013 to January 2016 and an executive Director since March 2015. In addition, Mr. Wang was a Director of our Bank from August 2008 to October 2014.

Mr. Wang completed an undergraduate course in oil engineering and graduated from Zhengzhou Grain College (鄭州糧食學院) in Henan, the PRC in March 1991. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 2002.

5. **Ms. WANG Xiaoyu (王曉宇)**, aged 48, has been our Bank's head of finance since November 2004 and an executive Director of our Bank since January 2015. Ms. Wang is in charge of the daily operation of the financial management department and performing her duties as a Director through the Board.

   Ms. Wang has over 26 years of experience in the banking industry and approximately 10 years of experience in finance management. Ms. Wang served as head of the operation department in Tiefa sub-branch of China Construction Bank (中國建設銀行鐵法支行) from August 1989 to May 2001, vice president in Chengnei sub-branch of our Bank from May 2001 to June 2003 and vice president in Shanghai Road sub-branch of our Bank from June 2003 to November 2004, respectively. Ms. Wang served as a Director of our Bank from August 2008 to October 2014.

   Ms. Wang completed an undergraduate course in economics and graduated from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1989. She also completed a postgraduate master of business administration course (distance learning) from Guanghua School of Management, Peking University (北京大學光華管理學院) in November 2003. She has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 2002.

6. **Mr. LI Dongjun (李東軍)**, aged 58, has been a Director of our Bank since May 2008 and performing his duties as a Director through the Board and the Risk Management Committee. Mr. Li has also served as chairman of the board of directors of Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司) since September 1993. Mr. Li has over 21 years of experience in corporate management.

   Mr. Li completed a postgraduate course in business economics and graduated from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1998.

7. **Mr. ZHANG Caiguang (張財廣)**, aged 54, has been a Director of our Bank since November 2011 and performing his duties as a Director through the Board and the Risk Management Committee. Mr. Zhang has also served as secretary to the board of directors and deputy general manager and director of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600266), since June 2006 and since June 2009, respectively, and deputy secretary-general of the Listed Companies Association of Beijing (北京上市公司協會) since July 2009.

   Mr. Zhang has over 19 years of experience in corporate management. Mr. Zhang worked at the financial department of Beijing Urban Construction Group (北京城建集團公司) from April 1993 to December 1998, and served as deputy head and head of the investment and security department of the Beijing Urban Construction Co.,Ltd. (北京城建股份有限公司) from January 1999 to July 2000 and from July 2000 to April 2001, respectively, manager of the investment and security department of the Beijing Urban Construction Investment Development Co,. Ltd. from April 2001 to March 2005, assistant to general manager of the Beijing Urban Construction Investment Development Co., Ltd., executive vice president of Beijing Urban Construction Zhongji Industrial Development Co., Ltd. (北京城建中稷實業發展有限公司) from March 2005 to May 2006.

Mr. Zhang completed a junior college course in finance and accounting (part-time) and graduated from Beijing Radio and TV University (北京廣播電視大學) in Beijing, the PRC in July 1997. He also completed an undergraduate course in economics management and graduated from the correspondence college of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in December 2000. Mr. Zhang has been accredited as an intermediary accountant by Beijing Urban Construction Group (北京城建集團公司) since July 1993.

8. **Mr. WU Zhengkui (吳正奎)**, aged 42, has been a Director of our Bank since November 2011. Mr. Wu has also served concurrently as financial manager, assistant to general manager of the finance department and deputy general manager of the finance department of Greenland Holding Group Company Limited (綠地控股集團有限公司) since January 2004, supervisor of Shanghai Greenland Financial Investment Holdings Co., Ltd. (上海綠地金融投資控股有限公司) since June 2011, a director of Shanghai Yunfeng (Group) Co., Ltd. (上海雲峰集團有限公司) since October 2009 and an executive director of SPG Land (Holdings) Limited (盛高置地(控股)有限公司 currently known as Greenland Hong Kong Holdings Limited (綠地香港控股有限公司)), a company listed on the Hong Kong Stock Exchange (stock code: 0337), since August 2013, a director of Shanghai Rural Commercial Bank (上海農商銀行股份有限公司) since February 2012 and a supervisor of Shanghai Orient Securities Company Limited (上海東方證券股份有限公司) since March 2012. Mr. Wu has also served as a non-executive director of China Rundong Auto Group Limited (中國潤東汽車集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1365), since August 2015. Mr. Wu has over 12 years of experience in finance.

   Mr. Wu obtained a bachelor's degree in engineering from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in July 1998 and a master's degree (part-time) in accounting from Management School of Fudan University (復旦大學管理學院) in Shanghai, the PRC in June 2008. He has been accredited as an intermediary accountant by the Ministry of Finance of the PRC since May 2004.

9. **Ms. GU Jie (顧潔)**, aged 49, has been a non-executive Director of our Bank since October 2014. Ms. Gu has also served as vice general manager of Beijing Fulaige Investment Co., Ltd. (北京浮萊格投資有限公司) since November 2008.

   Ms. Gu has approximately 11 years of experience in corporate management. Ms. Gu served as head of asset management department of Bairong Investment Holding Group Co., Ltd. (百榮投資控股集團有限公司) from September 2005 to November 2008.

   Ms. Gu completed a junior college course in finance and graduated from China University of Science and Technology Management (中國科技經營管理大學) in Beijing, the PRC in July 1989.

10. **Mr. JIANG Daxing (蔣大興)**, aged 45, has been an independent non-executire Director of our Bank since March 2011 and performing his duties as a Director through the Board and the Related-party Transactions Control Committee. Mr. Jiang has also worked in the Law School of Peking University (北京大學法學院) since February 2008. He has served as professor in the Law School of Peking University (北京大學法學院) and doctoral advisor in the Law School of Peking University (北京大學法學院) and head of the China Enterprise Legal Risk Management Research Centre of Peking University (北京大學中國企業法律風險管理研究中心) since February 2014. Mr. Jiang has served as independent director or external director in several companies, including Hubei Radio & Television Information Network Co., Ltd. (湖北省廣播電視信息網絡股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000665), since November 2012, Beihai Yinhe Industry Investment Co., Ltd. (北海銀河產業投資股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000806), since January 2014, and Beijing Automotive Group Co., Ltd (北京汽車集團有限公司) since February 2015.

Mr. Jiang served successively as court clerk and assistant judge in the Intermediary People's Court of Shaoyang City, Hunan Province (湖南省邵陽市中級人民法院) from July 1993 to September 1996, and as tutor, lecturer, associate professor, professor and deputy dean of the Law School of Nanjing University (南京大學法學院) from July 1999 to February 2008. Mr. Jiang served as researcher in the Law School of Peking University from March 2008 to January 2014.

Mr. Jiang obtained a master's degree in economic law from Law School of Nanjing University (南京大學法學院) in Jiangsu, the PRC in June 1999 and a doctor's degree in economic law from Law School of Nanjing University (南京大學法學院) in Jiangsu, the PRC in September 2006.

11. **Mr. DENG Xiaoyang (鄧小洋)**, aged 52, has been an independent non-executive Director of our Bank since March 2011 and performing his duties as a Director through the Board, the Nomination and Remuneration Committee and the Audit Committee.

    Mr. Deng previously served teaching positions in the School of Accounting of Hunan College of Finance and Economic (湖南財經學院會計系) from August 1994 to April 2000, and in Hunan University (湖南大學) from April 2000 to April 2007, respectively. Mr. Deng served teaching and researching positions in the Scientific and Research Section of School of Accounting of Shanghai Lixin University of Commerce (上海立信會計學院會計學系) from May 2007 to October 2014. Mr. Deng held the position of independent director in several companies, including Hunan Gaea Gem Co., Ltd. (湖南金健米業股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600127), from August 2003 to April 2005, Changsha Lyrun Material Co., Ltd. (長沙力元新材料股份有限公司), currently known as Hunan Corun New Energy Co., Ltd. (湖南科力遠新能源股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600478), from March 2002 to June 2008, Hunan Copote Science & Technology Co., Ltd. (湖南湘郵科技股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600476), from April 2004 to May 2010, and Hunan Sunward Intelligent Equipment Co., Ltd. (湖南山河智能機械股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 002097), from April 2004 to April 2010.

    Mr. Deng obtained a doctor's degree in management from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, the PRC in February 2001. Mr. Deng has been accredited as a professor by Hunan University (湖南大學) since June 2002.

12. **Mr. NIU Sihu (牛似虎)**, aged 48, has been an independent non-executire Director of our Bank since March 2011 and performing his duties as a Director through the Board, the Nomination and Remuneration Committee and the Audit Committee. Mr. Niu has also served as deputy dean of the School of Economic Law of Bohai University (渤海大學經法學院) since July 2014.

    Mr. Niu worked in the investment school of Liaoning Business Junior College (遼寧商業高等專科學校) (currently known as the School of Management in Bohai University (渤海大學管理學院)) from August 2003 to June 2014, successively as teacher, associate professor and professor.

    Mr. Niu completed an undergraduate course in engineering and graduated from Northwest Polytechnical University (西北工業大學) in Shaanxi, the PRC in July 1990. He also obtained a doctor's degree in economics from the School of Economics of Liaoning University (遼寧大學) in Liaoning, the PRC in June 2011. Mr. Niu has been accredited as a professor by the Department of Human Resource and Social Security of Liaoning Province (遼寧省人力資源和社會保障廳) since December 2010.

13. **Ms. JIANG Jian (姜健)**, aged 55, has been an independent non-executive Director of our Bank since March 2011 and performing her duties as a Director through the Board, the Related-party Transactions Control Committee and the Audit Committee. She has also served as teacher in Liaoning University of Technology (遼寧工業大學, formerly known as Liaoning Engineering College (遼寧工學院)) since July 1983. Ms. Jiang also served as executive director of Commerce Statistical Society of China (中國商業統計學會) from December 2009 to December 2014.

    Ms. Jiang obtained a bachelor's degree in science from Dalian College of Technology (大連工學院, currently known as Dalian University of Technology (大連理工大學)) in Liaoning, the PRC in July 1983, a master's degree in engineering from Jilin University of Technology (吉林工業大學) in Jilin, the PRC in April 1996 and a doctor's degree in management from China Academy of Sciences (中國科學院) in Beijing, the PRC in July 2005. Ms. Jiang has been accredited as a professor by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2001.

14. **Mr. CHOON Yew Khee (秦耀奇)**, aged 47, has been an independent non-executive Director of our Bank since October 2014. Mr. Choon also served as head of Asia-Pacific region of GAM Hong Kong Limited since November 2013.

    Mr. Choon served successively as director of institutional business and head of retail business in Asia (excluding Japan) of Citigroup Asset Management, Hong Kong, from December 1999 to July 2006, as head of North Asia business of Lehman Brothers Investment Management, Hong Kong, from July 2006 to March 2008 and as managing director of Lazard Asset Management, Hong Kong, from April 2008 to October 2013.

    Mr. Choon obtained a bachelor's degree in business administration from the City University of New York in the United States in September 1992. Mr. Choon has been accredited as a chartered financial analyst by the Association for Investment Management and Research since September 2002.

15. **Mr. LIN Yanjun (林彥軍)**, aged 37, has been an independent non-executive Director of our Bank since January 2017. Mr. Lin also serves as the chief financial officer and the senior vice president of 9F INC. (玖富互金控股集團有限責任公司)

    Before joining 9F INC. (玖富互金控股集團有限責任公司), Mr. Lin served as a director at Barclays Capital Asia Limited. Before that, Mr. Lin served successively at BOC International Holdings Limited, Cazenove (Asia) Limited, Bear Stearns Asia Limited and Credit Suisse (Hong Kong) Limited.

    Mr. Lin graduated from Peking University in Beijing, the PRC in July 2001.

(II) Biographies of Supervisors

1. **Mr. NING Yongfang (寧永芳)**, aged 59, has been appointed as our employee representative Supervisor since October 2010, and as chairperson of our Board of Supervisors since then.

    Mr. Ning was appointed as member of the standing committee of Jinzhou Discipline Inspection Commission (錦州市紀律檢查委員會) in February 2003. Mr. Ning also served as deputy party secretary of our Bank from November 2006 to October 2010 and concurrently as secretary of discipline inspection commission of our Bank from August 2008 to October 2010.

    Mr. Ning completed an graduate course in scientific socialism of law department and graduated from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in September 2010.

2. **Mr. XU Fei (徐飛)**, aged 52, has been appointed as our employee representative Supervisor since May 2008, and as vice chairman of the Board of Supervisors since May 2013.

   Mr. Xu was vice chief of our Bank's Asset Preservation Section (資產保全部) from January 2001 to February 2002, and chief of our Bank's Asset Preservation Section from March 2002 to March 2011. Mr. Xu served as general manager of our Bank's legal affairs department from March 2011 to January 2016.

   Mr. Xu completed a continuous learning course (distance learning) under the Business Administration Graduate Program (工商管理研究生課程) of Peking University in November 2003 and completed an undergraduate course in law and graduated from Bohai University (渤海大學) in Liaoning, the PRC in January 2006. He has obtained a lawyer's qualification certificate issued by the Ministry of Justice of the PRC (中華人民共和國司法部) since April 1997, and has been accredited as an economist by our Bank from July 2001 to July 2004.

3. **Ms. LUO Yan (羅岩)**, aged 47, has been appointed as our employee representative Supervisor since October 2014, as vice president of Jinzhou Branch of our Bank since December 2013, and party committee secretary of our Bank since August 2016.

   Ms. Luo has served as deputy director and director of credit management department of our Bank from January 1998 to June 2004, director of the credit approval department and director of international business department of our Bank from July 2004 to February 2008, general manager of business department and general manager of international business department of our Bank from March 2008 to November 2013.

   Ms. Luo obtained a bachelor's degree (correspondence course) in management from Bohai University (渤海大學) in Liaoning, the PRC in October 2010. She has been accredited as a senior accountant by our Bank since April 2008.

4. **Ms. SHI Hongmiao (史紅淼)**, aged 38, has been appointed as our employee representative Supervisor since October 2014. Ms. Shi has also served as vice president of Jinzhou branch of our Bank since December 2014.

   Ms. Shi has been working in our Bank since she joined us in March 1997. Ms. Shi served as clerk of central office of Lingyun sub-branch of our Bank from March 1997 to October 1997, director of municipal Party committee south office of Lingyun sub-branch of our Bank from November 1997 to January 2001, director of savings counters of Lingyun sub-branch of our Bank from February 2001 to March 2009, director of wealth center of our Bank from November 2006 to March 2009, director of the secondary branch of Luoyang Road sub-branch of our Bank from September 2006 to November 2006, vice president of Lingyun sub-branch of our Bank from April 2009 to July 2009, vice general manager of our Bank's retail banking department from August 2009 to January 2010, general manager of the retail banking department in our Bank's Shenyang branch from February 2010 to October 2010, assistant to president in our Bank's Shenyang branch from November 2010 to April 2011, general manager of retail banking department in our Bank's Jinzhou branch from May 2011 to October 2013 and assistant to president and general manager of operation department in our Bank's Jinzhou branch from November 2013 to November 2014.

   Ms. Shi completed an undergraduate course in finance and graduated from China Central Radio & TV University (中央廣播電視大學) in November 2003. She has been accredited as an intermediary accountant by the Ministry of Finance of the PRC since May 2000.

5. **Ms. LI Xiu (李秀)**, aged 44, has been appointed as our employee representative Supervisor since May 2008. Ms. Li has also served as assistant to president of Jinzhou branch of our Bank since August 2016.

   Ms. Li worked as bookkeeper of accounting department in the Railway Sub-branch of our Bank from April 1992 to September 1995. She served as office clerical employee and administrative accountant from October 1995 to October 2005. Ms. Li served as vice president of Gaoxin Sub-branch of our Bank from November 2005 to February 2011, as deputy general manager of financing plan department of Jinzhou branch of our Bank from February 2011 to September 2013 and as head of office of Jinzhou branch of our Bank from October 2013 to August 2016.

   Ms. Li completed an undergraduate course in economics management and graduated from the correspondence school of Party School of the Central Committee of C.P.C. (中共中央黨校) in December 2000. She has been accredited as an economist by the Ministry of Personnel of the PRC (中華人民共和國人事部) since November 2001.

6. **Mr. TIAN Deying (田德營)**, aged 63, has been appointed as our shareholder representative Supervisor since May 2008. Mr. Tian has been a director of Jinzhou Taihe Yimin Village and Township Bank Co., Ltd. (錦州太和益民村鎮銀行股份有限公司), a subsidiary of our Bank, since March 2011, head of Jinzhou Asphalt Factory Beizhen (錦州市瀝青廠) since January 1996, and chairman of Liaoning Deying Petrochemical Group Co., Ltd. (遼寧德營石油化工集團有限公司) since June 2002.

   Mr. Tian completed a junior college course in industrial business management and graduated from the Cadre College of Economics and Management of Liaoning (遼寧經濟管理幹部學院) in Liaoning, the PRC in July 1989. He obtained a master's degree in industrial economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in July 1998. Mr. Tian has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since June 1995.

7. **Mr. HE Baosheng (何寶生)**, aged 70, has been appointed as our shareholder representative Supervisor since October 2014. He has also served as chairman of Jinzhou Jinhua Co., Ltd. (錦州錦華股份有限公司) since December 2001. Mr. He also served as a Director of our Bank from January 1997 to October 2014.

   Mr. He graduated from correspondence college of Liaoning University (遼寧大學函授學院) in economics and management in Liaoning, the PRC in September 1984. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 1992.

8. **Ms. ZHAO Lanying (趙蘭英)**, aged 52, has been appointed as our shareholder representative Supervisor since October 2014. Ms. Zhao has been appointed as vice president of Jinzhou Watson Asset Management (Group) Limited Company (錦州華信資產經營 (集團) 有限公司) since April 2012.

   Ms. Zhao served as member of the party committee and chief accountant of Jinzhou City Metal Materials Co., Ltd. (錦州市金屬材料總公司) from 2010 to April 2011 and member of the party committee, deputy general manager and chief accountant of the same company from May 2011 to March 2012.

   Ms. Zhao completed a master of business administration course (part-time) from the Party School of C.P.C. of Liaoning Province (中共遼寧省委黨校) in Liaoning, the PRC in December 2012. Ms. Zhao has been accredited as an accountant by the Personnel Department of Liaoning Province (遼寧省人事廳) since October 1994.

9. **Mr. JING Fei (靖飛)**, aged 43, has been appointed as our external Supervisor since March 2011. Mr. Jing has also served teaching and researching positions in the School of Management of Bohai University (渤海大學管理學院) since July 2008 and as professor since October 2014.

   Mr. Jing served as inspector of Discipline Inspection Group of Agricultural Council accredited by Jiangsu Discipline Inspection Commission (江蘇省紀委駐省農業委員會紀律檢查組) from August 1997 to April 2001, clerk of Jiangsu Green Food Office (江蘇省綠色食品辦公室) from April 2001 to September 2004, teacher in the School of Economics in Anhui University of Technology (安徽工業大學經濟學院) from July 2007 to July 2008.

   Mr. Jing obtained a bachelor's degree in food engineering from Nanjing Agricultural University (南京農業大學) in Jiangsu, the PRC in July 1997, a master degree of business administration (part-time) from Business School of Nanjing University (南京大學商學院) in Jiangsu, the PRC in June 2004 and a doctor's degree in rural development from Nanjing Agricultural University (南京農業大學) in Jiangsu, the PRC in June 2007. Mr. Jing also obtained a post doctor certificate in agricultural and forestry economics management in Chinese Academy of Social Science (中國社會科學院) from the National Postdoctoral Management Committee (全國博士後管理委員會) in August 2012. He has been accredited as associate professor and was appointed as professor by the Personnel Department of Liaoning Province (遼寧省人事廳), and Bohai University (渤海大學) respectively in September 2009 and October 2014.

10. **Ms. CHEN Yingmei (陳英梅)**, aged 46, has been appointed as our external Supervisor since March 2011. She has also served as associate professor of the Management School of Liaoning University of Technology (遼寧工業大學管理學院) since October 2009.

    Ms. Chen successively served as assistant lecturer, lecturer and associate professor in Liaoning Province Jinzhou Grain College (遼寧省錦州糧食學校) (currently known as the Economics and Management Faculty of Liaoning University of Technology (遼寧工業大學經濟管理學院)) from September 1992 to October 2009.

    Ms. Chen obtained a bachelor's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1992 and a master's degree in management from Dalian University of Technology (大連理工大學) in Liaoning, the PRC in June 2001. She has been accredited as an associate professor by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2002.

11. **Ms. NIE Ying (聶穎)**, aged 46, has been appointed as our external Supervisor since October 2014. She has also served as professor of the School of International Business in Shenyang Normal University (瀋陽師範大學國際商學院) since January 2014.

    Ms. Nie served as staff and business manager of the securities administration department in Jinzhou Port Co., Ltd. (錦州港股份有限公司) from July 1993 to May 2000, and vice professor of College of International Business in Shenyang Normal University (瀋陽師範大學國際商學院) from September 2003 to December 2013.

    Ms. Nie obtained a bachelor's degree in industrial foreign trade from Liaoning Institute of Technology (遼寧工學院) in Liaoning, the PRC in July 1993 and graduated from a postgraduate course (part-time) of investment and economics in the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in April 1998. She obtained a master's degree in economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in June 2007 and a doctor's degree in finance from Liaoning University (遼寧大學) in Liaoning, the PRC in June 2011. Ms. Nie has been accredited as a professor by Shenyang Normal University (瀋陽師範大學) since December 2013.

12. **Ms. LI Tongyu (李彤煜)**, aged 45, has been appointed as our external Supervisor since October 2014. She has also served as a teacher and an associate professor of Liaoning University of Technology (遼寧工業大學) since August 1993 and August 2004, respectively.

    Ms. Li graduated from an undergraduate course of industrial management engineering from Liaoning Institute of Technology (遼寧工學院) in Liaoning, the PRC in July 1993 and obtained a master's equivalent degree in enterprise management from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC in July 2001. She has been accredited as an associate professor by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2004.

13. **Ms. ZHAO Hongxia (趙宏霞)**, aged 38, has been appointed as our external Supervisor since October 2014. She has also served teaching and research positions in the School of Management of Bohai University (渤海大學管理學院) since March 2013 and served as a professor since November 2015.

    Ms. Zhao served teaching and research positions in Liaoning University of Engineering and Technology (遼寧工程技術大學) from April 2005 to February 2013.

    Ms. Zhao obtained a bachelor's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in July 2002, a master's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in March 2005 and a doctor's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in January 2010.

(III) Biographies of Senior Management Members

1. **Ms. LIU Hong (劉泓)**, aged 53, has been appointed as the vice president of the Bank since November 2009, which is managing retail banking department, three basis & three smalls business management department and wealth management products management department of the Bank. On 2 September 2016, in accordance with the resolution passed at the seventeenth meeting of the fourth session of the Board, Ms. Liu Hong was elected as president. The qualification of Ms. Liu Hong as president has been approved by the relevant regulatory authorities, and her office will become effective commencing from 27 February 2017.

    Ms. Liu has over 22 years of experience in the banking industry. Ms. Liu worked as teacher at Jinzhou Teachers Training College (錦州師範高等專科學校) from August 1985 to December 1994 and was head of "Sanba" savings office ("三八"儲蓄所) of Chengnei sub-branch of Jinzhou branch of Industrial and Commercial Bank of China (中國工商銀行錦州分行城內支行) from December 1994 to April 1999. She served as head of the Bank's marketing department, assistant to the president and vice president of the Bank from March 2002 to August 2008, from August 2008 to November 2009 and from November 2009 to September 2016, respectively.

    Ms. Liu completed an undergraduate course in political education (by correspondence) and graduated from Jinzhou Normal University (錦州師範學院) in Liaoning, the PRC in July 1991. She also completed a postgraduate course in political economics and graduated from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 2002. She has been accredited as a senior engineer by Personnel Department of Liaoning (遼寧省人事廳) since October 2008.

2. **Mr. HUO Lingbo (霍凌波)**, aged 60, has been appointed as our executive vice president since December 2012, and as party secretary of our Bank from December 2006 to February 2017. Mr. Huo Lingbo, who has been performing the acting duties of president since December 2012, and no longer performs the acting duties upon Ms. Liu Hong takes office as president on 27 February 2017.

   Mr. Huo has over 26 years of experience in the banking industry and over 13 years of experience in management. Mr. Huo served as deputy head and head of Jinzhong Urban Credit Cooperative (錦中城市信用社) from February 1989 to February 1992 and from February 1992 to August 1995, respectively. Mr. Huo also served as vice president and deputy party secretary of our Bank from August 1995 to December 2006 and from April 2004 to December 2006, respectively.

   Mr. Huo graduated from the Liaoning Radio and TV University (遼寧廣播電視大學) majoring in electronics in Liaoning, the PRC in August 1985 and graduated from a postgraduate course (part-time) of economics management in the Party School of C.P.C. of Liaoning Province (中共遼寧省委黨校) in Liaoning, the PRC in July 1996. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 1996.

3. For biography of **Ms. CHEN Man**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this Annual Report.

4. **Mr. CAI Hongguang (才洪光)**, aged 56, has been appointed as our vice president since August 2004. He is currently in charge of the strategy development department, the international business department, and the village and township banking management department of our Bank.

   Mr. Cai has over 23 years of experience in the banking industry. Mr. Cai served as deputy division head of the credit department and the auditing department of Jinzhou Urban Credit Union (錦州市城市信用聯社), respectively, from January 1993 to March 1993 and from March 1993 to April 1994, and continued to act as section chief of the credit section and deputy division head of the sales section of Jinzhou Urban Credit Union (錦州市城市信用聯社) from February 1995 to February 1997. He acted as president and chief auditor of Yongfeng sub-branch of our Bank from February 1997 to February 2001 and February 2001 to August 2004.

   Mr. Cai completed a postgraduate course in political economics and graduated from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 2002. Mr. Cai has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since June 1997.

5. **Mr. GUO Guang (郭光)**, aged 56, has been appointed as our vice president, and has been in charge of the president's office and the integrated affairs department since January 2007.

   Mr. Guo has more than 23 years of experience in the banking industry. Mr. Guo served as coordinator at the planning department of Jinzhou Urban Credit Union (錦州市城市信用聯社) from July 1992 to September 1993, and served as vice director of Jinzhou Linghe Credit Union (錦州市凌河信用社) from September 1993 to February 1994. Mr. Guo was deputy division head of the deposit division and accounting division of Jinzhou Urban Credit Union (錦州市城市信用聯社), respectively, from February 1994 to February 1996 and from February 1996 to March 1997, and acted as deputy division head of the planning division of our Bank from March 1997 to March 1998. He served as head of the planning and finance department from March 1998 to March 2003, head of the finance and management committee under the Board from March 2003 to June 2004, deputy chief accountant from June 2004 to June 2005 and chief economist from June 2005 to December 2006, of our Bank.

Mr. Guo completed an undergraduate course (by correspondence) in economics management and graduated from the Party School of the Central Committee of C.P.C. (中共中央黨校) in December 2000. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since December 2003.

6. **Mr. Sun Jing (孫晶)**, aged 39, has been the general manager of the strategy development department of the Bank since December 2016. On 5 December 2016, in accordance with the resolution passed at the eighteenth meeting of the fourth session of the Board, Mr. Sun Jing was appointed as secretary to the Board, his qualification is subject to the approval of the relevant regulatory authorities, and his office will become effective from the date of approval of the relevant regulatory authorities untill the end of the fourth session of the Board.

   Mr. Sun has over 14 years of experience in the banking industry. Mr. Sun worked in the research and development department of the Bank from April 2003 to April 2009, as vice general manager of the research and development department of the Bank from April 2009 to April 2013, as deputy head of president office of the Bank from April 2013 to October 2015, and as head of president office of the Bank from October 2015 to December 2016.

   Mr. Sun graduated from Dongbei University of Finance and Economics in Liaoning, the PRC in April 2003 and obtained a master's degree in corporate management. Since November 2003, he obtained the Intermediate Economist qualification issued by the Ministry of Personnel of the People's Republic of China.

7. **Mr. LIU Wenzhong (劉文忠)**, aged 54, has been appointed as our vice president since April 2013, and as president of Beijing branch of our Bank since March 2011. He is currently in charge of the operation of Beijing branch of our Bank.

   Mr. Liu has over 24 years of experience in the banking industry. Mr. Liu worked as clerk and section chief of the credit section in Lingyun Urban Credit Cooperative (凌雲城市信用社) from January 1992 to March 1996, vice president of Lingyun sub-branch of our Bank from March 1996 to March 2002, president of Lingyun sub-branch of our Bank from March 2002 to July 2011, and assistant to president of our Bank from March 2011 to May 2013. Mr. Liu worked as vice president of Beijing branch of our Bank from July 2011 to January 2012.

   Mr. Liu completed a junior college course in electric automation and graduated from Liaoning Radio and TV University (遼寧廣播電視大學) in Liaoning, the PRC in July 1987. He also completed a postgraduate course in industrial economics and graduated from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC in July 2001. Mr. Liu has been accredited as an economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since February 1995.

8. **Mr. WANG Xin (王昕)**, aged 40, has been appointed as our vice president since January 2016. He is currently in charge of pre-lending management department, lending-in-progress management department, post-lending management department and non-performing asset management department of the Board.

   Mr. Wang has over 16 years of experience in the banking industry. He served successively as an employee in our Bank's bank card department from July 1999 to March 2000, and our Bank's credit management department from March 2000 to March 2001, deputy head of our Bank's credit management department from March 2001 to July 2003, chief in our Bank's credit management department from January 2005 to January 2007 and assistant to president of Tianjin branch of our Bank from December 2008 to April 2010. Mr. Wang served as vice president of Tianjin branch of our Bank from April 2010 to February 2012.

   Mr. Wang obtained a bachelor's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1999 and a master's degree in business administration from the Chicago branch campus of the University of Illinois in the United States in August 2008. Mr. Wang is currently studying at Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC for a doctor's degree in finance.

9. For biography of **Mr. WANG Jing**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this Annual Report.

10. **Ms. SONG Yaping (宋亞萍)**, aged 54, has been appointed as our chief accountant since December 2012. She is currently in charge of internal audit department.

    Ms. Song has over 26 years of experience in auditing. Ms. Song worked in Jinzhou Municipal Auditing Bureau (錦州市審計局) from June 1989 to December 2010. Ms. Song served as general auditor of our Bank from December 2010 to December 2012.

    Ms. Song completed an undergraduate course in economics management and graduated from the Party School of C.P.C. of Liaoning Province (中共遼寧省委黨校) in Liaoning, the PRC in July 2005. She has been accredited as a senior auditor by Liaoning Provincial Audit Office (遼寧省審計廳) since August 1998.

11. For biography of **Ms. WANG Xiaoyu**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this Annual Report.

12. **Mr. WANG Xin (王鑫)**, aged 46, has been appointed as assistant to president since March 2016. He is currently in charge of the operation of Jinzhou branch of our Bank.

    Mr. Wang has over 24 years of experience in the banking industry. Mr. Wang served as auditor of auditing department in Jinzhou City Urban Credit United Cooperative from November 1992 to March 1994, as well as credit officer of credit section of Jinzhou City Cooperative Bank and deputy-division-head-level credit officer of credit department. He served as vice president in the Railway branch of our Bank and Shanghai Road sub-branch of our Bank from March 1998 to February 2010, president of Dandong branch and president of Yongfeng sub-branch from February 2010 to April 2012, deputy division head of Jinzhou management department, vice president of Jinzhou branch and president of Shenyang branch of the Bank from April 2012 to April 2015, president and party committee secretary of Jinzhou branch from April 2015 to August 2016, and president of Jinzhou branch since April 2015.

Mr. Wang graduated from a postgraduate course (part-time) of regional Economics in the Graduate School of the Beijing University in December 2002. He has been accredited as a professor and research level senior economist by the Personnel Department of Liaoning Province since October 2008.

(IV) Biographies of Joint Company Secretaries

1. **Mr. WANG Jing (王晶)**, was appointed as a joint company secretary of our Bank in October 2014. For his biography, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this Annual Report.

2. **Ms. LEUNG Wing Han Sharon (梁頴嫻)**, was appointed as a joint company secretary of our Bank in October 2014. Ms. LEUNG is a vice president of SW Corporate Services Group Limited, and she has over 10 years of experience in finance, accounting and company secretarial matters. Ms. Leung holds degrees of bachelor of business administration in accounting, bachelor of laws, and master of laws in international corporate and financial law. She is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in UK, and the Association of Chartered Certified Accountants in UK. She is also a member of the Hong Kong Institute of Certified Public Accountants.

IV. Compensation of Directors and Supervisors and Five Individuals with the Highest Emoluments of our Bank

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in our Bank, please refer to notes 8 and 9 to financial statement included in this annual report.

V. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

At the end of the Reporting Period, we had 4,462 full-time employees, of which 2,959 employees or 66.3% had bachelor's degrees or above, with the average age of 36.7.

In addition to full-time employees, at the end of the Reporting Period, we also had 1,469 contractors from third-party human resources agencies. These contractors are not our employees and enter into employment contracts with third-party human resources agencies.

(II) Employee Training Program

The Bank regards quality of our team, notices the overall enhance in leadership of management members and business skill level of employee, as well as insists in performing training to promote achievement in business objectives. The Bank gradually improves training management mechanism at all levels, enriches various training models such as online and offline and mobile learning. During the annual training program, the Bank integrates the focus of training with daily works, which guarantees that our training covers all of our employees. The Bank establishes an optimal platform for learning and development, explores the promotion path for employee, and promotes to enhance both staff quality and standard and level of competitiveness of our Bank.

(III) Employee Incentive Policies

We have been committed to establish total performance management system by effectively combining firm performance assessment and employee performance assessment, so as to decompose our strategic objectives into sub-objectives, and eventually into objectives for every employee to fill, to ensure unity of objectives in our Bank. In the aspect of applications of performance management, by positively exploration of the contents and functions of performance management tools such as Balanced Scorecard (BSC) and Key Performance Indicator (KPI), we are able to take full advantage of leading performance management tools, to promote the performance management level of our Bank. In addition, we concentrate our efforts to provide "Y"–type career development channel for our employees by an integration of supervisory sequence and professional sequence, to increase promotion opportunities and satisfy employees' requirements for career development, and fully encouraging employees to achieve self-value.

(IV) Remuneration Policies for Employees

Our remuneration policies are in line with the implementation of our strategic goals, the enhancement of our competitiveness, talent cultivation and risk control. These policies are developed based on the principles that satisfy our corporate governance requirements, give consideration to both the competitiveness and sustainability of our Bank, are in line with our operating results adapted to risk cost and balance our short-term and long-term incentives. Remuneration of our employees comprises of fixed salary, variable compensation and allowance. Deferred payment and fixed term of payment are applied to senior management and key personnel to strengthen risk control.

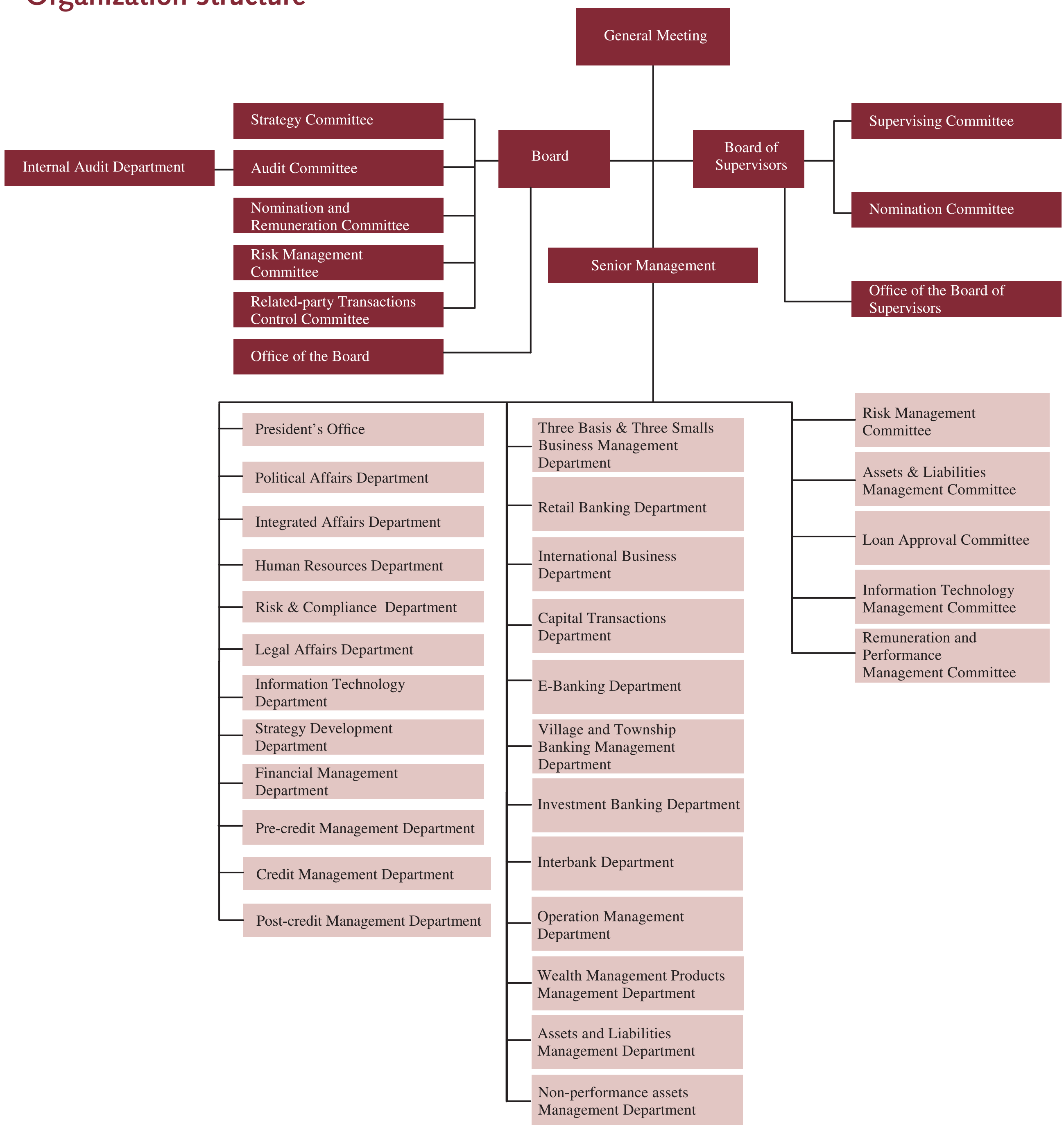
(V) Retirement and Benefits

According to applicable laws in China, our male employees and female employees are eligible to retire when reaching the age of 60 and 55, respectively, and they will receive payment from the national social insurance instead of our Bank after their retirement. With respect to benefits, we make timely and full contribution to pension insurance, medical insurance, unemployment insurance, injury insurance, maternity insurance and housing provident fund for all in-service employees pursuant to applicable laws and regulations in China.

VI. Branches and Subsidiaries

Name of Branches/Subsidiaries	Location of Business	Remarks
Headquarters	No. 68 Keji Road, Jinzhou, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Beijing Branch	No. 5 Jianguomenbei Avenue, Dongcheng District, Beijing, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Tianjin Branch	No. 236 Nanjing Road, Heping District, Tianjin, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Shenyang Branch	No. 18 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	With 12 sub-branches
Bank of Jinzhou Co., Ltd., Dalian Branch	No. 23 Renmin Road, Zhongshan District, Dalian, Liaoning Province, the PRC	With 5 sub-branches
Bank of Jinzhou Co., Ltd., Harbin Branch	No. 381 Youyi Road, Daoli District, Harbin, Heilongjiang Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Dandong Branch	No. 111 Jinshan Avenue, Yuanbao District, Dandong, Liaoning Province, the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Fushun Branch	No. 13 Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province,the PRC	With 16 sub-branches
Bank of Jinzhou Co., Ltd., Anshan Branch	No. 15- S1, S2, S3, S4, S5, Shenglinan Road Tiedong District, Anshan, Liaoning Province, the PRC	With 4 sub-branches
Bank of Jinzhou Co., Ltd., Chaoyang Branch	No. 5 Xinhua Road (Section 2), Shuangta District, Chaoyang, Liaoning Province, the PRC	With 4 sub-branches
Bank of Jinzhou Co., Ltd., Fuxin Branch	Block D, No. 4 Yingbin Avenue, Xihe District, Fuxin, Liaoning Province, the PRC	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Liaoyang Branch	No. 366-1 Xinhua Road, Baita District, Liaoyang, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Huludao Branch	1C Lanhua Plaza, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Benxi Branch	No.8 Renmin Road, Pingshan District, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 105 sub-branches
Bank of Jinzhou Co., Ltd., Small Enterprise Financial Service Centre	No. 25-1, 2 Zhongyang Avenue (Section 2), Linghe District, Jinzhou, Liaoning Province, the PRC	
Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd.	No.29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City, Liaoning Province, the PRC	With 5 sub-branches
Liaoning Yi County Jinyin Village and Township Bank Co., Ltd.	No.38-21, Yingbin Road, Yizhou Town, Yi County, Jinzhou City, Liaoning Province, the PRC	With 4 sub-branches
Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd.	No. 1-1-121, Lvshan Road, Beizhen City Liaoning Province, the PRC	With 3 sub-branches
Liaoning Heishan Jinyin Village and Township Bank Co., Ltd.	House No. 9-14 (Level 1-3), City East, South Side, Diwang Fudi, No. 194, Zhongda Central Road, Heishan Town First Street, Heishan County, Liaoning Province, the PRC	With 2 sub-branch
Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd.	No. 01001, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	
Liaoning Linghai Jinyin Village and Township Bank Co., Ltd.	Outlet No. 57-60, Block 1, Ziguanghaoyuan, No. 5 Zhongxing Avenue, Linghai, Jinzhou, Liaoning Province, the PRC	
Liaoning Huanren Jinyin Village and Township Bank Co., Ltd.	No.2, Unit o, Building 1, Block 1 Xinshi Street, Huanren Town, Huanren Manchu Autonomous County, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Financial Leasing Co.,Ltd.	No.18, Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	

1. Organization Structure



2. Corporate Governance Overview

The Bank strives to increase the transparency and accountability of corporate governance to ensure high standards of corporate governance for protecting the interest of Shareholders and enhancing the enterprise value and commitments. The Bank has adopted the Corporate Governance Code ("Corporate Governance Code") of Appendix 14 to the Listing Rules, administrative measures for commercial banks in China, as well as the relevant requirements for corporate governance. The Bank has also established a satisfactory corporate governance system. The Bank has further improved the information disclosure standards, regulated the management of investor relations activities and enhanced the corporate transparency and governance standards persistently.

During the Reporting Period, the Bank has fully complied with all code provisions contained in the Corporate Governance Code. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Corporate Governance Code.

The Bank will continue to enhance corporate governance to ensure the corporate governance of the Bank will continue to comply with the requirements of the Corporate Governance Code and satisfy the expectations of Shareholders and investors.

3. General Meeting

During the Reporting Period, the Bank successively held the 2015 Annual General Meeting, the 2016 First Domestic Shareholders' Class Meeting and the 2016 First H Shareholders' Class Meeting on 29 June 2016.

The following ordinary resolutions were considered and approved at the 2015 Annual General Meeting: the report of the board of directors of the Bank for the year ended 31 December 2015, the report of the board of supervisors of the Bank for the year ended 31 December 2015, the Bank's final financial accounts for the year ended 31 December 2015 and financial budget plan for 2016, the annual report of the Bank for the financial year ended 31 December 2015, the Bank's profit distribution plan for the year ended 31 December 2015, the re-appointment of KPMG as the Bank's international and domestic auditors, the appointment of Mr. Lin Yanjun as an independent non-executive Director, the appraisal report on Directors' performance of duties in 2015, the report of use of proceeds from past fund raising activities, etc.

The following special resolutions were considered and approved at the 2015 Annual General Meeting: the proposed amendments to the articles of association of the Bank, the issue of the tier 2 capital bonds, the issue of financial bonds specialized for small and micro enterprises, the Bank's issue of new H shares under specific mandate, to grant authorization to the Board to implement the Bank's issue of new H shares, amendments to the Bank's articles of association consequential to the Bank's issue of new H shares, the proposal on the Bank's initial public offering and the listing of A shares, to grant authorization to the Board to implement the A Share Offering, the use of proceeds from the A Share Offering, the proposal on the distribution of the accumulated undistributed profits before the A Share Offering, the three-year dividend plan after the A Share Offering, the price stabilizing plan for the A Shares within three years after the A Share Offering, the undertakings on disclosure of information in the prospectus published in connection with the A Share Offering, the dilution of immediate return and recovery of return on the A Share Offering, undertakings to be given for the purpose of the A Share Offering and the amendments to the Bank's articles of association consequential to the A Share Offering, etc.

The following special resolutions were considered and approved at the 2016 First Domestic Shareholders' Class Meeting: to issue new H shares pursuant to the specific mandate, to grant authorization to the Board to implement the Bank's issue of new H shares, the proposal on the Bank's initial public offering and the listing of A shares, to grant authorization to the Board to implement the A Share Offering, the proposal on the distribution of the accumulated undistributed profits before the A Share Offering, the price stabilizing plan for the A Shares within three years after the A Share Offering, the undertakings on disclosure of information in the prospectus published in connection with the A Share Offering, the dilution of immediate return and recovery of return on the A Share Offering and undertakings to be given for the purpose of the A Share Offering, etc.

The following special resolutions were considered and approved at the 2016 First H Shareholders' Class Meeting: to issue new H shares pursuant to the specific mandate, to grant authorization to the Board to implement the Bank's issue of new H shares, the proposal on the Bank's initial public offering and the listing of A shares, to grant authorization to the Board to implement the A Share Offering, the proposal on the distribution of the accumulated undistributed profits before the A Share Offering, the price stabilizing plan for the A Shares within three years after the A Share Offering, the undertakings on disclosure of information in the prospectus published in connection with the A Share Offering, the dilution of immediate return and recovery of return on the A Share Offering and undertakings to be given for the purpose of the A Share Offering, etc.

4. Board of Directors and Special Committees

(I) Implementation of Resolutions of General Meetings by the Board of Directors

During the Reporting Period, the Board of Directors was able to strictly execute the resolutions of the general meetings and successively completed such tasks as profit distribution, the issue of the tier 2 capital bonds and the issue of new H shares, etc.

(II) Composition of the Board of Directors

As at the end of the Reporting Period, the Board of Directors consists of 14 Directors, including 5 executive Directors who are Mr. Zhang Wei (Chairman), Ms. Chen Man, Ms. Zhao Jie, Mr. Wang Jing and Ms. Wang Xiaoyu, respectively; 4 non-executive Directors who are Mr. Li Dongjun, Mr. Zhang Caiguang, Mr. Wu Zhengkui and Ms. Gu Jie, respectively; and 5 independent non-executive Directors who are Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihu, Ms. Jiang Jian and Mr. Choon Yew Khee, respectively.

Mr. Lin Yanjun was appointed as an independent non-executive Director of the fourth session of the Board of the Bank at the annual general meeting of the Bank held on 29 June 2016. The Bank received approval from CBRC Liaoning Bureau on Mr. Lin Yanjun's eligibility to act as a director of the Bank on 25 January 2017, with his term of office starting from 25 January 2017 till the expiry of the term of the fourth session of the Board.

On 5 December 2016, Ms. Zhao Jie resigned as an executive Director of the Bank and a member of nomination and remuneration committee of the Board. In order to fill in the vacancy due to Ms. Zhao's resignation, the election of Mr. Huo Lingbo has been approved at the 2017 first extraordinary general meeting of the Bank held on 8 February 2017 by the Shareholders, subject to the ratification of his eligibility to act as a Director by the relevant regulatory authorities. Ms. Zhao's resignation will take effect on the date when Mr. Huo receives the approval on his eligibility to act as a Director from the relevant regulatory authorities.

The Board of Directors is responsible for establishing the management system of the Bank, supervision and control over important matters such as the decisions and performance of the business and financial policies of the Bank. The Board of Directors is accountable to the general meeting. The Board of Directors has delegated to the management the rights and duties of managing the Bank. In addition, the Board of Directors has also assigned to the Strategy Committee, Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Related-party Transactions Control Committee their respective responsibilities. Details about the above special committees are set out in this annual report.

The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Corporate Governance Code.

(III) Relationships between Directors, Supervisors and Senior Management Members

The Directors, Supervisors and Senior Management members of the Bank are not related to each other in respect of financial business, family or other material/relevant relationships.

(IV) Changes of Directors

For changes of Directors, please refer to the section headed "Directors, Supervisors, Senior Management Members, Employees and Basic Particulars of Branches – Changes in Directors, Supervisors and Senior Management Members" in this annual report.

(V) Operation of the Board of Directors

The Board of Directors shall convene at least 4 meetings per year and at least one meeting per quarter. The meetings of the Board of Directors are divided into regular meetings and extraordinary meetings. The regular meetings of the Board of Directors are convened by the Chairman, a notice in writing shall be delivered to all Directors and Supervisors 14 days prior to the date of convening the meeting. The notice of extraordinary meeting of the Board of Directors is 3 business days prior to the date of convening the meeting. In emergency circumstances, if an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of meeting may be issued through telephone or other verbal means, but the convener shall give an explanation at the meeting. The meeting of the Board of Directors will generally conduct voting at the meeting (including video conference) by way of a show of hands and voting by registered ballot.

Subject to sufficient protection is ensure for the expression of opinions by Directors, the extraordinary meeting of the Board of Directors may passed resolutions by communication voting to be signed by participating Directors. The conditions and procedure of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors.

The Board of Directors shall record the decisions on matters considered at the meetings in the minutes of meetings, the participating Directors and the recorder of minutes shall sign on the minutes of meeting. Directors attending the meeting are entitled to request an explanation on record to be made in respect of their verbal comments in the meetings.

The relevant senior management members are invited to attend meetings of the Board of Directors from time to time for providing explanations or answering queries. In the meetings of the Board of Directors, Directors may express their opinions freely, important decisions should be made after detailed discussions have been conducted. If any Director has a conflict of interest in a matter to be considered by the Board of Directors, the relevant Director shall avoid the discussion and abstain from voting on the relevant resolution, and such Director shall not be counted as quorum in voting for that resolution.

The Board of Directors has established an office for use as the operating arm of the Board of Directors, the office of the Board of Directors shall be responsible for the preparation of general meetings, meetings of the Board of Directors and meetings of all special committees, information disclosure and other daily duties.

(VI) Functions and Authorities of the Board of Directors

The Board of Directors exercises the following functions and authorities

(1) to convene the general meeting, and report to the general meeting;

(2) to implement the resolutions of the general meeting;

(3) to decide on the development plans of the Bank;

(4) to decide on operation plans, investment plans and major assets disposal plans of the Bank;

(5) to formulate annual financial budgets and final accounts of the Bank;

(6) to formulate profit distribution plans and loss recovery plans of the Bank;

(7) to formulate proposals on the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Bank;

(8) to formulate proposals on major acquisitions by the Bank, acquisitions of the stock of the Bank or merger, division, dissolution and change of the corporate form;

(9) to regularly evaluate and improve the Bank's corporate governance;

(10) to decide on external investment, acquisition and disposal of assets, assets mortgage, external guarantee matters, related/connected transactions and other matters of the Bank, within the scope of authorization of the general meeting;

(11) to determine arrangement plans for the Bank's internal management institutions, branches and personnel and positions of the managers;

(12) to appoint or dismiss the president or secretary to the Board of Directors of the Bank according to the nomination of the Chairman of the Board of Directors; appoint or dismiss senior management personnel, such as the vice-president, assistant to president and financial chief, according to the nomination of the president;

(13) to decide on remuneration and disciplinary measures of senior management personnel;

(14) to formulate basic management system and explicate the working rules for the president;

(15) to formulate proposal on amendments to the Articles of Association of the Bank;

(16) to manage the information disclosure matters of the Bank;

(17) to propose on the engagement or replacement of the accounting firm that audits the Bank to the general meeting;

(18) to listen to the work report of the president of the Bank and check the work of the president;

(19) to check the compliance with the Corporate Governance Code in the Listing Rules of the Hong Kong Stock Exchange by the Bank and the disclosure in the Corporate Governance Report; and

(20) other functions and authorities granted by laws, administrative regulations, department rules or the Articles of Association of the Bank.

(VII) Appointment of Directors

The Directors (including non-executive Directors) have a term of office of three years. Upon expiry of the term, they may be re-elected. But the cumulative term of office for an independent non-executive Director must not exceed six years.

(VIII) Meetings of the Board of Directors

In 2016, the Bank has convened eight meetings (including teleconference) of the Board of Directors, 95 resolutions have been considered and approved which include the consideration and approval of matters for the work report of the board of directors for 2015, final financial accounts for 2015 and financial budget plan for 2016, the annual report for 2015, profit distribution plan for 2015, the re-election of Mr. Lin Yanjun as an independent non-executive Director and the re-election of Mr. Huo Lingbo as an executive Director.

Attendance of all Directors at the meetings of the Board of Directors, meetings of special committees of the Board and general meetings in 2016 are set out in the table as follows:

	Number of meetings attended in person/attended by proxy/should be attended						
Members of the Board of Directors	Board of Directors	Strategy Committee	Risk Management Committee	Related-party Transactions Control Committee	Nomination and Remuneration Committee	Audit Committee	General Meeting of Shareholders
ZHANG Wei	8/0/8	5/0/5					3/0/3
CHEN Man	8/0/8	5/0/5		2/0/2			3/0/3
ZHAO Jie (1)	7/1/8				5/0/5		3/0/3
WANG Jing	8/0/8						3/0/3
WANG Xiaoyu	8/0/8						3/0/3
LI Dongjun	7/1/8		2/0/2				3/0/3
ZHANG Caiguang	8/0/8		2/0/2				3/0/3
WU Zhengkui	6/2/8						0/0/3
GU Jie	8/0/8						3/0/3
JIANG Daxing	6/2/8			2/0/2			3/0/3
DENG Xiaoyang	8/0/8				5/0/5	5/0/5	3/0/3
NIU Sihu	8/0/8				5/0/5	5/0/5	3/0/3
JIANG Jian	8/0/8			2/0/2		5/0/5	3/0/3
CHOON Yew Khee	7/1/8						3/0/3

Note: (1) Ms. Zhao Jie resigned as an executive Director of the Bank and a member of nomination and remuneration committee of the Board on 5 December 2016. In order to fill in the vacancy due to Ms. Zhao's resignation, the appointment of Mr. Huo Lingbo as an executive Director has been approved at the 2017 first extraordinary general meeting of the Bank held on 8 February 2017 by the Shareholders, subject to the ratification of his eligibility to act as a director by the relevant regulatory authorities. Ms. Zhao's resignation will take effect on the date when Mr. Huo receives the approval on his eligibility to act as a Director from the relevant regulatory authorities.

(IX) Independent Non-executive Directors

The Board of Directors has complied with the requirements of the Listing Rules for the appointment of at least three Independent Non-executive Directors, representing at least one-third of the members of the Board of Directors, and at least one of these Independent Non-executive Directors has appropriate professional qualifications or expertise in accounting or financial management.

None of the Independent Non-executive Directors has any business or financial interests in the Bank, nor being a holder of any management position in the Bank. All current Independent Non-executive Directors are appointed through election for a term of three years, they may be re-elected upon expiry of the term but the cumulative term of officer shall not exceed six years.

During the Reporting Period, the Independent Non-executive Directors conscientiously participated in the meetings of the Board of Directors and meetings of all special committees, and provided independent and objective opinions in respect of all material decisions at the meetings of the Board of Directors and meetings of the special committees by utilizing their own professional abilities and industry experience and actively enhanced the communications with the senior management, specialized authorities and external auditor to acquire a deep understanding on the operation and management of the Bank. The Independent Non-executive Directors have duly performed the integrity and diligence obligations, and provided strong support to the scientific decisions of the Board of Directors and duly protected the interests of the Bank and all Shareholders.

(X) Responsibilities assumed by the Directors in the preparation of financial statements

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended 31 December 2016. The Directors are responsible for the supervision of the financial statements for the Reporting Period in accounting to ensure that the financial statements will reflect a true and fair view of the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements for the year ended 31 December 2016, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

(XI) Continuing professional development plan for Directors

All newly appointed Directors have been provided with comprehensive relevant materials at the first time when they are appointed to ensure they have proper understanding of the operation and business of the Bank and fully understand the duties and responsibilities of directors under requirements of the Listing Rules and the applicable laws and regulations.

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. During the Reporting Period, Mr. Zhang Wei, Ms. Chen Man, Ms. Zhao Jie, Mr. Wang Jing and Ms. Wang Xiaoyu, executive Directors; Mr. Li Dongjun, Mr. Zhang Caiguang, Mr. Wu Zhengkui and Ms. Gu Jie, non-executive Directors; Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihu, Ms. Jiang Jian and Mr. Choon Yew Khee, independent non-executive Directors, participated in training sessions provided by legal advisers engaged by the Bank on continuing obligations of the issuer and its directors in Hong Kong, connected transactions under the Listing Rules, the Corporate Governance Code, and the disclosure requirements of inside information.The Bank has provided briefings on the latest developments of the Listing Rules and other applicable regulatory requirements to the Directors from time to time, to ensure that the Directors will continue making contributions to the Board of Directors with comprehensive information in meeting the needs and comply with the Corporate Governance Code properly to enhance their awareness of good corporate governance practice.

(XII) Corporate governance functions of the Board of Directors

The Board of Directors is responsible for the establishment of sound corporate governance practice and procedures for the Bank. During the Reporting Period, the Board has:

(1) developed and reviewed the Bank's policies and practices on corporate governance;

(2) reviewed and monitored the training and continuing professional development of Directors and senior management;

(3) reviewed and monitored the Bank's policies and practices on compliance with legal and regulatory requirements;

(4) developed, reviewed and monitored the code of conduct for Directors and employees; and

(5) reviewed the Bank's Compliance with the Corporate Governance Code and disclosure in the corporate governance report.

(XIII) Special committees under the Board

Five special committees, including the Strategy Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee, have been established under the Board of Directors.

1. Strategy Committee

As at the end of the Reporting Period, the Strategy Committee consists of two Directors, including Mr. Zhang Wei, an executive Director and the Chairman of the Board of Directors, who is the chairman of the committee, and Ms. Chen Man, an executive Director, who is the member of the committee.

The primary duties of the Strategy Committee include: formulating the operation goals and long-term development strategies of our Bank; supervising and inspecting the implementation of annual operating plans and investment proposals; evaluating and making proposals on any major capital operations or asset operation projects of our Bank that is subject to approval of the Board of Directors; analysing and formulating proposals on any major events that may affect the development of our Bank; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Strategy Committee has held five meetings for the consideration of 30 proposals, including plan for the issuance of additional H shares, plan for the initial public offering and listing of A shares, making preparations for establishing a consumer finance company, etc.

2. Risk Management Committee

As at the end of the Reporting Period, the Risk Management Committee consists of two Directors. After the resignation of Ms. Jia Yuge, the chairman of the committee, on 23 December 2015, re-election has not been carried out yet. Mr. Zhang Caiguang and Mr. Li Dongjun, non-executive Directors, are the members of the committee.

The primary duties of the Risk Management Committee include: supervising the control of credit risk, market risk, operation risk and other risks by senior management of the Bank; conducting regular assessment on the risk management status of our Bank, evaluating the work procedures and efficiency of the risk control department of our Bank, providing opinions on the improvement of risk management and internal control; determining the overall risk management strategies, ascertaining the overall risk limit and reviewing material risk policies; reviewing the asset and liability management policies of the entire Bank; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Risk Management Committee has convened two meetings for the consideration of 6 resolutions, including the Compliance and Risk Management Report of the Bank of Jinzhou for 2015, Information Technology Risk Assessment Report of the Bank of Jinzhou for 2015, Information Technology Outsourcing Risk Management Assessment Report of the Bank of Jinzhou for 2015 and Electronic Banking System Information Security Assessment Report of the Bank of Jinzhou, etc.

3. Related-party Transactions Control Committee

As at the end of the Reporting Period, the Related-party Transactions Control Committee consists of three Directors, including Mr. Jiang Daxing, an independent non-executive Director, who is the chairman of the committee, Ms. Jiang Jian, an independent non-executive Director, and Ms. Chen Man, an executive Director, who are members of the committee.

The primary duties of the Related-party Transactions Control Committee include: managing the related-party transactions of the Bank according to the requirements of laws and regulations, and formulating the corresponding related-party transactions management system; identifying related party transaction of the Bank according to the requirements of laws and regulations, and reporting to the Board of Directors, the Board of Supervisors and relevant China banking regulatory agencies; reviewing the related-party transactions of the Bank according to the requirements of laws and regulations and in accordance with commercial principles at arm's length; formulating written reports regarding fairness of major related-party transactions and particularly significant related-party transactions and the implementation status of our internal approval procedures by the independent non-executive Director; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Related-party Transactions Control Committee has convened two meetings for the consideration of 3 resolutions, including the Plan of Granting Credit Facilities to Related Enterprises for 2016, an amendment to the Measures for the Administration of Related-party Transactions of Bank of Jinzhou Co., Ltd. and an amendment to Implementation Rules for Related Credit Management of Bank of Jinzhou Co., Ltd.

4. Nomination and Remuneration Committee

As at the end of the Reporting Period, the Nomination and Remuneration Committee consists of three Directors, including Mr. Niu Sihu, an independent non-executive Director, who is the chairman of the committee, Mr. Deng Xiaoyang, an independent non-executive director, and Ms. Zhao Jie, an executive Director, who are members of the committee.

The primary duties of the Nomination and Remuneration Committee include: studying, formulating, reviewing and proposing the proposals in connection with the remuneration plans for Directors and senior management members, and supervising the implementation of such proposals; formulating the procedures and criteria for selecting and appointing Directors and senior management members; conducting preliminarily reviews on the qualifications and conditions of candidates for Directors and senior management members and making proposals to the Board; formulating the appraisal criteria for Directors and senior management members, proceeding with implementation and making proposals to the Board; searching for qualified candidates for Directors and senior management members; and any other duties authorized by the Board.

During the Reporting Period, the Nomination and Remuneration Committee has convened five meetings for the consideration of 10 resolutions, including the appointment of Liu Hong as president, the appointment of Wang Xin (王昕) as vice president, the appointment of Wang Jing as vice president, the re-election of Lin Yanjun as independent non-executive director, the appointment of Wang Xin (王鑫) as assistant to the president and the appointment of Han Zhen as chief risk officer, etc.

The board diversity policy of members of the Bank is summarized as follows: The Board of Directors is of the view that having a diversified composition of members in the Board of Directors will improve the decision-making capability of the Board of Directors more effectively to elevate the corporate governance level. The Board of Directors and the Nomination and Remuneration Committee will consider a range of factors in selecting candidates, including but not limited to sex, age, cultural and education background, race, professional experience, skills, knowledge and number of years of service, in order to achieve diversification in the membership of the Board of Directors. The Nomination and Remuneration Committee will report the composition of the Board of Directors from the perspective of diversification of the Board on annual basis and supervise the implementation of this policy.

As at the end of the Reporting Period, the Board of Directors is comprising 14 Directors, including 5 female persons, 1 person who is a resident in Hong Kong. The Board of Directors has achieved diversification in terms of sex, nationality, professional background and skills of the Board members.

5. Audit Committee

As at the end of the Reporting Period, the Audit Committee consists of three Directors, including Mr. Deng Xiaoyang, an independent non-executive Director, who is the chairman of the committee, Mr. Niu Sihu and Ms. Jiang Jian, both are independent non-executive Directors, who are members of the committee.

The primary duties of the Audit Committee include: inspecting the accounting policies, financial condition and financial reporting procedures of our Bank; assessing the risk and compliance status of our Bank; taking charge of the annual audit work of our Bank, formulation reports regarding the authenticity, integrity and accuracy of such audited information and reporting the same to the approval of the Board; reviewing the internal control system of our Bank and auditing major related-party transactions; and any other duties authorized by the Board.

During the Reporting Period, the Audit Committee has convened five meetings for the consideration of 9 resolutions, including Final Accounts for 2015 and Financial Budget for 2016 of the Bank of Jinzhou, Profit Distribution Plan of the Bank of Jinzhou for 2015, the appointment of Computershare Hong Kong Trustees Limited to distribute and process dividends, 2016 interim report of the Bank of Jinzhou, the initial public offering of A shares and listing fee budget and fee budget for the issuance of additional H shares, etc.

V. Board of Supervisors

(I) Composition of the Board of Supervisors

At of the end of the Reporting Period, the Board of Supervisors consists of 13 Supervisors, including 3 shareholders' representative Supervisors, being Mr. Tian Deying, Mr. He Baosheng and Ms. Zhao Lanying; 5 external Supervisors, being Mr. Jing Fei, Ms. Chen Yingmei, Ms. Nie Ying, Ms. Li Tongyu and Ms. Zhao Hongxia; and 5 employee representative Supervisors, being Mr. Ning Yongfang (Chairman of Board of Supervisors), Mr. Xu Fei, Ms. Luo Yan, Ms. Shi Hongmiao and Ms. Li Xiu.

(II) Chairman of the Board of Supervisors

Mr. Ning Yongfang is the Chairman of the Board of Supervisors, and is responsible for organizing and performing the duties of the Board of Supervisors.

(III) Changes of Supervisors

For changes of Supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Organizations – Changes in Directors, Supervisors and Senior Management Members" in this annual report.

(IV) Meetings of the Board of Supervisors

During the Reporting Period, eight meetings have been convened by the Board of Supervisors, primarily for the consideration and approval of 93 resolutions, including the Work Report of the Board of Supervisors for 2015, Annual Report for 2015, Report of Final Accounts, Profit Distribution Plan and Performance Evaluation Report for Directors, Supervisors and senior management, etc.

Members of the Board of Supervisors	Number of meetings attended in person/attended by proxy/should be attended		
	Board of Supervisors	Nomination Committee	Supervising Committee
NING Yongfang	8/0/8		
XU Fei	8/0/8		
LUO Yan	8/0/8	5/0/5	
SHI Hongmiao	8/0/8		
LI Xiu	8/0/8		
TIAN Deying	4/4/8		5/2/7
HE Baosheng	8/0/8		
ZHAO Lanying	8/0/8		
JING Fei	8/0/8		7/0/7
CHEN Yingmei	8/0/8	5/0/5	
NIE Ying	7/1/8		7/0/7
LI Tongyu	8/0/8		
ZHAO Hongxia	8/0/8	5/0/5	

(V) Committees under the Board of Supervisors

The Bank has established two committees under the Board of Supervisors, being the Nomination Committee and the Supervising Committee. The committees will operate in accordance with the terms of reference formulated by the Board of Supervisors.

1. Nomination Committee

The Nomination Committee consists of three Supervisors, being Mr. Chen Yingmei, Ms. Zhao Hongxia and Ms. Luo Yan. The Chairman of the Nomination Committee is Ms. Chen Yingmei. The primary duties of the Nomination Committee include the following:

Making proposals to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors; studying the procedures and criteria for selecting and appointing Supervisors and making proposals to the Board of Supervisors; searching for qualified candidates for Supervisors; conducting preliminarily reviews on the qualifications and conditions of candidates for Supervisors nominated by Shareholders and making proposals to the Board of Supervisors; and any other duties authorized by the Board of Supervisors.

During the Reporting Period, the Nomination Committee has convened five meetings for the consideration of 10 resolutions, including the appointment of Liu Hong as president, the appointment of Wang Xin (王昕) as vice president, the appointment of Wang Jing as vice president, the re-election of Lin Yanjun as independent director, the appointment of Wang Xin (王鑫) as assistant to the president and the appointment of Han Zhen as chief risk officer, etc.

2. **Supervising Committee**

The Supervising Committee consists of three Supervisors, being Mr. JING Fei, Mr. TIAN Deying and Ms. NIE Ying. The Chairman of the Supervising Committee is Mr. JING Fei. The primary duties of the Supervising Committee include the following:

Drafting specific plans on supervising and examining our Bank's financial activities and implement such plans; supervising the Board to establish steady business operation principle and values as wells as practicable development strategy; drafting off-office auditing plans for Directors and senior management; conducting supervising and inspection on our Bank's business operation, risk management and internal control; and any other duties authorized by the Board of Supervisors.

During the Reporting Period, the Board of Supervisors has convened seven meetings for the consideration of 24 resolutions, including the issue of the tier 2 capital bonds, the issue of small and micro enterprise special financial bonds, Final Accounts for 2015 and Financial Budget for 2016, Profit Distribution Plan for 2015, additional investment for Bank of Jinzhou Financial Leasing Co., Ltd. and participation in precise poverty alleviation, etc.

(VI) Work performed by External Supervisors

During the Reporting Period, External Supervisors have worked for more than 15 days in the Bank, their participation in the number of meetings of the Board of Supervisors was in line with the relevant requirements in the "Guidance for the Independent Director and External Supervisor Systems for Joint Stock Commercial Banks (《股份制商業銀行獨立董事和外部監事制度指引》)" and the Articles of Association, they have conscientiously considered each of the resolutions, expressed their opinions independently, professionally and objectively; they have actively participated in the inspection and investigative research projects organized by the Board of Supervisors diligently in a responsible manner, and have performed well in their supervision duties.

VI. Senior Management

The senior management is the executive organization of the Bank, and is responsible to the Board of Directors and supervised by the Board of Supervisors. The division of powers between the senior management and the Board of Directors is strictly executed in accordance with the corporate governance documents, including the Articles of Association.

The president, vice president, assistant to president, head of finance, secretary to the Board and other officers designated by the Board of Directors are the members of the senior management of the Bank.

The Bank has president, who is nominated by the Chairman of the Board of Directors, appointed or dismissed by the Board of Directors, and exercises the following duties and authorities:

1. in charge of daily operation and management of the Bank, organizing the implementation of the resolutions of the Board of Directors and to report his/her work to the Board of Directors;

2. to arrange the implementation of the annual operation plans and investment proposals approved by the Board of Directors;

3. to draft plans for the establishment, dissolution or merger of our internal management structure and branches;

4. to formulate the basic management system and specific rules and procedures;

5. to propose to the Board of Directors the appointment or dismissal of other senior management members except for those shall be proposed by the Chairman of the Board of Directors and be appointed or dismissed by the Board of Directors;

6. to appoint or dismiss management members except for those shall be proposed by the Chairman of the Board of Directors and be appointed or dismissed by the Board of Directors;

7. to authorize senior management members, persons in charge of internal functional departments and branches to engage in operating activities;

8. to decide on the remuneration, welfares and disciplinary measures for the employees of the Bank;

9. to decide on the appointment and dismissal of employees of the Bank; and

10. other functions and powers as prescribed in the Articles of Association and authorized by the Board of Directors and the Chairman of the Board of Directors.

The president who is not a Director shall be present at meetings of the Board of Directors, but have no voting rights at such Board meetings.

Remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2016 is set out below:

Remuneration bands	Number of Persons
Below RMB1,000,000	6
RMB1,000,000 - RMB2,000,000	2

VII. Delegation of Powers Authorized by the Board of Directors

The management represented by the Board of Directors and the president will perform their respective rights in accordance with the duties and responsibilities defined in the Articles of Association. In addition to executing resolutions of the Board of Directors, the management is responsible for daily operation and management activities. Significant capital expenditure projects may only be implemented after their annual budget proposals having been submitted to the Board of Directors and obtained approvals, for items not included in the budget or for items included in the budge but without breakdown in expenses, the operating management authorized by the Board of Directors will decide on such items.

VIII. Chairman of The Board and the President

The roles and duties of the Chairman of the Board of Directors and the president of the Bank are assumed by different persons.

Mr. Zhang Wei, an executive Director, is the Chairman of the Board of Directors, he is responsible for the overall strategic planning and leadership of the Board of Directors to ensure the effective operation of the Board and conduct timely discussions on all significant matters. In 2016, Mr. Huo Lingbo is the executive vice president (acting for President's duties) of the Bank, he is acting for president's duties during the period before the appointment of the president by the Bank. On 2 September 2016, Ms. Liu Hong was appointed as the president after considered and approved at the seventeenth meeting of the fourth session of the Board and is responsible for business development and overall business operation and management. The qualification of Ms. Liu Hong as the president was approved by Liaoning Regulatory Bureau of CBRC with effect from 27 February 2017. The president will be nominated by the Chairman of the Board of Directors, appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the provisions of the Articles of Association and the authorization by the Board of Directors. The roles of the Chairman of the Board and the president are established with inter-dependence and clear delineation of duties. The management is responsible for the daily operation and management.

IX. Securities Transactions by Directors And Supervisors

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

X. External Auditors and Remuneration of Auditors

The Bank engaged KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Bank for 2016, respectively. The fees as agreed to be paid by the Bank for the audit of the financial statements for the year ended 31 December 2016 and for the review of the financial statements for the period ended 30 June 2016 are RMB4.5 million.

For the year ended 31 December 2016, the fee paid by the Bank to KPMG Advisory (China) Limited Beijing Branch for the non-auditing services amounted to RMB3,795,600.

XI. Risk Management and Internal Control

Risk management and Internal control involve and are jointly enforced by the Board of Directors, Board of Supervisors, senior management members and all employees of the Bank, through the formulation and implementation of systematic systems, flow processes and methods to realize the Bank's risk management and the control of the targets via the dynamic process and mechanism. The Bank has established an internal control system covering the elements of internal control environment, risk identification and assessment, internal control activities, internal supervision and information and communication according to laws and regulations including the Company Law of the People's Republic of China (中華人民共和國公司法), PRC Banking Supervision and Regulatory Law (中華人民共和國銀行業監督管理法), Commercial Bank Law (商業銀行法), and rules including the Guidelines on Internal Control of Commercial Banks (商業銀行內部控制指引) and Basic Norms of Corporate Internal Control (企業內部控制基本規範).

(I) Procedures for identification, assessment and management of material risks

Based on the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) and its schedules issued by the CBRC, risks and relevant terminology defined by the Basel Committee, practice of the domestic and overseas peers as well as its own situation, the Bank identifies, measures and controls various overall quantitative and non-quantitative risks which may arise from the interaction between business strategies, product portfolios, client demands and the macro-economic environment.

Taking into account the capital occupancy based on risk types, risks of banks determined by regulators and capital regulatory requirements together with results from identifying and assessing risk events, the Bank collects and publishes risk warnings, draws up risk event examples, identifies, collects and assesses risk events and then determines material risks for the purpose of identifying its material risks, which include credit risk, operational risk,market risk, liquidity risk, interest risk, exchange rate risk, etc. and subsequently making assessment and analysis on them with risk measurement approaches and techniques.

(II) Main features of risk management and internal control systems

The risk management and internal control of the Bank follows the principles of full coverage, balance of powers, prudence and matching to realize the following objectives: ensure the consistent implementation of the relevant laws, regulations and rules of the PRC and the various systems of the Bank; ensure the realization of the development strategies and operation targets of the Bank; ensure the effectiveness of risk management and internal control of the Bank; ensure the truth, accuracy, completeness and timeliness of the business records, accounting information, financial information and other management information of the Bank.

With reference to leading domestic and foreign banks, the Bank places great importance to the implementation of the Basic Norms of Internal Control for Enterprises(《企業內部控制基本規範》) and its relevant guidelines and the Guidelines for Internal Control of Commercial Banks(《商業銀行內部控制指引》) in a consistent manner. By relentless risk management efforts and continuous fine-tuning of the internal control structure, a risk management and internal control management system equipped with well-defined duties and responsibilities has been built up, which clarifies risk management and internal control management duties of the Board of Directors, the Board of Supervisors and senior management and other defense lines. An adequate and effective risk management and internal control system has been formulated to run smoothly.

(1) The Board of Directors is responsible for ensuring the establishment and implementation of a sufficiently effective risk management and internal control system by the Bank and continuous supervision of the Bank's risk management and internal control system;

(2) The Board of Supervisors is responsible for supervising the Board of Directors and the senior management members to improve the internal control system; responsible for supervising the Board of Directors, senior management members to perform internal control duties. The senior management members is responsible for executing decisions of the Board of Directors; responsible for establishing systematic systems, flow processes and methods in accordance with the acceptable risk levels determined by the Board of Directors, and taking the corresponding risk management and internal control measures; responsible for establishing and improving the internal organization structure to ensure the effective performance of various risk management and internal control duties; responsible for arranging the monitoring and evaluation of the sufficiency and effectiveness of the risk management and internal control system;

(3) The Risk & Compliance Department of the Bank is the functional department for internal control management, which leads the coordination and planning, organization and implementation, inspection and evaluation of the risk management and internal control system;

(4) The Internal Audit Department of the Bank performs the supervision function of risk management and internal control, it is responsible for auditing the sufficiency and effectiveness of the risk management and internal control of the Bank, reporting timely on the problems discovered during auditing and supervising the implementation of rectifications; and

(5) The business departments of the Bank are responsible for participating in the formulation of the business systems and operation flow processes relevant to their own duties; responsible for strict implementation of the requirements of the relevant systems; responsible for organizing and commencing supervisory inspections; responsible for reporting deficiencies existing in risk management and internal control in accordance with the scheduled timelines and reporting routes and making arrangements for the implementation of rectification measures.

(III) Responsibility of the Board of Directors on risk management

In accordance with laws and regulations including the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and relevant requirements of the Hong Kong Stock Exchange, the Board of Directors of the Bank has formulated and run the risk management and internal control system. It is also responsible for the prudent operation of the Bank within the legal and policy framework and determination and establishment of acceptable risk levels. It also takes roles of ensuring our senior management members adopt necessary risk control measures as well as supervising the senior management members to monitor and assess the sufficiency and effectiveness of the risk management and internal control system.

(IV) Insider information management

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality and protect the legitimate interest of investors by maintaining fairness with regard to information disclosure, since its implementation of relevant efforts, the office of the Board of Directors has always strictly complied with domestic and offshore regulatory requirements, kept strengthening system management and promptly and appropriately disclosed relevant information in accordance with domestic and offshore laws and regulations such as the Company Law of the People's Republic of China(《中華人民共和國公司法》), the Securities Law of the People's Republic of China(《中華人民共和國證券法》), Rules on Establishment of Insider Registration and Management Systems of Listed Companies(《關於上市公司建立內幕信息知情人登記管理制度的規定》), Measures on Commercial Bank Information Disclosure(《商業銀行信息披露辦法》) and the Listing Rules and other regulatory documents including laws and regulations and listing rules or other regulatory documents of places and stock exchanges where the securities of the Bank are listed.

(V) Evaluation of effectiveness of internal control system

From the end of 2016 onwards, the Board of Directors continues to supervise the risk management and internal control system and ensures to review the effectiveness of risk management and internal control systems of the Banks and its subsidiaries. The Board of Directors has completed the review for 2016. The Board of Directors considers that the risk management and internal control system formulated and implemented by the Bank is effective and adequate. The risk management and internal control system of the Bank is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In addition, during the year ended 31 December 2016, the Board of Directors has also reviewed the effectiveness of the risk management and internal control systems of the Bank through the Risk Management Committee in accordance with code provisions C.2.1 and C.2.2 of the Corporate Governance Code, including whether the resources, the qualifications and experience of staff of the Bank in the accounting, internal auditing and financial reporting areas are sufficient, and whether the training programs for staff and the budget are sufficient.

XII. Joint Company Secretaries

At the end of the Reporting Period, the joint company secretaries are Mr. Wang Jing, an executive Director, and Ms. Leung Wing Han Sharon of SW Corporate Services Group Limited. The key contact person between the Bank and Ms. Leung Wing Han Sharon is Mr. Sun Jing of the Bank. According to Rule 3.29 of the Listing Rules, Mr. Wang Jing and Ms. Leung Wing Han Sharon have attended professional training of not less than 15 hours during the Reporting Period.

XIII. Information Disclosure

(I) Effective Communication with Shareholders

The Bank regards communication with Shareholders as highly important, and has enhanced understanding and interflow with Shareholders through a range of channels such as the general meeting, reception for visitors, paying on-site visits and telephone consultations.

(II) Amendment to Articles of Association

On 29 June 2016, the Bank convened the 2015 Annual General Meeting and approved an amendment to the relevant articles of association to enhance the Bank's operating efficiency and strengthen the trading procedures for the Bank's Shares and assets and issue additional new H shares. For details, please refer to the circular of the Bank dated 13 May 2016.

XIV. Rights of Shareholders

(I) Convening of extraordinary general meeting at the request of Shareholders

The Bank strictly adheres to the regulatory laws and regulations and the basic system of corporate governance to protect the rights of Shareholders in practice. Shareholders who wish to convene an extraordinary general meeting or a class meeting may follow the procedures as set out below:

Shareholders who individually or jointly hold more than 10% of the shares of the Bank may sign one or more copies of a written request with the same format and content for submission to the Board of Directors requesting for the convening of an extraordinary general meeting or a class meeting of Shareholders, with a description on the issues to be addressed. The Board of Directors shall provide a written reply on its consent or disagreement to the convening of an extraordinary general meeting or a class meeting of Shareholders in response within 10 business days upon receipt of the request in accordance with the requirements of the laws, administrative regulations and Articles of Association;

If the Board of Directors has agreed to convene an extraordinary general meeting or a class meeting of Shareholders, it should issue a notice of general meeting or class meeting of Shareholders within 5 business days after the decision has been made by the Board of Directors, any change made to the original request in the notice should obtain consent from the relevant Shareholders;

If the Board of Directors has disagreed to convene an extraordinary general meeting or a class meeting of Shareholders, or has not issued a reply within 10 business days after receipt of the request, then Shareholders who individually or jointly hold more than 10% of the shares of the Bank are entitled to make a proposal to the Board of Supervisors to request for convening an extraordinary general meeting, and the proposal made to the Board of Supervisors must be in writing;

If the Board of Supervisors has agreed to convene an extraordinary general meeting or a class meeting of Shareholders, it should issue a notice of general meeting or class meeting of Shareholders within 5 business days after receipt of the request, any change made to the original request in the notice should obtain consent from the relevant Shareholders;

If the Board of Supervisors has not issued a notice of general meeting or class meeting of Shareholders within the prescribed period, the Board of Supervisors is deemed not to convene and preside over a general meeting or class meeting of Shareholders, Shareholders who individually or jointly hold more than 10% of the shares of the Bank for 90 days consecutively may convene and preside over a general meeting or class meeting by themselves.

(II) Proposals for General Meetings

In general meetings of Shareholders convened by the Bank, the Board of Directors, Board of Supervisors and Shareholders who individually or jointly hold more than 3% of the Shares are entitled to submit resolution proposals to the Bank.

Shareholders who individually or jointly hold more than 3% of the Shares may submit a provisional proposal in writing to the convener 10 days before the date for convening the general meeting. The convener shall issue a supplementary notice of general meeting within two days after receipt of such proposal and make an announcement on the content of the provisional proposal.

XV. Investor Relations

For enquiries made to the Board of Directors by Shareholders and investors, please contact to:
Office of the Board of Directors of Bank of Jinzhou Co., Ltd.
No. 68 Keji Road, Jinzhou City, Liaoning Province, PRC
Telephone: +86 (416) 3220002
Facsimile: +86 (416) 3220003
E-mail: webmaster@jinzhoubank.com

Principal Place of Business in Hong Kong of Bank of Jinzhou Co., Ltd.: 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Investors may view this annual report on the website of the Bank (www.jinzhoubank.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk)

XVI. Enquires from Shareholders

If the Shareholders have any enquiries on matters relating to the H Shares held, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

If the Shareholders have any enquiries on matters relating to the Domestic Shares held, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Office of the Board of Directors of Bank of Jinzhou Co., Ltd.
No. 68 Keji Road, Jinzhou City, Liaoning Province, PRC
Telephone: +86 (416) 3220002
Facsimile: +86 (416) 3220003

The Board is pleased to present the Directors' report together with the audited financial statements of the Bank for the year ended 31 December 2016.

I. Principal Business Overview

The Bank is engaged in a range of banking services and related financial services. The information on business review of the Bank for the year ended 31 December 2016 is set out in "Management Discussion and Analysis" of this annual report.

II. Profits and Dividend

The Bank's revenue for the Reporting Period and the Bank's financial position as at the same date are set out in the financial statements for this year.

The Board has proposed the payment of a cash dividend of RMB0.15 per Share (tax inclusive) for the year ended 31 December 2016 in aggregate amount of RMB1,017,242,352.6 (tax inclusive) to all Shareholders, subject to the Shareholders' approval at the annual general meeting of 2016. Such proposed dividend will be denominated in RMB. Dividends payable to holders of Domestic Shares shall be paid in RMB, whereas dividends payable to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to Hong Kong dollars to be adopted shall be the average middle exchange rates of the five business days preceding and including the date of declaration of such dividends at the annual general meeting as announced by the PBOC. The dividend distribution plan will be submitted to the annual general meeting of 2016 for consideration and approval. If such proposal is approved at the annual general meeting of 2016, the dividend will be distributed to holders of Domestic Shares and holders of H Shares whose names appear on the register of members on 9 June 2017 by the Bank. Such dividend is expected to be paid to Shareholders on or before 24 July 2017.

According to the Enterprise Income Tax Law of the PRC（中國企業所得稅法）and its Regulation on the Implementation effective from 1 January 2008, the Bank shall withhold and pay the enterprise income tax at a rate of 10% for the non-resident enterprise Shareholders who are entitled to receive the above dividend. For the requirements on tax relief, please refer to paragraph 26 of this section.

The amounts of cash dividends and ratios of cash dividends to profit for the year for the last three years:

(In thousands of RMB, other than percentages)	2015	2014	2013
Cash dividend (tax inclusive)	780,518	528,268	409,735
As a percentage of profit for the year	15.9	25.0	30.3

III. Changes in the Reserves

Details of our changes in the reserves and the distributable profit reserve for the year ended 31 December 2016 are set out in "Consolidated Statements of Changes in Equity" in this annual report.

IV. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Bank for the five years as of the reporting period is set out in"Financial Highlights"of this annual report.

V. Donations

For the year ended 31 December 2016, the Bank made charity and other donation of RMB300,000 in aggregate.

VI. Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended 31 December 2016 are set out in note 25 to the financial statements in this annual report.

VII. Retirement Benefits

Details of the retirement benefits provided by the Bank to employees are set out in note 33 to the financial statements in this annual report.

VIII. Substantial Shareholders

Particulars of the substantial Shareholders as at the end of the Reporting Period are set out in "Changes in Share Capital and Particulars of Shareholders–Interests and Short Positions of Substantial Shareholders and Other Persons" of this annual report.

IX. Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, neither of the Bank and any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

X. Pre-emptive Rights

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders. The Articles of Association provides that the Bank may increase its capital by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, issuing new Shares to specific targets, transferring capital reserve to increase capital or by any other ways permitted by laws and administrative regulations.

XI. Major Customers

At the end of the Reporting Period, the five largest depositors and the five largest borrowers of the Bank accounted for less than 30% of total deposits and total loans and advances.

XII. Use of Proceeds

On 28 December 2016, the Bank successfully placed and issued, in aggregate, 1,000,000,000 H Shares at the placing price of HK$7.50 per Share with an aggregate gross proceeds from the placing amounted to approximately HK$7.5 billion. Such proceeds (after dedulting costs and expenses) have been applied in the replenishment of the core tier-one capital of the Bank.

XIII. Share Capital

To further improve the Bank's capital adequacy ratio and enhance its risk resistance capability and profitability by replenishing its core capital, on 28 December 2016, the Bank placed and issued, in aggregate, 1,000,000,000 H Shares. As at the end of the Reporting Period, the Bank had a total of 6,781,615,684 Shares in issue, including 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares.

Details of the changes in share capital of the Bank during the Reporting Period are set out in note 39 to the financial statements in this annual report.

XIV. Directors, Supervisors and Senior Management Members

Particulars of the Directors, Supervisors and senior management members of the Bank are set out in "Directors, Supervisors, Senior Management, Employees and Organizations" of this annual report.

XV. Confirmation of Independence by the Independent Non-executive Directors

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence, and was of the view that all of its independent non-executive Directors are independent pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules.

XVI. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and its Associated Corporations

As at the end of the Reporting Period, the interests or short positions of the Directors, the Supervisors and the chief executive of the Bank in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules are as follows:

Name	Position in the Bank	Class of Shares	Nature of interest	Number of Shares [1]	Percentage of Domestic Shares (%) [1]	Percentage of the total share capital of the Bank (%) [1]
ZHANG Wei	Chairman and Executive Director	Domestic Shares	Beneficial owner	374,670(L)	0.00879	0.00552
CHEN Man	Executive Director and vice president	Domestic Shares	Beneficial owner	374,670(L)	0.00879	0.00552
ZHAO Jie	Executive Director	Domestic Shares	Beneficial owner	119,065(L)	0.00279	0.00176
WANG Jing	Executive Director, secretary to the Board and vice president	Domestic Shares	Beneficial owner	81,679(L)	0.00192	0.00120
WANG Xiaoyu	Executive Director and head of finance	Domestic Shares	Beneficial owner	71,027(L)	0.00167	0.00105
LI Dongjun[2]	Non-executive Director	Domestic Shares	Interest of controlled corporation	213,507,565(L)	5.00687	3.14833
			Interest of controlled corporation	33,179,021(L)	0.77807	0.48925
HUO Lingbo	Executive vice president (acting for President's duties)	Domestic Shares	Beneficial owner	282,635(L)	0.00663	0.00417
			Interest of spouse[3]	86,472(L)	0.00203	0.00128
XU Fei	Vice chairman of Board of Supervisors and Employee representative Supervisor	Domestic Shares	Beneficial owner	70,770(L)	0.00166	0.00104
LUO Yan	Employee representative Supervisor	Domestic Shares	Beneficial owner	75,596(L)	0.00177	0.00111
SHI Hongmiao	Employee representative Supervisor	Domestic Shares	Beneficial owner	15,257(L)	0.00036	0.00022
LI Xiu	Employee representative Supervisor	Domestic Shares	Beneficial owner	55,958(L)	0.00131	0.00083
TIAN Deying[4]	Shareholder representative Supervisor	Domestic Shares	Interest of controlled corporation	100,642,000(L)	2.36011	1.48404

Notes:

(1) At the end of the Reporting Period, the Bank had a total of 6,781,615,684 Shares in issue, including 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares. L represents long position.

(2) Such Shares are held by Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司) and Dalian Changxing Island Green-city Development Co., Ltd. (大連長興島綠城發展有限公司) as to 213,507,565 shares and 33,179,021 shares, respectively. 99% equity interests in Jincheng International Logistics Group Co., Ltd. is held by Mr. Li Dongjun. Dalian Changxing Island Green-city Development Co., Ltd. is wholly-owned by Jinlian Asset Management Co., Ltd. (錦聯資產管理有限公司), which is in turn wholly-owned by Jinlian Investment Group Co., Ltd. (錦聯控股集團有限公司), whose 90% equity interests in turn is owned by Mr. Li Dongjun. Under the SFO, Mr. Li Dongjun is taken or deemed to be interested in all the shares held by Jincheng International Logistics Group Co., Ltd. and Dalian Changxing Island Green-city Development Co., Ltd.

(3) Under the SFO, Mr. Huo Lingbo is taken or deemed to be interested in all the shares held by his spouse.

(4) Such Shares are held by Beizhen Deying Oil Shale Processing Co., Ltd. (北鎮德營油母頁岩油有限公司), which is controlled by Mr. Tian Deying. Under the SFO, Mr. Tian is taken or deemed to be interested in all the shares held by Beizhen Deying Oil Shale Processing Co., Ltd.

Save as disclosed above, none of the Directors, the Supervisors and the chief executive of the Bank held any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations at the end of the Reporting Period.

XVII. Relationships between Directors, Supervisors and Senior Management Members

There are no relationships between each of the Directors, Supervisors and senior management members of the Bank, including financial, business, family or other material/relevant relationships.

XVIII. Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period was the Bank, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors of the Bank or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

XIX. Interests of Directors and Supervisors in Material Transactions, Arrangements or Contracts and Service Contracts

Saved for the continuing connected transactions and material related party transactions disclosed in this annual report, none of the Directors or Supervisors (or their connected entities) had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Bank or its subsidiaries subsisting during or at the end of the Reporting Period. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank or its subsidiaries within one year without payment of compensation (other than statutory compensation).

XX. Management Contract

During the Reporting Period, there was no any contract in relation to the management or administration of the whole or any substantial part of business of the Bank or its subsidiaries.

XXI. Interests of Directors and Supervisors in Competing Businesses

During the Reporting Period, none of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, directly or indirectly, with the business of the Bank.

XXII. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. Details of the Bank's corporate governance are set out in the Corporate Governance Report of this annual report.

XXIII. Connected Transactions

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) and certain third parties specified under the Listing Rules constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, as such connected transactions were entered into in the ordinary and usual course of business and on normal commercial terms or better, they can be fully exempted from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all of its connected transactions and confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in note 46 to the financial statements in this annual report also constitute fully exempt connected transactions or continuing connected transactions as defined under the Listing Rules, but none constitute any discloseable connected transaction as defined under the Listing Rules.

XXIV. Remuneration Policies for Directors, Supervisors and Senior Management Members

Under the guidance of the relevant policies of the PRC, the Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members.

The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with the relevant reform and promoting the marketization, monetization and standardization of the income allocation of the Bank's senior management. The Bank implements the remuneration system with the remuneration comprising basic salary, performance bonus, mid-to-long term incentives and allowances.

XXV. Public Float

Based on the public information available to the Bank and to the knowledge of the Directors, as at the date of this annual report, the Bank has maintained sufficient public float as required by the Listing Rules.

XXVI. Tax Relief (H Shareholders)

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

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

For those non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of less than 10% (applicable in the case of distributing cash dividends to the residents thereof), the Bank shall withhold the individual income tax at the rate of 10% for such Shareholders. Should such Shareholders demand that amount in excess of the individual income tax payable under the taxation treaty be refunded, the Bank shall apply for the refund from the relevant inland revenue departments, provided however that such Shareholders have submitted relevant documents in accordance with the requirements of the Administrative Measures on Enjoying Treatment under Taxation Treaties by Non-residents (Trial) (非居民享受稅收協議待遇管理辦法 (試行)) (Guo Shui Fa [2009] No. 124) within a stipulated time frame.

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

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

XXVII. Auditors and Review of Annual Results

KPMG Huazhen LLP was engaged by the Bank as the auditors for the PRC general accepted accounting principles ("**PRC GAAP**") financial statements of the Bank for 2016. KPMG was engaged by the Bank as the auditors for the International Accounting Standards ("**IAS**") financial statements of the Bank upon listing of H Shares.

XXVIII. Permitted Indemnity Provision

There is no permitted indemnity provision was or is in effect which benefit for the Directors of the Bank (whether entered into by the Bank or not) or its associates (entered into by the Bank) at any time during the financial year and up to the date of this annual report.

XXIX. Major Risks and Uncertainties

Major risks and uncertainties faced by the Bank include credit risk, operational risk, market risk and liquidity risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Bank has effectively enhanced its risk management capability. For details, see "Management Discussion and Analysis-Risk Management" of this annual report.

XXX. Future Development of Business

Please refer to "Management Discussion and Analysis-Environment and Outlook" and "Management Discussion and Analysis-Development Strategies" of this annual report for further details.

XXXI. Key Financial Performance Indicators and Analysis

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

On 28 December 2016, the size of additional H shares issued was 1 billion shares, all of which were used to replenish the capital of the Bank. At the end of the Reporting Period, the Bank's capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio was increased to 11.62%, 9.80% and 9.79%, respectively.

XXXII. Environmental Protection Policy and Implementation

The Bank places great emphasis on its own environmental and social performance by integrating the banking operation and management with social responsibilities dynamicly, actively supporting green credit business, increasing its support on green economy, low-carbon economy and recycling economy and strictly controlling the "High-pollution, High-energy-consumption and Overcapacity(兩高一剩)" industries. In addition, the Bank implements initiatives including green office, energy-saving building, green procurement and water and electricity saving, adheres to the philosophy of "Thrift business operation (勤儉辦行)", promotes energy saving and emission reduction and practices economy to enhance the level of intensive management.

XXXIII. Compliance with Laws and Regulations

The Board paid close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. The Bank has engaged domestic and overseas legal counsels ensure that transactions and business of the Bank are carried out under applicable laws that have significant impact on the Bank. Relevant employees and operation units will update the Bank's rules on a timely basis upon changes in laws and policies.

XXXIV. Relationship with Significant Individuals

The Bank places utmost emphasis on the enterprise cultural construction, employee management and training and endeavors to build stable and harmonious employment relations. The Bank always treasures employees as one of its most important and valuable assets and cherishes employees' contribution and support. The Bank endeavors to create a harmonious and comfortable working environment, provide sound welfare and compensation system and reasonable career promotion channel for its employees. By means of appropriate trainings and opportunity offering, the Bank helps employees in career development and promotion.

The Bank actively provides deposit customers, loan customers and interbank fund customers with diversified financial services and enhances product and service innovation in order to improve the level of customer satisfaction and win customers' understanding, trust and support, thus maintaining sound relationship with customers. For loan customers, especially those related customers, the Bank insists on the market principle and will not provide credit support to them on a priority basis.

XXXV. Debts Securities

Issuance of Tier 2 Capital Bonds8

At the end of the Reporting Period, the information of our issued debt securities are as follows:

The Bank issued the fixed rate tier-two capital debts of RMB1,500 million on 24 January 2014. The maturity is 10 year and the coupon rate is 7.00%. The Bank has an option to redeem the debts at the nominal amount on 28 January 2019.

The Bank issued the fixed rate tier-two capital debts of RMB2,500 million on 26 December 2016 to further supplement the working capital and satisfy the operational needs. The maturity is 10 year and the coupon rate is 4.30%. The Bank has an option to redeem the debts at the nominal amount on 27 December 2021.

Issuance of Interbank Deposit Certificates

At the end of the Reporting Period，36 interbank deposit certificates were issued by the Bank at a total cost of RMB26,229 million.

XXXVI. Equity-linked Agreement

At the ende of the Reporting Period, the Bank did not enter into any equity-linked agreement.

XXXVII. Subsequent Events

Please refer to note 54 to the financial statement included in this annual report for details of the subsequent events.

I. Report on Major Work

Convening of the Meetings: During the Reporting Period, the Board convened eight Board of Supervisors meetings, at which 93 resolutions were reviewed and considered, including the work report of the Board of Supervisors, report on the mutual evaluation of external supervisors, internal audit work report, financial budget and final accounts report, profit distribution plan as well as the appraisal report on the performance of Directors and Supervisors; totally 12 meetings of the supervising committee and the nomination committee under the Board of Supervisors were called to consider 34 resolutions, including diligent duty performance, financial management, profit distribution, risk management, internal control and other business matters. In addition, Supervisors also observed the Shareholders' general meetings and the meetings of the Board of Directors, received the resolutions of the Shareholders' general meetings and supervised the matters to be considered and approved at the Board of Directors meetings and the relevant procedures.

Establishment of Systems: During the Reporting Period, the Board of Supervisors amended and improved the Procedures for Meetings of the Board of Supervisors of Bank of Jinzhou Co., Ltd. (《錦州銀行股份有限公司監事會議事規則》) in accordance with the Guidelines on Corporate Governance of Commercial Banks(《商業銀行公司治理指引》) and the Listing Rules, and provided system support for the performance of duties and effective functioning of the Board of Supervisors.

Supervision on Performance of Duties: During the Reporting Period, the Board of Supervisors prudently performed its duties in accordance with the Company Law and the Articles of Association. In the principle of maintaining the interests of the Bank and its Shareholders, the Board of Supervisors diligently attended all previous Shareholders' general meetings and observed the meetings of the Board and the senior management to further strengthen the comprehensive supervision on the performance of Directors and the senior management. The Board of Supervisors supervised the decision-making process, operation and management, internal control, risk management and other matters of the Bank by means of grass-root inspection tour, retrieval of information, department interviews and communication with the external auditors, which led the Board of Supervisors to play its functional role effectively.

Daily Supervision: In order to fully playing its functional role, the Board of Supervisors enhanced supervision efficiency and performed supervision functions by making full use of meetings, audit reports and comprehensive analysis. Firstly, the Board of Supervisors kept itself fully aware of the risk profile of the Bank through the reviewing of internal audit reports and risk analysis reports to supervise and guide the establishment of internal audit and risk management. Secondly, the Board of Supervisors took full advantage of the joint system between the Board Office, the Office of the Board of Supervisors and the president's office to enhance the dissemination of all kinds of information, advise on the decisions with respect to operation and management, monitor the implementation of rectifications, coordinate and solve difficult problems, conduct regular communication with the Board and the senior management in relation to important tasks and timely circulate a notice to the relevant departments and branches. Thirdly, the Board of Supervisors collected information, carried out supervision, periodically summarized such information with designated persons, timely conducted relevant analysis and dynamic tracking and constantly made adjustments, which ensured the smooth functioning of the Board of Supervisors.

Self-reinforcement of the Board of Supervisors: According to the duties of the Board of Supervisors and the requirements for performance of duties after the listing, the Board of Supervisors organised and developed the training programs regarding the Supervisors' performance of duties and actively participated in the special trainings on corporate governance in all respects given by intermediary institutions for listing to comprehensively improve its theoretical level and ability to perform its duties and expand the breadth and depth of corporate governance expertise, which facilitated the establishment of the Bank's corporate governance system.

II. Independent Opinions on Relevant Matters

(I) Performance of Duties by the Board of Directors and the Senior Management

During the Reporting Period, the Board of Directors and the senior management conscientiously performed their duties according to the Guidelines on Corporate Governance of Commercial Banks and the Articles of Association. In making major business decisions, they worked concertedly and industriously in a cautious and prudent manner to overcome various obstacles and difficulties, and led the Bank to achieve excellent performance. The senior management continued to enhance their capabilities on the execution of strategic decisions and prudently formulated and implemented various measures, ensuring that all tasks of the Bank were fully completed.

(II) Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank operated its businesses in compliance with laws. Its decision-making procedures complied with laws, regulations and the provisions of the Articles of Association. The Directors and the senior management were faithful, honest and diligent in carrying out their duties. There occurred no acts in material violation of laws and regulations and detrimental to the interests of Shareholders.

(III) True Status of Financial Reporting

The 2016 financial report of the Bank was prepared according to the International Financial Reporting Standards and it was audited by KPMG in accordance with the Hong Kong Auditing Standards, and KPMG issued an audit report with no qualified opinions. The financial report fairly and truly reflects our financial position as at 31 December 2016 and the operating result and cash flow in 2016.

(IV) Use of Proceeds

During the Reporting Period, the Bank placed 1,000,000,000 new H Shares and the aggregate amounts from the placing amount to HK$7.5 billion. The proceeds (after deducting relevant fees and expenses) was used to replenish the core tier 1 capital; the Bank issued tier 2 capital bonds in an amount of RMB 2.5 billion, it was used to replenish the tier 2 capital (after deducting relevant fees and expenses) according to the applicable laws and approvals of regulatory authorities. The uses of proceeds of the Bank were consistent with the uses committed in the prospectus of our Bank.

(V) Connected Transactions

During the Reporting Period, the pricing of the Bank's connected transactions were fair and reasonable, not detrimental to the interests of Shareholders or the benefits of the Bank.

(VI) Internal Control

During the Reporting Period, the Bank continued to strengthen and improve its internal control. The comprehensiveness and effectiveness of the Bank's internal control were continuously improved. The Board of Supervisors was not aware of any material defect in the Bank's internal control system or its implementation.

(VII) Implementation of the Resolutions of General Meetings

During the Reporting Period, the Board of Supervisors had no objection to all such reports and resolutions submitted by the Board of Directors to the general meeting for consideration and approval in 2016. The Board of Supervisors supervised the implementation of the resolutions of the general meetings and considered that the Board of Directors had prudently implemented the resolutions of the general meetings.

Chapter 11 Social Responsibility Report

In 2016, by adhering firmly to the mission of "Satisfying our customers, Enhancing value for Shareholders and Taking social responsibility" and further strengthening management on social responsibility, Bank of Jinzhou achieved good performance in the development of business under the guidelines of "Switching mode, Adjusting structure, Controlling risk and Stabilizing development", while taking initiatives to perform corporate social responsibilities for serving the community, contributing to community and benefiting the community.

Responsibilities towards the State

The Bank actively echoed strategic policies of the State, explored new channels and new modes to support the development of the real economy, dedicated efforts to enhance the level of service for the real economy, and assisted the healthy and stable development of the real economy through the multiple initiatives of reviving the northeastern old industrial base, supporting collaborative development of "Beijing-Tianjin-Hebei", assisting the development and growth of small and medium sized enterprises, enhancing financial service capabilities for "Three Rural" and promoting the development of emerging industries.

Responsibilities towards the Shareholders

The Bank attaches great importance to protecting Shareholders' interests, and creates long-term value for Shareholders by improving the corporate governance structure and risk management system continuously, regulating the internal control management system, actively facilitating the establishment of the information disclosure system, dedicating efforts to maintain investor relations and enhancing economic efficacy steadily.

Responsibilities towards the Customers

The Bank relies on the diversified financial industry platform to provide high quality, efficient, integrated and comprehensive financial services to customers through innovations in products and services. Customer experience will be improved by accelerating the transformation and upgrading of service outlets, as well as widening customer service channels. The interest of customers will be safeguarded actively and the security of customers' information will be protected.

Responsibilities towards the Employees

The Bank always adheres to the theory that business will thrive on talents, and optimizes allocation of human resources continuously, safeguards and protects the legitimate interests of employees, strengthens the nurturing and development of talents, cares for the healthy development of staff, enriches the lifestyle of staff after work, endeavors to provide a safe and steady working environment for staff and creates room for good development, so that the ideal career of each employee will intertwine with the development of the Bank.

Responsibilities towards the Environment

The Bank has been improving the green credit policy by dedicating efforts to develop low-carbon finance, actively developing green public welfare, self-implementing low-carbon and environmental protection development concepts and endeavoring to promote sustainable development of the ecological environment. It fully implements green office, practically incorporates eco-buildings into all aspects and the whole process of operational management, and strives to reduce the impact of its own operation on the ecological environment to build a green home jointly.

Responsibilities towards the Community

Beyond realizing our own development, the Bank is also actively committed to social welfare activities, supports and promotes poverty relief work with precise targets, develops a wide range of diversified relieving activities and various types of volunteer services to establish a good social responsibility image for the Bank and realize coordinated development between the Bank and the community.

In 2017, the Bank will further its step on management of corporate responsibility, enhance the comprehensive competitiveness of the Bank continuously, dedicate effort to cultivate a good corporate culture in the Bank and actively contribute to the community to perform corporate social responsibilities well.

Chapter 12 Internal Control and Internal Audit

I. Internal Control System and Control Activities

(I) Internal Control Organization System

The Bank has established an independent internal control organization structure. Pursuant to the relevant laws and regulations of PRC and the "Articles of Association of Bank of Jinzhou Co., Ltd.", a corporate governance structure and the rules of procedures have been established to delineate the duties and permitted authorities in the areas of decision-making, implementation and supervision, and a more scientific and effective division of duties and a balancing mechanism have been formed.

On the establishment and implementation of internal control, the Board of Directors shall be responsible for establishing sound and effective measures: it is responsible to ensure the establishment and implementation of a sufficient and effective internal control system; and is responsible for supervising the senior management to conduct supervision and evaluation on the effectiveness of internal control to ensure that continuous and effective improvements will be made to the system. The senior management is responsible for organizing and leading the daily operation of internal control in the Bank: it is responsible for executing the relevant decisions of the Board of Directors on internal control, conducting supervision and evaluation on the effectiveness of internal control; responsible for establishing and improving the internal organization structure to ensure the effective performance of the various functions of internal control. The Risk & Compliance Department, being a functional department for internal control management, will lead the coordination and planning, organization and implementation, and inspection and evaluation of the internal control system. All business departments are responsible for participating in the formulation of the business systems and operation flow processes relevant to their own duties; responsible for strict implementation of the requirements of the relevant systems; responsible for organizing and commencing supervisory inspections; responsible for reporting deficiencies existing in internal control in accordance with the scheduled timelines and reporting routes and making arrangements for the implementation of rectification measures. Branches and sub-branches are responsible to implement the overall requirements of internal control according to the instructions of their superior institution, as well as to carry out the daily work of establishment and implementation of internal control within its own organization.

On supervision and evaluation of internal control, the Board of Supervisors of our Bank will be responsible for overseeing the Board of Directors in the establishment and implementation of internal control, supervising the Directors and members of the senior management to perform their duties in accordance with the laws and rectifying any acts which are harmful to the interest of the Bank. The Audit Committee under the Board of Directors is responsible for supervising the effective implementation of internal control and the evaluation of internal control, and coordinating internal control audits and other related matters. The Internal Audit Department, the functional department for internal control management and the business departments are responsible for performing supervision and inspection on internal control, and establishing a supervision and inspection system covering branches of all levels, all products and all business flow processes according to division of work with coordination and cooperation. A rectification mechanism for problems of internal control will be established by the Bank to determine the departments responsible for rectification, to regulate the rectification work flow process, and to ensure that rectification measures are duly implemented. For any material deficiency discovered in the course of supervision and inspection, the Internal Audit Department is entitled to report directly to the Board of Directors and its Audit Committee and the Board of Supervisors; regular evaluation on the effectiveness of internal control will be carried out, and an internal control evaluation report will be issued according to the evaluation result.

(II) The Internal Control System

The Bank attaches high importance to system establishment, a uniform amendment to the codification of the overall system on bank-wide basis will be carried out every year led by the Risk & Compliance Department of the Headquarters. The Headquarters has established a mail box for submitting system proposals by anyone in the Bank and collecting proposals for all line systems. The Risk & Compliance of the Headquarters is responsible for collecting proposals and communicating with the relevant departments, and performs follow-up work on the proposed system improvement measures to provide timely feedback to the proposing entity, forming a smooth communication mechanism between the Headquarters and the branches on system establishment. On the other hand, problems discovered in the auditing process by the Internal Audit Department of the Headquarters, such as system deficiencies, defects or obsoleteness, will be reflected in the audit report, and rectifications will be implemented under the supervision of the Risk & Compliance Department of the Headquarters. Through continuous improvements and experience accumulated over the years, the Bank has formed a relatively comprehensive and dynamic system management mechanism to ensure the maximum integrity of various systems and operation flow processes through a range of proven effective management measures and methods. In 2016, the Bank further improved our system by initiating the "Regulating both business and management" campaign, which improved standard of work and enhanced awareness of compliance, and in turn established a unified standard and regulation for our works from now on. The compilation of the new edition of the system codification was headed by the risk & compliance department in the headquarters, which totally includes all systems of 25 departments in the headquarters, with a total of 4,000,000 words, and covers the critical segments of all business processes and each business activity, the points of risks have been managed effectively, responsibilities of the departments and individuals are clearly determined, and blind spots of supervision have been eliminated. The perfection of a system will be the basis for the implementation and good effects of the system.

(III) The Establishment of Internal Control

During the Reporting Period, the Bank continued to follow closely the guidance of "changing method, adjusting structure, and controlling risk management", and adhered to the principles of "priority for internal control" and "prudent operation", amendments and improvements were made to the overall system of the Bank continuously according to regulatory requirements, operation and management needs, risk management needs and the requirements under the Measures for the Management of the System of Rules and Regulations of the Bank of Jinzhou (《錦州銀行規章制度管理辦法》). The amended system covers all business lines, all operation positions and each employee, and the improved rules and regulations are announced timely on the intranet, and published in booklets for distribution to all branches and sub-branches to ensure the appropriate execution of the rules and regulations by employees. The Bank has established a training system with multiple channels for three levels, namely headquarters, branches and sub-branches, as well as a network university based on the E-learning platform. All employees may participate in the learning programs offered on the E-learning platform in a systematic manner. Publicity through newsletters and journals of the Bank and OA systems has been generated to promote sufficient awareness among employees on the importance of internal control and their participation in control activities. Our rectification tracking mechanism linked to the relevant departments has been operating effectively to tackle various types of problems discovered in inspections, such as the President's Office is responsible for supervision and control of the operating effect of rectification tracking and the penalty mechanism, the Internal Audit Department is responsible for the initiation of rectification tracking and initial determination of the responsible person for non-compliance acts, the Risk & Compliance Department is responsible for organizing and coordinating rectification tracking, the Human Resources Department is responsible for the execution of penalties and compliance performance appraisal, and the departments in charge of all business lines are responsible for confirming the rectification for problems discovered in internal auditing, realizing the sharing of information among departments at the Headquarters and timely acknowledge the existing condition of business operations, deficiencies in the system and inadequacy in implementation and other issues of the Bank. For non-compliance acts, the Bank will impose strict liability according to the Measures of Punishment on Financial Non-compliance Acts by Employees of the Bank of Jinzhou (Trial) (《錦州銀行員工金融違規行為處罰辦法(試行)》) and the Detailed Rules of Compliance Appraisal of the Bank of Jinzhou (《錦州銀行合規考核細則》), punishment will be imposed without preferential treatment. During the Reporting Period, compliance appraisal will continue to be regarded as an important integral part of the performance appraisal on branches, leading to the emphasis on compliance and risk management within the organization. Risk prevention and legal compliance will be placed in the top priority position in the course of development so as to eliminate imprudent operating behavior encouraged by or arising from improper performance appraisal policy at its source.

(IV) Supervision and Appraisal of Internal Control

During the Reporting Period, the Internal Audit Department of the Bank has conducted an independent review on the soundness and effectiveness of the internal control system according to the requirements of the Basic Norms of Corporate Internal Control (《企業內部控制基本規範》) and Provisional Measures for Internal Control Appraisal of the Bank of Jinzhou (《錦州銀行內部控制評價試行辦法》) on the basis of self-evaluation in all business departments, branches and sub-branches, no material deficiency has been discovered in the establishment and implementation of internal control in the Bank, and the internal control system of the Bank is regarded as complete, reasonable and effective. Pursuant to the Measures for Inspection and Punishment for the Implementation of the System of Rules and Regulations of the Bank of Jinzhou (《錦州銀行規章制度執行情況檢查和處罰辦法》), the Bank has implemented a regular inspection mechanism on the effective operation and implementation of the system at the levels of Headquarters, branches and sub-branches, monthly self-inspections have been conducted by sub-branches, quarterly inspections have been conducted on business lines of branches, and half-yearly inspections have been conducted on business lines at the Headquarters, together with a risk-oriented internal audit performed on annual basis and inspections conducted by the compliance department, thus effective implementation of the regulatory requirements and the various rules and regulations of the Bank has been ensured, problems and potential hazards existing in the respective organs have been timely discovered, investigations are conducted to find out the causes and practicable measures are adopted, followed by rectification tracking. Through self-inspection and rectification, the compliance capability and internal control standards of the Bank have been enhanced comprehensively.

(V) Building an Internal Control Culture

Through the promotions of a series of campaigns, such as the "Year of Risk Management", the "Year of Compliance Establishment", "Year of System Implementation" and the "Regulating both business and management", the compliance awareness throughout the Bank has been enhanced over the years. The concepts of compliance have been repeatedly emphasized, such as "Compliance is the cornerstone of development", "Compliance is the duty of everyone", "Compliance creates value", "Compliance starts from senior management" and "Be proactive in compliance", such concepts are deeply rooted in the hearts of everyone, and the atmosphere of compliance of "Glorious for compliance and Shameless on non-compliance" has been formed. The compliance and risk management mechanism of the Bank has been operating in an orderly manner. All employees of the Bank, under the influence of corporate culture, have established good working practice for a long term, they respect their jobs and industry, they are willing to contribute, work diligently and live a simple life, a culture of compliance in "learning regulations, knowing regulations, conforming to regulations and applying regulations" has been formed gradually, which has played a key and positive role in maintaining a zero record of non-compliance case by the Bank persistently over many years.

II. Internal Audit

The Bank has established an independent and sound internal audit management structure. The Audit Committee is formed under the Board of Directors to conduct audit and supervision on the progress of internal audit work. The Internal Audit Department is accountable to the Board of Directors and the Audit Committee, and has laid the foundation for carrying out independent and objective internal audit work. The Internal Audit Department of the Bank is authorized by the Board of Directors to conduct internal audits independently, without interference from other departments and individuals, and it will not participate in the operating activities within the scope of duties of other departments. The Bank has established a comprehensive internal audit system adapted to its own current development conditions, and the concept of "circular auditing" has been implemented consistently. Audit projects are conducted strictly according to the audit manual, the scope of audit covers all business lines and branches and sub-branches of the Bank, and the audits are carried out according to the auditing process and reporting system. Opinions and proposals will be provided to tackle deficiencies in internal control discovered in the course of auditing, tracking on the implementation of rectifications will continue to facilitate the transformation of audit result into the realization of value-added auditing.

During the Reporting Period, the Internal Audit Department of the Bank continued to further establish the internal audit management system, with enhancing risk management and elevating the standard of internal control as major working objectives, regulatory developments and actual developments of the Bank as the guiding directions, the scope and meticulousness of audit had been increasing. Based on the completion of the annual auditing tasks qualitatively and efficiently and combining with audit basic work and process of departmental development and practical regulation, two large-scale self-inspection special projects were conducted on bank-wide basis according to regulatory requirements and our Bank's business condition, so that the internal audit work of the Bank became highly consistent with the regulatory guidelines. The linkage between supervision and auditing was further developed to capture the pulse of regulatory guidance. While completing regular audit projects, the Internal Audit Department of the Bank also emphasized on the implementation of special audit projects by conducting regular audit projects on business lines with high risk and areas of key concern to the regulatory authorities. Through innovative auditing models and auditing methods, continuous optimization in audit report template and division of work among employees, utilizing the audit system platform fully and increasing efforts in off-site inspections and upgrading system functions regularly, in order to provide powerful data support for on-site auditing, the flow process of audit project management was also optimized, providing powerful support for the commencement of audit work.

Chapter 13 Important Events

I. Related-party Transactions

No material related-party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

II. Material Litigation and Arbitration

As at the end of the Reporting Period, the pending litigations to which the Bank was a defendant involved RMB103.914 million which in the opinion of the Bank would have no material impact on the Bank's business operations. During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

III. Penalties Imposed on the Bank and its Directors, Supervisors and Senior Management Members

During the Reporting Period, the Bank, all Directors, Supervisors and senior management members had no record of being subject to inspections, administrative penalties and circulating criticisms by China Securities Regulatory Commission or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that caused significant impact on the Bank's operation.

IV. Material Contracts and Their Performance

During the Reporting Period, the Bank had no material contracts to be performed.

V. Material Acquisition and Disposal of Subsidiaries, Associates, Assets and Business/ Enterprises Merger

During the Reporting Period, the Bank had no material acquisition and disposal of material subsidiaries, associates, assets and merger of business/enterprises.

VI. Engagement of External Auditors

KPMG Huazhen LLP was engaged by the Bank as the auditors for the PRC GAAP financial statements of the Bank for 2016. KPMG was engaged by the Bank as the auditors for the IAS financial statements of the Bank upon listing of H Shares.

VII. Appropriation of Profits During the Reporting Period

In accordance with the resolution passed at the Bank's annual general meeting on 29 June 2016, the Shareholders approved the following profit appropriations for the year ended 31 December 2015:

Appropriation of statutory surplus reserve amounted to RMB489.67 million, based on 10% of the net profit of the Bank.

Appropriation of general reserve amounted to RMB1,642.37 million.

Declaration of cash dividend of RMB0.135 per share (tax inclusive) before tax and in aggregate amount of RMB780.52 million to all Shareholders.

VIII. Publication of Annual Report

This annual report 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.

Chapter 14 Independent Auditor's Report

Independent auditor's report to the shareholders of Bank of Jinzhou Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 139 to 260, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statements for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and receivables

Refer to note 19 and note 22 to the consolidated financial statements and the accounting policies on pages 153 - 157.

The Key Audit Matter	How the matter was addressed in our audit
Loans and receivables include both loans and advances to customers and debt securities classified as receivables. Impairment of loans and receivables is a subjective area due to the level of judgement applied by management in determining provisions. From the Group's perspective, the portfolios which gave rise to the greatest uncertainty in determining provisions for impairment losses were those where impairment was derived from collective assessment models, where the loans and receivables were unsecured or where the loans and receivables were subject to potential collateral shortfalls. The determination of the collective provisions for impairment losses is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The Group's collective provisions for impairment losses are derived from estimates including the Group's historical losses for loans and receivables, the loss emergence period (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors.	Our audit procedures to assess the impairment of loans and receivables included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans and receivables, the credit grading process and the measurement of individual provisions for impairment losses. For the key underlying systems used for the processing of transactions in above process, we utilised our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management; • comparing the total balance of the loan grading report, which contains loan grading and overdue information of loans used by management to assess the allowances for impairment, with the general ledger and comparing individual loan information, on a sample basis, with the underlying loan agreements and other related documentation to assess the presentation of the information in the loan grading report;

Impairment of loans and receivables *(continued)*

Refer to note 19 and note 22 to the consolidated financial statements and the accounting policies on pages 153 - 157.

The Key Audit Matter

Individual provisions for impairment losses are estimated by management once objective evidence of impairment becomes apparent. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Enforceability, timing and means of realisation of collateral has a significant impact on collateral valuation and, therefore, the amount of provisions for impairment losses as at the reporting date.

We identified impairment of loans and receivables as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- evaluating the validity of the models used and assumptions adopted in the Group's calculation of the collective provisions for impairment losses by critically assessing input parameters involving subjective judgement, seeking collaborative evidence from external sources and comparing the historical losses against the Group's other internal records and our prior year records. As part of these procedures, we challenged the Group's revisions to estimates and input parameters, the consistency of judgement applied in the use of economic factors, the loss emergence period and the observation period for historical losses. We compared the economic factors used in the model to market information to assess whether they were aligned with market and economic development. We also assessed the emergence period by tracing the lifecycle of overdue accounts from the specific credit event to downgrading the accounts to impaired loans and receivables. Having considered the above, we performed re-calculations to assess the amount of collective provisions for impairment losses;

Impairment of loans and receivables *(continued)*

Refer to note 19 and note 22 to the consolidated financial statements and the accounting policies on pages 153 - 157.

The Key Audit Matter	How the matter was addressed in our audit
	• assessing the individual provisions for impairment losses by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation and with reference to borrowers with adverse press coverage. We also selected samples based on other risk criteria from the loan grading report. We selected further samples for credit review from loans classified as "Special Mention" or "Substandard"; and • performing credit review procedures for the sample of loans and receivables selected as mentioned above, which included reviewing the customers' financial information, researching market information about the customers' businesses and evaluating management's assessment of the value of any collateral held, assessing the forecast cash flows for impaired loans and receivables, challenging the viability of the Group's recovery plans, evaluating the timing and means of realisation of collateral and considering other sources of repayment asserted by management.

Consolidation of structured entities

Refer to note 43 to the consolidated financial statements and the accounting policies on page 172.

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

As at 31 December 2016, the carrying amount of the Group's non-equity interests in structured entities sponsored by third party institutions which were not consolidated by the Group was RMB283,482 million whilst the amounts of assets held by structured entities sponsored by the Group which the Group did and did not consolidate but in which it held an non-equity interest were RMB75 million and RMB16,441 million, respectively.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;
- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:
  - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

Consolidation of structured entities *(continued)*

Refer to note 43 to the consolidated financial statements and the accounting policies on page 172.

The Key Audit Matter

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.

How the matter was addressed in our audit

- reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;
- reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;
- assessing management's judgement over whether the structured entity should be consolidated or not; and

- considering the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Valuation of financial instruments

Refer to note 49 to the consolidated financial statements and the accounting policies on page 157 - 158 and 170.

The Key Audit Matter

At 31 December 2016 the fair value of the Group's financial assets was RMB55,870 million of which Nil, RMB34,820 million and RMB21,050 million was classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively.

At 31 December 2016 the fair value of the Group's financial liabilities was RMB20,995 million of which Nil, RMB8 million and RMB20,987 million was classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively.

The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement.The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments;
- assessing the fair values of level 1 financial instruments, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;
- engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and

Valuation of financial instruments *(continued)*

Refer to note 49 to the consolidated financial statements and the accounting policies on page 157 -158 and 170.

The Key Audit Matter	How the matter was addressed in our audit
We have identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.	• assessing whether the financial statement disclosures appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors of the Bank are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Hoi Wan.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
22 March 2017

Consolidated income statement

for the year ended 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Years ended 31 December 2016	2015
Interest income		**27,897,191**	21,819,437
Interest expense		**(12,448,982)**	(11,015,124)
Net interest income	3	**15,448,209**	10,804,313
Fee and commission income		**883,933**	556,083
Fee and commission expense		**(74,668)**	(55,293)
Net fee and commission income	4	**809,265**	500,790
Net trading gains	5	**49,948**	97,164
Dividend income		**895**	6,440
Net gains arising from investment securities	6	**10,348**	2,896
Foreign exchange gain		**53,724**	85,895
Other net operating income		**41,460**	19,886
Operating income		**16,413,849**	11,517,384
Operating expenses	7	**(2,758,039)**	(2,724,872)
Operating profit before impairment		**13,655,810**	8,792,512
Impairment losses on assets	10	**(2,784,895)**	(2,296,943)
Profit before tax		**10,870,915**	6,495,569
Income tax expense	11	**(2,671,469)**	(1,587,513)
Profit for the year		**8,199,446**	4,908,056
Attributable to:			
Equity shareholders of the Bank		**8,129,590**	4,898,761
Non-controlling interests		**69,856**	9,295
Profit for the year		**8,199,446**	4,908,056
Basic and diluted earnings per share (in RMB)	12	**1.40**	1.09

The notes on pages 146 to 260 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Years ended 31 December 2016	2015
Profit for the year		**8,199,446**	4,908,056
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale financial assets:			
– Change in fair value recognized in the Capital Reserve		**(678,497)**	577,968
– Reclassified to the profit or loss upon disposal		**(54,323)**	(879)
– Related income tax effect	26(b)	**183,205**	(144,272)
Items that will not be reclassified to profit or loss:			
– Remeasurement of defined benefit obligation	33(b)	**(247)**	1,315
Other comprehensive income, net of tax		**(549,862)**	434,132
Total comprehensive income for the year		**7,649,584**	5,342,188
Attributable to:			
Equity shareholders of the Bank		**7,579,728**	5,332,893
Non-controlling interests		**69,856**	9,295
Total comprehensive income for the year		**7,649,584**	5,342,188

The notes on pages 146 to 260 form part of these financial statements.

Consolidated statement of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2016	2015
Assets			
Cash and deposits with the central bank	13	**43,666,527**	30,099,321
Deposits with banks and other financial institutions	14	**8,673,633**	14,954,990
Placements with banks and other financial institutions	15	—	649,360
Financial assets at fair value through profit or loss	16	**21,151,136**	15,560,208
Positive fair value of derivatives	17	**53,858**	10,678
Interests receivable	18	**3,555,448**	2,571,972
Loans and advances to customers	19	**121,930,761**	97,313,206
Available-for-sale financial assets	20	**34,722,912**	19,278,073
Held-to-maturity investments	21	**10,436,027**	7,711,333
Debt securities classified as receivables	22	**281,680,541**	166,482,385
Financial lease receivables	23	**4,615,491**	—
Property and equipment	25	**6,142,076**	5,468,880
Deferred tax assets	26	**1,476,339**	700,822
Other assets	27	**954,773**	858,685
Total assets		**539,059,522**	361,659,913
Liabilities and equity			
Liabilities			
Deposits from banks and other financial institutions	29	**131,028,453**	116,351,178
Placements from banks and other financial institutions	30	**3,866,521**	3,855,808
Financial liabilities at fair value through profit or loss		**20,986,772**	15,426,941
Negative fair value of derivatives	17	**7,938**	10,217
Financial assets sold under repurchase agreements	31	**35,164,192**	20,244,100
Deposits from customers	32	**262,969,211**	170,178,722
Accrued staff costs	33	**253,268**	246,861
Taxes payable	34	**770,886**	665,332
Interests payable	35	**7,241,416**	5,345,766
Debts securities issued	36	**30,223,286**	1,500,000
Other liabilities	37	**3,653,267**	1,563,674
Total liabilities		**496,165,210**	335,388,599

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2016	2015
Equity			
Share capital	39	**6,781,616**	5,781,616
Capital reserve	40	**14,240,795**	9,152,898
Surplus reserve	41	**2,101,109**	1,292,031
General reserve	41	**7,225,282**	4,801,449
Retained earnings	42	**8,686,628**	4,570,467
Total equity attributable to equity shareholders of the Bank		**39,035,430**	25,598,461
Non-controlling interests		**3,858,882**	672,853
Total equity		**42,894,312**	26,271,314
Total liabilities and equity		**539,059,522**	361,659,913

Approved and authorised for issue by the board of directors on 22 March 2017.

Zhang Wei	**Wang Xiaoyu**	**Company chop**
Chairman	*Executive Director/ Head of Finance*	

The notes on pages 146 to 260 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in thousands of Renminbi, unless otherwise stated)

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

The notes on pages 146 to 260 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Years ended 31 December 2016	2015
Cash flows from operating activities			
Profit for the year		**8,199,446**	4,908,056
Adjustments for:			
Impairment losses on assets		**2,784,895**	2,296,943
Depreciation and amortization		**381,258**	349,408
Unwinding of discount		**(35,907)**	(21,570)
Dividend income		**(895)**	(6,440)
Unrealized foreign exchange gains		**(76,412)**	(38,786)
Net gains on disposal of investment securities		**(10,348)**	(2,896)
Net gains on disposal of trading securities		**(25,965)**	(21,478)
Revaluation gains on financial instruments at fair value through profit or loss		**(23,983)**	(75,686)
Interest expense on debts securities issued		**185,795**	125,979
Net gains on disposal of property and equipment		**(15)**	(175)
Income tax expense		**2,671,469**	1,587,513
		14,049,338	9,100,868
Changes in operating assets			
Net decrease/(increase) in deposits with the central bank, banks and other financial institutions		**140,861**	(2,045,404)
Net decrease/(increase) in placements with banks and other financial institutions		**649,360**	(649,360)
Net increase in loans and advances to customers		**(25,736,853)**	(12,607,947)
Net increase in financial assets designated at fair value through profit or loss		**(5,712,570)**	(5,438,620)
Net increase in financial lease receivables		**(4,662,645)**	—
Net increase in other operating assets		**(1,032,942)**	(1,238,583)
		(36,354,789)	(21,979,914)
Changes in operating liabilities			
Net decrease in borrowing from central bank		**—**	(190,000)
Net increase in deposits from banks and other financial institutions		**14,677,275**	33,893,554
Net increase in placements from banks and other financial institutions		**10,713**	811,131
Net increase in financial assets sold under repurchase agreements		**14,920,092**	9,985,100
Net increase in financial liabilities designated at fair value through profit or loss		**5,712,570**	5,438,620
Net increase in deposits from customers		**92,790,489**	50,775,725
Income tax paid		**(3,054,975)**	(1,815,020)
Net increase/(decrease) in other operating liabilities		**3,927,030**	(26,248)
		128,983,194	98,872,862
Net cash flows generated from operating activities		**106,677,743**	85,993,816

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENTS *(continued)*

	Note	Years ended 31 December 2016	2015
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**608,239,100**	656,946,918
Dividends received		**895**	6,440
Proceeds from disposal of property and equipment and other assets		**50**	111,411
Payments on acquisition of investments		**(743,971,123)**	(746,378,641)
Payments on acquisition of property and equipment, intangible assets and other assets		**(1,020,040)**	(920,353)
Net cash flows used in investing activities		**(136,751,118)**	(90,234,225)
Cash flows from financing activities			
Proceeds from capital contribution by equity shareholders		**6,637,759**	5,135,521
Capital contribution by non-controlling interests		**3,121,570**	450,100
Proceeds from issue of new debt securities		**28,643,703**	—
Repayment of debts securities issued		—	(500,000)
Interest paid on debts securities issued		**(105,011)**	(134,500)
Dividends paid		**(826,967)**	(422,615)
Net cash flows generated from financing activities		**37,471,054**	4,528,506
Effect of foreign exchange rate changes on cash and cash equivalents		**29,031**	29,706
Net increase in cash and cash equivalents	45(a)	**7,426,710**	317,803
Cash and cash equivalents as at 1 January		**4,802,961**	4,485,158
Cash and cash equivalents as at 31 December	45(b)	**12,229,671**	4,802,961
Interest received		**26,876,062**	20,754,733
Interest paid (excluding interest expense on debts securities issued)		**(10,368,736)**	(8,881,719)

The notes on pages 146 to 260 form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

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

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

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 0416). As at 31 December 2016, the share capital of the Bank is RMB6,781.62 million.

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

2 Significant accounting policies

(1) Statement of compliance and basis of preparation

The financial statements set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs") and related interpretations, issued by the International Accounting Standards Board (the "IASB"), as well as with the applicable disclosure provisions of the Hong Kong Companies Ordinance. The financial statements also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Unless stated otherwise, the financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Group.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 2(24).

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies *(continued)*

(1) Statement of compliance and basis of preparation *(continued)*

The measurement basis used in the preparation of the financial statements is historical cost, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(6).

(2) Change in accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASs")) and amendments to standards that are effective in 2016 and relevant to the Group's operation.

Amendments to IFRS 11	*Joint Arrangements "Accounting for acquisitions of interests in joint operations"*
Amendments to IAS 16 and IAS 38	*Clarification of acceptable methods of depreciation and amortization*
Amendments to IAS 27	*Separate financial statements "Equity method in separate financial statements"*
Annual Improvements to IFRSs 2012-2014 Cycle	
Amendments to IFRS 10 IFRS 12 and IAS 28	*Investment entities: Applying the consolidation exception*
Amendments to IAS 1	*Presentation of financial statements "Disclosure initiative"*

The principal effects of adopting these new and amended IFRSs are as follows:

Amendments to IFRS 11, Joint Arrangements "Accounting for acquisitions of interests in joint operations"

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Specifically, the amendments require business combination accounting to be applied in this situation.

The adoption does not have any material impact on the financial position and the financial result of the Group.

Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortization

The amendments introduce a rebuttable presumption to IAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments also prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16.

The adoption does not have any material impact on the financial position and the financial result of the Group.

2 Significant accounting policies *(continued)*

(2) Change in accounting policies *(continued)*

Amendments to IAS 27, Separate financial statements "Equity method in separate financial statements"

The amendments allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- at cost;
- in accordance with IFRS 9 (or IAS 39); or
- using the equity method as described in IAS 28.

The adoption does not have any material impact on the financial position and the financial result of the Group.

Annual Improvements to IFRSs 2012-2014 Cycle

The 2012-2014 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 5 Non-current assets held for sale and discounted operations, IFRS 7 Financial instruments: disclosures, IAS 19 Employee benefits, IAS 34 Interim financial reporting.

The adoption does not have any material impact on the financial position and the financial result of the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception

The amendments clarify the following areas of the accounting requirements of investment entities:

- Exemption from preparing consolidated financial statements under IFRS 10.4(a) is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries, including that parent entity, at fair value.
- A subsidiary that is itself an investment entity should not be consolidated even if it provides services related to the parent's investment activities.
- When applying the equity method, a non-investment entity investor is allowed, but not required, to retain the fair value measurement applied by its investment entity associate or joint venture for their subsidiaries, i.e. the investor can make a policy choice.
- An investment entity measuring all of its subsidiaries at fair value is still required to provide the disclosures relating to investment entities required by IFRS 12, even though it is not preparing consolidated financial statements.

The adoption does not have any material impact on the financial position and the financial result of the Group.

2 Significant accounting policies *(continued)*

(2) Change in accounting policies *(continued)*

Amendments to IAS 1, Presentation of financial statements "Disclosure initiative"

The amendments clarify various presentation issues relating to:

- assessment of materiality versus minimum disclosure requirements of a standard;
- order of notes;
- disaggregation and aggregation;
- presentation of sub-totals; and
- presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

The adoption does not have any material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

(3) Basis of consolidation

The financial statements comprises financial statements of the Bank and its subsidiaries. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized profit arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests are presented separately in the consolidated statements of financial position within equity as well as in the consolidated statements of profit or loss and other comprehensive income within net profit and total comprehensive income. Where losses attributable to the non-controlling interests of a subsidiary exceed the non-controlling interests in the equity of the subsidiary, the excess, and any further losses attributable to the non-controlling interests, are allocated against the equity attributable to the Bank.

In the Bank's statements of financial position, investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(14)).

2 Significant accounting policies *(continued)*

(4) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the reporting period. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in capital reserve.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

2 Significant accounting policies *(continued)*

(6) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorized as follows:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading).

  A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

  Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

  — the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;

  — the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;

  — the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

  — the separation of the embedded derivatives from the financial instrument is prohibited.

  Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognized in profit or loss.

2 Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(i) Recognition and measurement of financial assets and liabilities *(continued)*

- Held-to-maturity investments

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

  (a) those that the Group, upon initial recognition, designates at fair value through profit or loss or as available-for-sale; or

  (b) those that meet the definition of loans and receivables.

  Subsequent to initial recognition, held-to-maturity investments are stated at amortized cost using the effective interest method.

- Loans and receivables

  Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

  (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;

  (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or

  (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

  Loans and receivables mainly comprise loans and advances to customers, debt securities classified as receivables, deposits and placements with banks and other financial institutions and financial assets held under resale agreements. Subsequent to initial recognition, loans and receivables are stated at amortized cost using the effective interest method.

2 Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(i) Recognition and measurement of financial assets and liabilities *(continued)*

- Available-for-sale financial assets
  Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories.

  Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, are recognized directly in other comprehensive income. Investments in available-for-sale equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment losses, if any. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is reclassified to the profit or loss.

- Other financial liabilities
  Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

  Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(ii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of each of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

— significant financial difficulty of the issuer or borrower;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

— disappearance of an active market for financial assets because of financial difficulties;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(ii) Impairment of financial assets *(continued)*

- Loans and receivables

  The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

  Individual assessment

  Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognized in profit or loss.

  It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

  Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

  The calculation of the present value of the estimated future cash flows of a collateralized loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

  Collective assessment

  Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

2 Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(ii) Impairment of financial assets *(continued)*

- Loans and receivables *(continued)*

  Homogeneous groups of loans not considered individually significant

  For homogeneous groups of loans that are not considered individually significant, the Group adopts a flow rate methodology to collectively assess impairment losses. This methodology utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgement based on management's historical experience.

  Individually assessed loans and receivables with no objective evidence of impairment on an individual basis

  Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of each of the reporting period but which will not be individually identified as such until sometime in the future.

  The collective impairment loss is assessed after taking into account:

  — historical loss experience in portfolios of similar credit risk characteristics;

  — the emergence period between a loss occurring and that loss being identified; and

  — the current economic and credit environments and the judgment on inherent loss based on management's historical experience.

  The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

  As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment.

  The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

2 Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(ii) Impairment of financial assets *(continued)*

- Loans and receivables *(continued)*

  Individually assessed loans and receivables with no objective evidence of impairment on an individual basis (continued)

  If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

  When the Group determines that loans and receivables have no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loans and receivables are written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loans and receivables written off are recovered, the amount recovered is recognized in profit or loss through impairment losses.

  Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

- Held-to-maturity investments

  The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

  If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

2 Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(ii) Impairment of financial assets *(continued)*

- Available-for-sale financial assets

  When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognized.

  The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost net of any principal repayment and amortization and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

  If, after an impairment loss has been recognized on available-for-sale debt instruments, the fair value of the assets increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. An impairment loss recognized for an equity instrument classified as available-for-sale is not reversed through profit or loss but recognized directly in other comprehensive income.

  For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset, and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Impairment losses for equity instruments carried at cost are not reversed.

(iii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

2 Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(iii) Fair value measurement principles *(continued)*

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the reporting period. Where other pricing models are used, inputs are based on market data at the end of each of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

— the contractual rights to the cash flows from the financial asset expire; or

— the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

2 Significant accounting policies *(continued)*

(7) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(8) Investment in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(2).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognized at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (Note 2(14)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.

(9) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(14)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	4%	2.4%

2 Significant accounting policies *(continued)*

(10) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(14)). Construction in progress is stated in the statements of financial position at cost less impairment loss (Note 2(14)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognized as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

2 Significant accounting policies *(continued)*

(10) Property and equipment and construction in progress *(continued)*

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	4%	2.4%
Motor vehicles	5 years	5%	19.0%
Others	5 - 10 years	0% - 5%	9.5% - 20.0%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

(11) Operating leases and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(ii) Assets leased out under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the aggregate of the minimum lease receipts, the initial direct costs, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables, net of unearned finance income, are presented as financial lease receivables in the statements of financial position.

2 Significant accounting policies *(continued)*

(12) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (Note 2(14)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

Computer software	10 years

(13) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(14) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of each of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

— property and equipment

— construction in progress

— intangible assets

— investment property measured using a cost model

— investment in subsidiaries

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

2 Significant accounting policies *(continued)*

(14) Provision for impairment losses on non-financial assets *(continued)*

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognized accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods.

(15) Employee benefits

Employee benefits are all forms of considerations given and other relevant expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognized as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss.

2 Significant accounting policies *(continued)*

(15) Employee benefits *(continued)*

(i) Retirement benefits

Defined contribution plans - social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Supplementary retirement benefits

The Group provides a supplementary retirement benefits to its eligible employee under the defined benefit plan for post-employment to periods of service and recognize the long-term benefit obligations under the defined benefit plan for long-term paid leave plan when the plan was approved, with the corresponding charge to the profit or loss. The calculation of defined benefit obligations is performed annually by a qualified actuary using the expected cumulative unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

2 Significant accounting policies *(continued)*

(15) Employee benefits *(continued)*

(ii) Housing fund and other social insurances

In addition to the retirement benefits, the Group has joined defined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the amounts stipulated by the relevant government organizations. The contributions are charged to profit or loss on an accrual basis.

(16) Income tax

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items that are recognized in other comprehensive income, in which case the relevant amounts are recognized in other comprehensive income.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the period, and any adjustment to tax payable in respect of previous periods.

At the end of each of the reporting period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the end of each of the reporting period, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realized or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of each of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Significant accounting policies *(continued)*

(16) Income tax *(continued)*

At the end of each of the reporting period, deferred tax assets and liabilities are offset if all the following conditions are met:

— the taxable entity has a legally enforceable right to net off current tax assets against current tax liabilities; and

— they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either intend to settle the current tax liabilities and assets on a net basis, or to simultaneously realize the assets and settle the liabilities in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(17) Financial guarantees, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (the "guarantor") to make specified payments to reimburse the beneficiary of the guarantee ("holder") for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognized as deferred income in other liabilities. The deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognized in the statements of financial position as stated in Note 2(17) (ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(ii) Other provisions and contingent liabilities

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

2 Significant accounting policies *(continued)*

(18) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(19) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders. Income is recognized in profit or loss when it is probable that the economic benefits will flow to the Group, the income and costs can be measured reliably and the following respective conditions are met:

(i) Interest income

Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognized using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

2 Significant accounting policies *(continued)*

(19) Income recognition *(continued)*

(ii) Fee and commission income

Fee and commission income is recognized in profit or loss when the corresponding service is provided.

(iii) Other income

Other income is recognized on an accrual basis.

(20) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognized on an accrual basis.

(21) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of each of the reporting period are not recognized as a liability at the end of each of the reporting period but disclosed separately in the notes to the financial statements.

(22) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 Significant accounting policies *(continued)*

(22) Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(23) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Significant accounting policies *(continued)*

(24) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(i) Impairment losses of loans and advances and debt securities classified as receivables

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and debt securities classified as receivables. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

(ii) Impairment losses of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

(iii) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(iv) The classification of the held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

2 Significant accounting policies *(continued)*

(24) Significant accounting estimates and judgements *(continued)*

(v) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vi) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(vii) Depreciation and amortization

Investment properties, property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

2 Significant accounting policies *(continued)*

(24) Significant accounting estimates and judgements *(continued)*

(viii) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(1) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 43.

(ix) Defined benefit plan

The Group has established liabilities in connection with supplementary retirement benefits and other long-term benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, mortality rates, demission rates and other factors. Management has made significant estimates when made these assumptions. The changes in assumptions may affect the Group's expenses related to its employee defined benefit obligations.

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Net interest income

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

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Net fee and commission income

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

5 Net trading gains

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

(Expressed in thousands of Renminbi, unless otherwise stated)

6 Net gains arising from investment securities

	Years ended 31 December	
	2016	2015
Net (losses)/gains on disposal of available-for-sale financial assets	**(43,975)**	2,017
Net revaluation gains reclassified from other comprehensive income on disposal	**54,323**	879
Total	**10,348**	2,896

7 Operating expenses

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

Note: Auditors' remuneration for the years ended 31 December 2016 was RMB4.50 million (2015: RMB3.00 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

8 Directors' and supervisors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2016						
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Zhang Wei	—	468	1,440	1,908	382	196	2,486
Chen Man	—	300	—	300	71	119	490
Zhao Jie	—	40	480	520	105	57	682
Wang Jing	—	233	400	633	134	117	884
Wang Xiaoyu	—	113	345	458	96	86	640
Non-executive directors							
Li Dongjun	—	—	—	—	—	—	—
Zhang Caiguang	—	—	—	—	—	—	—
Wu Zhengkui	—	—	—	—	—	—	—
Gu Jie	—	—	—	—	—	—	—
Independent directors							
Jiang Daxing	210	—	—	210	—	—	210
Deng Xiaoyang	210	—	—	210	—	—	210
Niu Sihu	210	—	—	210	—	—	210
Jiang Jian	210	—	—	210	—	—	210
Choon Yew Khee	258	—	—	258	—	—	258
Supervisors							
Ning Yongfang	—	468	1,200	1,668	341	212	2,221
Xu Fei	—	240	480	720	151	125	996
Luo Yan	—	155	563	718	150	121	989
Shi Hongmiao	—	98	439	537	113	95	745
Li Xiu	—	90	366	456	97	91	644
Tian Deying	—	—	—	—	—	—	—
He Baosheng	—	—	—	—	—	—	—
Zhao Lanying	—	—	—	—	—	—	—

(Expressed in thousands of Renminbi, unless otherwise stated)

8 Directors' and supervisors' emoluments *(continued)*

	Year ended 31 December 2016						
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
External supervisors							
Jing Fei	210	—	—	210	—	—	210
Chen Yingmei	210	—	—	210	—	—	210
Nie Ying	210	—	—	210	—	—	210
Li Tongyu	210	—	—	210	—	—	210
Zhao Hongxia	210	—	—	210	—	—	210
Total	2,148	2,205	5,713	10,066	1,640	1,219	12,925

	Year ended 31 December 2015						
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Zhang Wei	—	468	1,440	1,908	553	223	2,684
Chen Man	—	462	1,000	1,462	440	251	2,153
Zhao Jie	—	240	480	720	219	135	1,074
Wang Jing (appointed on 17 March 2015)	—	155	400	555	171	117	843
Wang Xiaoyu (appointed on 16 January 2015)	—	113	411	524	158	99	781
Non-executive directors							
Li Dongjun	—	—	—	—	—	—	—
Zhang Caiguang	—	—	—	—	—	—	—
Wu Zhengkui	—	—	—	—	—	—	—
Zhu Xiaohui (resigned on 19 January 2015)	—	—	—	—	—	—	—
Gu Jie	—	—	—	—	—	—	—

(Expressed in thousands of Renminbi, unless otherwise stated)

8 Directors' and supervisors' emoluments *(continued)*

	Year ended 31 December 2015						
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
Independent directors							
Jiang Daxing	210	—	—	210	—	—	210
Deng Xiaoyang	210	—	—	210	—	—	210
Niu Sihu	210	—	—	210	—	—	210
Jia Yuge (resigned on 23 December 2015)	210	—	—	210	—	—	210
Jiang Jian	210	—	—	210	—	—	210
Choon Yew Khee	—	—	—	—	—	—	—
Supervisors							
Ning Yongfang	—	468	1,200	1,668	494	236	2,398
Xu Fei	—	240	480	720	219	135	1,074
Luo Yan	—	113	628	741	224	132	1,097
Shi Hongmiao	—	113	627	740	154	124	1,018
Li Xiu	—	84	350	434	133	93	660
Tian Deying	—	—	—	—	—	—	—
He Baosheng	—	—	—	—	—	—	—
Zhao Lanying	—	—	—	—	—	—	—
External supervisors							
Jing Fei	210	—	—	210	—	—	210
Chen Yingmei	210	—	—	210	—	—	210
Nie Ying	39	—	—	39	—	—	39
Li Tongyu	39	—	—	39	—	—	39
Zhao Hongxia	39	—	—	39	—	—	39
Total	1,587	2,456	7,016	11,059	2,765	1,545	15,369

There was no amount paid during the reporting period to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the reporting period.

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Individuals with highest emoluments

None of the five individuals with the highest emoluments is director or supervisor (2015: one). The aggregate of the emoluments of the five highest paid individuals are as follows:

	Years ended 31 December	
	2016	2015
Salaries and other emoluments	**1,377**	614
Discretionary bonuses	**13,268**	8,604
Contributions to pension schemes	**2,929**	1,844
Others	**2,577**	1,105
Total	**20,151**	12,167

The emoluments of the five (2015: four) individuals with the highest emoluments are within the following bands:

	Years ended 31 December	
	2016	2015
HKD3,000,001-3,500,000	—	2
HKD3,500,001-4,000,000	—	1
HKD4,000,001-4,500,000	**4**	1
HKD4,500,001-5,000,000	—	—
HKD5,000,001-5,500,000	**1**	—

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the reporting period.

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Impairment losses on assets

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

11 Income tax expense

(a) Income tax expense:

		Years ended 31 December	
	Note	**2016**	2015
Current tax expense		**3,263,781**	2,032,641
Deferred tax expense	26(b)	**(592,312)**	(445,128)
Total		**2,671,469**	1,587,513

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

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

12 Basic and diluted earnings per share

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

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

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

13 Cash and deposits with the central bank

		31 December	
	Note	**2016**	2015
Cash on hand		**573,486**	482,284
Deposits with the central bank			
– Statutory deposit reserves	13(a)	**39,146,434**	26,626,961
– Surplus deposit reserves	13(b)	**3,743,647**	2,754,493
– Fiscal deposits		**202,960**	235,583
Sub-total		**43,093,041**	29,617,037
Total		**43,666,527**	30,099,321

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 31 December 2016 and 2015, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December	
	2016	2015
Reserve ratio for RMB deposits	**13.5%**	14.0%
Reserve ratio for foreign currency deposits	**5.0%**	5.0%

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Deposits with banks and other financial institutions

Analyzed by type and location of counterparty

	31 December 2016	2015
Deposits in mainland China		
– Banks	**1,850,647**	14,849,824
– Other financial institutions	**3,197**	3,031
Sub-total	**1,853,844**	14,852,855
Deposits outside mainland China		
– Banks	**6,819,789**	102,135
Sub-total	**6,819,789**	102,135
Total	**8,673,633**	14,954,990

15 Placements with banks and other financial institutions

	31 December 2016	2015
Placements in mainland China		
– Banks	—	649,360

16 Financial assets at fair value through profit or loss

	Note	31 December 2016	2015
Debt securities held for trading	16(a)	**61,715**	63,965
Financial assets designated at fair value through profit or loss	16(b)	**21,089,421**	15,496,243
Total		**21,151,136**	15,560,208

(Expressed in thousands of Renminbi, unless otherwise stated)

16 Financial assets at fair value through profit or loss *(continued)*

(a) Debt securities held for trading

	31 December 2016	2015
Issued by institutions in mainland China		
– Banks and other financial institutions	**61,715**	63,965
Total	**61,715**	63,965
Unlisted	**61,715**	63,965
Total	**61,715**	63,965

Note: As at the end of the reporting period, part of the debt securities held for trading was pledged for repurchase agreements (Note 28(a)).

(b) Financial assets designated at fair value through profit or loss

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

17 Derivatives

Derivative financial instruments include forward contracts undertaken by the Group in foreign currency markets. The Group uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

(a) Analysed by nature of contract

	At 31 December 2016		
		Fair value	
	Notional amount	Assets	Liabilities
Currency derivatives			
– Foreign exchange forward	**1,807,435**	**53,858**	**(7,938)**

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Derivatives *(continued)*

(a) Analysed by nature of contract *(continued)*

	At 31 December 2015		
		Fair value	
	Notional amount	Assets	Liabilities
Currency derivatives			
– Foreign exchange forward	636,742	10,678	(10,217)

(b) Analysed by credit risk-weighted amounts

	31 December	
	2016	2015
Currency derivatives		
– Foreign exchange forward	**4,519**	3,980

Note: The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions, which are calculated with reference to the guidelines issued by the CBRC.

18 Interests receivable

	31 December	
	2016	2015
Interests receivable from investments	**2,793,458**	1,722,850
Interests receivable from loans and advances to customers	**647,884**	471,179
Interests receivable from deposits andplacements with banks and other financial institutions	**114,106**	377,943
Total	**3,555,448**	2,571,972

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers

(a) Analyzed by nature

	31 December 2016	2015
Corporate loans and advances	**117,553,214**	91,234,544
Personal loans and advances		
– Personal business loans	**7,896,781**	8,644,513
– Residential and commercial mortgage loans	**723,438**	390,091
– Personal consumption loans	**478,482**	579,399
– Credit cards	**106,243**	88,548
– Others	**481**	589
Sub-total	**9,205,425**	9,703,140
Discounted bills	**41,444**	236,726
Gross loans and advances to customers	**126,800,083**	101,174,410
Less: Provision for impairment losses		
– Individually assessed	**(965,681)**	(746,732)
– Collectively assessed	**(3,903,641)**	(3,114,472)
Total provision for impairment losses	**(4,869,322)**	(3,861,204)
Net loans and advances to customers	**121,930,761**	97,313,206

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(b) Analyzed by industry sector

	31 December 2016		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	39,985,815	31.54%	22,130,343
Manufacturing	37,272,136	29.40%	18,195,052
Real estate	13,774,113	10.86%	12,189,393
Leasing and commercial services	6,426,944	5.07%	5,062,865
Electricity, gas and water production and supply	3,822,215	3.01%	1,509,233
Education	3,213,742	2.53%	409,050
Transportation, storage and postal services	2,802,067	2.21%	2,376,014
Mining	1,801,952	1.42%	1,517,750
Construction	1,647,035	1.30%	823,185
Agriculture, forestry, animal husbandry and fishery	1,534,475	1.21%	1,027,146
Water, environment and public utility management	1,352,440	1.07%	1,348,440
Public management and social organization	242,750	0.19%	132,000
Others	3,677,530	2.90%	1,838,987
Sub-total of corporate loans and advances	117,553,214	92.71%	68,559,458
Personal loans and advances	9,205,425	7.26%	7,500,459
Discounted bills	41,444	0.03%	—
Gross loans and advances to customers	126,800,083	100.00%	76,059,917
Less:Provision for impairment losses			
– Individually assessed	(965,681)		
– Collectively assessed	(3,903,641)		
Total provision for impairment losses	(4,869,322)		
Net loans and advances to customers	121,930,761		

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(b) Analyzed by industry sector *(continued)*

	31 December 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	30,199,593	29.85%	16,763,886
Manufacturing	23,238,642	22.97%	13,006,202
Real estate	11,183,248	11.05%	10,528,538
Leasing and commercial services	8,633,996	8.53%	6,880,978
Construction	3,197,190	3.16%	1,857,090
Education	2,751,812	2.72%	278,010
Transportation, storage and postal services	1,790,687	1.77%	1,214,446
Public management and social organization	1,620,780	1.60%	505,990
Water, environment and public utility management	1,470,634	1.45%	1,439,834
Agriculture, forestry, animal husbandry and fishery	1,334,995	1.32%	754,095
Mining	1,275,037	1.26%	1,149,720
Electricity, gas and water production and supply	1,045,943	1.03%	726,930
Others	3,491,987	3.47%	2,197,760
Sub-total of corporate loans and advances	91,234,544	90.18%	57,303,479
Personal loans and advances	9,703,140	9.59%	7,259,199
Discounted bills	236,726	0.23%	—
Gross loans and advances to customers	101,174,410	100.00%	64,562,678
Less:Provision for impairment losses			
– Individually assessed	(746,732)		
– Collectively assessed	(3,114,472)		
Total provision for impairment losses	(3,861,204)		
Net loans and advances to customers	97,313,206		

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(b) Analyzed by industry sector *(continued)*

As at the end of each of the reporting period and during the respective periods, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	31 December 2016				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	**829,449**	**(586,834)**	**(1,703,878)**	**(815,993)**	**—**
Wholesale and retail trade	**357,080**	**(251,008)**	**(588,781)**	**(185,315)**	**—**
Real estate	**12,243**	**(6,745)**	**(863,757)**	**(152,715)**	**—**

	31 December 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	600,131	(486,527)	(1,082,799)	(697,095)	—
Wholesale and retail trade	332,061	(193,601)	(502,725)	(411,609)	—
Real estate	12,243	(6,745)	(719,892)	(429,677)	—

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(c) Analyzed by type of collateral

	31 December 2016	2015
Unsecured loans	**4,788,651**	6,282,693
Guaranteed loans	**45,951,515**	30,329,039
Secured loans		
– By tangible assets other than monetary assets	**56,164,010**	49,416,132
– By monetary assets	**19,895,907**	15,146,546
Gross loans and advances to customers	**126,800,083**	101,174,410
Less:Provision for impairment losses		
– Individually assessed	**(965,681)**	(746,732)
– Collectively assessed	**(3,903,641)**	(3,114,472)
Total provision for impairment losses	**(4,869,322)**	(3,861,204)
Net loans and advances to customers	**121,930,761**	97,313,206

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(d) Overdue loans analyzed by overdue period

	31 December 2016				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	3,049	5,772	1,564	447	10,832
Guaranteed loans	196,731	1,488,540	276,142	257,510	2,218,923
Secured loans					
– By tangible assets other than monetary assets	338,145	1,437,927	467,897	101,362	2,345,331
– By monetary assets	162,735	173,810	190,829	1,253	528,627
Total	700,660	3,106,049	936,432	360,572	5,103,713
As a percentage of gross loans and advances to customers	0.55%	2.45%	0.74%	0.29%	4.03%

	31 December 2015				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	2,302	1,603	181	463	4,549
Guaranteed loans	398,474	265,685	411,576	64,308	1,140,043
Secured loans					
– By tangible assets other than monetary assets	849,536	557,265	48,071	119,735	1,574,607
– By monetary assets	9,500	126,000	64,829	1,275	201,604
Total	1,259,812	950,553	524,657	185,781	2,920,803
As a percentage of gross loans and advances to customers	1.25%	0.94%	0.52%	0.18%	2.89%

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

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(e) Loans and advances and provision for impairment losses

	31 December 2016			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	**125,352,165**	**1,447,918**	**126,800,083**	**1.14%**
Less:Provision for impairment losses	**(3,903,641)**	**(965,681)**	**(4,869,322)**	
Net loans and advances to customers	**121,448,524**	**482,237**	**121,930,761**	

	31 December 2015			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	100,128,388	1,046,022	101,174,410	1.03%
Less:Provision for impairment losses	(3,114,472)	(746,732)	(3,861,204)	
Net loans and advances to customers	97,013,916	299,290	97,313,206	

Note:

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

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

(iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 48(a).

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(f) Movements of provision for impairment losses

	2016		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	(3,114,472)	(746,732)	(3,861,204)
Charge for the year	(789,169)	(561,999)	(1,351,168)
Release for the year	—	197,744	197,744
Recoveries	—	(2,051)	(2,051)
Unwinding of discount	—	35,907	35,907
Disposal	—	111,450	111,450
As at 31 December	(3,903,641)	(965,681)	(4,869,322)

	2015		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	(1,703,586)	(546,880)	(2,250,466)
Charge for the year	(1,410,886)	(558,057)	(1,968,943)
Release for the year	—	101,186	101,186
Recoveries	—	(816)	(816)
Unwinding of discount	—	21,570	21,570
Disposal	—	236,265	236,265
As at 31 December	(3,114,472)	(746,732)	(3,861,204)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(g) Analyzed by geographical sector

	31 December 2016		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	64,530,235	50.89%	38,341,891
Northeastern China	34,692,316	27.36%	25,244,412
Northern China	27,577,532	21.75%	12,473,614
Gross loans and advances to customers	126,800,083	100.00%	76,059,917

	31 December 2015		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	58,026,034	57.35%	34,847,056
Northeastern China	23,063,564	22.80%	17,121,707
Northern China	20,084,812	19.85%	12,593,915
Gross loans and advances to customers	101,174,410	100.00%	64,562,678

As at the end of each of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

	31 December 2016		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	463,605	(260,832)	(2,041,682)
Northeastern China	738,934	(539,435)	(1,182,713)
Northern China	245,379	(165,414)	(679,246)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers *(continued)*

(g) Analyzed by geographical sector *(continued)*

	31 December 2015		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	292,047	(183,337)	(1,919,332)
Northeastern China	389,665	(354,553)	(752,051)
Northern China	364,310	(208,842)	(443,089)

The definitions of the regional distributions are set out in Note 47(b).

20 Available-for-sale financial assets

	Note	31 December 2016	2015
Available-for-sale debt investments	20(a)	**34,664,662**	19,219,823
Available-for-sale equity investments	20(b)	**58,250**	58,250
Total		**34,722,912**	19,278,073
Unlisted		**34,722,912**	19,278,073
Total		**34,722,912**	19,278,073

(a) Available-for-sale debt investments

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

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

As at the end of each of the reporting period, part of the available-for-sale financial assets was pledged for repurchase agreements (Note 28(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Available-for-sale financial assets *(continued)*

(b) Available-for-sale equity investments

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

21 Held-to-maturity investments

Analyzed by type and location of issuers

	Note	31 December 2016	2015
Debt securities issued by the following institutions in mainland China			
– Government		**4,331,042**	4,749,402
– Banks and other financial institutions		**6,085,197**	2,942,193
– Corporations		**19,788**	19,738
Total carrying value	21(a)	**10,436,027**	7,711,333
Unlisted		**10,436,027**	7,711,333
Fair value		**10,189,621**	7,976,975

Note:

(a) As at the end of each of the reporting period, part of the held-to-maturity investments was pledged as security for repurchase agreements (Note 28(a)).

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

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Debt securities classified as receivables

	Note	31 December 2016	2015
Wealth management products issued by financial institutions	22(a)	**200,088**	—
Beneficial interest transfer plans	22(b)	**283,571,571**	166,989,654
Gross balance		**283,771,659**	166,989,654
Less: Provision for impairment losses		**(2,091,118)**	(507,269)
Net balance		**281,680,541**	166,482,385

Note:

(a) Wealth management products issued by financial institutions are fixed-term products.

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

(c) The fair values of investments mentioned in Notes (a) and (b) approximate to their carrying amounts.

(d) As at the end of each of the reporting period, part of the debt securities classified as receivables was pledged for repurchase agreements (Note 28(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Financial lease receivables

	31 December 2016	2015
Minimum finance lease receivables	**5,278,052**	—
Less: unearned finance lease income	**(615,407)**	—
Present value of finance lease receivables	**4,662,645**	—
Less: impairment losses	**(47,154)**	—
Net balance	**4,615,491**	—

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analyzed by remaining period are listed as follows:

	2016			2015		
	Minimum finance lease receivables	**Unearned finance lease income**	**Present value of finance lease receivables**	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Less than 1 year	**1,421,445**	**(263,494)**	**1,157,951**	—	—	—
1 year to 2 years	**1,514,665**	**(185,754)**	**1,328,911**	—	—	—
2 years to 3 years	**1,224,188**	**(101,571)**	**1,122,617**	—	—	—
3 years to 5 years	**1,021,964**	**(61,917)**	**960,047**	—	—	—
More than 5 years	**95,790**	**(2,671)**	**93,119**	—	—	—
Indefinite*	**—**	**—**	**—**	—	—	—
	5,278,052	**(615,407)**	**4,662,645**	—	—	—

* The indefinite period amount represents the balances being impaired or overdue for more than one month.

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Investments in subsidiaries

	Note	31 December 2016	2015
Taihe Jinyin Village Bank Co., Ltd. (“錦州太和錦銀村鎮銀行股份有限公司”)	24(a)	**60,450**	60,450
Yixian Jinyin Village Bank Co., Ltd. (“遼寧義縣錦銀村鎮銀行股份有限公司”)	24(b)	**63,240**	63,240
Beizhen Jinyin Village Bank Co., Ltd. (“遼寧北鎮錦銀村鎮銀行股份有限公司”)	24(c)	**49,290**	49,290
Heishan Jinyin Village Bank Co., Ltd. (“遼寧黑山錦銀村鎮銀行股份有限公司”)	24(d)	**57,750**	57,750
Kazuo Jinyin Village Bank Co., Ltd. (“遼寧喀左錦銀村鎮銀行股份有限公司”)	24(e)	**49,900**	49,900
Linghai Jinyin Village Bank Co., Ltd. (“遼寧淩海錦銀村鎮銀行股份有限公司”)	24(f)	**49,900**	—
Huanren Jinyin Village Bank Co., Ltd. (“遼寧桓仁錦銀村鎮銀行股份有限公司”)	24(g)	**49,000**	—
Bank of Jinzhou Financial Leasing Co., Ltd. (“錦銀金融租賃有限責任公司”)	24(h)	**1,500,000**	600,000
Total		**1,879,530**	880,630

Note:

(a) Taihe Jinyin Village Bank Co., Ltd. (“Taihe Jinyin”) was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Jinyin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Yimin. The financial statements of Taihe Jinyin for the years ended 31 December 2016 and 2015 were audited by KPMG Huazhen LLP.

(b) Yixian Jinyin Village Bank Co., Ltd. (“Yixian Jinyin”) was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB128.49 million. The principal activities of Yixian Jinyin are the provision of corporate and retail banking services. The Bank holds 49.22% of equity interest and 67.90% voting rights of Yixian Jinyin. The financial statements of Yixian Jinyin for the years ended 31 December 2016 and 2015 were audited by KPMG Huazhen LLP.

24 Investments in subsidiaries *(continued)*

Note: *(continued)*

(c) Beizhen Jinyin Village Bank Co., Ltd. ("Beizhen Jinyin") was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Jinyin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Jinyin. The financial statements of Beizhen Jinyin for the years ended 31 December 2016 and 2015 were audited by KPMG Huazhen LLP.

(d) Heishan Jinyin Village Bank Co., Ltd. ("Heishan Jinyin") was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinyin are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 66.59% of voting rights of Heishan Jinyin. The financial statements for the years ended 31 December 2016 and 2015 were audited by KPMG Huazhen LLP.

(e) Kazuo Jinyin Village Bank Co., Ltd. ("Kazuo Jinyin") was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinyin are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinyin. The financial statements for the year ended 31 December 2016 and 2015 were audited by KPMG Huazhen LLP.

(f) Linghai Jinyin Village Bank Co., Ltd. ("Linghai Jinyin") was incorporated on 16 December 2016 at Jinzhou, Liaoning Province, with registered capital of RMB100.47million. The principal activities of Linghai Jinyin are the provision of corporate and retail banking services. The Bank holds 49.67% of equity interest and 59.62% of voting rights of Linghai Jinyin.

(g) Huanren Jinyin Village Bank Co., Ltd. ("Huanren Jinyin") was incorporated on 20 December 2016 at Benxi, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Huanren Jinyin are the provision of corporate and retail banking services. The Bank holds 49.00% of equity interest and 100.00% of voting rights of Huanren Jinyin.

(h) Bank of Jinzhou Financial Leasing Co., Ltd. ("Jinyin Leasing") was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with the original registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. In March 2016, the registered capital increased from RMB1.00 billion to RMB4.90 billion and the Bank subscribed RMB0.9 billion. As at 31 December 2016, the Bank holds 30.61% of equity interest and 71.43% voting rights of Jinyin Leasing. The financial statements for the year ended 31 December 2016 and 2015 were audited by KPMG Huazhen LLP.

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Property and equipment

	Premises	Investment properties	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost							
As at 1 January 2015	5,035,846	68,263	242,597	65,599	133,307	517,681	6,063,293
Additions	94,372	—	598,223	3,285	7,449	78,326	781,655
Transfers in/(out) of construction in progress	417,715	—	(438,488)	—	20,773	—	—
Transfers in/(out) of leasehold improvements	736	—	—	—	(775)	—	(39)
Transfers in/(out) of investment properties	68,263	(68,263)	—	—	—	—	—
Transfers out to other assets	—	—	(30,346)	—	—	—	(30,346)
Disposals	(113,764)	—	—	(1,421)	—	(4,650)	(119,835)
As at 31 December 2015	5,503,168	—	371,986	67,463	160,754	591,357	6,694,728
As at 1 January 2016	5,503,168	—	371,986	67,463	160,754	591,357	6,694,728
Additions	226,442	—	714,670	5,078	3,347	53,342	1,002,879
Transfers in/(out) of construction in progress	800,512	—	(812,620)	—	12,108	—	—
Transfers out to other assets	—	—	(32,105)	—	—	—	(32,105)
Disposals	—	—	—	(701)	—	—	(701)
As at 31 December 2016	6,530,122	—	241,931	71,840	176,209	644,699	7,664,801
Accumulated depreciation							
As at 1 January 2015	(569,393)	(13,082)	—	(44,041)	(41,098)	(298,174)	(965,788)
Charge for the year	(174,305)	(1,285)	—	(7,313)	(15,743)	(70,052)	(268,698)
Transfers out of leasehold improvement	—	—	—	—	39	—	39
Transfers (in)/out of investment properties	(14,367)	14,367	—	—	—	—	—
Disposals	3,166	—	—	1,012	—	4,421	8,599
As at 31 December 2015	(754,899)	—	—	(50,342)	(56,802)	(363,805)	(1,225,848)
As at 1 January 2016	(754,899)	—	—	(50,342)	(56,802)	(363,805)	(1,225,848)
Charge for the year	(200,993)	—	—	(5,804)	(16,751)	(73,995)	(297,543)
Disposals	—	—	—	666	—	—	666
As at 31 December 2016	(955,892)	—	—	(55,480)	(73,553)	(437,800)	(1,522,725)
Net book value							
As at 31 December 2015	4,748,269	—	371,986	17,121	103,952	227,552	5,468,880
As at 31 December 2016	5,574,230	—	241,931	16,360	102,656	206,899	6,142,076

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Property and equipment *(continued)*

As at 31 December 2016, title deeds were not yet finalized for the premises with a carrying amount of RMB1,917 million (2015: RMB1,606 million). Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB1,171 million (2015: RMB832 million). According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises. Management of the Group expected that there would be no significant costs in obtaining the title deeds.

The net book values of premises at the end of each of the reporting period are analyzed by the remaining terms of the leases as follows:

	31 December	
	2016	2015
Held in mainland China		
– Long-term leases (over 50 years)	**84,772**	85,882
– Medium-term leases (10 - 50 years)	**5,474,640**	4,653,488
– Short-term leases (less than 10 years)	**14,818**	8,899
Total	**5,574,230**	4,748,269

26 Deferred tax assets and liabilities

(a) Analyzed by nature

	31 December	
	2016	2015
Deferred tax assets	**1,476,339**	700,822

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Deferred tax assets and liabilities *(continued)*

(b) Movements of deferred tax

	Provision for impairment losses Note (i)	Staff cost payable	Net gains from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
1 January 2015	373,081	54,004	(31,975)	4,856	399,966
Recognized in profit or loss	483,160	(10,362)	(19,410)	(8,260)	445,128
Recognized in other comprehensive income	—	—	(144,272)	—	(144,272)
31 December 2015	856,241	43,642	(195,657)	(3,404)	700,822
Recognized in profit or loss	**584,703**	**1,340**	**(5,507)**	**11,776**	**592,312**
Recognized in other comprehensive income	—	—	**183,205**	—	**183,205**
31 December 2016	**1,440,944**	**44,982**	**(17,959)**	**8,372**	**1,476,339**

Note:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realized.

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other assets

	31 December 2016	2015
Value-added tax	**168,595**	—
Long-term deferred expense	**157,797**	203,509
Intangible assets	**148,166**	134,405
Land use right	**85,299**	87,798
Deferred expense	**74,012**	68,091
Repossessed assets	**39,260**	23,938
Prepayments for acquisition of property and equipment	**5,397**	179,411
Other receivables	**276,247**	161,533
Total	**954,773**	858,685

28 Pledged assets

(a) Assets pledged as collateral

Financial assets pledged by the Group as collateral for liabilities or contingent liabilities mainly include debt securities, interbank certificates of deposit and beneficial interest transfer plans, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collateral as at 31 December 2016 is RMB36,864 million (2015: RMB23,397 million).

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the reporting period, the Group did not hold any resale agreement under which collaterals were permitted to be sold or repledged in the absence of the counterparty's default.

29 Deposits from banks and other financial institutions

Analyzed by type and location of counterparty

	31 December 2016	2015
Deposits in mainland China		
– Banks	**59,893,668**	81,401,343
– Other financial institutions	**71,134,785**	34,949,835
Total	**131,028,453**	116,351,178

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Placements from banks and other financial institutions

Analyzed by type and location of counterparty

	31 December 2016	2015
Placements in mainland China		
– Banks	**3,866,521**	3,855,808

31 Financial assets sold under repurchase agreements

(a) Analyzed by type and location of counterparty

	31 December 2016	2015
In mainland China		
– Banks	**26,182,972**	17,514,100
– Other financial institutions	**8,981,220**	2,730,000
Total	**35,164,192**	20,244,100

(b) Analyzed by collateral

	31 December 2016	2015
Debt securities	**31,306,932**	13,551,100
Interbank certificates of deposit	**2,567,260**	750,000
Beneficial interest transfer plans	**1,290,000**	5,943,000
Total	**35,164,192**	20,244,100

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Deposits from customers

	31 December 2016	2015
Demand deposits		
– Corporate customers	**48,490,755**	25,466,543
– Individual customers	**12,855,115**	11,710,048
Sub-total	**61,345,870**	37,176,591
Time deposits		
– Corporate customers	**75,159,227**	51,332,787
– Individual customers	**74,793,814**	45,081,735
Sub-total	**149,953,041**	96,414,522
Pledged deposits		
– Acceptances	**20,577,875**	19,433,971
– Letters of guarantees	**4,080,501**	730,815
– Letters of credit	**3,521,704**	2,484,179
– Others	**8,392**	21,589
Sub-total	**28,188,472**	22,670,554
Inward and outward remittances	**50,848**	39,415
Structured deposits		
– Corporate customers	**21,692,420**	10,729,510
– Individual customers	**1,738,560**	3,148,130
Sub-total	**23,430,980**	13,877,640
Total	**262,969,211**	170,178,722

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Accrued staff costs

	Note	31 December 2016	2015
Salary and welfare payable		**97,334**	80,468
Pension payable	33(a)	**30,236**	33,415
Supplementary retirement benefits payable	33(b)	**24,780**	24,452
Other long-term staff welfare payable	33(c)	**100,918**	108,526
Total		**253,268**	246,861

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labor and social security organizations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organizations.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the reporting period. The Group's obligations in respect of the SRB were assessed using expected cumulative unit credit method by qualified staff (a member of society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of SRB of the Group are as follows:

	31 December 2016	2015
Present value of SRB obligation	**24,780**	24,452

(ii) Movements of SRB of the Group are as follows:

	2016	2015
As at 1 January	**24,452**	24,409
Service cost	**(444)**	692
Interest cost	**910**	1,026
Actuarial losses/(gains)	**247**	(1,315)
Payments made	**(385)**	(360)
As at 31 December	**24,780**	24,452

Service cost and interest cost were recognized in staff costs, see Note 7.

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Accrued staff costs *(continued)*

(b) Supplementary retirement benefits ("SRB") *(continued)*

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

	31 December 2016	2015
Discount rate	**3.75%**	3.75%
Mortality	**CLA 00 - 03**	CLA 00 -03
Demission Rate	**2.00%**	2.00%
Normal retirement age		
Male	**60**	60
Female	**55**	55

(iv) Sensitivity analysis:

	31 December 2016		31 December 2015	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(4,076)**	**5,310**	(4,087)	5,333
Demission rate (1% movement)	**(1,576)**	**1,836**	(1,597)	1,859

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

(c) Other long-term staff welfare payable

The Group pays compensation for long-term absence of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the reporting period. The Group's obligations in respect of other long-term staff welfare payable were assessed using expected cumulative unit credit method by qualified staff (a member of society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of other long-term staff welfare payable of the Group are as follows:

	31 December 2016	2015
Present value of other long-term staff welfare payable obligation	**100,918**	108,526

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Accrued staff costs *(continued)*

(c) Other long-term staff welfare payable *(continued)*

(ii) Movements of other long-term staff welfare of the Group are as follows:

	2016	2015
As at 1 January	108,526	116,836
Service cost	11,513	8,334
Interest cost	2,717	3,729
Actuarial losses	473	4,357
Payments made	(22,311)	(24,730)
As at 31 December	100,918	108,526

Service cost, Interest cost and actuarial losses were recognized in staff costs, see Note 7.

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

	31 December 2016	2015
Discount rate	2.75%	2.75%
Mortality	CLA 00 - 03	CLA 00 - 03
Early retirement wage growth rate	4.00%	4.00%

(iv) Sensitivity analysis:

	31 December 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(4,278)	4,690	(5,126)	5,679
Early retirement wage growth rate (1% movement)	4,036	(3,760)	5,551	(5,114)

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

Except as mentioned in (a), (b) and (c) above, the Group has no significant responsibilities to pay any other retirement benefits to retired employees.

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Taxes payable

	31 December 2016	2015
Income tax payable	**712,039**	503,233
Value-added tax and surcharge payable	**7,859**	—
Business tax and surcharges payable	—	133,984
Others	**50,988**	28,115
Total	**770,886**	665,332

35 Interests payable

	31 December 2016	2015
Interests payable arising from:		
– Deposits from customers	**5,206,353**	4,205,914
– Deposits from banks and other financial institutions	**1,892,041**	1,042,331
– Others	**143,022**	97,521
Total	**7,241,416**	5,345,766

36 Debt securities issued

	Note	31 December 2016	2015
Tier two capital debts issued	36(a)	**3,994,352**	1,500,000
Interbank deposit certificates issued	36(b)	**26,228,934**	—
Total		**30,223,286**	1,500,000

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Debt securities issued *(continued)*

(a) Tier two capital debts issued

	Note	31 December 2016	2015
Fixed rate tier two capital debts maturing in January 2024	(i)	**1,500,000**	1,500,000
Fixed rate tier two capital debts maturing in January 2026	(ii)	**2,494,352**	—
Total		**3,994,352**	1,500,000

Note:

(i) Fixed rate Tier Two capital debts of RMB1,500 million with a term of ten years was issued on 24 January 2014. The coupon rate is 7.00%. The Group has an option to redeem the debts on 28 January 2019 at the nominal amount.

(ii) Fixed rate Tier Two capital debts of RMB2,500 million with a term of ten years was issued on 26 December 2016. The coupon rate is 4.30%. The Group has an option to redeem the debts on 27 December 2021 at the nominal amount.

As of 31 December 2016, the fair value of the total tier two capital debts issued amounts to RMB4,026 million (31 December 2015: RMB1,615million).

(b) Interbank deposit certificates issued

As of December 31, 2016, 36 interbank deposit certificates were issued by the Group at a total cost of RMB26,229 million. The fair value of the interbank deposit certificates mentioned above approximates to RMB26,134 million.

37 Other liabilities

	31 December 2016	2015
Financial liabilities related to precious metals	**2,754,114**	—
Asset backed security payable	**332,389**	150,379
Dividend payable	**116,832**	157,884
Deferred income	**18,415**	216,808
Payment and collection clearance accounts	**62,294**	51,909
Capital payable	—	535,986
Others	**369,223**	450,708
Total	**3,653,267**	1,563,674

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Movement in components of equity

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the reporting period are set out below:

	Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total
Balance at 1 January 2016	**5,781,616**	**9,152,420**	**1,292,031**	**4,801,449**	**4,551,789**	**25,579,305**
Changes in equity for the year:						
Total comprehensive income	—	**(549,862)**	—	—	**8,090,784**	**7,540,922**
Changes in share capital						
– Capital contributed by equity shareholders	**1,000,000**	**5,637,759**	—	—	—	**6,637,759**
Appropriation of profits						
– Appropriation to surplus reserve	—	—	**809,078**	—	**(809,078)**	—
– Appropriation to general reserve	—	—	—	**2,423,833**	**(2,423,833)**	—
– Appropriation to shareholders	—	—	—	—	**(780,518)**	**(780,518)**
Balance at 31 December 2016	**6,781,616**	**14,240,317**	**2,101,109**	**7,225,282**	**8,629,144**	**38,977,468**

	Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total
Balance at 1 January 2015	4,402,234	4,962,149	802,364	3,159,078	2,315,421	15,641,246
Changes in equity for the year:						
Total comprehensive income	—	434,132	—	—	4,896,674	5,330,806
Changes in share capital						
– Capital contributed by equity shareholders	1,379,382	3,756,139	—	—	—	5,135,521
Appropriation of profits						
– Appropriation to surplus reserve	—	—	489,667	—	(489,667)	—
– Appropriation to general reserve	—	—	—	1,642,371	(1,642,371)	—
– Appropriation to shareholders	—	—	—	—	(528,268)	(528,268)
Balance at 31 December 2015	5,781,616	9,152,420	1,292,031	4,801,449	4,551,789	25,579,305

39 Share capital

Share capital of the Group as at 31 December 2016 and 2015 represented share capital of the Bank, which is fully paid.

Share capital as at the end of the reporting period are as follows:

	31 December 2016	2015
Number of shares authorised, issued and fully paid at par value (in thousands)	**6,781,616**	5,781,616

Note:

On 28 December 2016, the Bank issued 1,000,000,000 new H-shares with a par value of RMB1 at an offering price of HKD7.5 per share. The premium arising from the issuance of new shares amounting to RMB5,638 million was recorded in capital reserve.

40 Capital reserve

	31 December 2016	2015
Share premium	**14,252,077**	8,614,318
Fair value changes on available-for-sale financial assets	**(19,407)**	530,208
Changes on remeasurement of defined benefit liabilities	**(24)**	223
Others	**8,149**	8,149
Total	**14,240,795**	9,152,898

41 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund and other surplus reserve as at 31 December 2016 is RMB2,089 million (2015: RMB1,280 million) and RMB12 million (2015: RMB12 million) respectively. The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Bank is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Appropriation of profits

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

- Appropriate statutory surplus reserve amounted to RMB809 million, based on 10% of the net profit of the Bank.
- Appropriate general reserve amounted to RMB2,424 million.
- Declaration of cash dividend of RMB0.15 per shares before tax and in aggregation amount of RMB1,017.24 million to all shareholders.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders

(b) In accordance with the resolution of the Bank's annual general meeting on 29 June 2016, the proposed profit appropriations for the year ended 31 December 2015 is listed as follows:

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

43 Involvement with unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include entities set up for wealth management products and beneficial interest transfer plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognized as at 31 December 2016 and 2015:

	31 December 2016		31 December 2015	
	Carrying amount	**Maximum exposure**	Carrying amount	Maximum exposure
Debt securities classified as receivables	**281,680,541**	**281,680,541**	166,482,385	166,482,385
Available-for-sale fund investments	**1,801,266**	**1,801,266**	—	—
Total	**283,481,807**	**283,481,807**	166,482,385	166,482,385

43 Involvement with unconsolidated structured entities *(continued)*

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services.

As at 31 December 2016, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB16,441million (2015: RMB13,497 million).

In addition, unconsolidated structured entities sponsored by the Group also include asset-backed securities. In March 2015, the Group transferred a portfolio of customer loans with book value of RMB3,122.5 million to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. As at 31 December 2016, the balances of these asset-backed securities held by the Group are RMB74.5 million (2015: RMB103.9 million).

Under the servicing arrangements with the independent trust company, the Group collects the cash flows of the transferred assets on behalf of the unconsolidated securitization vehicle. In return, the Group receives a fee that is expected to compensate the Group for servicing the related assets.

(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2016 and 2015:

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 31 December 2016 amounted to RMB11,634 million (31 December 2015: RMB5,694 million).

(d) The amount of fee and commission income received from the above mentioned structured entities by the Group amounted to RMB245 million (2015: RMB121 million).

44 Capital management

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

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

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

Since 1 January 2013, the Group started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC. As at and prior to 31 December 2012, the Group computed its capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC.

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

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. During the reporting period, the Group has complied with all its externally imposed capital requirements.

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Capital management *(continued)*

The Group's capital adequacy ratios as at 31 December 2016 and 2015 calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC are as follows:

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

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Notes to consolidated cash flow statements

(a) Net increase in cash and cash equivalents

	Years ended 31 December	
	2016	2015
Cash and cash equivalents as at 31 December	**12,229,671**	4,802,961
Less: Cash and cash equivalents as at 1 January	**(4,802,961)**	(4,485,158)
Net increase in cash and cash equivalents	**7,426,710**	317,803

(b) Cash and cash equivalents

	31 December	
	2016	2015
Cash on hand	**573,486**	482,284
Deposits with the central bank	**3,743,647**	2,754,493
Deposits with banks and other financial institutions	**7,912,538**	1,566,184
Total	**12,229,671**	4,802,961

46 Related party relationships and transactions

(a) Related parties of the Group

There is no immediate and ultimate controlling party of the Group during the reporting period. Related parties of the group during the reporting period are disclosed as follows:

Related parties	Relationship with the Group
– Tianjin Jinlian Development of New Economic Industrial Region Co., Ltd. ("天津錦聯新經濟產業園開發有限公司")	Enterprise under the control of directors
– Shenyang Longxi Real Estate Development Co., Ltd. ("瀋陽龍璽房地產開發有限公司")	Enterprise under the control of directors
– Panjin Jialun Real Estate Co., Ltd. ("盤錦加倫置業有限公司")	Enterprise under the control of directors
– Jinlian Investment Group Co., Ltd. ("錦聯控股集團有限公司")	Enterprise under the control of directors
– Jincheng Logistics International Group Co., Ltd. ("錦程國際物流集團股份有限公司")	Enterprise under the control of directors
– Jincheng Logistics International Service Group Co., Ltd. ("錦程國際物流服務有限公司")	Enterprise under the control of directors
– Jincheng International Air Cargo Co., Ltd. ("錦程國際航空貨運服務有限公司")	Enterprise under the control of directors
– Jincheng Logistic development Co., Ltd. ("錦程物流產業發展有限公司")	Enterprise under the control of directors
– Dalian Changxing Island Green-city Development Co., Ltd. ("大連長興島綠城發展有限公司")	Enterprise under the control of directors
– Dalian Jincheng Logistics Network Service Co., Ltd. ("大連錦程物流網路技術有限公司")	Enterprise under the control of directors
– Shenyang New Economic Industrial Park Development Co., Ltd. ("瀋陽新經濟產業園開發有限公司")	Enterprise under the control of directors
– Beijing Bairong Yicheng Financing Guarantee Co.,Ltd. ("北京百榮易成擔保有限公司")	Enterprise under the control of directors
– Dalian Jinlian Classic Life Property Management Co., Ltd. ("大連錦聯經典生活物業管理有限公司")	Enterprise under the control of directors
– Dalian Jinlian Investment Guarantee Co., Ltd. ("大連錦聯投資擔保有限公司")	Enterprise under the control of directors
– Dalian Zhongshan Jinlian Microcredit Co., Ltd. ("大連中山錦聯小額貸款股份有限公司")	Enterprise under the control of directors

46 Related party relationships and transactions *(continued)*

(a) Related parties of the Group *(continued)*

Related parties	Relationship with the Group
– Dandong Jinlian Microcredit Co., Ltd. ("丹東元寶區錦聯小額貸款有限公司")	Enterprise under the control of directors
– Tianjin Jinlian Financial Leasing Co., Ltd. ("天津錦聯融資租賃有限公司")	Enterprise under the control of directors
– Jinlian Real Estate Group Co., Ltd. ("錦聯地產集團有限公司")	Enterprise under the control of directors
– Jinlian Financial Service (Tianjin) Co., Ltd. ("錦聯金融服務集團 (天津) 股份有限公司")	Enterprise under the control of directors
– Shenyang Jinlian Environmental Development. Co., Ltd. ("瀋陽錦聯生態科技園發展有限公司")	Enterprise under the control of directors
– Shenyang Jinlian Microcredit Co., Ltd. ("瀋陽市渾南新區錦聯小額貸款有限公司")	Enterprise under the control of directors
– Beizhen Deying Tongda vehicle leasing Co., Ltd. ("北鎮德營通達車輛運輸租賃有限公司")	Enterprise under the control of supervisors
– Liaoning Deying Petrochemical Co., Ltd. ("遼寧德營石油化工集團有限公司")	Enterprise under the control of supervisors
– Liaoning Deying Huijin Technology Development Co., Ltd. ("遼寧德營慧晶科技發展有限公司")	Enterprise under the control of supervisors
– Jinzhou Shunda Asphalt Factory Co., Ltd. ("錦州順達瀝青有限責任公司")	Enterprise under the control of supervisors
– Jinzhou Jinhua Co., Ltd. ("錦州錦華股份有限公司")	Enterprise under the control of supervisors
– Jinzhou Huaxin Asset Managementv (Group) Co., Ltd. ("錦州華信資產經營(集團)有限公司")	Enterprise under the control of supervisors
– Beizhen Deying oil Shale Processing Co., Ltd. ("北鎮德營油母葉岩油有限公司")	Enterprise under the control of supervisors
– Beizhen Huiyin Microcredit Co., Ltd. ("北鎮匯銀小額貸款有限責任公司")	Enterprise under the control of supervisors
– Jinzhou Longxin Development and Construction Co., Ltd. ("錦州龍信投資開發建設有限公司")	Enterprise under the control of supervisors

Note: The official names of these related parties are in Chinese. The English translation is for reference only.

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related party relationships and transactions *(continued)*

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiaries

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

(ii) Transactions between the Group and other related parties:

	Years ended 31 December	
	2016	2015
Transactions during the year:		
Interest income	**133,713**	107,573
Interest expense	**301**	95

	At 31 December	
	2016	2015
Balances at end of the year:		
Loans and advances to customers	**2,140,128**	1,849,690
– Overdue but not Impaired	**472,590**	56,000
Interests receivable	**10,839**	3,270
Deposits from customers	**51,590**	13,692
Interests payable	**6**	4
Other liabilities	**1,730**	1,730

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related party relationships and transactions *(continued)*

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	Years ended 31 December	
	2016	2015
Transactions during the year:		
Interest income	**634**	771
Interest expense	**3,943**	1,315

	At 31 December	
	2016	2015
Balances at end of the year:		
Loans and advances to customers	**13,203**	12,801
– Overdue but not Impaired	**10,000**	—
Interests receivable	**251**	19
Deposits from customers	**276,138**	7,781
Interests payable	**4,043**	140

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Years ended 31 December	
	2016	2015
Short-term staff benefits	**20,619**	20,726
Retirement benefits		
– Basic social pension insurance	**3,275**	4,809

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related party relationships and transactions *(continued)*

(d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383(1) (d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Years ended 31 December	
	2016	2015
Aggregate amount of relevant loans outstanding at the year end	**13,203**	12,801
Maximum aggregate amount of relevant loans outstanding during the reporting period	**13,491**	13,901

47 Segment reporting

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

Corporate banking

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

Retail banking

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

47 Segment reporting *(continued)*

Treasury business

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

Others

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

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Segment reporting *(continued)*

(a) Segment results, assets and liabilities

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

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Segment reporting *(continued)*

(a) Segment results, assets and liabilities *(continued)*

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

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Segment reporting *(continued)*

(b) Geographical information

The Group operates principally in Jinzhou, Northeastern China and Northern China.

Non-current assets include property and equipment, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

— "Jinzhou" refers to the head quarter of the Bank, Jinzhou branch and the five subsidiaries of the Group.

— "Northeastern China" refers to the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Hu Ludao, Benxi and the three subsidiaries of the Group.

— "Northern China" refers to the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income Year ended 31 December	
	2016	2015
Jinzhou	**11,897,713**	7,713,867
Northeastern China	**1,760,085**	1,348,687
Northern China	**2,756,051**	2,454,830
Total	**16,413,849**	11,517,384

	Non-current assets At 31 December	
	2016	2015
Jinzhou	**2,703,152**	2,238,080
Northeastern China	**2,845,677**	2,599,948
Northern China	**724,056**	749,104
Total	**6,272,885**	5,587,132

48 Risk management

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

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

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

(a) Credit risk

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

Credit business

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

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

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

48 Risk management *(continued)*

(a) Credit risk *(continued)*

Credit business *(continued)*

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

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

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

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

Treasury Business

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

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Maximum credit risk exposure

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

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

	31 December 2016			
	Loans and advances	Deposits/ Placements with banks and other financial institutions	Investments (*)	Others (**)
Impaired				
Individually assessed gross amount	1,447,918	—	—	13,056
Provision for impairment losses	(965,681)	—	—	(13,056)
Sub-total	482,237	—	—	—
Overdue but not Impaired				
Less than three months (inclusive)	698,924	—	1,450,000	—
Between three months and six months (inclusive)	1,889,235	—	—	—
More than six months	1,068,712	—	—	—
Gross amount	3,656,871	—	1,450,000	—
Provision for impairment losses	(312,706)	—	(39,141)	—
Sub-total	3,344,165	—	1,410,859	—
Neither overdue nor impaired				
Gross amount	121,695,294	8,673,633	348,573,484	8,553,595
Provision for impairment losses	(3,590,935)	—	(2,051,977)	(47,154)
Sub-total	118,104,359	8,673,633	346,521,507	8,506,441
Total	121,930,761	8,673,633	347,932,366	8,506,441

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(a) Credit risk *(continued)*

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

	31 December 2015			
	Loans and advances	Deposits/ Placements with banks and other financial institutions	Investments (*)	Others (**)
Impaired				
Individually assessed gross amount	1,046,022	—	—	12,588
Provision for impairment losses	(746,732)	—	—	(12,588)
Sub-total	299,290	—	—	—
Overdue but not Impaired				
Less than three months (inclusive)	1,223,070	—	—	—
Between three months and six months (inclusive)	323,042	—	—	—
More than six months	328,669	—	—	—
Gross amount	1,874,781	—	—	—
Provision for impairment losses	(125,587)	—	—	—
Sub-total	1,749,194	—	—	—
Neither overdue nor impaired				
Gross amount	98,253,607	15,604,350	209,481,018	2,923,594
Provision for impairment losses	(2,988,885)	—	(507,269)	—
Sub-total	95,264,722	15,604,350	208,973,749	2,923,594
Total	97,313,206	15,604,350	208,973,749	2,923,594

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

** Others comprise interests receivable, prepayments for acquisition of property and equipment, other receivables in other assets, financial lease receivables and positive fair value of derivatives.

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(a) Credit risk *(continued)*

(iii) Credit rating

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

	31 December 2016	2015
Neither overdue nor impaired		
Ratings		
– AAA	**37,489,628**	23,098,687
– AA- to AA+	**5,269,579**	2,647,400
– A- to A+	**71,802**	218,881
– unrated	**2,331,395**	1,088,403
Total	**45,162,404**	27,053,371

(b) Market risk

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

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

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the major tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the major tools used by the Group to measure and monitor the market risk of its non-trading businesses.

48 Risk management *(continued)*

(b) Market risk *(continued)*

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

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

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

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

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

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

Interest rate risk

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

Repricing risk

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(b) Market risk *(continued)*

Interest rate risk *(continued)*

Trading interest rate risk

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(b) Market risk *(continued)*

Interest rate risk *(continued)*

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

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

Note:

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

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

48 Risk management *(continued)*

(b) Market risk *(continued)*

Interest rate risk *(continued)*

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit and equity. As at 31 December 2016, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to decrease RMB615 million (2015: decrease RMB320 million), and the Group's equity to decrease RMB1,232 million (2015: decrease RMB746million); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to increase RMB615 million (2015: increase RMB320 million), and the Group's equity to increase RMB1,261 million (2015: increase RMB773 million).

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

— Interest rate movements at the end of each of the reporting period apply to non-derivative financial instruments of the Group.

— At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months.

— There is a parallel shift in the yield curve with the changes in interest rates.

— There are no other changes to the assets and liabilities portfolio.

— Other variables (including exchange rates) remain unchanged; and

— The analysis does not take into account the effect of risk management measures taken by the management.

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

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(b) Market risk *(continued)*

Foreign currency risk *(continued)*

The Group's currency exposures as at the end of each of the reporting period are as follows:

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

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(b) Market risk *(continued)*

Foreign currency risk *(continued)*

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

48 Risk management *(continued)*

(b) Market risk *(continued)*

Foreign currency risk *(continued)*

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 31 December 2016, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB8.38 million (31 December 2015: increase by RMB2.32 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB8.38 million (31 December 2015: decrease by RMB2.32 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

— The foreign exchange sensitivity is the gain and loss recognized as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;

— The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;

— The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;

— The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

— Other variables (including interest rates) remain unchanged; and

— The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

48 Risk management *(continued)*

(c) Liquidity risk

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

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

— Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and

— Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(c) Liquidity risk *(continued)*

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(c) Liquidity risk *(continued)*

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

Note

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.

(ii) Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand.

(iii) Investments with no impairment but overdue within one month are classified into the category of repayable on demand.

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments at the end of each of the reporting period:

	31 December 2016							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	131,028,453	145,695,834	221,106	5,990,721	18,982,071	55,186,339	64,067,694	1,247,903
Placements from banks and other financial institutions	3,866,521	3,879,651	—	1,729,720	2,018,531	131,400	—	—
Financial assets sold under repurchase agreements	35,164,192	35,337,880	—	31,996,846	1,959,091	1,381,943	—	—
Deposits from customers	262,969,211	268,458,964	65,377,256	11,526,399	16,319,964	57,120,294	118,111,166	3,885
Debt securities issued	30,223,286	31,762,500	—	105,000	3,960,000	23,057,500	4,640,000	—
Other financial	25,664,193	26,388,057	4,424,153	3,467,273	4,781,479	13,523,576	51,985	139,591
Total non-derivative financial liabilities	488,915,856	511,522,886	70,022,515	54,815,959	48,021,136	150,401,052	186,870,845	1,391,379
Loan commitments and credit card commitments	—	4,204,535	3,423,512	33,950	635,950	109,123	2,000	—

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(continued)*

(c) Liquidity risk *(continued)*

	31 December 2015							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	116,351,178	125,317,743	1,148,825	12,998,861	8,995,357	63,067,692	38,924,852	182,156
Placements from banks and other financial institutions	3,855,808	3,870,162	—	1,910,424	1,615,790	343,948	—	—
Financial assets sold under repurchase agreements	20,244,100	20,382,645	—	18,317,823	2,064,822	—	—	—
Deposits from customers	170,178,722	173,576,368	43,427,010	16,279,830	13,070,277	49,529,784	51,252,224	17,243
Debt securities issued	1,500,000	1,920,000	—	105,000	—	—	1,815,000	—
Other financial liabilities	17,902,808	18,540,441	2,229,006	3,816,849	2,756,393	9,577,011	48,021	113,161
Total non-derivative financial liabilities	330,032,616	343,607,359	46,804,841	53,428,787	28,502,639	122,518,435	92,040,097	312,560
Loan commitments and credit card commitments	—	1,381,575	1,002,294	95,383	38,378	224,560	20,960	—

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

48 Risk management *(continued)*

(d) Operational risk

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

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

— A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;

— A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;

— An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;

— An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and

— An independent risk assessment framework based on the internal audit and the compliance review.

49 Fair value

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities and equity investments

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

(ii) Receivables and other non-derivative financial assets

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

49 Fair value *(continued)*

(a) Methods and assumptions for measurement of fair value *(continued)*

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

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts is determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

(b) Fair value measurement

(i) Financial assets

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

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

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

Available-for-sale investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Notes 21 and 22.

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, financial liabilities designated at fair value through profit or loss, deposits from customers and subordinated debts issued.

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 36. The carrying amounts of other financial liabilities approximate their fair value.

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(continued)*

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– debt securities held for trading				
– debt instruments	—	61,715	—	61,715
– Financial assets designated at fair value through profit or loss	—	1,920,338	19,169,083	21,089,421
Available-for-sale financial assets				
– debt instruments	—	32,783,584	1,881,078	34,664,662
Positive fair value of derivatives				
– foreign currency derivatives	—	53,858	—	53,858
Total	—	34,819,495	21,050,161	55,869,656
Liabilities				
Financial liabilities designated at fair value through profit or loss	—	—	20,986,772	20,986,772
Negative fair value of derivatives				
– foreign currency derivatives	—	7,938	—	7,938
Total	—	7,938	20,986,772	20,994,710

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(continued)*

(c) Fair value hierarchy *(continued)*

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– debt securities held for trading				
– debt instruments	—	63,965	—	63,965
– Financial assets designated at fair value through profit or loss	—	1,300,600	14,195,643	15,496,243
Available-for-sale financial assets				
– debt instruments	—	19,145,247	74,576	19,219,823
Positive fair value of derivatives				
– foreign currency derivatives	—	10,678	—	10,678
Total	—	20,520,490	14,270,219	34,790,709
Liabilities				
Financial liabilities designated at fair value through profit or loss	—	—	15,426,941	15,426,941
Negative fair value of derivatives				
– foreign currency derivatives	—	10,217	—	10,217
Total	—	10,217	15,426,941	15,437,158

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

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(continued)*

(c) Fair value hierarchy *(continued)*

The movement during the years ended 31 December 2016 and 2015 in the balance of Level 3 fair value measurements are as follows:

	Available-for- sale financial assets	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
1 January 2016	74,576	14,195,643	14,270,219	(15,426,941)	(15,426,941)
Total gains or losses					
— in profit or loss for the year:	—	160,840	160,840	(147,231)	(147,231)
— in other comprehensive income	1,806,502	—	1,806,502	—	—
Purchases	—	32,364,835	32,364,835	(34,265,435)	(34,265,435)
Settlements	—	(27,552,235)	(27,552,235)	28,852,835	28,852,835
31 December 2016	1,881,078	19,169,083	21,050,161	(20,986,772)	(20,986,772)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period	—	160,840	160,840	(147,231)	(147,231)

	Available-for-sale financial assets	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
1 January 2015	—	5,619,090	5,619,090	(9,932,205)	(9,932,205)
Total gains or losses					
— in profit or loss for the year:	—	133,573	133,573	(56,116)	(56,116)
— in other comprehensive income	3,733	—	3,733	—	—
Purchases	70,843	25,711,230	25,782,073	(27,011,830)	(27,011,830)
Settlements	—	(17,268,250)	(17,268,250)	21,573,210	21,573,210
31 December 2015	74,576	14,195,643	14,270,219	(15,426,941)	(15,426,941)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period	—	133,573	133,573	(56,116)	(56,116)

During the years ended 31 December 2016 and 2015, there were no significant transfers into or out of Level 3.

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Entrusted lending business

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

	At 31 December	
	2016	2015
Entrusted loans	**230,779,868**	150,508,040
Entrusted funds	**230,779,868**	150,508,040

51 Commitments and contingent liabilities

(a) Credit commitments

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

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Commitments and contingent liabilities *(continued)*

(b) Operating lease commitments

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

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

(c) Capital commitments

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

	At 31 December	
	2016	2015
Contracted but not paid for		
– Purchase of property and equipment	**167,127**	106,283
Authorized but not contracted		
– Purchase of property and equipment	**448,000**	74,480
Total	**615,127**	180,763

51 Commitments and contingent liabilities *(continued)*

(d) Outstanding litigations and disputes

As at 31 December 2016, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB95.07 million (2015: RMB67.86 million)

The Bank was also involved in a shareholding dispute litigation with a former shareholder since July 2012 where the former shareholder requested the court to (i) order the Bank to issue to it a 12-year term warrants that are convertible into such numbers of shares equal to 9.16% of the Bank's total share capital in August 2012, and (ii) together with 2 other defendants jointly indemnify it with an amount of RMB103.9 million plus 9.16% of the Bank's profit recorded in its respective financial statements from 2010 to the date of court judgment. If the court judgment is unfavorable to the Bank and, in such event, shareholders' shareholdings in the Bank may be diluted, which would represent approximately 5% of the Bank's total share capital as of 31 December 2016 after the hypothetical issue and full exercise of the warrants, rendering the former shareholder become the Bank's single largest shareholder. The Bank's directors and its legal advisor in this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this shareholding dispute litigation is low.

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

52 Company-level Statement of Financial Position

(Expressed in thousands of Renminbi, unless otherwise stated)

	31 December 2016	2015
Assets		
Cash and deposits with the central bank	**43,055,089**	29,618,894
Deposits with banks and other financial institutions	**7,788,400**	14,317,073
Placements with banks and other financial institutions	—	649,360
Financial assets at fair value through or loss	**21,151,136**	15,862,138
Positive fair value of derivatives	**53,858**	10,678
Interests receivable	**3,532,993**	2,563,449
Loans and advances to customers	**118,592,029**	94,916,897
Available-for-sale financial assets	**34,722,912**	19,278,073
Held-to-maturity investments	**10,436,027**	7,711,333
Debt securities classified as receivables	**281,680,541**	166,182,385
Investments in subsidiaries	**1,879,530**	880,630
Property and equipment	**5,922,541**	5,287,561
Deferred tax assets	**1,443,426**	684,765
Other assets	**930,445**	837,440
Total assets	**531,188,927**	358,800,676
Liabilities and equity		
Liabilities		
Deposits from banks and other financial institutions	**131,919,142**	117,139,312
Placements from banks and other financial institutions	**3,866,521**	3,855,808
Financial liabilities at fair value through profit or loss	**20,986,772**	15,726,914
Negative fair value of derivatives	**7,938**	10,217
Financial assets sold under repurchase agreements	**35,164,192**	20,244,100
Deposits from customers	**258,395,120**	167,008,345
Accrued staff costs	**250,653**	240,285
Taxes payable	**725,872**	656,761
Interests payable	**7,152,318**	5,291,482
Debts securities issued	**30,223,286**	1,500,000
Other liabilities	**3,519,645**	1,548,147
Total liabilities	**492,211,459**	333,221,371

52 Company-level Statement of Financial Position *(continued)*

(Expressed in thousands of Renminbi, unless otherwise stated)

	31 December 2016	2015
Equity		
Share capital	**6,781,616**	5,781,616
Capital reserve	**14,240,317**	9,152,420
Surplus reserve	**2,101,109**	1,292,031
General reserve	**7,225,282**	4,801,449
Retained earnings	**8,629,144**	4,551,789
Total equity	**38,977,468**	25,579,305
Total liabilities and equity	**531,188,927**	358,800,676

Approved and authorised for issue by the board of directors on 22 March 2017.

Zhang Wei	**Wang Xiaoyu**	**Company chop**
Chairman	*Executive Director/ Head of Finance*	

53 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. The new standards and amendments listed below are those that could potentially have an impact on the Group's performance, financial position or disclosures.

(a) IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 December 2016.

(i) IFRS 9 implementation strategy

The Group has started a preliminary impact assessment and most of the accounting analysis and has commenced work on the design and build of models, systems, processes and controls.

(ii) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which as sets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

53 Standards issued but not yet effective *(continued)*

(a) IFRS 9 Financial Instruments *(continued)*

(ii) Classification – Financial assets *(continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the 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.

– A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– the 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment- by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application and permits or requires revocation of previous FVTPL elections at the date of initial application depending on the facts and circumstances at that date.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

53 Standards issued but not yet effective *(continued)*

(a) IFRS 9 Financial Instruments *(continued)*

(ii) Classification – Financial assets *(continued)*

- Preliminary impact assessment

  Based on its preliminary high-level assessment of possible changes to the classification and measurement of financial assets held as at 31 December 2016, the Group's current expectation is that:

  – trading assets and derivative assets held for risk management that are classified as held-for- trading and measured at FVTPL under IAS 39 would also be measured at FVTPL under IFRS 9;

  – loans and advances to banks and to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 would in general also be measured at amortised cost under IFRS 9;

  – held-to-maturity investment securities measured at amortised cost under IAS 39 would in general also be measured at amortised cost under IFRS 9;

  – debt securities that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances;

  – equity securities classified as available-for-sale under IAS 39 would generally be measured at FVOCI under IFRS 9.

  The classification and measurement assessment as at 31 December 2016 may not necessarily represent the impact on the Group's financial statements as at 1 January 2018 because IFRS 9 requires the business model assessment to be undertaken based on the facts and circumstances that exist at the date of initial application, which will be 1 January 2018 for the Group. Furthermore, the financial assets held on initial application will not be the same as those held at 31 December 2016 and how they are managed may not be the same.

  Moreover, the Group's preliminary assessment has not included a detailed review of the contractual terms of all financial assets – which is ongoing – and it has not yet finalised its policies and methods for analysing certain prepayment features and variable interest-rate features.

53 Standards issued but not yet effective *(continued)*

(a) IFRS 9 Financial Instruments *(continued)*

(iii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to the following financial instruments that are not measured at FVTPL:

– financial assets that are debt instruments;

– lease receivables;

– financial guarantee contracts issued; and

– loan commitments issued.

No impairment loss will be recognised on equity investments.

Under IFRS 9, the Group will recognise loss allowances at an amount equal to lifetime ECL, except in the following cases, where the amount recognised will be 12-month ECL:

– debt investment securities that are determined to have low credit risk at the reporting date; and

– other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements in implementing the impairment model of IFRS 9. It is discussed below.

Loss allowances for lease receivables will always be measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

53 Standards issued but not yet effective *(continued)*

(a) IFRS 9 Financial Instruments *(continued)*

(iii) Impairment of financial assets *(continued)*

- Measurement of ECL

  ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

  – financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

  – financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

  – undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

  – financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

  Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

- Preliminary impact assessment

  The most significant impact on the Group's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Management is not yet able to provide quantitative information about the expected impact, since the Group is in the process of building and testing models, assembling data and calibrating the impairment stage transfer criteria. The impact is also dependent on finalising the classification assessment and the circumstances at 1 January 2018. However, management expects loss allowances under IFRS 9 to be larger than under IAS 39.

53 Standards issued but not yet effective *(continued)*

(a) IFRS 9 Financial Instruments *(continued)*

(iv) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

(b) IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

53 Standards issued but not yet effective *(continued)*

(b) IFRS 16 Leases *(continued)*

(i) Transition

The Group currently plans to apply IFRS 16 initially on 1 January 2019. As a lessee, the Group can either apply the standard using a:

– retrospective approach; or

– modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group has not yet determined which transition approach to apply. As a lessor, the Group is not required to make any adjustments for leases except where it is an intermediate lessor in a sub-lease.

The Group has not yet quantified the impact on its reported assets and liabilities of the adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group expects to disclose its transition approach and quantitative information before adoption.

54 Non-adjusting events after the reporting period

The profit appropriation of the Bank was proposed in accordance with the resolution of the board of directors meeting as disclosed in Note 42(a).

55 Comparative figures

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2016.

(Expressed in thousands of Renminbi, unless otherwise stated)

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

1 Liquidity coverage ratio and leverage ratio (%)

(a) Liquidity coverage ratio

	Asat 31 December 2016	**Average for the year ended 31 December 2016**
Liquidity coverage ratio (RMB and foreign currency)	**308.69%**	**273.05%**

	As at 31 December 2015	Average for the year ended 31 December 2015
Liquidity coverage ratio (RMB and foreign currency)	237.41%	309.23%

(b) Leverage ratio

	As at 31 December 2016	**As at 31 December 2015**
Leverage ratio	**6.46%**	**6.22%**

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

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

2 Currency concentrations

	At 31 December 2016			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot Asset	**6,115,821**	**6,796,468**	**159,953**	**13,072,242**
Spot liabilities	**(6,831,217)**	**(130,586)**	**(153,655)**	**(7,115,458)**
Net long position	(715,396)	6,665,882	6,298	5,956,784
Net structural position	—	—	—	—

	At 31 December 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	7,086,664	1,110,924	66,309	8,263,897
Spot liabilities	(6,814,674)	(7,552)	(65,482)	(6,887,708)
Net long position	271,990	1,103,372	827	1,376,189
Net structural position	—	—	—	—

3 International claims

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

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

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

3 International claims *(continued)*

	As at 31 December 2016		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**7,010,606**	**5,896,954**	**12,907,560**
- of which attributed to Hong Kong	**6,680,232**	—	**6,680,232**
North and South America	**119,974**	—	**119,974**
Europe	**12,473**	—	**12,473**
	7,143,053	**5,896,954**	**13,040,007**

	As at 31 December 2015		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,497,383	6,146,563	7,643,946
- of which attributed to Hong Kong	6,284	—	6,284
North and South America	79,640	—	79,640
Europe	12,312	—	12,312
	1,589,335	6,146,563	7,735,898

4 Loans and advances overdue for more than 90 days by geographical segments

	31 December	
	2016	2015
Jinzhou	**1,317,454**	430,443
Northeastern China	**2,761,652**	858,131
Northern China	**323,947**	372,417
Total	**4,403,053**	1,660,991

5 Gross amount of loans and advances overdue for more than 90 days

	31 December	
	2016	2015
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**2,034,531**	377,295
– between 6 months and 1 year (inclusive)	**1,071,518**	573,258
– between 1 year and 3 years (inclusive)	**936,432**	524,657
– over 3 years	**360,572**	185,781
Total	**4,403,053**	1,660,991
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**1.60%**	0.37%
– between 6 months and 1 year (inclusive)	**0.85%**	0.57%
– between 1 year and 3 years (inclusive)	**0.74%**	0.52%
– over 3 years	**0.29%**	0.18%
Total	**3.48%**	1.64%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At 31 December 2016, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB4,403 million (2015: RMB1,661 million). The covered portion of these overdue loans and advances were RMB1,607 million (2015: RMB733 million). The fair value of collateral held against these loans and advances amounted to RMB1,971 million (2015: RMB811 million).

6 Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. As at 31 December 2016 and 2015, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.

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