九台农商银行
JIUTAI RURAL COMMERCIAL BANK

吉林九台農村商業銀行股份有限公司*
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED*

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

Stock Code : 6122

2016
Annual Report

*Jilin Jiutai Rural Commercial Bank Corporation Limited is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

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Chairman's Statement

In 2016, the banking industry was in face of majors changes of the accelerating economic growth propelled by the supply-side reform of China, change of the growth pace of economy and the rapid evolvement of financial innovation. We proactively adapted to changes and coped with challenges by adopting new development paths and exploring new driving forces.

A job well done is a job well planned. In 2016, the Board of Directors diligently performed their duties to enhance corporate governance and to strengthen strategic planning so as to strive for the best results and to facilitate innovation and transformation for optimized business structure. It is the objective of the Bank to support the real economy by penetrating regional markets through the promotion of financial inclusion. The Bank expanded and optimized its business coverage by establishing three branches in Changchun, Tonghua and Songyuan, the PRC. With good corporate culture incorporating sincerity and integrity, our brand value improved consistently. The Bank ranked second among rural commercial banks in China in the Gyroscope Variation System on Stable Development of Commercial Banks of 2016 by China Banking Association. In June 2016, the bank ranked 496 among top 1000 banks in the world in terms of tier-one capital by the Banker, a British magazine.

A thousand-mile journey begins with the first step. The year of 2016 was a milestone to the Bank's development. In order to enhance core competitiveness and enter into international capital markets, the H Shares issued by the Bank were listed on the Hong Kong Stock Exchange on January 12, 2017. The Bank is the first county rural commercial bank listed on the Hong Kong Stock Exchange. The listing represents a milestone in the development history of the Bank. The Bank confidently believes that the listing status is a stronger foundation for further improvement.

As of the end of 2016, according to the financial data prepared under the IFRS, the total assets, deposits from customers, loans and advances to customers and net profit of the Group amounted to RMB191,471.3 million, RMB127,408.7 million, RMB62,100.8 million and RMB2,315.8 million, representing a year-on-year increase of 34.9%, 36.6%, 29.7% and 65.2%,respectively. The total assets, deposits from customers, loans and advances to customers and net profit of the Bank amounted to RMB116,034.8 million, RMB65,613.3 million, RMB29,302.3 million and RMB1,551.6 million, representing a year-on-year increase of 27.7%, 42.7%, 38.0% and 29.3%, respectively.

The results were achieved with the continuous support of shareholders, significant assistance of various government departments, guidance of regulatory authorities, trust of customers as well as hard work of employees. On behalf of the Board of Directors, I would like to express our sincere respect and gratitude to all sectors of the society for supporting the reform and development of the Bank.

2017 is the first year after our listing on the Hong Kong Stock Exchange and is an important year as we march forward for further growth on a new path. We believe that the sustainable development of the Bank lies in our determination in business reform and innovation. Therefore, we will bear our objectives in mind while keeping on moving forward. We will strive to become a professional financial service provider with high added value and competitive edges and endeavour to serve as a leading rural commercial bank in China under modern brand and diversified operation.

Gao Bing

Chairman of Board of Directors

President's Statement

Mr. Zhang Haishan
President

In 2016, the management of the Bank had duly executed the resolutions adopted by the Board, fully cooperated with the Board of Supervisors and actively responded to challenges from changes in economic and financial policies and severe market competition. We prudently pursued progressive growth and development and achieved remarkable operation management results.

As at the end of 2016, according to the financial data prepared under the IFRS, the total assets of the Bank amounted to RMB116,034.8 million, representing a year-on-year growth of 27.7%. The total deposits from customers amounted to RMB65,613.3 million, representing a year-on-year growth of 42.7%. The total loans and advances to customers amounted to RMB29,302.3 million, representing a year-on-year growth of 38.0%. The net profit amounted to RMB1,551.6 million, representing a year-on-year growth of 29.3%. The capital adequacy ratio, non-performing loan ratio and provision coverage ratio was 13.20%, 1.27% and 205.50%, respectively, representing the continuous improvement in management efficiency.

We strived to enhance our services, continue to develop financial products, optimize outlet layouts and establish community banking outlets. We gained the trust of our customers by strengthening our banking services for the "three rurals" and SMEs.

We strived to improve our development quality. Our employees upheld the basic values of the Bank and promoted the development of the Bank in terms of scale, quality and efficiency. The comprehensive risk management system was further improved and better results were achieved on all regulatory targets.

We adopt a people-oriented approach to motivate our employees. We organized various cultural and recreational activities and provided help and care to our employees with an objective to promote corporate culture and loyalty.

We endeavoured to strengthen our brand position. We actively participated in social and economic development by providing loans, poverty alleviation and donation. Our active participation in local major commercial and community projects was highly appreciated. In addition, with our hard works in 2016, we successfully set foot in the international capital markets of Hong Kong on January 12, 2017, representing a further improvement in our brand and social image.

The accomplishments in 2016 were attributable to the care and support of all shareholders and all sectors of the society as well as the hard work and devotion of the management and employees of the Bank. I hereby, on behalf of the management of the Bank, extend our sincere gratitude to all shareholders and parties from all sectors of the society as well as all management and employees of the Bank for their continuous support to the development of the Bank.

In 2017, the management of the Bank will keep abreast of the changes in economic and financial conditions, implement all strategic decisions of the Board and cooperate with the Board of Supervisors. In order to serve the real economy effectively, the Bank will be committed to achieving steady growth and development by further strengthening the risk management and enhancing the development quality to ensure lawful and sustainable operation. The Bank has been sparing no effort to develop itself into a leading modern rural commercial bank in China with diversified businesses and strong brand name.

Zhang Haishan

President

Chapter 1 Definitions and Glossary

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

"Anci District Huimin Village and Township Bank"	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 6, 2011, in which the Bank holds a 51% equity interest. The remaining nine shareholders hold 49% equity interest in Anci District Huimin Village and Township Bank
"Anping Huimin Village and Township Bank"	Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 24, 2013, in which the Bank holds a 36% equity interest. The remaining 30 shareholders hold 64% equity interest in Anping Huimin Village and Township Bank. The Bank and five other shareholders (holding an aggregate of 39.16% equity interest in Anping Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Anping Huimin Village and Township Bank. Anping Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Articles of Association"	the articles of association of the Bank
"Baicheng Taobei Huimin Village and Township Bank"	Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 23, 2015, in which the Bank holds a 49% equity interest. The remaining 14 shareholders hold 51% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and six other shareholders (holding an aggregate of 18% equity interest in Baicheng Taobei Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Baicheng Taobei Huimin Village and Township Bank. Baicheng Taobei Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Bank"	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, including its predecessors, but excluding its subsidiaries

"Board" or "Board of Directors"	the board of directors of the Bank
"Board of Supervisors"	the board of supervisors of the Bank
"CBRC"	the China Banking Regulatory Commission(中國銀行業監督管理委員會)
"CBRC Jilin Bureau"	the China Banking Regulatory Commission Jilin Bureau (中國銀行業監督管理委員會吉林監管局)
"Changbai Mountain Rural Commercial Bank"	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 21 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank. The Bank and other three shareholders (holding an aggregate of 27.9% equity interest in Changbai Mountain Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meeting and shareholders' general meetings of Changbai Mountain Rural Commercial Bank. Changbai Mountain Rural Commercial Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Changchun Gaoxin Huimin Village and Township Bank"	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 24, 2013, in which the Bank holds a 50% equity interest. The remaining eight shareholders hold 50% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and another shareholder (holding 1.85% equity interest in Changchun Gaoxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Changchun Gaoxin Huimin Village and Township Bank. Changchun Gaoxin Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Changchun Nanguan Huimin Village and Township Bank"	Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 11, 2011, in which the Bank holds a 51.20% equity interest. The remaining 35 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

"Da'an Huimin Village and Township Bank"	Da'an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 26, 2011, in which the Bank holds a 51.46% equity interest. The remaining 12 shareholders hold 48.54% equity interest in Da'an Huimin Village and Township Bank
"Director(s)"	the director(s) of the Bank
"Domestic Shares"	ordinary shares issued by the Bank in the PRC, with a nominal value of RMBl.00 each, which are subscribed for or credited as paid in Renminbi
"Fuyu Huimin Village and Township Bank"	Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2015, in which the Bank holds a 49% equity interest. The remaining 15 shareholders hold 51% equity interest in Fuyu Huimin Village and Township Bank. The Bank and two other shareholders (holding an aggregate of 3% equity interest in Fuyu Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Fuyu Huimin Village and Township Bank. Fuyu Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Gaomi Huimin Village and Township Bank"	Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司) a company with limited liability incorpor ated in the PRC on May 25, 2011, in which the Bank holds a 71.43% equity interest. The remaining 35 shareholders hold 28.57% equity interest in Gaomi Huimin Village and Township Bank
"Group"	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, and its predecessors and subsidiaries, on a consolidated basis
"Guangzhou Huangpu Huimin Village and Township Bank"	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 7, 2014, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Guangzhou Huangpu Huimin Village and Township Bank, among which, Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司) is a connected person of the Group

"H Shares"	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars
"Hanshan Huimin Village and Township Bank"	Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 30, 2010, and a wholly-owned subsidiary of the Group
"Heyang Huimin Village and Township Bank"	Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 51% equity interest. The remaining five shareholders hold 49% equity interest in Heyang Huimin Village and Township Bank
"HK$" or "HK dollars"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended and supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huadian Huimin Village and Township Bank"	Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 29, 2013, in which the Bank holds a 51% equity interest. The remaining 13 shareholders hold 49% equity interest in Huadian Huimin Village and Township Bank

"Huidong Huimin Village and Township Bank"	Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 21, 2014, in which the Bank holds a 35% equity interest. The remaining ten shareholders hold 65% equity interest in Huidong Huimin Village and Township Bank. The Bank and three other shareholders (holding an aggregate of 30% equity interest in Huidong Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Huidong Huimin Village and Township Bank. Huidong Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"IFRS"	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"Jilin Chuanying Huimin Village and Township Bank"	Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 21, 2016, in which the Bank holds a 46% equity interest. The remaining 26 shareholders hold 54% equity interest in Jilin Chuanying Huimin Village and Township Bank. The Bank and another shareholder (holding 5% equity interest in Jilin Chuanying Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Chuanying Huimin Village and Township Bank. Jilin Chuanying Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Jilin Chuncheng Rural Commercial Bank"	Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30% equity interest. The remaining 38 shareholders hold 70% equity interest in Jilin Chuncheng Rural Commercial Bank, among which, Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司) and Jishi Media Co., Ltd. (吉視傳媒股份有限公司) are connected persons of the Bank. The Bank and four other shareholders (holding an aggregate of 40% equity interest in Jilin Chuncheng Rural Commercial Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Chuncheng Rural Commercial Bank. Jilin Chuncheng Rural Commercial Bank is deemed to be under the Bank's control and to be the Group's subsidiary.

"Jilin Dehui Rural Commercial Bank"	Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 30, 2013, in which the Bank holds a 45% equity interest. The remaining six shareholders hold 55% equity interest in Jilin Dehui Rural Commercial Bank among which four are connected persons of the Bank. The Bank and two other shareholders (holding an aggregate of 20% equity interest in Jilin Dehui Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Dehui Rural Commercial Bank. Jilin Dehui Rural Commercial Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Jilin Fengman Huimin Village and Township Bank"	Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 51% equity interest. The remaining 15 shareholders hold 49% equity interest in Jilin Fengman Huimin Village and Township Bank
"Jilin Gongzhuling Rural Commercial Bank"	Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30% equity interest. The remaining 53 shareholders hold 70% equity interest in Jilin Gongzhuling Rural Commercial Bank among which two are connected persons of the Bank. The Bank and three other shareholders (holding an aggregate of 30% equity interest in Jilin Gongzhuling Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Gongzhuling Rural Commercial Bank. Jilin Gongzhuling Rural Commercial Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Jingmen Dongbao Huimin Village and Township Bank"	Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 21, 2011, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Jingmen Dongbao Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

"Latest Practicable Date"	April 17, 2017, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Listing Date"	January 12, 2017, being the date on which dealing in the H Shares commences on the Hong Kong Stock Exchange
"Leizhou Huimin Village and Township Bank"	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on March 25, 2015, in which the Bank holds a 45% equity interest. The remaining seven shareholders hold 55% equity interest in Leizhou Huimin Village and Township Bank. The Bank and three other shareholders (holding an aggregate of 20% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Liaoyuan Rural Commercial Bank"	Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司), a company with limited liability incorporated in the PRC on November 15, 2012, and a wholly-owned subsidiary of the Group
"Lingshui Dasheng Village and Township Bank"	Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20% equity interest. The remaining 30 shareholders hold 80% equity interest in Lingshui Dasheng Village and Township Bank. The Bank and 11 other shareholders (holding an aggregate of 41.6% equity interest in Lingshui Dasheng Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Lingshui Dasheng Village and Township Bank. Lingshui Dasheng Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Lujiang Huimin Village and Township Bank"	Lu Jiang Hui Min Town Bank Co., Ltd. (盧江惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 60% equity interest. The remaining 49 shareholders hold 40% equity interest in Lujiang Huimin Village and Township Bank

"NPLs" or "non-performing loans"	non-performing loans, and for the purpose of this annual report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary bank adopted pursuant to applicable PRC guidelines
"NPL ratio" or "non-performing loan ratio"	the percentage ratio calculated by dividing non-performing loans by total loans
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
"PRC GAAP"	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"Qianan Huimin Village and Township Bank"	Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 50.67% equity interest. The remaining 20 shareholders hold 49.33% equity interest in Qianan Huimin Village and Township Bank
"Qingdao Pingdu Huimin Village and Township Bank"	Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2010, in which the Bank holds a 58.82% equity interest. The remaining 94 shareholders hold 41.18% equity interest in Qingdao Pingdu Huimin Village and Township Bank

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"Qingyuan Qingxin Huimin Village and Township Bank"	Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 23, 2014, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Qingyuan Qingxin Huimin Village and Township Bank, among which, Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司) is a connected person of the Group
"Reporting Period"	the year ended December 31, 2016 (January 1, 2016 to December 31, 2016)
"RMB" or "Renminbi"	the lawful currency of the PRC
"Sanya Phoenix Village and Township Bank"	Sanya Phoenix County Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司) (formerly known as Sanya Golden Phoenix County Village and Township Bank Co., Ltd., 三亞金鳳凰村鎮銀行股份有限公司 a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20% equity interest. The remaining 10 shareholders hold 80% equity interest in Sanya Phoenix Village and Township Bank. The Bank and four other shareholders (holding an aggregate of 33% equity interest in Sanya Phoenix Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Sanya Phoenix Village and Township Bank. Sanya Phoenix Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

"Shares"	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Shares
"Shuangcheng Huimin Village and Township Bank"	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 25, 2010, in which the Bank holds a 75% equity interest. The remaining 26 shareholders hold 25% equity interest in Shuangcheng Huimin Village and Township Bank
"Songyuan Ningjiang Huimin Village and Township Bank"	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 19, 2011, in which the Bank holds a 40.80% equity interest. The remaining 55 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and two other shareholders (holding an aggregate of 11.52% equity interest in Songyuan Ningjiang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Songyuan Ningjiang Huimin Village and Township Bank. Songyuan Ningjiang Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Supervisor(s)"	the supervisor(s) of the Bank
"Taonan Huimin Village and Township Bank"	Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 11, 2015, in which the Bank holds a 49% equity interest. The remaining 12 shareholders hold 51% equity interest in Taonan Huimin Village and Township Bank. The Bank and four other shareholders (holding an aggregate of 30% equity interest in Taonan Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary

Chapter 1 Definitions and Glossary

"three rurals"	a short term for the issues related to agriculture, rural areas and rural households
"Tianjin Binhai Huimin Village and Township Bank"	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 11, 2014, in which the Bank holds a 47% equity interest. The remaining 11 shareholders hold 53% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and another shareholder (holding 5% equity interest in Tianjin Binhai Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Tianjin Binhai Huimin Village and Township Bank. Tianjin Binhai Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Tongcheng Huimin Village and Township Bank"	Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 19, 2012, and a wholly owned subsidiary of the Group
"Wenan County Huimin Village and Township Bank"	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2011, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Wenan County Huimin Village and Township Bank

"Wuchang Huimin Village and Township Bank"	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank
"Wuhua Huimin Village and Township Bank"	Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 13, 2014, in which the Bank holds a 51% equity interest. The remaining seven shareholders hold 49% equity interest in Wuhua Huimin Village and Township Bank
"Yun'an Huimin Village and Township Bank"	Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 27, 2014, in which the Bank holds a 61% equity interest. The remaining four shareholders hold 39% equity interest in Yun'an Huimin Village and Township Bank

In this annual report:

1. *any discrepancies in any table between totals and sums of the amounts listed are due to rounding; and*

2. *if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

Chapter 2 Company Profile

I. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:

吉林九台農村商業銀行股份有限公司 (abbreviated as 九台農商銀行)

Registered Name in English:

Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “Jiutai Rural Commercial Bank”)

Legal Representative:

Gao Bing

Authorized Representative:

Gao Bing, Wong Yat Tung

Board Secretary:

Yuan Chunyu

Joint Company Secretaries:

Yuan Chunyu, Wong Yat Tung

Registered Office Address:

No. 504 Xinhua Main Street,
Jiutai District, Changchun
Jilin Province, the PRC

Principal Office Address:

No. 2559 Wei Shan Road
High-tech Zone, Changchun
Jilin Province, the PRC

Customer Service Hotline:

+86 (431) 96888

Telephone:

+86 (431) 8925 0628

Facsimile:

+86 (431) 8925 0628

Company Website:

www.jtnsh.com

Place of Business in Hong Kong:

Room 3521, 35/F, Two Pacific Place
88 Queensway, Hong Kong

H Share Disclosure Websites:

The Stock Exchange of Hong Kong Limited's website at www.hkexnews.hk
The Bank's website at www.jtnsh.com

Listing Place:

The Stock Exchange of Hong Kong Limited

Stock Short Name:

JIUTAI RCB

Stock Code:

06122

H Share Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

PRC Legal Adviser:

King & Wood Mallesons
20/F, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District, Beijing, the PRC

Hong Kong Legal Adviser:

Latham & Watkins
18/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Auditors:

Domestic Auditor:

ShineWing Certified Public Accountants LLP
9/F, Block A, Fu Hua Mansion
No. 8 Chao Yang Men Bei Da Jie
Dong Cheng District, Beijing, the PRC

International Auditor:

SHINEWING (HK) CPA Limited
43/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Compliance Advisor:

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

II. HISTORY OF THE BANK

On December 15, 2008, upon the approval of the CBRC Jilin Bureau, the Bank was promoted and established as a joint stock commercial bank named "Jilin Jiutai Rural Commercial Bank Corporation Limited" (吉林九台農村商業銀行股份有限公司) by qualified natural person shareholders of the former Jiutai Rural Credit Cooperative (九台市農村信用合作聯社), newly introduced individual shareholders and legal person shareholders. On December 16, 2008, the Bank was formally incorporated.

The Bank's current registered address is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin province, the PRC. The Bank has established a place of business in Hong Kong at Room 3521, 35/F, Two Pacific Place, 88 Queensway, Hong Kong and registered as a non-Hong Kong company in Hong Kong on February 17, 2016 under Part XVI of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Bank appointed Wong Yat Tung as the Bank's authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. As the Bank was established in the PRC, the Bank's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC.

The Bank's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 12, 2017.

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

III. AWARDS AND RECOGNITIONS IN 2016

The Bank has won numerous awards and recognitions in 2016 attributable to its outstanding business performance and management ability, including the following:

Awards/Recognitions	Organizer
Ranking Second in the Gyroscope Valuation System on Stable Development of Commercial Banks (Rural Commercial Banks) of 2016 (2016年度商業銀行穩健發展能力「陀螺」評價體系 (農村商業銀行) 第二名)	China Banking Association (中國銀行業協會)
Top 100 in the Banking Industry of China (中國銀行業前100名)	China Banking Association (中國銀行業協會)
Best Rural Financial Institution in Interbank RMB Market in 2015 (2015年度銀行間本幣市場最佳農村金融機構)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
Top 200 Trading Banks in Interbank RMB Market in 2015 (2015年銀行間本幣市場交易200強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
Top 100 Banks in Interbank RMB and Foreign Exchange Market in 2015 (2015年度銀行間人民幣外匯市場100強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)

Chapter 3 Financial Highlights

Financial Data for 2013, 2014, 2015 and 2016

(Expressed in millions of RMB, unless otherwise stated)	2016	2015	2014	2013
Operating results				
Interest income	8,487.6	6,080.6	4,679.7	2,580.5
Interest expenses	(3,954.3)	(2,708.4)	(2,113.3)	(1,121.9)
Net interest income	4,533.3	3,372.2	2,566.4	1,458.6
Fee and commission income	781.6	241.7	318.8	180.9
Fee and commission expenses	(33.9)	(19.0)	(17.6)	(10.5)
Net fee and commission income	747.7	222.7	301.2	170.4
Net gains arising from investment securities	387.7	344.5	161.3	79.1
Dividend income	106.6	69.3	42.6	30.4
Net trading gains	127.7	131.9	32.3	57.9
Gain on disposal of a subsidiary	—	12.8	—	—
Net Exchange gains/(losses)	9.3	6.5	6.3	(0.4)
Other operating income	41.8	108.0	135.6	21.9
Operating income	5,954.1	4,267.9	3,245.7	1,817.9
Operating expenses	(2,608.1)	(2,044.1)	(1,482.1)	(878.1)
Impairment losses on assets	(382.8)	(350.1)	(185.7)	(216.6)
Operating profit	2,963.2	1,873.7	1,577.9	723.2
Share of profits of associates	9.8	2.2	—	—
Profit before tax	2,973.0	1,875.9	1,577.9	723.2
Income tax expense	(657.2)	(473.7)	(347.0)	(180.7)
Profit for the year	2,315.8	1,402.2	1,230.9	542.5
Profit for the year attributable to:				
— Owners of the Bank	1,886.8	1,215.8	1,103.2	534.6
— Non-controlling interests	429.0	186.4	127.7	7.9
Profit for the year	2,315.8	1,402.2	1,230.9	542.5

Chapter 3 Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	2016	2015	2014	2013
Major indicators of assets/ liabilities				
Total assets	191,471.3	141,953.3	81,855.3	55,170.5
Of which: loans and advances to customers	60,286.4	46,477.4	33,417.0	21,253.3
Total liabilities	177,748.2	130,096.1	74,021.0	50,490.7
Of which: Deposits from customers	127,408.7	93,302.8	59,771.7	36,739.3
Total equity	13,723.1	11,857.2	7,834.3	4,679.8
Per share (RMB)				
Net assets per share	3.07	2.78	2.38	2.10
Basic earnings per share	0.57	0.41	0.48	0.30
Diluted earnings per share	0.57	0.41	0.48	0.30
Profitability indicators (%)				
Return on assets(1)	1.39%	1.25%	1.80%	1.30%
Return on capital(2)	18.11%	14.24%	19.67%	14.72%
Net interest spread(3)	2.53%	2.79%	3.23%	3.24%
Net interest margin(4)	2.67%	3.01%	3.40%	3.36%
Net fee and commission income to operating income ratio(5)	12.56%	5.22%	9.28%	9.37%
Cost-to-income ratio(6)	41.61%	43.54%	41.11%	44.34%
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio(7)	10.35%	12.49%	13.82%	12.20%
Tier-one capital adequacy ratio(8)	10.52%	12.49%	13.82%	12.20%
Capital adequacy ratio(9)	13.79%	14.76%	16.02%	15.26%
Shareholders' equity to total assets ratio	7.17%	8.35%	9.57%	8.48%
Assets quality indicators (%)				
Non-performing loan ratio(10)	1.41%	1.42%	1.19%	1.26%
Provision coverage ratio(11)	206.57%	206.86%	233.40%	220.09%
Provision to total loan ratio(12)	2.92%	2.93%	2.78%	2.77%
Other indicators (%) (13)				
Loan to deposit ratio	48.74%	51.32%	57.50%	59.50%

Notes:

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

(2) Calculated by dividing the net profit for a year by the average balance of total equity 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.

(5) Calculated by dividing net fee and commission income by operating income.

(6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.

(7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.

(8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

(9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.

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

(11) Provision coverage ratio = provision for impairment losses on loans/total loans and advances to non-performing customers.

(12) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.

(13) The indicator refers to the ratio we report to the CBRC and calculated in accordance with PRC GAAP and relative requirements of the CBRC regarding the financial data.

Chapter 3 Financial Highlights

Financial Data for 2012[1]

(Expressed in millions of RMB, unless otherwise stated)	2012
Operating results	
Interest income	1,549.3
Interest expenses	(536.9)
Net interest income	1,012.4
Fee and commission income	85.5
Fee and commission expenses	(4.5)
Net fee and commission income	81.0
Investment gains	62.9
Profit and losses on the changes in fair value	(2.9)
Gain on disposal of a subsidiary	—
Net exchange losses	(0.2)
Other operating income	7.8
Operating income	1,161.0
Operating expenses	(589.8)
Impairment losses on assets	(94.2)
Operating profit	477.0
Share of profits of associates	—
Profit before tax	477.0
Income tax expense	(139.9)
Profit for the year	337.1
Profit for the year attributable to:	
— Owners of the Bank	336.3
— Non-controlling interests	0.8
Profit for the year	337.1

(Expressed in millions of RMB, unless otherwise stated)	2012
Major indicators of assets/liabilities	
Total assets	28,575.8
Of which: loans and advances to customers	12,016.0
Total liabilities	25,868.7
Of which: Deposits from customers	22,633.8
Total equity	2,707.1
Per share (RMB)	
Net assets per share	1.87
Basic earnings per share	0.27
Diluted earnings per share	0.27
Profitability indicators (%)	
Return on assets(2)	1.51%
Return on capital(3)	15.93%
Net interest spread(4)	3.65%
Net interest margin(5)	3.80%
Net fee and commission income to operating income ratio(6)	6.97%
Cost-to-income ratio(7)	47.70%
Capital adequacy indicators (%)	
Core tier-one capital adequacy ratio(8)	13.29%
Tier-one capital adequacy ratio(9)	13.29%
Capital adequacy ratio(10)	18.79%
Shareholders' equity to total assets ratio	9.47%
Assets quality indicators (%)	
Non-performing loan ratio(11)	0.80%
Provision coverage ratio(12)	289.25%
Provision to total loan ratio(13)	2.32%
Other indicators (%) (14)	
Loan to deposit ratio	54.35%

Notes:

(1) The financial data for 2012 has been prepared in accordance with the PRC GAAP.

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

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

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

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

(6) Calculated by dividing net fee and commission income by operating income.

(7) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.

(8) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.

(9) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

(10) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.

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

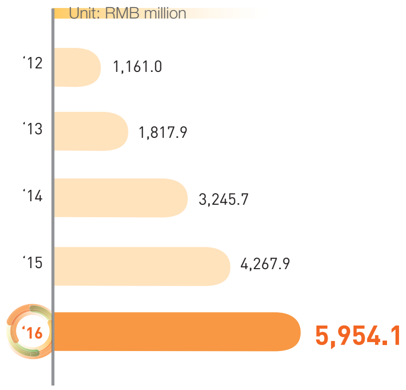
(12) Provision coverage ratio = provision for impairment losses on loans/total loans and advances to non-performing customers.

(13) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.

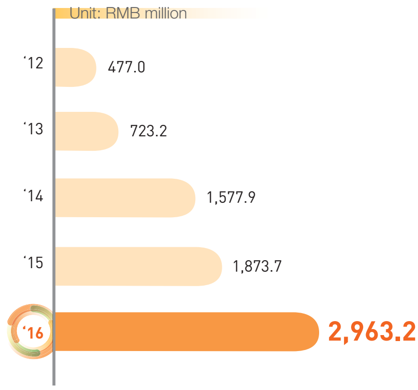
(14) The indicator refers to the ratio we report to the CBRC and calculated in accordance with PRC GAAP and relative requirements of the CBRC regarding the financial data.

Chapter 3 Financial Highlights

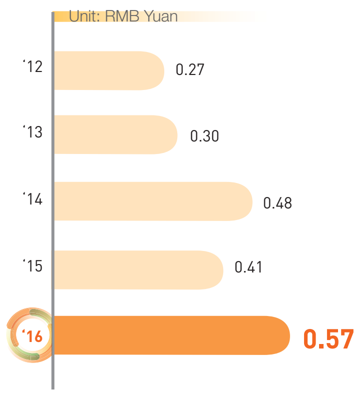
Operating income



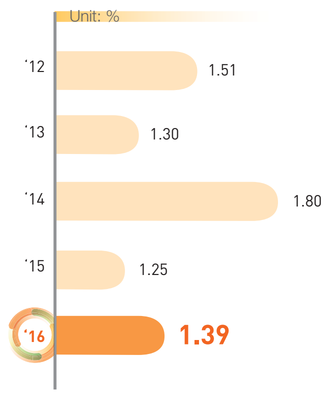
Operating profit



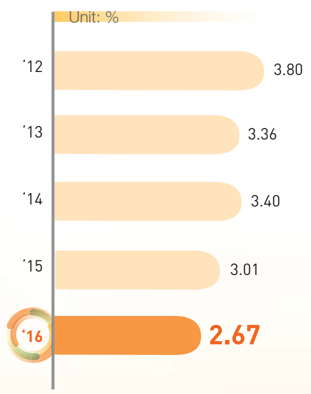
Basic earnings per share



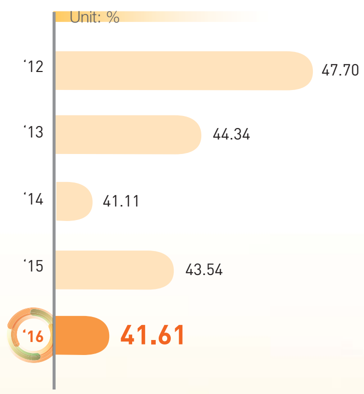
Return on assets



Net interest margin



Cost-to-income ratio



Chapter 4 Management Discussion and Analysis

Environment and Outlook

In 2017, due to the increasing uncertainties in the global political and economic conditions, the international economic and social development will face more challenges. In China, there is still substantial room for the interpretation regarding the "new normal" economic development. On one hand, China is exposed to practical difficulties, such as the progress of reforms, industrial restructuring and public welfare. On the other hand, under the challenges from the global governance, trade friction and adjustment on exchange rates, factors and variables affecting the economic development are mounting. For the financial institutions in the banking industry, the lack of growth momentum in the general economy as well as the state policies aiming to reduce cost and deleverage will result in lower financing needs of enterprises, and prolonged shortage of quality assets, which may adversely affect the ability of banks to mitigate credit risk.

Opportunities always come along with challenges. Generally, despite the "new normal" trend, the economic growth rate of China remains reasonable given its magnitude volume, substantial potential and extensive buffer. The reforms regarding state-owned enterprises and key areas including treasury, taxation and finance have made sound progress, and various industries are experiencing positive developments. The overall economic environment remains stable. In terms of regional economy, as the government will further promote and implement policies according to "Certain Opinions of the CPC Central Committee and the State Council on Revitalization of the Old Industrial Bases in Northeastern China" (《中共中央國務院關於全面振興東北地區等老工業基地的若干意見》), "Opinions of the State Council on the Implementation of a New Round of Revitalization Strategies to Stabilize Economic Growth in Northeastern China" (《國務院關於深入推進實施新一輪東北振興戰略加快推動東北地區經濟企穩向好若干重要舉措的意見》) and "Thirteenth-Five Year Plan for Revitalization of Northeastern China" (《東北振興"十三五"規劃》) in 2017, the increasing policy support is expected to boost the development of Northeastern China and stimulate a new round of reform and upgrade of industries led by the strategic emerging industry, technology and innovative industry, high-end manufacturing industry and service industry, laying a solid foundation for sustainable development. In Jilin, the GDP growth rate in 2016 reached 6.9%, which was 0.2 percentage point higher than the annual growth rate of the national GDP, and surpassed the national average again since two years ago. This shows that Jilin's economy has bottomed out and promoted to a higher development level.

In 2017, by fully capitalizing on the regional economic development trend and taking advantage of the opportunities brought by the new policies, new development space and new cooperation platform, the Bank will continue to enhance the coordination and synergy of operation with steady growth, aiming to achieve better operating results and explore new growth points through innovation and transformation.

Development Strategies

2017 is the first year after the Bank's listing on the Hong Kong Stock Exchange. The Group's strategic goal is to establish its footprint across China while headquartered in Jilin province, and position itself as a professional financial services provider with unique values and strong competitive advantages. The Group also aims to build a leading modern PRC rural commercial banking group with strong brand value. To achieve its goal, the Group plans to: (i) strategically expand geographically and optimize operating network; (ii) reinforce advantages in banking services for the "three rurals" and SMEs; (iii) exploit the growth potential of personal financial services to promote the growth of its retail banking business; (iv) develop emerging businesses to promote the transformation of the growth model; (v) further strengthen the Group's risk management and internal control; and (vi) attract, develop, retain and motivate high-quality talent.

Overall Business Review

In 2016, despite the complex external situations and increasingly fierce peer competition, the Group experienced rapid growth in both scale of operations and financial performance. This growth is largely attributable to the Group's success in executing its business strategies, excellent geographic location, business innovation, efficient operations and management capabilities.

The Group recorded a total operating income of RMB5,954.1 million in 2016, representing an increase of 39.5% as compared to RMB4,267.9 million in 2015. The Group's net profit increased by 65.2% from RMB1,402.2 million in 2015 to RMB2,315.8 million in 2016. The Group's performance not only delivered sound returns to the Shareholders and investors, but also laid a solid foundation for its sustainable development.

As of December 31, 2016, the Group's total assets amounted to RMB191,471.3 million, representing a year-on-year increase of 34.9%; total loans and advances to customers amounted to RMB62,100.8 million, representing a year-on-year increase of 29.7%; the non-performing loan ratio remained at a reasonable level of 1.41%; total deposits from customers amounted to RMB127,408.7 million, representing a year-on-year increase of 36.6%.

(a) Analysis of the Consolidated Statement of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016	2015	Change in amount	Change in percentage (%)
Interest income	**8,487.6**	6,080.6	2,407.0	39.6%
Interest expense	**(3,954.3)**	(2,708.4)	(1,245.9)	46.0
Net interest income	**4,533.3**	3,372.2	1,161.1	34.4
Fee and commission income	**781.6**	241.7	539.9	223.4
Fee and commission expenses	**(33.9)**	(19.0)	(14.9)	78.4
Net fee and commission income	**747.7**	222.7	525.0	235.7
Net gains arising from investment securities	**387.7**	344.5	43.2	12.5
Dividend income	**106.6**	69.3	37.3	53.8
Net trading gains	**127.7**	131.9	(4.2)	(3.2)
Gain on disposal of a subsidiary	**—**	12.8	(12.8)	(100.0)
Net exchange gains	**9.3**	6.5	2.8	43.1
Other operating income	**41.8**	108.0	(66.2)	(61.3)
Operating income	**5,954.1**	4,267.9	1,686.2	39.5
Operating expenses	**(2,608.1)**	(2,044.1)	(564.0)	27.6
Impairment losses on assets	**(382.8)**	(350.1)	(32.7)	9.3
Operating profit	**2,963.2**	1,873.7	1,089.5	58.1
Share of profits of associates	**9.8**	2.2	7.6	345.5
Profit before tax	**2,973.0**	1,875.9	1,097.1	58.5
Income tax expense	**(657.2)**	(473.7)	(183.5)	38.7
Profit for the year	**2,315.8**	1,402.2	913.6	65.2
Profit for the year attributable to:				
— Owners of the Bank	**1,886.8**	1,215.8	671.0	55.2
— Non-controlling interests	**429.0**	186.4	242.6	130.2
Profit for the year	**2,315.8**	1,402.2	913.6	65.2%

In 2016, the Group's profit before tax was RMB2,973.0 million, representing a year-on-year increase of 58.5%; profit for the year was RMB2,315.8 million, representing a year-on-year increase of 65.2%, mainly attributable to the stable growth of total interest-earning assets resulting in increase in net interest income of RMB1,161.1 million or 34.4% as compared to the previous year.

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 79.0% and 76.1% of operating income in 2015 and 2016, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016	2015	Change in amount	Change in percentage (%)
Interest income	**8,487.6**	6,080.6	2,407.0	39.6%
Interest expense	**(3,954.3)**	(2,708.4)	(1,245.9)	46.0
Net interest income	**4,533.3**	3,372.2	1,161.1	34.4%

The table below sets forth the average balance of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense and the average yield or average cost for the periods indicated. The average balance of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016			Year ended December 31, 2015		
	Average balance	Interest income	Average yield/cost (%)	Average balance	Interest income	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	**54,989.1**	**4,055.5**	**7.38%**	47,759.4	3,600.7	7.54%
Investment securities and other financial assets[1]	**57,500.6**	**2,652.9**	**4.61**	25,742.8	1,217.1	4.73
Financial assets held under resale agreements	**13,536.6**	**415.2**	**3.07**	15,341.9	542.5	3.54
Deposits with banks and other financial institutions	**29,686.0**	**1,135.2**	**3.82**	13,242.6	533.7	4.03
Deposits with the central bank[2]	**12,670.2**	**191.5**	**1.51**	9,438.0	144.8	1.53
Placements with banks and other financial institutions	**1,264.3**	**37.3**	**2.95**	683.6	41.8	6.13
Total interest-earning assets	**169,646.8**	**8,487.6**	**5.00%**	112,208.3	6,080.6	5.41%

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016 Average balance	Interest expense	Average yield/cost (%)	Year ended December 31, 2015 Average balance	Interest expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	108,524.3	2,464.3	2.27%	69,567.1	1,582.8	2.28%
Financial assets sold under repurchase agreements	27,661.4	660.6	2.39	21,122.2	586.8	2.78
Deposits from banks and other financial institutions	9,715.7	297.7	3.06	7,279.8	290.3	3.99
Debt securities issued[3]	12,811.4	490.4	3.83	4,863.9	226.9	4.66
Placements from banks and other financial institutions	1,065.3	30.5	2.86	441.1	13.7	3.11
Borrowing from the central bank	431.6	10.8	2.50	277.2	7.9	2.85
Total interest-bearing liabilities	160,209.7	3,954.3	2.47%	103,551.3	2,708.4	2.62%
Net interest income		4,533.3			3,372.2	
Net interest spread[4]			2.53%			2.79%
Net interest margin[5]			2.67%			3.01%

Notes:

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

(2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.

(3) Primarily consist of tier-two capital bonds, subordinated fixed rate bonds and interbank certificates.

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

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

The table below sets forth the changes in the Group's interest income and interest expense attributable to changes in volume and interest rate for the periods indicated. Changes in volume are measured by changes in the average balance, and changes in interest rate are measured by changes in the average interest rates. Changes caused by both volume and interest rate have been allocated to changes in volume.

(Expressed in millions of RMB, unless otherwise stated)	2016 vs 2015 Volume(1)	Interest rate(2)	Net Increase/ (decrease)(3)
Interest-earning Assets			
Loans and advances to customers	533.2	(78.4)	454.8
Investment securities and other financial assets(1)	1,465.3	(29.5)	1,435.8
Financial assets held under resale agreements	(55.4)	(71.9)	(127.3)
Deposits with banks and other financial institutions	628.8	(27.3)	601.5
Deposits with the central bank	48.9	(2.2)	46.7
Placements with banks and other financial institutions	17.1	(21.6)	(4.5)
Changes in interest income	2,637.9	(230.9)	2,407.0
Interest-bearing Liabilities			
Deposits from customers	884.6	(3.1)	881.5
Financial assets sold under repurchase agreements	156.2	(82.4)	73.8
Deposits from banks and other financial institutions	74.6	(67.2)	7.4
Debt securities issued	304.2	(40.7)	263.5
Placements from banks and other financial institutions	17.9	(1.1)	16.8
Borrowing from the central bank	3.9	(1.0)	2.9
Changes in interest expense	1,441.4	(195.5)	1,245.9
Changes in net interest income	1,196.5	(35.4)	1,161.1

Notes:

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

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

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

(ii) Interest income

The table below sets forth the principal components of interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016 Amount	2016 % of total	2015 Amount	2015 % of total
Loans and advances to customers	**4,055.5**	**47.8%**	3,600.7	59.2%
Investment securities and other financial assets	**2,652.9**	**31.2**	1,217.1	20.0
Deposits with banks and other financial institutions	**1,135.2**	**13.4**	533.7	8.8
Financial assets held under resale agreements	**415.2**	**4.9**	542.5	8.9
Deposits with the central bank	**191.5**	**2.3**	144.8	2.4
Placements with banks and other financial institutions	**37.3**	**0.4**	41.8	0.7
Total	**8,487.6**	**100.0%**	6,080.6	100.0%

The Group's interest income increased by 39.6% from RMB6,080.6 million in 2015 to RMB8,487.6 million in 2016, primarily due to an increase in the average balance of interest-earning assets, from RMB112,208.3 million in 2015 to RMB169,646.8 million in 2016, partially offset by a decrease in the average yield on interest-earning assets, from 5.41% in 2015 to 5.00% in 2016. The increase in the average balance of interest-earning assets was primarily due to the increases in the average balance of investment securities and other financial assets, deposits with banks and other financial institutions, loans and advances to customers and deposits with the central bank in line with the growth of the Group's business. The decrease in average yield on interest-earning assets was primarily due to the decreases in the average yield on placements with banks and other financial institutions, financial assets held under resale agreements, investment securities and other financial assets and loans and advances to customers.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 59.2% and 47.8% of the Group's total interest income in 2015 and 2016, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016 Average balance	Interest income	Average yield (%)	2015 Average balance	Interest income	Average yield (%)
Corporate loans	**39,859.3**	**2,919.3**	**7.32%**	26,602.1	2,205.4	8.29%
Retail loans	**14,209.9**	**1,107.4**	**7.79**	13,460.1	992.0	7.37
Discounted bills	**919.9**	**28.8**	**3.14**	7,697.2	403.3	5.24
Total loans and advances to customers	**54,989.1**	**4,055.5**	**7.38%**	47,759.4	3,600.7	7.54%

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

Interest income from investment securities and other financial assets increased by 118.0% from RMB1,217.1 million in 2015 to RMB2,652.9 million in 2016, primarily due to an increase in the average balance of investment securities and other financial assets, from RMB25,742.8 million in 2015 to RMB57,500.6 million in 2016, partially offset by a decrease in the average yield on investment securities and other financial assets, from 4.73% in 2015 to 4.61% in 2016. The increase in the average balance was primarily due to (i) the Group's strategy to diversify its products and services and expand its treasury operations; and (ii) an increase in funds available for investments. The decrease in the average yield was primarily due to a decrease in market interest rates attributable to lower benchmark deposit and loan interest rates of the PBOC and improved market liquidity.

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

Interest income from deposits with banks and other financial institutions increased by 112.7% from RMB533.7 million in 2015 to RMB1,135.2 million in 2016, primarily due to an increase in the average balance of deposits with banks and other financial institutions, from RMB13,242.6 million in 2015 to RMB29,686.0 million in 2016. The increase in the average balance was primarily attributable to the adjustment of interbank assets structure to balance risk and return. The average yield on deposits with banks and other financial institutions decreased from 4.03% in 2015 to 3.82% in 2016, mainly due to a decrease in market interest rates attributable to lower PBOC benchmark deposit and loan interest rates and enhanced market liquidity.

(D) *Interest income from financial assets held under resale agreements*

Interest income from financial assets held under resale agreements decreased by 23.5% from RMB542.5 million in 2015 to RMB415.2 million in 2016, primarily due to a decrease in the average balance of financial assets held under resale agreements, from RMB15,341.9 million in 2015 to RMB13,536.6 million in 2016, and a decrease in the average yield from 3.54% in 2015 to 3.07% in 2016. The decrease in the average yield was primarily due to a decrease in market interest rates attributable to lower PBOC benchmark deposit and loan interest rates and enhanced market liquidity. The decrease in the average balance was primarily attributable to the adjustment of interbank assets structure to balance risk and return by the Group.

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

Interest income from cash and deposits with the central bank increased by 32.3% from RMB144.8 million in 2015 to RMB191.5 million in 2016, primarily due to an increase in the average balance of deposits with the central bank, from RMB9,438.0 million in 2015 to RMB12,670.2 million in 2016, partially offset by a slight decrease in the average yield on deposits with the central bank, from 1.53% in 2015 to 1.51% in 2016. The increase in the average balance of deposits with the central bank was primarily due to an increase in the statutory deposit reserves resulting from increased customer deposits.

(iii) Interest expenses

The table below sets forth the principal components of the Group's interest expenses for the periods indicated.

	Year ended December 31,			
	2016		2015	
(Expressed in millions of RMB, unless otherwise stated)	Amount	% of total	Amount	% of total
Deposits from customers	2,464.3	62.3%	1,582.8	58.4%
Financial assets sold under repurchase agreements	660.6	16.7	586.8	21.7
Deposits from banks and other financial institutions	297.7	7.5	290.3	10.7
Debt securities issued	490.4	12.4	226.9	8.4
Placements from banks and other financial institutions	30.5	0.8	13.7	0.5
Borrowings from the central bank	10.8	0.3	7.9	0.3
Total	3,954.3	100.0%	2,708.4	100.0%

(A) Interest expenses on deposits from customers

The table below sets forth the average balance, interest expense and average cost for the components of deposits from customers for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016 Average balance	2016 Interest expense	2016 Average cost (%)	2015 Average balance	2015 Interest expense	2015 Average cost (%)
Corporate deposits						
Time	22,705.9	851.1	3.75%	11,531.4	461.4	4.00%
Demand	29,088.3	484.7	1.67	18,128.5	175.7	0.97
Subtotal	51,794.2	1,335.8	2.58%	29,659.9	637.1	2.15%
Retail deposits						
Time	41,977.9	1,075.6	2.56%	29,427.6	890.8	3.03%
Demand	14,752.2	52.9	0.36	10,479.6	54.9	0.52
Subtotal	56,730.1	1,128.5	1.99%	39,907.2	945.7	2.37%
Total deposits from customers	108,524.3	2,464.3	2.27%	69,567.1	1,582.8	2.28%

Interest expenses on deposits from customers increased by 55.7% from RMB1,582.8 million in 2015 to RMB2,464.3 million in 2016, primarily due to an increase in the average balance of deposits from customers, from RMB69,567.1 million in 2015 to RMB108,524.3 million in 2016, partially offset by a decrease in the average cost of deposits from customers, from 2.28% in 2015 to 2.27% in 2016.

(B) Interest expenses on financial assets sold under repurchase agreements

Interest expenses on financial assets sold under repurchase agreements increased by 12.6% from RMB586.8 million in 2015 to RMB660.6 million in 2016, primarily due to an increase in the average balance of financial assets sold under repurchase agreements from RMB21,122.2 million in 2015 to RMB27,661.4 million in 2016, partially offset by a decrease in the average cost of financial assets sold under repurchase agreements from 2.78% in 2015 to 2.39% in 2016. The decrease in the average cost was primarily due to a decrease in market interest rates attributable to lower PBOC benchmark deposit and loan interest rates and improved market liquidity. The increase in the average balance was the result of more repurchase transactions for managing liquidity and balancing risk and cost.

(C) Interest expenses on deposits from banks and other financial institutions

Interest expenses on deposits from banks and other financial institutions increased by 2.5% from RMB290.3 million in 2015 to RMB297.7 million in 2016, mainly due to an increase in the average balance of deposits from banks and other financial institutions from RMB7,279.8 million in 2015 to RMB9,715.7 million in 2016, which was partially offset by a decrease in the average cost of deposits from banks and other financial institutions from 3.99% in 2015 to 3.06% in 2016. The increase in the average balance was primarily due to the consolidation of the financial results (including deposits from banks and other financial institutions) of rural credit cooperatives and a rural cooperative bank that were acquired, and the village and township banks that were established and acquired. The decrease in the average cost was primarily due to the decrease in market interest rates attributable to lower PBOC benchmark deposit interest rates and improved market liquidity.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued increased by 116.1% from RMB226.9 million in 2015 to RMB490.4 million in 2016, mainly due to the issuance of interbank deposits in an aggregate face value of RMB37,140 million in 2016.

(iv) 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 of total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

Net interest spread decreased from 2.79% in 2015 to 2.53% in 2016, and net interest margin decreased from 3.01% in 2015 to 2.67% in 2016, primarily due to a decrease in the average yield on loans and advances to customers, reflecting lower PBOC benchmark loan interest rates and market interest rates.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016	2015	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	**418.7**	137.1	281.6	205.4%
Syndicated loan service fees	**43.5**	30.4	13.1	43.1
Settlement and clearing fees	**40.0**	26.4	13.6	51.5
Agency services fees	**61.8**	17.9	43.9	245.3
Wealth management service fees	**198.8**	7.6	191.2	2,515.8
Bank card service fees	**6.1**	5.1	1.0	19.6
Others(1)	**12.7**	17.2	(4.5)	(26.2)
Subtotal	**781.6**	241.7	539.9	223.4%
Fee and commission expense	**(33.9)**	(19.0)	(14.9)	78.4%
Net fee and commission income	**747.7**	222.7	525.0	235.7%

Note:

(1) Primarily consists of fee income from loan business, fee and commission of guarantees and commitments and income from safe deposit box business.

Net fee and commission income increased by 235.7% from RMB222.7 million in 2015 to RMB747.7 million in 2016, primarily due to the increase in advisory fees, wealth management service fees, agency service fees and settlement and clearing fees.

Fee and commission expenses mainly included fees paid to third parties for settlement and clearing services. Fee and commission expenses increased by 78.4% from RMB19.0 million in 2015 to RMB33.9 million in 2016, mainly due to an increase in the volume of domestic settlement transactions.

(B) Net gains arising from investment securities

Net gains arising from investment securities included net gains from selling investment securities and other financial assets and revaluation gains resulting from the reclassification from other consolidated income to profits or losses upon the disposal of assets.

Net gains arising from investment securities increased by 12.5% from RMB344.5 million in 2015 to RMB387.7 million in 2016. The increase was mainly due to the disposition of certain investment securities to realize gains as part of the Group's proactive asset management strategies in response to changes in the interest rate environment.

(C) Dividend income

Dividend income increased by 53.8% from RMB69.3 million in 2015 to RMB106.6 million in 2016. The increase was mainly due to higher dividends received from rural commercial banks and other institutions resulting from their increased profits.

(D) Net trading gains

Net trading gains primarily include gains from selling, and the fair value changes, of debt securities held for trading and wealth management products issued by other financial institutions. Net trading gains decreased by 3.2% from RMB131.9 million in 2015 to RMB127.7 million in 2016, mainly due to fluctuation of the market interest rates.

(E) Net exchange gains

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. The Group had net exchange gains of RMB9.3 million and RMB6.5 million in 2016 and 2015, respectively, primarily reflecting the fluctuation of foreign exchange rates.

(F) Other operating income

Other operating income mainly included government subsidies. Other operating income decreased by 61.3% from RMB108.0 million in 2015 to RMB41.8 million in 2016, which primarily reflected the decrease in government subsidies received by the village and township banks.

(vi) Operating expenses

Operating expenses increased by 27.6% from RMB2,044.1 million in 2015 to RMB2,608.1 million in 2016. The increase was primarily due to the increase in staff costs.

The table below sets forth the principal components of operating expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016	2015	Change in amount	Change in percentage (%)
Staff cost	**1,553.5**	1,119.4	434.1	38.8%
Property and equipment expenses	**437.1**	336.0	101.1	30.1
General management and administrative expenses	**487.1**	402.7	84.4	20.9
Business tax and surcharges	**130.4**	186.0	(55.6)	(29.9)
Total	**2,608.1**	2,044.1	564.0	27.6%

(A) Staff costs

The table below sets forth the components of staff costs for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016	2015	Change in amount	Change in percentage (%)
Salaries and bonuses	**1,143.2**	809.0	334.2	41.3%
Social insurance	**235.4**	175.4	60.0	34.2
Staff welfares	**82.5**	63.8	18.7	29.3
Housing allowances	**61.9**	49.2	12.7	25.8
Labor union and staff education expenses	**30.5**	22.0	8.5	38.6
Total staff costs	**1,553.5**	1,119.4	434.1	38.8%

Staff costs increased by 38.8% from RMB1,119.4 million in 2015 to RMB1,553.5 million in 2016. The increase in staff costs primarily reflected (i) an increase in the number of employees because of the acquisitions and the organic growth and the expansion of the branch network; and (ii) adjustment of the remuneration packages to attract and retain talent.

(B) Property and equipment expenses

Property and equipment expenses increased by 30.1% from RMB336.0 million in 2015 to RMB437.1 million in 2016. The increase in property and equipment expenses was mainly due to an increase in depreciation on properties owned by newly established branches and rent for leased properties.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash and repair expenses. General management and administrative expenses increased by 20.9% from RMB402.7 million in 2015 to RMB487.1 million in 2016, primarily reflecting the Group's business growth.

(D) Business tax and surcharges

The Group pays taxes for interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges decreased 29.9% from RMB186.0 million in 2015 to RMB130.4 million in 2016. The decreases in business tax and surcharges were primarily because the Group paid value-added tax instead of business tax for interest income from loans and fees and commission income since the reform of value-added tax took effect from May 2016.

(vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016	2015	Change in amount	Change in percentage (%)
Loans and advances to customers	**379.1**	327.0	52.1	15.9%
Debt securities classified as receivables	**(7.5)**	19.3	(26.8)	(138.9)
Other receivables and repossessed assets	**11.2**	3.8	7.4	194.7
Total	**382.8**	350.1	32.7	9.3%

Impairment losses on assets increased by 9.3% from RMB350.1 million in 2015 to RMB382.8 million in 2016, mainly due to an increase in provisions for loan impairment losses driven by an increase in loans and advances to customers, which was partially offset by the reversal of impairment on debt securities classified as receivables.

(viii) Income tax expense

Income tax expense increased by 38.7% from RMB473.7 million in 2015 to RMB657.2 million in 2016. The increase in income tax expense was in line with the increase in profit before tax in 2016. Effective tax rates were 22.1% and 25.3% in 2016 and 2015, respectively. The relative lower effective tax rate in 2016 was mainly due to higher percentage of non-taxable income (including dividend income, interest income from treasury bonds and local government bonds and interest income from small loans to rural households and individuals).

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2016 and 2015, the Group's total assets amounted to RMB191,471.3 million and RMB141,953.3 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions, (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Amount	As of December 31, 2016 % of total	As of December 31, 2015 Amount	As of December 31, 2015 % of total
Assets				
Loans and advances to customers, gross	62,100.8	32.4%	47,881.7	33.7%
Provision for impairment losses	(1,814.4)	(0.9)	(1,404.3)	(1.0)
Loans and advances to customers, net	60,286.4	31.5	46,477.4	32.7
Investment securities and other financial assets(1)	38,752.6	20.2	35,013.0	24.7
Deposits with banks and other financial institutions	37,733.8	19.7	18,640.2	13.1
Cash and deposits with the central bank	32,983.7	17.2	19,333.6	13.6
Financial assets held under resale agreements	15,231.1	8.0	17,297.4	12.2
Placements with banks and other financial institutions	–	–	390.0	0.3
Other assets(2)	6,483.7	3.4	4,801.7	3.4
Total assets	191,471.3	100.0%	141,953.3	100.0%

Notes:

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

(2) Primarily consist of property and equipment, goodwill, other receivables and prepayments, interests receivable, deferred tax assets, repossessed assets and interests in associates.

(A) Loans and advances to customers

As of December 31, 2016, the Group's total loans and advances to customers was RMB62,100.8 million, representing an increase of 29.7% as compared to the end of last year. Net loans and advances to customers accounted for 31.5% of the Group's total assets, representing a decrease of approximately 1.2 percentage points as compared to the end of last year.

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Amount	% of total	As of December 31, 2015 Amount	% of total
Corporate loans	45,304.5	73.0%	32,610.8	68.1%
Retail loans	16,786.3	27.0	14,338.3	29.9
Discounted bills	10.0	0.0	932.6	2.0
Total loans and advances to customers	62,100.8	100.0%	47,881.7	100.0%

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 31.5% and 32.7% of total assets as of December 31, 2016 and 2015, respectively.

The Group's corporate loans increased 38.9% from RMB32,610.8 million as of December 31, 2015 to RMB45,304.5 million as of December 31, 2016, primarily due to (i) the growth of the market demand for corporate loans; and (ii) the establishment of new branches and sub-branches by the Bank.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased 17.1% from RMB14,338.3 million as of December 31, 2015 to RMB16,786.3 million as of December 31, 2016, primarily due to (i) the Group's efforts to support the financing needs of SME business owners (including sole proprietors); (ii) the expansion of the distribution network; and (iii) the adjustment of the Group's loan portfolio to increase the proportion of long-term loans (including residential and commercial mortgage loans).

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 97.7% and 98.1% of total loans and advances to customers as of December 31, 2016 and 2015, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Amount	% of total	As of December 31, 2015 Amount	% of total
Collateralized loans	**28,475.1**	**45.9%**	23,332.7	48.7%
Pledged loans	**10,269.6**	**16.5**	8,126.3	17.0
Guaranteed loans	**21,932.2**	**35.3**	15,504.8	32.4
Unsecured loans	**1,423.9**	**2.3**	917.9	1.9
Total loans and advances to customers	**62,100.8**	**100.0%**	47,881.7	100.0%

Collateralized loans and pledged loans are the largest component of total loans and advances to customers. Collateralized loans and pledged loans as a percentage of total loans and advances to customers were 65.7% as of December 31, 2015 and 62.4% as of December 31, 2016, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of total loans and advances to customers was 32.4% as of December 31, 2015 and 35.3% as of December 31, 2016.

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2015 and 2016, unsecured loans represented 1.9% and 2.3% of total loans and advances to customers.

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

(Expressed in millions of RMB, unless otherwise stated)	2016	2015
As of January 1	**1,404.3**	954.5
Charge for the year	**446.7**	418.3
Reverse for the year	**(67.7)**	(91.4)
Amounts written off as uncollectible	**(16.2)**	(39.2)
Recoveries of loans and advances previously written off	**43.9**	74.4
Acquisition of subsidiaries	**3.4**	87.7
As of December 31	**1,814.4**	1,404.3

Provision for impairment losses on loans increased by 29.2% from RMB1,404.3 million as of December 31, 2015 to RMB1,814.4 million as of December 31, 2016, primarily due to the increase in the Group's provision for impairment losses to counter against uncertainties arising from macroeconomic operation.

(B) Investment securities and other financial assets

As of December 31, 2016 and 2015, the Group had investment securities and other financial assets of RMB38,752.6 million and RMB35,013.0 million, respectively, representing 20.2% and 24.7% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans, trust plans, wealth management products issued by other financial institutions, beneficiary certificates issued by securities companies and equity investments.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Amount	% of total	As of December 31, 2015 Amount	% of total
Debt securities investments				
Available-for-sale debt securities	4,735.3	12.3%	3,887.5	11.1%
Held-to-maturity debt securities	2,184.6	5.6	1,376.1	3.9
Debt securities held for trading	287.6	0.7	3,857.8	11.0
Debt securities classified as receivables	–	–	—	—
Subtotal	7,207.5	18.6%	9,121.4	26.0%
Asset management plans and trust plans				
Asset management plans	22,757.7	58.7%	17,844.2	51.0%
Trust plans	2,896.5	7.5	3,613.9	10.3
Subtotal	25,654.2	66.2%	21,458.1	61.3%
Wealth management products issued by other financial institutions	4,695.8	12.1%	1,822.6	5.2%
Subtotal	4,695.8	12.1%	1,822.6	5.2%
Beneficiary certificates issued by securities companies	–	–	1,570.0	4.5%
Subtotal	–	–	1,570.0	4.5%
Equity investments				
Available-for-sale equity investments	1,195.1	3.1%	1,040.9	3.0%
Subtotal	1,195.1	3.1%	1,040.9	3.0%
Total investment securities and other financial assets, net	38,752.6	100.0%	35,013.0	100.0%

Investment securities and other financial assets increased by 10.7% from RMB35,013.0 million as of December 31, 2015 to RMB38,752.6 million as of December 31, 2016. The increases in net investment securities and other financial assets were primarily due to (i) the Group's strategy to diversify its products and services and expand its treasury operations; and (ii) an increase in funds available for investment.

(ii) Liabilities

As of December 31, 2016 and 2015, total liabilities amounted to RMB177,748.2 million and RMB130,096.1 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) financial assets sold under repurchase agreements; and (iv) deposits from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016		As of December 31, 2015	
	Amount	**% of total**	Amount	% of total
Deposits from customers	**127,408.7**	**71.7%**	93,302.8	71.7%
Debt securities issued	**23,395.9**	**13.2**	9,074.2	7.0
Financial assets sold under repurchase agreements	**14,595.0**	**8.2**	23,063.5	17.7
Deposits from banks and other financial institutions	**7,245.7**	**4.1**	1,868.3	1.5
Borrowing from the central bank	**1,822.8**	**1.0**	293.6	0.2
Placements from banks and other financial institutions	**442.5**	**0.2**	52.5	0.0
Other liabilities(1)	**2,837.6**	**1.6**	2,441.2	1.9
Total liabilities	**177,748.2**	**100.0%**	130,096.1	100.0%

Note:

(1) Primarily consist of accrued staff costs and taxes payable.

(A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Amount	% of total	As of December 31, 2015 Amount	% of total
Corporate deposits				
Demand deposits	35,848.7	28.2%	23,100.7	24.8%
Time deposits	22,708.3	17.8	17,537.6	18.8
Subtotal	58,557.0	46.0	40,638.3	43.6
Retail deposits				
Demand deposits	18,943.9	14.9	14,984.1	16.1
Time deposits	46,259.9	36.3	34,048.4	36.5
Subtotal	65,203.8	51.2	49,032.5	52.6
Others(1)	3,647.9	2.8	3,632.0	3.8
Total deposits from customers	127,408.7	100.0%	93,302.8	100.0%

Note:

(1) Primarily consist of pledged deposits held as collateral and fiscal deposits.

Total deposits from customers increased 36.6% from RMB93,302.8 million as of December 31, 2015 to RMB127,408.7 million as of December 31, 2016. The increases were primarily attributable to (i) the consolidation of the village and township banks that were newly established and acquired; (ii) expansion of the branch network; and (iii) enhanced marketing efforts to increase deposits.

(B) Debts securities issued

In December 2012, the Bank issued an aggregate principal amount of RMB700.0 million subordinated fixed rate bonds. The bonds have a term of 10 years and bear an interest rate of 7.00% per annum. The Bank has an option to redeem the bonds on December 31, 2017 at par.

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear an interest rate of 6.30% per annum. The Bank has an option to redeem the bonds on April 13, 2020 at par. In October 2016, the Bank issued RMB900.0 million at a face value of 4.20% fixed rate 10-year tier-two capital bonds.

From January 1, 2016 to December 31, 2016, the Bank issued several tranches of zero-coupon interbank certificates, with an aggregate face value of RMB37,140.0 million. The interbank certificates have a term ranging from one month to one year and bear effective interest rates between 2.9% and 4.1%.

(iii) Shareholders' equity

The table below sets forth the changes in shareholders' equity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016		As of December 31, 2015	
	Amount	% of total	Amount	% of total
Share capital	3,294.8	24.0%	3,294.8	27.8%
Capital reserve	3,347.0	24.4	3,309.1	27.9
Investment revaluation reserve	17.9	0.1	77.0	0.6
Surplus reserve	510.3	3.7	354.7	3.0
General reserve	1,351.9	9.9	1,025.3	8.6
Retained earnings	1,608.5	11.7	1,087.4	9.2
Non-controlling interests	3,592.7	26.2	2,708.9	22.8
Total equity	13,723.1	100.0%	11,857.2	100.0%

(c) Assets Quality Analysis

(i) Breakdown of loans by the five-category classification

For the Group, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As of December 31, 2016, the Group's non-performing loans amounted to RMB878.4 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016		As of December 31, 2015	
	Amount	% of total	Amount	% of total
Normal	59,201.1	95.3%	45,683.9	95.4%
Special mention	2,021.3	3.3	1,519.0	3.2
Substandard	213.2	0.3	94.3	0.2
Doubtful	663.5	1.1	583.0	1.2
Loss	1.7	0.0	1.5	0.0
Total loans and advances to customers	62,100.8	100.0%	47,881.7	100.0%
Non-performing loan and non-performing loan ratio[1]	878.4	1.41%	678.8	1.42%

Note:

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

As of December 31, 2016 and 2015, the Group's non-performing loan ratio was 1.41% and 1.42%, respectively, which remained relatively stable.

(ii) Concentration of loans

(A) 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 of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2016 Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio	December 31, 2015 Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio
Corporate loans								
Wholesale and retail	10,204.6	16.4%	107.3	1.05%	7,136.8	14.9%	69.1	0.97%
Manufacturing	8,430.7	13.6	191.4	2.27	6,369.1	13.3	165.8	2.60
Construction	5,408.8	8.7	15.7	0.29	4,022.9	8.4	8.4	0.21
Real estate	4,743.5	7.6	125.0	2.64	2,962.5	6.2	95.0	3.21
Agriculture, forestry, animal husbandry and fishery	3,820.9	6.2	50.2	1.31	2,316.8	4.8	26.6	1.15
Leasing and business services	2,852.0	4.6	–	–	2,388.2	5.0	–	–
Transportation, storage and postal services	2,231.7	3.6	4.7	0.21	1,977.7	4.1	3.5	0.18
Electricity, gas and water production and supply	1,951.7	3.1	4.6	0.24	1,318.3	2.8	4.6	0.35
Education	1,069.7	1.7	–	–	644.5	1.3	–	–
Accommodation and catering	920.4	1.5	–	–	413.8	0.9	–	–
Resident and other services	776.8	1.3	3.0	0.39	622.4	1.3	17.9	2.88
Health and social services	660.5	1.1	–	–	412.4	0.9	–	–
Information transmission, computer services and software	638.6	1.0	–	–	935.4	2.0	–	–
Water, environment and public facility management	326.1	0.5	4.4	1.35	392.8	0.8	–	–
Public administration, social security and Social organizations	297.5	0.5	–	–	5.7	0.0	–	–
Scientific research, technical services and geological prospecting	294.1	0.5	–	–	321.9	0.7	–	–
Mining	254.4	0.4	20.4	8.01	159.8	0.3	–	–
Finance	244.5	0.4	–	–	77.8	0.2	–	–
Cultural, sports and entertainment	178.0	0.3	–	–	132.0	0.3	–	–
Retail loans	16,786.3	27.0	351.7	2.10	14,338.3	29.9	287.9	2.01
Discounted bills	10.0	0.0	–	–	932.6	1.9	–	–
Total	62,100.8	100.0%	878.4	1.41%	47,881.7	100.0%	678.8	1.42%

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.

Loans to borrowers in the wholesale and retail, manufacturing, construction, real estate, agriculture, forestry, animal husbandry and fishery and leasing and business services industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 78.3% and 77.3% of total corporate loans as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, non-performing loans of the Group's corporate loans were mainly concentrated in the manufacturing industry and the real estate industry, with the ratio of non-performing loans of 2.27% and 2.64%, respectively.

(B) Borrower concentration

Indicators of Concentration

Major regulatory indicators	Regulatory Standard	As of December 31, 2016	As of 31 December 2015
Loan concentration ratio for the largest single customer (%)	≦10	4.19%	5.1%
Loan concentration ratio for the top ten customers (%)	≦50	33.00%	27.3%

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

Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of December 31, 2016, among which, RMB40.0 million were classified as special mention loans while the remaining was classified as performing.

(Expressed in millions of RMB, unless otherwise stated)		As of December 31, 2016		
Customer	Industry	Amount	% of total loan	% of regulatory capital
Borrower A	Wholesale and retail	615.0	1.0%	4.19%
Borrower B	Resident, maintenance and other services	545.0	0.9	3.71
Borrower C	Manufacturing	520.0	0.8	3.54
Borrower D	Manufacturing	510.0	0.8	3.47
Borrower E	Agriculture, forestry, animal husbandry and fishery	510.0	0.8	3.47
Borrower F	Real estate	471.0	0.8	3.21
Borrower G	Leasing and business services	446.0	0.7	3.04
Borrower H	Wholesale and retail	431.0	0.7	2.93
Borrower I	Leasing and business services	407.5	0.7	2.78
Borrower J	Real estate	390.0	0.6	2.66
Total		4,845.5	7.8%	33.00%

(C) Distribution of non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016			As of December 31, 2015		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small and micro enterprises[1]	28,976.2	407.7	1.41%	23,414.0	383.2	1.64%
Medium enterprises[1]	12,504.9	116.5	0.93	6,952.8	7.0	0.10
Large enterprises[1]	3,367.6	2.5	0.08	2,089.5	–	–
Others[2]	455.8	–	–	154.5	0.7	0.39
Subtotal	45,304.5	526.7	1.16%	32,610.8	390.9	1.20%
Retail loans						
Personal business loans	11,748.4	323.6	2.75%	10,793.4	260.7	2.42%
Personal consumption loans	2,884.4	26.1	0.91	2,169.2	25.8	1.19
Residential and commercial mortgage loans	2,153.5	2.0	0.09	1,375.7	1.4	0.10
Subtotal	16,786.3	351.7	2.10%	14,338.3	287.9	2.01%
Discounted bills	10.0	–	–	932.6	–	–
Total non-performing loans	62,100.8	878.4	1.41%	47,881.7	678.8	1.42%

Notes:

(1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises.

(2) Mainly consist of government entities and public institutions.

The non-performing loan ratio of corporate loans decreased from 1.20% as of December 31, 2015 to 1.16% as of December 31, 2016, primarily due to enhanced risk management of corporate loans and continual monitoring of borrowers, as well as enhanced collection efforts and disposal of non-performing corporate loans of the Group.

The non-performing loan ratio of retail loans increased from 2.01% as of December 31, 2015 to 2.10% as of December 31, 2016, which was mainly due to the deteriorating financial condition of certain borrowers of personal business loans.

(D) Loan aging schedule

The table below sets forth the loan aging schedule for loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Amount	% of total	As of December 31, 2015 Amount	% of total
Loans not overdue	59,848.7	96.4%	45,716.8	95.5%
Loans past due for:				
1 to 90 days	846.1	1.4	1,083.2	2.3
91 days to 1 year	464.6	0.7	428.8	0.9
1 to 3 years	600.3	1.0	451.4	0.9
3 years or more	341.1	0.5	201.5	0.4
Subtotal	2,252.1	3.6%	2,164.9	4.5%
Total loans and advances to customers	62,100.8	100.0%	47,881.7	100.0%

(d) Segment Information

(i) Summary of geographical segment information

In presenting information on the basis of geographical segments, operating income is allocated based on the places of registration of the respective bank that generate the income. The table below sets forth the operating income attributable to each of the geographical segments for the periods indicated.

	Year ended December 31,			
	2016		2015	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Jilin	**5,474.5**	**91.9%**	3,860.1	90.4%
Other Regions[1]	**479.6**	**8.1**	407.8	9.6
Total operating income	**5,954.1**	**100.0%**	4,267.9	100.0%

Note:

(1) Primarily include Heilongjiang, Guangdong, Hebei, Shandong, Anhui, Hubei, Hainan, Tianjin and Shaanxi.

Operating income from Jilin province as a percentage of total operating income increased from 90.4% in 2015 to 91.9% in 2016, primarily reflecting the consolidation of the financial results of Jilin Gongzhuling Rural Commercial Bank and Jilin Chuncheng Rural Commercial Bank that were acquired and restructured in October 2015.

(ii) Summary of business segments

The Group operates three principal lines of business: corporate banking, retail banking and treasury operations. The table below sets forth the Group's operating income for each of its principal business segments for the periods indicated.

	Year ended December 31,			
	2016		2015	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Corporate banking	**2,203.4**	**37.1%**	1,372.2	32.2%
Retail banking	**2,013.8**	**33.8**	1,359.5	31.9
Treasury operations	**1,579.3**	**26.5**	1,352.5	31.7
Others[1]	**157.6**	**2.6**	183.7	4.2
Total	**5,954.1**	**100.0%**	4,267.9	100.0%

Note:

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

(e) Off-balance Sheet Commitments

Off-balance sheet commitments primarily consist of bank acceptances, letters of credit, letters of guarantee, operating lease commitments and capital commitments. The table below sets forth the contractual amounts of off-balance sheet commitments as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016	As of December 31, 2015
Credit commitments:		
Bank acceptances[1]	2,031.4	2,233.4
Letters of credit[2]	167.1	—
Letters of guarantee[2]	785.0	30.7
Subtotal	2,983.5	2,264.1
Operating lease commitments	870.0	722.9
Capital commitments	58.9	269.3
Total	3,912.4	3,256.3

Notes:

(1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.

(2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments increased by 20.1% from RMB3,256.3 million as of December 31, 2015 to RMB3,912.4 million as of December 31, 2016. The increase in off-balance sheet commitments was due to the growth of the letters of credit and letters of guarantee businesses driven by the expansion of the Group's customer base and increased customer demand.

Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services departments and non-profit organizations. As of December 31, 2016, the Group had approximately 2,061 corporate borrowers with loans totalling RMB45,304.5 million. In 2016 and 2015, operating income from the Group's corporate banking business accounted for 37.1% and 32.2% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of December 31, 2016, the Group had 2,027 SME customers with loans totalling RMB41,481.1 million. In 2015, the Bank was recognized as a "Pioneer Institution in the China Banking Industry for Providing Financial Services to Small and Micro Enterprises" ("全國銀行業金融機構小微企業金融服務先進單位") by CBRC. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

	Year ended December 31,		
(Expressed in millions of RMB, unless otherwise stated)	**2016**	2015	Change in percentage (%)
External interest income, net[1]	**1,585.4**	1,525.0	4.0%
Inter-segment interest income/(expenses), net[2]	**390.2**	(240.3)	(262.4)
Net interest income	**1,975.5**	1,284.7	53.8
Net fee and commission income	**227.9**	87.5	160.5
Operating income	**2,203.4**	1,372.2	60.6
Operating expenses	**(1,096.8)**	(860.8)	27.4
Impairment losses on assets	**(295.7)**	(330.4)	(10.5)
Profit before tax	**810.9**	181.0	348.0%

Notes:

(1) Refers to net income and expenses from third parties.

(2) Refers to inter-segment expenses and consideration of transfers.

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of December 31, 2016 and 2015, the Group's corporate loans totalled RMB45,304.5 million and RMB32,610.8 million, respectively, accounting for 73.0% and 68.1% of the Group's total loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than six months. The Group may re-discount these bills to the PBOC or other financial institutions. As of December 31, 2016, the Group had a balance of RMB10.0 million in discounted bills, all of which were bank acceptance bills.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of December 31, 2016 and 2015, the Group's corporate deposits totalled RMB58,557.0 million and RMB40,638.3 million, respectively. The Group's corporate deposits accounted for 46.0% and 43.6% of total customer deposits, respectively.

(iv) Fee- and commission-based products and services

The Group offers corporate customers a wide range of fee- and commission-based products and services, primarily including consulting and financial advisory services, syndicated loans services, settlement and clearing services, entrusted loans, agency services and wealth management services.

(A) *Consulting and financial advisory services*

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. In 2016 and 2015, the Group's income from consulting and financial advisory services was RMB418.7 million and RMB137.1 million, respectively.

(B) *Syndicated loans services*

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their larger financing needs. In 2016 and 2015, the Group earned service fees for syndicated loans of RMB43.5 million and RMB30.4 million, respectively.

(C) *Settlement and clearing services*

The Group offers settlement services, including cash transfers, drafts, cheques and other negotiable instruments, to corporate customers.

(D) *Entrusted loans*

The Group provides entrusted loans to borrowers designated by corporate customers in accordance with the uses of proceeds, principal amounts and interest rates determined by corporate customers. The Group also supervises borrowers' uses of loans and assist in collection of loans. The Group charges agency fees based on the principal amount of entrusted loans. The Group's corporate customers bear the risks of default under entrusted loans.

(E) *Agency Services*

The Group provides fee collection services for corporate customers (including enterprises and public services institutions). The Group believes this enables it to maintain close relationships with customers and enhance brand recognition.

(F) *Wealth Management Services*

The Bank offers corporate customers a variety of wealth management products based on their risk and return appetites, including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2015 and 2016, the Bank's sales of wealth management products to corporate customers totaled RMB14,525.8 million and RMB25,833.1 million, respectively.

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of December 31, 2016, the Group had 86,631 retail borrowers with total loans and advances to customers of RMB16,786.3 million. In 2016 and 2015, the operating income from the Group's retail banking business amounted to RMB2,013.8 million and RMB1,359.5 million, respectively, accounting for 33.8% and 31.9% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

	Year ended December 31,		
(Expressed in millions of RMB, unless otherwise stated)	**2016**	2015	Change in percentage (%)
External interest (expenses)/income, net[1]	**(21.2)**	88.0	(124.1)%
Inter-segment interest income, net	**2,007.9**	1,250.4	60.6
Net interest income	**1,986.7**	1,338.4	48.4
Net fee and commission income	**27.1**	21.1	28.4
Operating income	**2,013.8**	1,359.5	48.1
Operating expenses	**(1,019.6)**	(797.9)	27.8
Impairment (losses)/reversed on assets	**(83.4)**	3.4	(2,552.9)
Profit before tax	**910.8**	565.0	61.2%

Note:

(1) Refers to net income and expenses from third parties.

(i) Retail loans

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of December 31, 2016 and 2015, the Group's retail loans totalled RMB16,786.3 million and RMB14,338.3 million, respectively, accounting for 27.0% and 29.9% of total loans and advances to customers, respectively.

(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily including U.S. dollars and Euros) have maturities ranging from one month to two years. As of December 31, 2016 and 2015, the Group's retail deposits totalled RMB65,203.8 million and RMB49,032.5 million, respectively, accounting for 51.2% and 52.6% of total customer deposits, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions ("長春市總工會") to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group has cooperated with well-known domestic third-party payment companies to develop Internet payment services to enhance cardholder experience. As of December 31, 2016, the Group had issued approximately 3.5 million debit cards, which can be used in China and in over 150 foreign regions covered by the China UnionPay network.

(B) Credit cards

The Bank received approval to issue Renminbi denominated UnionPay credit cards in September 2015. Currently, such credit cards have been officially issued.

(iv) Fee- and commission-based products and services

The Group offers retail customers a wide range of fee- and commission-based products and services, primarily including wealth management services, private banking services and transfer and remittances.

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the qualification to sell fund products in February 2016. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and other fixed-income products. In 2016 and 2015, the Bank's sales of wealth management products to retail customers totalled RMB26,749.9 million and RMB10,819.5 million, respectively.

(B) Private banking service

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. In 2016 and 2015, the Bank's sales of wealth management products to private banking customers totalled RMB8,371.9 million and RMB2,995.9 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts, and health consultancy services offered in cooperation with third parties.

(C) Other fee- and commission-based products and services

The Group provides retail customers with other fee- and commission-based products and services, including transfer and remittances, collection and bank drafts.

(c) Treasury Operations

In response to the challenges from the liberalization of interest rates and increasing financial disintermediation in recent years, the Group has been actively developing its treasury business. The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In 2016 and 2015, operating income from the Group's treasury operations was RMB1,579.3 million and RMB1,352.5 million, respectively, accounting for 26.5% and 31.7% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2016	2015	Change in percentage (%)
External interest income, net(1)	2,969.1	1,759.2	68.8%
Inter-segment interest expenses, net(2)	(2,398.0)	(1,010.1)	137.4
Net interest income	571.1	749.1	(23.8)
Net fee and commission income	492.8	114.1	331.9
Net income from other businesses(3)	515.4	489.3	5.3
Operating income	1,579.3	1,352.5	16.8
Operating expenses	(444.3)	(325.7)	36.4
Impairment reversed/(losses) on assets	7.5	(19.3)	(138.9)
Profit attributable to associates	—	—	—
Profit before tax	1,142.5	1,007.5	13.4%

Notes:

(1) Refers to net income from third parties.

(2) Refers to inter-segment expenses and consideration of transfers.

(3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

(i) Money market transactions

Money market transactions play a significant role in liquidity management. The Group also earns interest income from money market transactions. Money market transactions mainly include (i) interbank deposits with other domestic banks and non-banking financial institutions; (ii) interbank placements; and (iii) interbank repurchase and reverse repurchase transactions.

The Bank was selected as one of the Top 100 Trading Banks in the Interbank RMB Market by the China Foreign Exchange Trade System and National Interbank Funding Center in 2015, and one of the Top 100 Banks in the Interbank RMB and Foreign Exchange Market by the China Foreign Exchange Trade System and National Interbank Funding Center in 2015. In 2016, the Bank was named the “Best Rural Financial Institution in Interbank RMB Market in 2015” (“2015年度銀行間本幣市場最佳農村金融機構”) by the China Foreign Exchange Trade System and National Interbank Funding Center.

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to adjust its asset and liability structure. As of December 31, 2016 and 2015, the Group's deposits from banks and other financial institutions totalled RMB7,245.7 million and RMB1,868.3 million, respectively, and the Group's deposits at banks and other financial institutions totalled RMB37,733.8 million and RMB18,640.2 million, respectively.

(B) Interbank placement

As of December 31, 2016 and 2015, the Group's placements with banks and other financial institutions totalled nil and RMB390.0 million, respectively, and the Group's placements from banks and other financial institutions totalled RMB442.5 million and RMB52.5 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated government bonds and policy financial bonds. As of December 31, 2016 and 2015, the Group's financial assets held under resale agreements totalled RMB15,231.1 million and RMB17,297.4 million, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB14,595.0 million and RMB23,063.5 million, respectively.

(ii) Investments in securities and other financial assets

The Group's investment portfolio consists primarily of bonds and debt instruments issued by other financial institutions.

While reduced buy-back financing capital by taking various measures, the Bank selectively allocated some bond assets with relatively suitable maturity and yield, the Group's interest rate was of a high level to improve returns on assets.

(A) Securities investment by holding purpose of the Group

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016		As of December 31, 2015	
	Amount	% of total	Amount	% of total
Held-to-maturity investment	**2,184.6**	**5.6%**	1,376.1	3.9%
Available-for-sale financial assets	**12,002.7**	**31.0**	9,047.9	25.8
Financial assets at fair value through profit or loss	**13,797.5**	**35.6**	12,101.5	34.6
Debt securities classified as receivables	**10,767.8**	**27.8**	12,487.5	35.7
Total investment securities and other financial assets	**38,752.6**	**100.0%**	35,013.0	100.0%

Held-to-maturity investment increased by 58.8% from RMB1,376.1 million as of December 31, 2015 to RMB2,184.6 million as of December 31, 2016. Available-for-sale financial assets increased by 32.7% from RMB9,047.9 million as of December 31, 2015 to RMB12,002.7 million as of December 31, 2016. Financial assets at fair value through profit or loss increased by 14.0% from RMB12,101.5 million as of December 31, 2015 to RMB13,797.5 million as of December 31, 2016. Debt securities classified as receivables decreased by 13.8% from RMB12,487.5 million as of December 31, 2015 to RMB10,767.8 million as of December 31, 2016.

(B) Maturity profile of the Group's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Amount	As of December 31, 2016 % of total	As of December 31, 2015 Amount	As of December 31, 2015 % of total
Immediately due	**4.0**	**0.0%**	10.0	0.0%
Due in 3 months	**9,284.4**	**23.9**	4,870.7	13.9
Due between 3 and 12 months	**14,956.0**	**38.6**	10,351.9	29.6
Due between 1 and 5 years	**10,415.2**	**26.9**	15,939.3	45.5
Due over 5 years	**2,897.9**	**7.5**	2,800.2	8.0
Undefined	**1,195.1**	**3.1**	1,040.9	3.0
Total	**38,752.6**	**100.0%**	35,013.0	100.0%

The Bank's securities investment with a remaining maturity of between three months and 12 months represented the largest portion.

(C) Holding of government bonds

As of December 31, 2016, the balance of face value of the government bonds held by the Bank amounted to RMB3,845.6 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of December 31, 2016.

Name of the bond (Expressed in millions of RMB, unless otherwise stated)	Face value	Interest rate per annum (%)	Maturity date
15 Interest-bearing treasury bond 19 (15附息國債19)	540.0	3.14	September 8, 2020
16 Jilin bond 02 (16吉林債02)	320.0	2.98	June 21, 2021
13 Interest-bearing treasury bond 20 (13附息國債20)	300.0	4.07	October 17, 2020
15 Jilin bond 04 (15吉林債04)	220.0	3.58	June 12, 2025
15 Zhejiang bond 03 (15浙江債03)	200.0	3.54	June 10, 2022
15 Jilin bond 03 (15吉林債03)	190.0	3.52	June 12, 2022
15 Jilin bond 02 (15吉林債02)	170.0	3.25	June 12, 2020
15 Interest-bearing treasury bond 23 (15附息國債23)	150.0	2.99	October 15, 2025
16 Guangdong bond 16 (16廣東債16)	150.0	2.98	June 17, 2021
09 Treasury bond 03 (09國債03)	110.0	3.05	March 12, 2019

(D) Holding of financial bonds

As of December 31, 2016, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB2,742.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of December 31, 2016.

Name of the bond (in millions of RMB unless otherwise stated)	Face value	Interest rate per annum (%)	Maturity date
16 Nong Fa 05 (16農發05)	500.0	3.33	January 6, 2026
15 Guo Kai 09 (15國開09)	350.6	4.25	April 13, 2022
15 Guo Kai 17 (15國開17)	200.0	3.26	August 27, 2018
15 Guo Kai 01 (15國開01)	200.0	3.85	January 8, 2018
15 Nong Fa 14 (15農發14)	200.0	3.44	May 22, 2018
15 Quanzhou Bank CD076 (15泉州銀行CD076)	200.0	3.50	January 4, 2017
16 Jin Chu 03 (16進出03)	150.0	3.33	February 22, 2026
16 Guo Kai 07 (16國開07)	100.0	3.24	February 25, 2023
16 Nong Fa 03 (16農發03)	100.0	3.01	January 6, 2021
15 Nong Fa 01 (15農發01)	100.0	3.94	January 14, 2018

(iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. In 2016 and 2015, the Bank sold wealth management products totalling RMB52,583.0 million and RMB25,345.3 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of December 31, 2016, the Group had an aggregate of 395 outlets, of which 120 outlets, including the three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiary banks under their own names.

The Group has gradually shifted the focus of its outlet operations from providing traditional banking services to providing comprehensive financial services. The Bank was the first rural commercial bank in China and first financial institution in Jilin province to provide robot bank lobby managers and 3-D printing, and was also the first financial institution in Jilin's rural credit bank system to offer 24-hour automatic safe deposit boxes and remote video self-service loan application machines.

(ii) Electronic banking

(A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of December 31, 2016, the Group had 249 self-service outlets, 181 self-service zones and 1,259 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of December 31, 2016, the Group had 1,015,008 SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of December 31, 2016, the Group had 261,567 internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of December 31, 2016, the Group had 429,793 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of December 31, 2016, the Group had 79,503 Wechat banking customers.

(F) Remote video banking

The Group offers remote videoconference counter services for retail customers.

(e) Information on the Subsidiaries

(i) Jilin Jiuyin Financial Leasing Co., Ltd.

The Bank, as the main promoter, applied to the CBRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. ("Jilin Jiuyin"). Jilin Jiuyin's registered address is in Changchun of Jilin province with a registered capital of RMB500.0 million. The Bank invested RMB300.0 million for an equity interest of 60% in Jilin Jiuyin. Jilin Jiuyin formally commenced business operation after it completed its business registration with Administration for Industry and Commerce of Jilin province and obtained the business license on February 20, 2017.

(ii) Rural commercial banks

As of December 31, 2016, the Bank controlled and consolidated five rural commercial banks that were restructured from rural credit cooperatives and a rural cooperative bank the Bank acquired.

In 2016 and 2015, the operating income of these rural commercial banks was RMB1,486.9 million and RMB839.2 million, respectively, accounting for 25.0% and 19.7%, respectively, of the Group's total operating income.

The Group's rural commercial banks offer a broad range of financial products and services to corporate and retail customers. These products and services include commercial and consumer loans, bill discounting, customer deposits and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Some rural commercial banks also engage in money market transactions and invest in debt securities.

(iii) Village and township banks

As of December 31, 2016, the Bank controlled and consolidated a total of 32 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of December 31, 2016, these village and township banks had total assets of RMB38,907.7 million, total deposits of RMB31,571.3 million and total loans of RMB15,207.4 million. In 2016 and 2015, the operating income of these village and township banks was RMB1,234.9 million and RMB1,072.1 million, respectively, accounting for 20.7% and 25.1% of the Group's total operating income, respectively.

The Bank's village and township banks provide local corporate and retail customers with a broad range of financial products and services. These products and services include commercial and consumer loans, bill discounting, customer deposits and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Some village and township banks also engage in money market transactions and invest in debt securities.

In 2010, the Bank established a village and township bank management department to help village and township banks to establish strategic development plans, provide research, technology and human resource support and supervise risk management. In addition, the Group and other PRC banks have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among PRC village and township banks. The Bank has also established four service centers in Jilin province, Hebei, Hubei and Guangdong to support the Bank's village and township bank operations.

(f) Operation and Safety of IT Systems

Jilin Rural Credit Information Technology Services Co., Ltd., or Jilin Technology, a wholly-owned subsidiary of Jilin Province Rural Credit Union, develops, operates and maintains the core operating systems (primarily including general business system, payment system, encrypted platform, business channels and credit management system) of the Bank, and the 5 rural commercial banks and 13 of the village and township banks that the Bank controls and consolidates. The core operating systems of the other 19 village and township banks that the Bank controls and consolidates are developed, operated and maintained by two renowned IT service providers. All of the Group's IT service providers are regulated by CBRC. The Group also entrusts Jilin Technology and the two IT service providers to manage and maintain the databases of the Bank and the Group's subsidiary banks.

The Bank and the subsidiary banks entered into maintenance service agreements of ten years, three years and three years, respectively, with Jilin Technology and the two IT service providers. Pursuant to these agreements, they agreed to compensate the Bank and the relevant subsidiary banks for any reasonably foreseeable losses from their failure to fulfil their contractual obligations, and indemnify the Bank and the relevant subsidiary banks against data breaches. They also undertook to preserve the confidentiality of the data they receive from the Bank and the relevant subsidiary banks and to return and/or destroy the data received upon the termination of the service agreements.

The Bank also engages a reputable third-party developer to develop a proprietary secondary operating system, primarily including intermediary business platform, integrated distribution platform, a system for certificates of deposit, an online loan system and a data platform.

The Bank and each subsidiary bank evaluate their IT services providers from time to time to ensure the services meet their internal control standards. The Bank and the subsidiary banks do not expect to have material technical barriers to switching operating systems or difficulty in finding other service providers to manage operating systems that are compatible with their existing database, or have any difficulty in renewing the existing service agreements in light of the long term business relationship with the IT service providers.

The Group has a dedicated IT service team of 53 professions. They coordinate with the Group's IT service providers for the operation and maintenance of the Group's operating systems, including daily operation and maintenance, online testing, emergency drills, and providing feedback for problems encountered during the operation of the systems.

To ensure business continuity, the Bank and the subsidiary banks concurrently back up all of their core operational data to the data centers of their IT service providers and to disaster recovery centers in Jilin province, Beijing, Shanghai, Shandong and Shaanxi. This enables them to deal with disruptions, achieve real-time data transfer and avoid data loss.

In addition to stringent safety measures adopted by IT service providers, the Bank and each subsidiary bank have also implemented safeguards to maintain the confidentiality, integrity and availability of the information resources. These safeguards include firewalls, anti-virus measures, data encryption, user authentication and authorization, intrusion prevention and detection.

Risk Management

(a) Risk Management of the Bank

The Bank is exposed to credit, operating, market and liquidity risks. The Bank is also exposed to other risks, such as information technology, legal and compliance and reputational risks.

The Bank has established a comprehensive risk management system with complete risk management coverage and has developed a culture of risk management among its staff. The Bank's risk management system uses innovative risk management methods and extensive risk measurement to facilitate the innovation and sustainable development of its businesses.

(i) Credit risk management

Credit risk is the risk of loss related to a failure by a debtor or counterparty to meet its contractual obligations or to a change in their credit ratings. The Bank's credit risks arise mainly from corporate loans, personal loans and treasury operations.

The Bank's credit risk management structure includes its president, chief officers and risk management committee, persons-in-charge of branches and sub-branches, credit approval committees or groups and its risk management, business, marketing and internal audit departments.

The Bank prepares annual credit approval plans, credit limit plans and credit policies based on national and regional economic development plans, financial market conditions, austerity requirements, its asset and liability structure and deposit and loan growth trends.

The Bank uses the following working mechanisms to manage credit risks:

- Customer screening mechanism — The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.

- Credit exit mechanism — The Bank reassesses its outstanding credit risk on a regular basis based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (i) financial condition; (ii) substantial shareholders; (iii) key managers and technicians; (iv) customers quality; (v) payment ability; and (vi) business environment.

- Risk alert mechanism — The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and provide timely disposal advice.

- Non-performing asset disposal mechanism — The Bank has established an accountability mechanism for the disposal of non-performing assets.

The Bank has established a system to manage the extension of corporate and personal loans. As part of this system, the Bank has taken measures to improve credit risk management that include identifying risks, monitoring policies and dividing responsibilities among its credit investigation, approval and execution departments. The Bank also sets departmental authorization limits and monitors the use of loan proceeds.

(ii) Market risk management

Market risk is the risk of loss in on- and off-balance sheet positions arising from fluctuations in market prices due to interest rates, exchange rates and other market factors. The Bank is exposed to market risk primarily through its banking and trading business portfolios. The market risks associated with the banking business portfolio of the Bank include interest rate risk and exchange rate risk. The primary market risks associated with the Bank's trading business portfolio are fluctuations in the market value of trading positions, which are affected by movements in observable market variables, such as interest and exchange rates. The principal objective of the Bank's market risk management is to limit potential market losses to acceptable levels based on its risk appetite while seeking to maximize risk adjusted returns.

The Bank's organizational structure for market risk management includes its front, middle and back offices. The Bank's Board assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies as approved by its Board. The Bank's business departments implement market risk management measures in their daily operations.

Market risk management includes the identification, measuring and monitoring of market risk. The Bank has formulated a basic policy for market risk management, namely, Provisional Measures for Market Risk Management ("市場風險管理暫行辦法"). The Bank has also established authorization limits and internal approval procedures for products based on factors such as market risk tolerance, business strategies and market conditions for specific products. The Bank sets different exposure limits and take different quantitative measures to manage market risks arising from banking and trading accounts. The Bank controls market risks by balancing different positions, controlling credit limits and decreasing risk exposure.

(A) Interest rate risk management

Interest rate risk is the risk of loss due to uncertainties relating to changes in interest rates. The Bank is exposed to interest rate risks due to mismatches in maturity dates or repricing dates of its interest rate sensitive assets and liabilities. Maturity or repricing date mismatches may cause changes in net interest income and economic value due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risks in its day-to-day lending and deposit-taking activities and its treasury operations. The Bank manages interest rate risks arising from its banking accounts by adjusting its mix of assets and liabilities. The Bank adjusts the mix of assets and liabilities through resetting interest rates for different types of products, developing new products and promoting asset securitization. The Bank is currently researching the use of stress tests, scenario analysis, repricing gap analysis, duration gap analysis and interest rate sensitivity analysis to measure its exposure to potential interest rate changes.

The table below sets forth the results of the Group's gap analysis based on the earlier of (i) the expected next repricing dates and (ii) the final maturity dates for its assets and liabilities as of December 31, 2016.

	As of December 31, 2016					
(Expressed in millions of RMB, unless otherwise stated)	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	32,983.7	781.9	32,201.8	–	–	–
Deposits with banks and other financial institutions	37,733.8	–	15,754.0	21,735.8	244.0	–
Loans and advances to customers	60,286.4	–	16,894.4	27,405.4	15,242.4	744.2
Financial assets held under resale agreement	15,231.1	–	15,231.1	–	–	–
Investment securities and other financial assets	38,752.6	1,195.1	9,288.4	14,956.0	10,415.2	2,897.9
Interests receivable	379.2	379.2	–	–	–	–
Others[1]	6,104.5	6,104.5	–	–	–	–
Total assets	191,471.3	8,460.7	89,369.7	64,097.2	25,901.6	3,642.1

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 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
Liabilities						
Borrowings from the central bank	1,822.8	–	1,698.0	104.4	16.5	3.9
Deposits from banks and other financial institutions	7,245.7	–	3,447.7	3,798.0	–	–
Placements from banks and other financial institutions	442.5	2.5	150.0	290.0	–	–
Financial assets sold under repurchase agreements	14,595.0	–	14,367.5	227.5	–	–
Deposits from customers	127,408.7	–	76,381.0	35,611.1	15,415.2	1.4
Debt securities issued	23,395.9	–	4,744.0	16,956.5	1,695.4	–
Interests payable	1,782.4	1,782.4	–	–	–	–
Others[(2)]	1,055.2	1,055.2	–	–	–	–
Total liabilities	177,748.2	2,840.1	100,788.2	56,987.5	17,127.1	5.3
Asset-liability gap	13,723.1	5,620.6	(11,418.5)	7,109.7	8,774.5	3,636.8

(Expressed in millions of RMB, unless otherwise stated)	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	As of December 31, 2015					
Assets						
Cash and deposits with the central bank	19,333.6	741.6	18,592.0	–	–	–
Deposits with banks and other financial institutions	18,640.2	–	9,600.2	9,040.0	–	–
Placements with banks and other financial institutions	390.0	–	390.0	–	–	–
Loans and advances to customers	46,477.4	–	12,094.0	21,948.7	11,806.8	627.9
Financial assets held under resale agreement	17,297.4	–	17,297.4	–	–	–
Investment securities and other financial assets	35,013.0	1,040.9	5,863.9	9,368.8	15,939.3	2,800.2
Interests receivable	316.6	316.6	–	–	–	–
Others(1)	4,485.1	4,485.1	–	–	–	–
Total assets	141,953.3	6,584.2	63,837.5	40,357.4	27,746.1	3,428.1
Liabilities						
Borrowings from the central bank	293.6	–	63.9	205.1	16.5	8.0
Deposits from banks and other financial institutions	1,868.3	–	1,593.3	275.0	–	–
Placements from banks and other financial institutions	52.5	2.5	50.0	–	–	–
Financial assets sold under repurchase agreements	23,063.5	–	23,063.5	–	–	–
Deposits from customers	93,302.8	–	53,805.7	28,312.4	11,157.7	27.0
Debt securities issued	9,074.2	–	6,011.4	1,567.1	1,495.7	–
Interests payable	1,429.9	1,429.9	–	–	–	–
Others(2)	1,011.4	1,011.4	–	–	–	–
Total liabilities	130,096.1	2,443.8	84,587.8	30,359.7	12,669.9	35.0
Asset-liability gap	11,857.2	4,140.4	(20,750.3)	9,997.8	15,076.2	3,393.1

Notes:

(1) Primarily includes property and equipment, goodwill and deferred tax assets.

(2) Primarily includes accrued staff costs and taxes payable.

The Group uses sensitivity analysis to measure the impact of changes in interest rates on its net profit or loss and equity. The table below sets forth the results of the Group's interest rate sensitivity analysis based on its assets and liabilities as of the dates indicated.

	As of December 31,			
	2016		2015	
(Expressed in millions of RMB, unless otherwise stated)	**Changes in net profit**	**Changes in equity**	Changes in net profit	Changes in equity
Increase by 100 basis points	**(117.8)**	**(382.4)**	127.2	18.7
Decrease by 100 basis points	**117.8**	**382.4**	(127.2)	(18.7)

The sensitivity analysis above is based on a static interest rate risk profile of the 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 the re-pricing of the 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 fiscal year apply to non-derivative financial instruments;
- At the end of each of fiscal year, 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 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.

(B) Exchange rate risk management

The Bank is exposed to exchange rate risk due to mismatches in the currency denominations of its assets and liabilities and in the terms of foreign exchange transactions. The Bank manages exchange rate risk by matching the sources and uses of funds. The Bank seeks to minimize the impact of exchange rate fluctuations by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, the Bank minimizes transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank timely closes positions from major transactions and revalues non-monetary balance sheet items daily to prevent exchange rate risks.

(iii) Operational rate risk management

Operational risk refers to the risk of loss caused by corporate governance issues, incomplete internal control procedures, failures of employee and IT systems or external events. Operational risk events include internal and external fraud and errors and malfunctions of risk and IT systems relating to customers, products and operations.

The Bank's Board of Directors is ultimately responsible for operational risk management and reviewing operational risk policies. The Bank's senior management is responsible for coordinating daily operational risk management. The Bank's legal compliance department leads the management of operational risks and is responsible for the daily monitoring, identification, evaluation and control of operational risks and reporting to senior management. The risk management departments, all business departments, branches and sub-branches are integral to the Bank's operational risk management framework. The Bank manages and controls operational risks through reporting, balancing authority and supervision systems.

(iv) Liquidity risk

(A) Liquidity risk management

Liquidity risk refers to the risk of failure to liquidate a position in a timely manner or failure to acquire sufficient funds to fulfil payment obligations. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and competitive strengths of the banking industry. Liquidity risk is also affected by internal factors such as the balance and maturity profile of assets and liabilities, the stability of deposits and ability to obtain financing. The Bank's liquidity risk management aims to identify, measure, monitor and control liquidity risks. The Bank also seeks to balance the safety, liquidity and efficiency of its funds business to support sustainable, healthy and stable operations.

The Bank has established an effective liquidity management and decision-making system. The Bank's assets and liabilities management committee is ultimately responsible for liquidity risk management and the review and approval of the Bank's liquidity risk appetite, strategies and policies and procedures. The committee receives periodic liquidity risk reports on major changes and potential liquidity risks.

The Bank's assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures ("流動性風險管理辦法") and Contingency Plan for Liquidity Risks ("流動性風險應急預案") . The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

The Bank continues to expand its fund raising channels to maintain a reasonable balance between net capital and risky assets. The Bank has a diversified capital replenishment system to increase capital and adjust and improve its capital structure through the issuance of tier-two capital bonds and subordinated fixed rate bonds. Additionally, the Bank strives to optimize its assets and liabilities structure to maintain a reasonable balance between the growth of net capital and risky assets.

(B) Liquidity risk analysis

The Group funds its loan and investment portfolios principally through customer deposits. Deposits from customers have been, and the Bank believes will continue to be, a stable source of funding. Customer deposits with remaining maturities of less than one year represented 87.9% and 88.0% of total deposits from customers as of December 31, 2016 and 2015, respectively.

The table below sets forth the remaining maturities of the Group's assets and liabilities as of December 31, 2016.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Indefinite	Overdue/ on demand	Less than 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	12,836.8	20,146.9	–	–	–	–	32,983.7
Deposits with banks and other financial institutions	–	2,976.5	12,777.5	21,735.8	244.0	–	37,733.8
Financial assets held under resale agreements	–	–	15,231.1	–	–	–	15,231.1
Financial assets at fair value through profit or loss	–	–	5,148.7	8,381.3	193.8	73.7	13,797.5
Interests receivable	–	24.4	164.3	188.5	2.0	–	379.2
Loans and advances to customers	893.9	99.6	8,284.5	29,561.8	17,737.5	3,709.1	60,286.4
Available-for-sale financial assets	1,195.1	4.0	3,434.5	2,607.1	3,414.9	1,347.1	12,002.7
Held-to-maturity investments	–	–	100.6	–	607.0	1,477.0	2,184.6
Debt securities classified as receivables	–	–	600.7	3,967.6	6,199.5	–	10,767.8
Others[(1)]	5,849.2	5.7	44.9	–	204.7	–	6,104.5
Total assets	20,775.0	23,257.1	45,786.8	66,442.1	28,603.4	6,606.9	191,471.3

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2016 Indefinite	Overdue/ on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Liabilities							
Borrowing from the central bank	–	–	1,698.0	104.4	16.5	3.9	1,822.8
Deposits from banks and other financial institutions	–	183.7	3,264.0	3,798.0	–	–	7,245.7
Placements from banks and other financial institutions	–	2.5	150.0	290.0	–	–	442.5
Financial assets sold under repurchase agreements	–	–	14,367.5	227.5	–	–	14,595.0
Deposits from customers	–	57,216.6	19,164.5	35,611.1	15,415.1	1.4	127,408.7
Interests payable	–	1,437.0	165.3	179.4	0.7	–	1,782.4
Debt securities issued	–	–	4,744.0	16,956.5	1,695.4	–	23,395.9
Others[2]	–	583.0	471.5	0.7	–	–	1,055.2
Total liabilities	–	59,422.8	44,024.8	57,167.6	17,127.7	5.3	177,748.2
Net working capital	20,775.0	(36,165.7)	1,762.0	9,274.5	11,475.7	6,601.6	13,723.1

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2015 Indefinite	Overdue/ on demand	Less than 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	9,389.8	9,943.8	–	–	–	–	19,333.6
Deposits with banks and other financial institutions	–	3,318.2	6,282.0	9,040.0	–	–	18,640.2
Placements with banks and other financial institutions	–	–	390.0	–	–	–	390.0
Financial assets held under resale agreements	–	–	17,297.4	–	–	–	17,297.4
Financial assets at fair value through profit or loss	–	–	2,970.0	7,537.1	883.6	710.8	12,101.5
Interests receivable	–	19.9	112.4	183.3	1.0	–	316.6
Loans and advances to customers	529.9	77.7	5,295.2	24,596.2	13,714.4	2,263.9	46,477.4
Available-for-sale financial assets	1,040.9	10.0	1,689.7	2,006.2	2,888.6	1,412.4	9,047.9
Held-to-maturity investments	–	–	–	110.0	589.1	677.0	1,376.1
Debt securities classified as receivables	–	–	211.0	698.6	11,577.9	–	12,487.5
Others[1]	4,180.4	1.5	2.6	–	300.7	–	4,485.1
Total assets	15,141.0	13,371.1	34,250.3	44,171.5	29,955.4	5,064.1	141,953.3
Liabilities							
Borrowings from the central bank	–	–	63.9	205.1	16.5	8.0	293.6
Deposits from banks and other financial institutions	–	178.3	1,415.0	275.0	–	–	1,868.3
Placements from banks and other financial institutions	–	2.5	50.0	–	–	–	52.5
Financial assets sold under repurchase agreements	–	–	23,063.5	–	–	–	23,063.5
Deposits from customers	–	40,616.3	13,189.3	28,312.4	11,157.7	27.0	93,302.8
Interests payable	–	1,142.1	88.7	145.3	53.8	–	1,429.9
Debt securities issued	–	–	6,011.4	1,567.1	1,495.7	–	9,074.2
Others[2]	–	510.6	377.8	118.6	4.4	–	1,011.4
Total liabilities	–	42,449.9	44,259.7	30,623.5	12,728.1	35.0	130,096.1
Net working capital	15,141.0	(29,078.8)	(10,099.4)	13,548.0	17,227.3	5,029.1	11,857.2

Notes:

(1) Primarily include property and equipment, goodwill and deferred tax assets.

(2) Primarily include accrued staff costs and taxes payable.

The Group's liquidity coverage ratio

	As of December 31, 2016	As of December 31, 2015
Liquidity coverage ratio (%)	**49.53**	49.11

(v) Reputational risk management

Reputational risk is the risk of negative publicity caused by the Bank's operations, management, other activities and external events. The Bank's reputational risk management aims to identify, monitor, manage and minimize reputational risk, build a positive corporate image and maintain sustainable development. The Bank proactively enhances its corporate image and brand awareness through publicity of business achievements, quality of service and social responsibility.

The Bank's Board of Directors bears ultimate responsibility for reputational risk management. The Bank's risk management committee is responsible for establishing policies and guidelines for reputational risk management. The Bank's senior management is responsible for overall reputational risk management. The office is responsible for the daily management of reputational risk.

(vi) Legal and compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aim to establish a sound and comprehensive compliance risk management structure.

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system.

(vii) IT risk management

IT risk refers to the operational, reputational, legal and other risks arising from information technologies due to natural factors, man-made factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure the safe and stable operation of the Bank and promote business innovation through the application of advanced information technology.

The Bank has an IT committee to supervise and guide IT activities. IT risks are covered by the Bank's risk management system. The IT department is responsible for the implementation of specific risk management measures, plans and proposals.

(viii) Anti-money laundering management

The Bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC.

(ix) Internal audit

The Bank's internal audit seeks to ensure strict compliance with laws and regulations and effective implementation of its internal rules, policies and operating guidelines. The Bank's internal audit also aims to inspect and assess the comprehensiveness, prudence and effectiveness of its internal control and improve its operational and management abilities. The Bank has adopted an independent and vertical internal audit organizational framework consisting of the audit committee of Board of Directors and internal audit department. The audit committee supervises and oversees Director and senior management activities, including business decisions, financial management, risk management, internal controls and other activities. The committee also audits all departing Directors and senior management personnel and requires remedial measures if necessary.

The internal audit department is responsible for the Bank's internal audit and has designated auditors who perform independent audits, supervision and assessments and provide independent advice. The internal audit department formulates internal audit policies, prepares and implements annual audit plan, inspects bank-wide management, evaluates internal control, supervises branches and conducts follow-up audits.

(b) Risk Management of the Subsidiary Banks

As a separate legal entity, each subsidiary bank has established a risk management and internal control system in accordance with the applicable regulatory requirements.

The Bank participates in formulating the risk management policies and strategies of each subsidiary bank through the Bank's Board representatives. The Bank supervises and monitors the implementation of the risk management processes of the subsidiary banks through the risk management personnel sent or designated by the Bank and through the Bank's village and township bank management department.

(i) Credit risk management

The respective policies of the subsidiary banks provide for the management of credit risk through various mechanisms, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

(ii) Market risk management

The respective policies require each bank to manage interest rate risks arising from its banking accounts by adjusting the mix of assets and liabilities through resetting interest rates for different types of products and developing new products. Each bank also revalues its trading account positions on a regular basis, closely monitors trading limits, stop-loss limits and risk limits, and monitors market risks using measures such as stress tests.

(iii) Operational risk management

Each bank has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices.

(iv) Liquidity risk management

The respective policies provide for the management of liquidity risk through (1) a reporting system for large fund flows and a reasonable allocation of funds to increase returns on assets; (2) closely monitoring movements in key liquidity indicators; (3) adjusting the maturity profile of assets and liabilities; and (4) conducting periodic cash flow analyses and liquidity stress tests.

(v) Reputational risk management

The respective policies of each bank provide for the management of reputational risk through (i) a system framework that clearly defines duties and responsibilities; (ii) a public opinion reporting system and classification systems for reputational events and public opinion; and (iii) contingency plans with clear procedures for handling reputational risk.

(vi) Legal and compliance risk management

The respective policies of each bank provide for the management of legal and compliance risk through (i) regular compliance training; and (ii) a whistle-blower system to encourage employees to report non-compliance events.

(vii) IT risk management

Each bank has formulated comprehensive procedures and policies to manage IT risks. Each of them has also established business continuity management and contingency plans to manage the risk of business interruption.

(viii) Anti-money laundering management

Each bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each bank reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center ("中國反洗錢監測分析中心") individually as a separate legal entity in accordance with the relevant regulatory requirements.

(ix) Internal audit

Each bank has designated auditors who perform independent audits, supervision and assessments and provide independent advice.

Analysis on Capital Adequacy Ratio

Each PRC commercial bank is required to comply with the CBRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional), which required China's commercial banks (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 8.5%, 8.9%, 9.3%, and 9.7%, (ii) minimum tier-one capital adequacy ratios of 6.5%, 6.9%, 7.3%, and 7.7%, and (iii) minimum core tier-one capital adequacy ratios of 5.5%, 5.9%, 6.3%, and 6.7%, respectively, as of December 31, 2013, 2014, 2015 and 2016.

The following table sets forth certain information relating to the Group's capital adequacy ratio as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2016	December 31, 2015
Core capital		
Paid-up capital	3,294.8	3,294.8
Qualifying portion of capital reserve	3,347.0	3,309.1
Surplus reserve	510.3	354.7
General risk reserve	1,351.9	1,025.3
Investment revaluation reserve	17.9	77.0
Retained earnings	1,608.5	1,087.4
Qualifying portions of non-controlling interests	2,127.5	2,708.9
Core tier-one capital deductions[1]	(1,238.7)	(1,201.1)
Net core tier-one capital	**11,019.2**	10,656.1
Other tier-one capital[2]	187.2	—
Net tier-one capital	**11,206.4**	10,656.1

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2016	December 31, 2015
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,120.0	1,290.0
Surplus reserve for loan impairment	936.0	652.1
Eligible portion of non-controlling interests	422.8	—
Net capital base	14,685.2	12,598.2
Total risk-weighted assets	106,484.3	85,325.6
Core tier-one capital adequacy ratio (%)	10.35%	12.49%
Tier-one capital adequacy ratio (%)	10.52%	12.49%
Capital adequacy ratio (%)	13.79%	14.76%

Notes:

(1) Primarily includes other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.

(2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and eligible portion of non-controlling interests.

Chapter 5 Report of the Board of Directors

The Board is pleased to present the Report of the Board of Directors together with the audited financial statements of the Group for the year ended December 31, 2016. All relevant sections of this report referred to in this Report of the Board of Directors form part of this Report of the Board of Directors. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the IFRS.

I. Business Review

The Bank is a rural commercial bank in Northeast China, and the holding company of 21 majority-owned subsidiary banks and 16 non-majority-owned subsidiary banks, each of which operates autonomously with its own brand name, IT, human resource, risk management and internal control systems.

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

II. Issuance of H Shares and Listing on the Hong Kong Stock Exchange

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on January 12, 2017. The global offering of the Bank comprised 660,000,000 H Shares (including 600,000,000 H Shares issued by the Bank and 60,000,000 H Shares converted from Domestic Shares). The offer price was HK$4.56 per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) (the "Offer Price").

Based on the Offer Price, the net proceeds from the global offering received by the Bank, after deduction of (i) the net proceeds from the sale of the sale shares by the selling shareholders (as defined in the Bank's prospectus dated December 30, 2016), and (ii) the underwriting commissions and other estimated expenses payable by the Bank in connection with the global offering and assuming no exercise of the over-allotment option, is approximately HK$2,580.67 million.

The over-allotment option was fully exercised on January 16, 2017, in respect of an aggregate of 99,000,000 H Shares (the "Over-allotment Shares"), of which 90,000,000 H Shares were issued and allotted by the Bank and 9,000,000 H Shares were sold by the selling shareholders at the Offer Price. The Over-allotment Shares were listed on the Main Board of Hong Kong Stock Exchange on January 19, 2017. The Bank raised additional net proceeds of approximately HK$398.88 million (excluding the proceeds from the sale of the additional sale shares by the selling shareholders) from the issue and allotment of the Over-allotment Shares after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the over-allotment option.

The Bank intends to use the net proceeds from the global offering to strengthen the core capital base of the Bank to support the growth of the business. As of the date of this annual report, the Bank has not used the proceeds from the global offering.

III. Relationship between the Group and its Employees

The Group has a people-oriented culture and places utmost emphasis on the enterprise cultural construction, employee management and training and endeavors to build stable and harmonious employment relations. The Group always treasures employees as one of its most important and valuable assets and cherishes employees' contribution and support. The Group endeavors to create a harmonious and comfortable working environment, provide sound welfare and compensation system and reasonable career promotion channel for its employees.

The Group's full-time employees participate in various employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity funds. In addition, the Group provides supplementary medical insurance to its employees.

The Group conducts performance evaluations of employees annually to provide feedback on performance. Compensation for full-time employees typically consists of a base salary and a discretionary bonus. The Group determines employee discretionary bonuses at the end of each year based on employee performance and its results of operations.

The Group focuses on employee career development and provides training programs tailored to employees in different business lines. The Bank has built a specific team of internal trainers. The Bank also collaborates with PRC institutions of higher education to recruit and train employees. For example, the Bank has established a simulated banking and training center to enhance employee professional skills. The Bank emphasizes internal recruiting and employee training. In 2015, the Bank launched "Financial Special Forces" (金融特種兵), a management training program to select and train outstanding management personnel and provide employees with opportunities to enhance their professional knowledge and develop a wider range of job-related skills.

The Bank and each subsidiary bank has a labour union established in accordance with PRC laws and regulations. The Bank believes that the Bank and each subsidiary bank has maintained a good working relationship with its employees. As of the date of this annual report, none of the Bank nor any of the Group's subsidiary banks had experienced any labour strikes or other labour disturbances that materially affected the Group's operations or public image.

IV. Relationship between the Bank and its Customers

Retail Customers

The Group has a broad retail customer base. The Bank's retail customers are classified as regular customers or private banking customers depending on whether they maintain an average daily financial asset balance of not less than RMB6.0 million. As of December 31, 2016, the Bank had approximately 170 private banking customers. The Group intends to expand its private banking customer base by diversifying its products and services.

The Bank has cooperated with the Jilin Supply and Marketing Cooperation Union (吉林省供銷合作社) to pilot rural financial products and services in Nongan County, Jilin province. The Bank has also established a total of 17 rural service stations and 70 information service stations in various towns and villages in Jilin province, the PRC. These services stations offer rural customers comprehensive and convenient financial services such as consulting services. In addition, the Bank uses these service stations to systematically collect and assess the credit information of rural household. The Bank's access to primary data in regional markets helps it more fully understand customer needs and provide customized financial products and services, thus further expanding its customer base and enhancing its brand recognition.

Corporate Customers

The Group has expanded its corporate customer base through enhanced customer services, acquisitions of rural credit cooperatives and a rural cooperative bank and establishment and acquisitions of village and township banks. The Group's corporate borrowers increased from 771 as of December 31, 2012 to 2,061 as of December 31, 2016. As the Group expands its corporate customer base, it seeks to develop customers from industries that are less affected by economic cycles and that are closely related to individual livelihood, such as public services, education, health care and other public sectors.

The Bank has also launched personal and corporate online banking services. In 2014, the Bank established an online lending platform, "Jiutai E Online Financing (九商網融E)", as a more convenient online lending channel for individual customers and SMEs. In addition, the Bank was the first PRC rural commercial bank and first financial institution in Jilin province to provide services such as smart robot lobby managers and 3-D printing. The Bank was also the first financial institution in Jilin province's rural credit bank system to offer 24-hour automatic safe deposit boxes and remote video self-service loan application machines. These services have helped the Group expand its customer base and enhance its brand awareness.

V. Profits and Dividend

The Group's revenue for the year ended December 31, 2016 and the Group's financial position as of the same date are set out in the consolidated financial statements of this annual report.

According to the resolution passed by Shareholders at the 2016 first extraordinary general meeting on January 17, 2016, the retained profit of the Bank will be distributed after the H Shares of the Bank are listed on the Hong Kong Stock Exchange on a pro rata basis according to the number of shares held by the holders of Domestic Shares and H Shares. The Board of the Bank has recommended a payment of final dividend of RMB1,195,439,307.6 in total (tax inclusive) for the year ended December 31, 2016. Based on the number of shares on the record date for dividend distribution, the Bank will distribute a cash dividend of RMB0.3 (tax inclusive) for each share. If the profit distribution proposal for 2016 is approved by Shareholders at the 2016 annual general meeting of the Bank to be held on May 15, 2017, the distribution date of the final dividend for 2016 will be on or before July 3, 2017. If there is any change in the expected distribution date, further announcements will be made.

The final dividend for 2016 shall be distributed to holders of Domestic Shares and H Shares whose names appeared on the share register of the Bank at the close of business on Wednesday, May 24, 2017. To determine the identity of the Shareholders entitled to receive the final dividend, the Bank's H share register will be closed from Friday, May 19, 2017 to Wednesday, May 24, 2017 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to the final dividend for 2016, the Shareholders are required to deposit all share certificates together with the transfer documents with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, May 18, 2017.

The proposed dividends payable are denominated in Renminbi, and will be paid to holders of Domestic Shares in Renminbi and holders of H Shares in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars will be based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the 2016 annual general meeting of the Bank (May 15, 2017, inclusive).

The Bank distributed cash dividends of RMB883.4 million and RMB414.6 million for 2015 and 2014, respectively, representing RMB0.3 per share (tax inclusive) and RMB0.18 per share (tax inclusive).

VI. Annual General Meeting and Book Closure Date

The 2016 annual general meeting of the Bank will be held on Monday, May 15, 2017. In order to determine the holders of H Shares who are eligible to attend the 2016 annual general meeting of the Bank, the H share register of the Bank will be closed from Saturday, April 15, 2017 to Monday, May 15, 2017 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to qualify for attending the 2016 annual general meeting of the Bank, share certificates accompanied by transfer documents must be lodged with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, April 13, 2017. Holders of H Shares of the Bank whose names appear on the register of members of the Bank on Friday, May 12, 2017 are entitled to attend the 2016 annual general meeting of the Bank.

A Shareholder or his/her proxy should present proof of identity when attending the 2016 annual general meeting of the Bank. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such Shareholder may attend the 2016 annual general meeting of the Bank by providing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such person to attend the meeting.

VII. Changes in the Reserves

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended December 31, 2016 are set out in "Consolidated Statements of Changes in Equity" of this annual report. The distributable reserves as of December 31, 2016 were RMB1,608,472,231.62.

VIII. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Group for the year ended December 31, 2016 is set out in "Financial Highlights" of this annual report.

IX. Donations

For the year ended December 31, 2016, the Group made charity and other donation of RMB7,065,620 in aggregate.

X. Property and Equipment

Details of the changes in property and equipment of the Group for the year ended December 31, 2016 are set out in note 28 to the consolidated financial statements of this annual report.

XI. Retirement Benefits

Details of the retirement benefits provided by the Group to employees are set out in notes 3 and 38 to the consolidated financial statements of this annual report.

XII. Substantial Shareholders

Particulars of the substantial shareholders as of the Latest Practicable Date are set out in "Changes in Share Capital and Particulars of Shareholders — Particulars of Shareholders — Interests and Short Positions of Substantial Shareholders and Other Persons" of this annual report.

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

The H Shares of the Bank were listed on the Main Board of Hong Kong Stock Exchange on January 12, 2017. The over-allotment option was fully exercised on January 16, 2017. The over-allotment shares were listed on the Main Board of the Hong Kong Stock Exchange on January 19, 2017.

Save as disclosed above, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities from the Listing Date to the date of this annual report.

XIV. Pre-emptive Rights

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to the Shareholders.

XV. Major Customers

As of December 31 2016, the Group's five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and total loans and advances to customers.

XVI. Share Capital

Please refer to the section headed "Changes in Share Capital and Particulars of Shareholders" for details of the share capital of the Bank.

XVII. Directors, Supervisors and Senior Management

Up to the date of this annual report, the Board comprises:

Executive Directors:

Mr. Gao Bing

Mr. Liang Xiangmin

Mr. Yuan Chunyu

Non-executive Directors:

Ms. Guo Yan

Mr. Wu Shujun

Mr. Zhang Xinyou

Mr. Wang Baocheng

Mr. Zhang Yusheng

Independent Non-executive Directors:

Dr. Fu Qiong

Mr. Jiang Ning

Mr. Li Beiwei

Mr. Chung Wing Yin

Mr. Yang Jinguan

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.

XVIII. 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 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 Hong Kong Listing Rules.

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

During the Reporting Period, as the shares of the Bank were not listed on the Hong Kong Stock Exchange, the disclosure requirements under relevant laws of Hong Kong, including Divisions 7 and 8 of Part XV and section 352 of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules (the “Model Code”), were not yet applicable to the Bank and its Directors, Supervisors and chief executive.

On January 12, 2017, the H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange. As of the Latest Practical Date, the interests of the Directors, Supervisors and 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 or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares[1] (%)	Percentage of the total share capital of the Bank[1] (%)
Gao Bing	Chairman and Executive Director	Domestic Shares	Beneficial owner	300,000(L) [2]	0.01	0.01
Yuan Chunyu	Executive Director, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	47,758(L) [2]	0.00 [3]	0.00 [3]
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	328,056,320(L) [2]	10.17	8.23
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	110,575,290(L) [2]	3.43	2.77
Zhang Xinyou	Non-executive Director	Domestic Shares	Interest in controlled corporation	108,731,739(L) [2]	3.37	2.73
Wang Baocheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	78,876,000(L) [2]	2.45	1.98
Wang Zhi	External Supervisor	Domestic Shares	Beneficial owner	500,000(L) [2]	0.02	0.01

Notes:

(1) As of the Latest Practicable Date, the Bank had a total of 3,984,797,692 Shares in issue, including 3,225,797,692 Domestic Shares and 759,000,000 H Shares.

(2) L represents long position.

(3) The percentage is rounded to two decimals.

Save as disclosed above, none of the Directors, Supervisors and 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 as of the Latest Practicable Date.

XX. Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period and up to the date of this annual report was the Bank or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

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

Saved as 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).

XXII. Management Contract

Save for the service contracts entered into with the Directors, Supervisors and senior management members of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

XXIII. Interests of Directors and Supervisors in Competing Businesses

None of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, either directly or indirectly, with the business of the Bank under Rule 8.10(2) of the Hong Kong Listing Rules.

XXIV. Corporate Governance

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

XXV. Connected Party Transactions

During the Reporting Period, the shares of the Bank were not listed on the Hong Kong Stock Exchange and therefore, the connected transaction rules under the Hong Kong Listing Rules were not yet applicable to the Bank.

Exempt Continuing Connected Transactions

1. Extending loans and credit facilities to, and taking deposits from, connected persons

The Bank is a commercial bank incorporated in the PRC under the supervision of the CBRC and the PBOC. It provides commercial banking services in the usual and ordinary course of business to the public in China. The Bank extends loans and credit facilities to, and takes deposits from, the Group's connected persons, such as the Bank's Directors, Supervisors, president and/or their respective associates, in the usual and ordinary course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. These continuing connected transactions will be entered into in the usual and ordinary course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. Accordingly, they are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.87(1) of the Hong Kong Listing Rules (financial assistance provided by the listed issuer's group) and Rule 14A.90 of the Hong Kong Listing Rules (financial assistance received by the listed issuer's group).

2. Providing banking services and products to connected persons and purchasing trust products from a connected person

The Bank provides various commercial banking services and products (including wealth management products) to certain connected persons in the usual and ordinary course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

In the usual and ordinary course of the Bank's business and on normal commercial terms, the Bank entered into certain trust agreements with Jilin Province Trust Co., Ltd. Jilin Province Trust Co., Ltd. is a substantial shareholder of Jilin Dehui Rural Commercial Bank, a significant subsidiary of the Bank. Therefore, Jilin Province Trust Co., Ltd. is a connected person of the Bank at subsidiary level. Pursuant to the agreements, Jilin Province Trust Co., Ltd. would invest the Bank's entrusted assets into specified asset management schemes managed by third party financial institutions pursuant to the Bank's instruction, and charge a certain percentage of the amount of the Bank's entrusted assets as its annualized trust management fees. The trust schemes under these trust agreements will mature in 2017.

Save as disclosed in this section, as the highest applicable percentage ratios of these transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, these transactions constitute *de minimis* transactions, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

3. Property leasing between the Bank and certain connected persons

On January 1, 2012, the Bank entered into a property leasing agreement with Jilin Province Trust Co., Ltd. Pursuant to the agreement, Jilin Province Trust Co., Ltd. leased a property to the Bank as its office space in Jilin province, with a leasing term until December 31, 2016 and at an annual rent of RMB700,000.

On February 10, 2016, the Bank entered into a property leasing agreement with Mr. Wu Shujun, a non-executive Director of the Bank. Pursuant to the agreement, Mr. Wu Shujun leased a property to the Bank as its office space in Jilin province, with a leasing term until February 11, 2017 and at an annual rent of RMB1,604,000.

The above transactions are conducted on normal commercial terms no less favorable than those offered by independent third parties. As the highest applicable percentage ratios of the above transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transactions contemplated under the above property leasing agreements constitute *de minimis* transactions, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

Non-exempt Continuing Connected Transactions

1. Purchase of Wealth Management Products by Jilin Dehui Rural Commercial Bank from the Bank

The prospectus of the Bank dated December 30, 2016 for the global offering disclosed that in the usual and ordinary course of business, the Bank entered into certain wealth management products purchase agreements with Jilin Dehui Rural Commercial Bank in October 2015, November 2015 and April 2016, respectively (the "Dehui Wealth Management Agreements"). The prospectus also disclosed that Jilin Province Trust Co., Ltd., the substantial shareholder of the Bank, held 10.0% equity interest in Jilin Dehui Rural Commercial Bank, a non-wholly owned subsidiary of the Bank. After completion of the global offering (assuming the over-allotment option was not exercised), Jilin Province Trust Co., Ltd. would continue to be the substantial shareholder of the Bank. As such, being a connected subsidiary of the Bank, Jilin Dehui Rural Commercial Bank was a connected person of the Bank.

The principal terms of Dehui Wealth Management Agreements are set out as follows:

- Jilin Dehui Rural Commercial Bank purchased non principal-guaranteed floating income wealth management products issued by the Bank, which will mature in 2017 and 2018, respectively.

- The expected maximum annualized return on investment to be received by Jilin Dehui Rural Commercial Bank ranges from 5.6% to 8.5% (net of custodian fee).

- Upon the maturity of the wealth management products, the Bank will return Jilin Dehui Rural Commercial Bank the remaining value of the entrusted assets after deducting the asset custodian fee, cost of sales and tax payable. If the actual return on investment exceeds the expected maximum annualized return on investment, the excess will be the investment management fees of the Bank. If the actual return on investment falls below the expected maximum annualized return on investment, the Bank will not receive any investment management fees.

- The Bank will reinvest all the entrusted assets under the Dehui Wealth Management Agreements in the asset management schemes managed by third party financial institutions.

The pricing basis of the investment management fees receivable by the Bank under the Dehui Wealth Management Agreements is as follows:

- The Bank obtained the then prevailing market prices of wealth management products through a variety of sources on a regular basis, and calculated a competitive price of the wealth management products taking into account the demand for the wealth management products and the cost of the Bank.

- If the wealth management products were also available for subscription by parties other than the connected persons, the expected maximum annualized return on investment offered to the connected persons and the determination mechanism of the investment management fees receivable by the Bank were applicable to all other investors of these wealth management products.

For the three years ended December 31, 2016, December 31, 2017 and December 31, 2018, the annual caps for the investment management fees receivable by the Bank under the Dehui Wealth Management Agreements are RMB12.2 million, RMB28.1 million and RMB2.5 million, respectively. The Bank confirms that for the year ended December 31, 2016, the actual investment management fee received under the Dehui Wealth Management Agreements was RMB11.0 million.

Under the Dehui Wealth Management Agreements, as the highest applicable percentage ratio based on the relevant annual caps set out above is expected to between 0.1% and 5% on an annual basis, such transactions are subject to the announcement, reporting and annual review requirements under Chapter 14A of Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirement.

Before listing of H Share of the Bank on the Hong Kong Stock Exchange, the Bank had made an application to the Hong Kong Stock Exchange in respect of the transactions under the Dehui Wealth Management Agreements, and the Hong Kong Stock Exchange had granted the Bank a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules.

Upon the full exercise of the over-allotment option on January 16, 2017, the total shares of the Bank held by Jilin Province Trust Co., Ltd. represented appropriately 9.61% of the total issued share capital of the Bank. As such, Jilin Province Trust Co., Ltd. is no longer a substantial shareholder of the Bank and Jilin Dehui Rural Commercial Bank is no longer a connected subsidiary of the Bank and a connected person of the Group. The transactions contemplated under the Dehui Wealth Management Agreements no longer constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The Bank confirms that the transactions under the Dehui Wealth Management Agreements had complied with the requirements under Chapter 14A of the Hong Kong Listing Rules since the Listing Date and up till January 16, 2017 (i.e., the date when Jilin Dehui Rural Commercial Bank ceased to be a connected person of the Bank).

2. Purchase of Wealth Management Products by Jilin Chuncheng Rural Commercial Bank from the Bank

The prospectus of the Bank dated December 30, 2016 for the global offering disclosed that in the usual and ordinary course of business, the Bank entered into certain wealth management products purchase agreements with Jilin Chuncheng Rural Commercial Bank in November 2015, March 2016 and April 2016, respectively (the "Chuncheng Wealth Management Agreements"). The prospectus also disclosed that Jilin Province Trust Co., Ltd., the substantial shareholder of the Bank, held 10.0% equity interest in Jilin Chuncheng Rural Commercial Bank, a non-wholly owned subsidiary of the Bank. After completion of the global offering (assuming the over-allotment option was not exercised), Jilin Province Trust Co., Ltd. would continue to be the substantial shareholder of the Bank. As such, being a connected subsidiary of the Bank, Jilin Chuncheng Rural Commercial Bank was a connected person of the Bank.

The principal terms of Chuncheng Wealth Management Agreements are set out as follows:

- Jilin Chuncheng Rural Commercial Bank purchased principal-guaranteed and non principal-guaranteed wealth management products issued by the Bank, which will mature in 2017 and 2018, respectively.

- The expected maximum annualized return on investment to be received by Jilin Chuncheng Rural Commercial Bank ranges from 5.0% to 6.5% (net of custodian fee).

- Upon the maturity of the wealth management products, the Bank will return Jilin Chuncheng Rural Commercial Bank the remaining value of the entrusted assets after deducting the asset custodian fee, cost of sales and tax payable. If the actual return on investment exceeds the expected maximum annualized return on investment, the excess will be the investment management fees of the Bank. If the actual return on investment falls below the expected maximum annualized return on investment, the Bank will not receive any investment management fees.

- The Bank will reinvest all the entrusted assets under the Chuncheng Wealth Management Agreements in the asset management schemes managed by third party financial institutions.

The pricing basis of the investment management fees receivable by the Bank under the Chuncheng Wealth Management Agreement is as follows:

- The Bank obtained the then prevailing market prices of wealth management products through a variety of sources on a regular basis, and calculated a competitive price of the wealth management products taking into account the demand for the wealth management products and the cost of the Bank.

- If the wealth management products were also available for subscription by parties other than the connected persons, the expected maximum annualized return on investment offered to the connected persons and the determination mechanism of the investment management fees receivable by the Bank were applicable to all other investors of such wealth management products.

For the three years ended December 31, 2016, December 31, 2017 and December 31, 2018, the annual caps for the investment management fees receivable by the Bank under the Chuncheng Wealth Management Agreements is RMB25.1 million, RM15.7 million and RMB3.3 million, respectively. The Bank confirms that for the year ended December 31, 2016, the actual investment management fee received under the Chuncheng Wealth Management Agreements was RMB16.6 million.

Under the Chuncheng Wealth Management Agreements, as the highest applicable percentage ratio based on the relevant annual caps set out above is expected to between 0.1% and 5% on an annual basis, such transactions are subject to the announcement, reporting and annual review requirements under Chapter 14A of Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirement.

Before listing of H Share of the Bank on the Hong Kong Stock Exchange, the Bank had made an application to the Hong Kong Stock Exchange in respect of the transactions under the Chuncheng Wealth Management Agreements, and the Hong Kong Stock Exchange had granted the Bank a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules.

Upon the full exercise of the over-allotment option on January 16, 2017, the total shares of the Bank held by Jilin Province Trust Co., Ltd. represented appropriately 9.61% of the total issued share capital of the Bank. As such, Jilin Province Trust Co., Ltd. is no longer a substantial shareholder of the Bank and Jilin Chuncheng Rural Commercial Bank is no longer a connected subsidiary of the Bank and a connected person of the Group. The transactions contemplated under the Chuncheng Wealth Management Agreements no longer constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The Bank confirms that the transactions under the Chuncheng Wealth Management Agreements had complied with the requirements under Chapter 14A of the Hong Kong Listing Rules since the Listing Date and up till January 16, 2017 (i.e., the date when Jilin Chuncheng Rural Commercial Bank ceased to be a connected person of the Bank).

3. Specified Asset Management Agreements between the Bank and TBA

In the usual and ordinary course of the Bank's business, the Bank, TBA Asset Management Co., Ltd. ("TBA") (as asset manager) and independent third party commercial banks regulated by the CBRC (as asset custodian) entered into certain specified asset management agreements in July, September, November and December 2015 and January and February 2016, respectively (the "TBA Asset Management Agreements"). The Bank has invested the entrusted assets of third parties and its proprietary funds in the specified asset management schemes managed by TBA. Jilin Province Trust Co., Ltd. is a substantial shareholder of Jilin Dehui Rural Commercial Bank (a significant subsidiary of the Bank) and holds 61.3% equity interest in China Nature Asset Management Co., Ltd., which in turn holds 42.0% equity interest in TBA. As such, TBA is an associate of Jilin Province Trust Co., Ltd, and hence a connected person of the Bank at the subsidiary level.

The principal terms of TBA Asset Management Agreements are set out as follows:

- TBA shall operate and manage the entrusted assets in accordance with the terms and conditions of the TBA Asset Management Agreements subject to the supervision of the asset custodian. The asset management schemes under the TBA Asset Management Agreements will expire in 2017 and 2018, respectively.

- The expected maximum annualized return on investment of the entrusted assets ranges from 6.52% to 8.60%, the annualized management fee rate payable by the Bank to TBA ranges from 0.05% to 0.47%, and the annualized custody fee rate payable by the Bank to the asset custodian is 0.01%.

- The assets entrusted by the Bank to TBA for management shall be separated from the assets of TBA and the asset custodian. All monetary value deriving from the management and operation of the entrusted assets shall form part of the entrusted assets.

- The Bank will make specific investment instructions to TBA on the use of the entrusted assets and TBA shall invest the entrusted assets in accordance with the instructions of the Bank.

- TBA shall prepare quarterly report of the entrusted assets and submit it to the asset custodian for review, after which TBA shall disclose the information on investment performance to the Bank. During the term of the agreements, the Bank can make enquiry on the investment to TBA or the asset custodian from time to time and TBA or the asset custodian (as the case may be) shall reply to the Bank's enquiry promptly.

The rate of the management fee payable by the Bank to TBA under the TBA Asset Management Agreements ranges from 0.05% to 0.47%, which is determined through arm's length negotiation by taking into account various factors, including the prevailing management fee rate of comparable asset management schemes available on the market and the estimated maximum annualized return on investment offered by TBA.

For the three years ended December 31, 2016, December 31, 2017 and December 31, 2018, the annual caps for the management fees payable by the Bank to TBA under the TBA Asset Management Agreements are RMB14.6 million, RMB8.5 million and RMB2.2 million, respectively. The Bank confirms that for the year ended December 31, 2016, the actual management fees paid by the Bank to TBA under the TBA Asset Management Agreements are RMB8.1 million.

Under the TBA Asset Management Agreements, as the highest applicable percentage ratio based on the relevant annual caps set out above is expected to between 0.1% and 5% on an annual basis, such transactions are subject to the announcement, reporting and annual review requirements under Chapter 14A of Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirement.

Before listing of H Share of the Bank on the Hong Kong Stock Exchange, the Bank had made an application to the Hong Kong Stock Exchange in respect of the transactions under the TBA Asset Management Agreements, and the Hong Kong Stock Exchange had granted the Bank a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong 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. The details of the related party transactions conducted by the Bank in the ordinary and usual course of business during the Reporting Period are set out in note 49 to the consolidated financial statements of this annual report. Save as disclosed herein, none of the related party transactions as set out in note 49 to the consolidated financial statements in this annual report are connected transactions or continuing connected transactions that are required to be disclosed under the Hong Kong Listing Rules.

XXVI. 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 Group's senior management.

The Bank offers its executive Directors, employee representative Supervisors and senior management members, who are also the Bank's employees, compensation in the form of salaries, bonuses, social insurances, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors receive compensation based on their responsibilities. Please refer to note 12 to the consolidated financial statements in this annual report for the details of the remuneration of the Directors and Supervisors.

The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management personnel and offers remuneration to them based on the results of the assessment.

XXVII. Public Float

During the Reporting period, the securities of the Bank were not listed on the Hong Kong Stock Exchange. During the initial public offering of the Bank's H Shares, the Bank has applied to the Hong Kong Stock Exchange to ask the Hong Kong Stock Exchange to exercise its discretion to waive the requirement under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted the Bank a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Hong Kong Listing Rules. According to the waiver granted by the Hong Kong Stock Exchange, the minimum public float of the Bank will be the highest of:

a. 16.9% of the Bank's total issued share capital;

b. such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has not been exercised); and

c. such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has been exercised).

Immediately after the issue and allotment by the Bank and the sale by the selling shareholders of the Over-allotment Shares due to full exercise of the over-allotment option, the number of H Shares in public hands represents not less than 19.0% of the total issued share capital of the Bank, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(a) of the Hong Kong Listing Rules.

Based on the publicly available information and as far as the Directors were aware, as of the Latest Practicable Date, the Bank had maintained sufficient public float in compliance with the requirement specified in the waiver granted by the Hong Kong Stock Exchange.

XXVIII. Tax Relief

(1) Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the H share register in the distribution of final dividend for 2016. As any shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders, the dividends received shall be subject to the withholding of enterprise income tax.

Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent, and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

(2) Withholding and Payment of Individual Income Tax for Individual Overseas Resident Shareholders

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No.60) (《國家税務總局關於發佈〈非居民納税人享受税收協定待遇管理辦法〉的公告》 (國家税務總局公告2015 年第60 號)) (the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual shareholders whose names appear on the H share register ("Individual H Shareholder(s)") in the distribution of final dividend for 2016. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;

- for Individual H shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by the Bank.

Shareholders of the Bank are taxed and/or entitled to enjoy tax relief in accordance with the aforementioned regulations.

XXIX. Auditors

ShineWing Certified Public Accountants LLP was engaged by the Bank as the auditors for the PRC GAAP financial statements of the Bank for 2016. SHINEWING (HK) CPA Limited was engaged by the Bank as the auditors for the IFRS financial statements of the Bank for 2016. The Bank did not change its auditors in the past three years.

Please also refer to the section headed "Corporate Governance Report – External Auditors and Remuneration of Auditors" in this annual report for the information on the auditors' remuneration.

XXX. Permitted Indemnity Provision

The Bank has arranged appropriate insurance covering possible legal liabilities of the Directors and the senior management arising from corporate activities to third parties.

XXXI. Major Risks and Uncertainties

Major risks and uncertainties faced by the Group 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 Group has effectively enhanced its risk management capability. Please refer to the section headed "Management Discussion and Analysis — Risk Management" in this annual report.

XXXII. Future Development of Business

Please refer to the section headed "Management Discussion and Analysis — Environment and Outlook" and "Management Discussion and Analysis — Development Strategies" in this annual report for further details.

XXXIII. Key Financial Performance Indicators and Analysis

As of December 31, 2016, according to the financial data prepared under the IFRS, the total assets of the Group amounted to RMB191,471.3 million, representing a year-on-year increase of 34.9%; total loans and advances to customers amounted to RMB62,100.8 million, representing a year-on-year increase of 29.7%; the non-performing loan ratio was 1.41%; total deposits from customers amounted to RMB127,408.7 million, representing a year-on-year increase of 36.6%; the total operating income of the Group amounted to RMB5,954.1 million, representing a year-on-year increase of 39.5%; and the net profit of the Group amounted to RMB2,315.8 million, representing a year-on-year increase of 65.2%. As of December 31, 2016, the Group's capital adequacy ratio, tier one capital adequacy ratio and core tier one capital adequacy ratio was increased to 13.79%, 10.52% and 10.35%, respectively.

XXXIV. Environmental Protection Policy and Implementation

The Group places great emphasis on its own environmental and social performance by integrating the banking operation and management with social responsibilities, 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 line with national policies to save energy costs, the Bank has implemented a series of measures, including: (i) regulating office room temperature; (ii) strengthening management of usage of the Bank's business vehicles and encouraging the use of public transport for long-distance business trips; (iii) encouraging the turning off of lights and electronic appliances after work; (iv) regulating the time during which exterior lighting of the headquarters and branch buildings is turned on and (v) the issuance of recommendations in relation to energy-savings to staff of the Bank.

XXXV. Environmental, Social and Governance Report

In 2016, the Bank has complied with the "comply or explain" provisions set forth in the Environmental, Social and Governance Reporting Guide. For details, please refer to the 2016 Environmental, Social and Governance Report of Jilin Jiutai Rural Commercial Bank Corporation Limited to be published in accordance with the Hong Kong Listing Rules.

For details of the governance of the Bank, please refer to "Corporate Governance Report" of this annual report. The Bank continuously refined its internal control and management system to make the internal control system more comprehensive, practicable and efficient. The rules and systems of the Bank were further improved to ensure that the departments of the Bank could duly discharged their respective duties and responsibilities. The Bank has complied with all the provisions of the Corporate Governance Report set forth in Appendix 14 to the Hong Kong Listing Rules and has complied with most of the recommended best practices set out in the above rules.

XXXVI. Compliance with Laws and Regulations

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. For the year ended December 31, 2016, to the best knowledge of the Board, the Group has complied in all material respects with all applicable laws and regulations which could materially affect the Group.

Legal and compliance risk management of the Bank

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aim to establish a sound and comprehensive compliance risk management structure.

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system.

The Bank has a two-tier legal and compliance risk management structure. The Bank's legal compliance department is in charge of legal and compliance affairs as well as legal affairs management. It regularly updates senior management on legal and regulatory developments. It also handles communications with the PBOC and the CBRC. Furthermore, the legal compliance department is responsible for drafting and reviewing contracts and other legal documents, management of trademark registration, legal and compliance risk analysis of mergers and acquisitions and new products. The legal compliance department is also responsible for management and guidance on litigation relating to non-contentious legal issues, litigation cases (other than asset preservation and loan collection litigations) and internal legal training, and the provision of legal consulting services to all business departments and sub-branches. To better manage litigation risk, the Bank has appointed legal counsel to provide professional legal support for the Bank's daily operations and management, and external legal counsel to provide professional legal services for major business conflicts and litigations. The Bank has established branch level legal compliance departments or part-time positions as needed. If there is no legal compliance department, risk management officers at branches are responsible for legal and compliance risk management. The Bank also provides guidance and conduct periodic trainings to improve legal and compliance risk management at branches.

The Bank has established an anti-money laundering steering group under the Bank's legal compliance department, which is mainly responsible for convening meetings of anti-money laundering steering group, taking actions against rules violations or negligent conduct during anti-money laundering operations and reducing or controlling related risks by strengthening and improving the Bank's steering group process and rules. The Bank has established systems and implemented rules to identify, evaluate, supervise, control and report on anti-money laundering risks. The Bank has also set up an anti-money laundering information monitoring and reporting system to report large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis. It also reports all suspected money laundering activities to the local branch of the PBOC and cooperate in anti-money laundering investigations. The Bank provides anti-money laundering training and related promotional activities and evaluations and requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

Legal and compliance risk management of subsidiary banks

The respective policies of each subsidiary bank provide for the management of legal and compliance risk through (1) regular compliance training, and (2) a whistle-blower system to encourage employees to report non-compliance events.

Each subsidiary bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each subsidiary bank reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center individually as a separate legal entity in accordance with the relevant regulatory requirements.

XXXVII. License Requirements

As of the date of this annual report, the Bank and each subsidiary bank has obtained necessary business qualifications required for their business operations.

XXXVIII. Legal Proceedings

The Bank and each subsidiary bank are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, none of the Bank or any of its subsidiary banks were involved in any material pending lawsuits as a defendant.

During the Reporting Period and up to the Latest Practicable Date, none of the Bank's Directors, Supervisors, or senior management was involved in any litigation or arbitration, nor had any of them been subject to any administrative penalty.

XXXIX. Issuance of Bonds

For the year ended December 31, 2016, the Bank has issued debt securities during the Reporting Report to replenish its capital, the details of which, are set out as follows:

- In October 2016, the Bank issued 10-year tier-two capital bonds with a fare value of RMB900.0 million and 4.20% fixed rate.

- From January 1, 2016 to December 31, 2016, the Bank issued several tranches of zero-coupon interbank certificates, with an aggregate face value of RMB37,140 million. The interbank certificates have a term ranging from one month to one year and bear effective interest rates between 2.9% and 4.1%.

XL. Equity-linked Agreement

During the Reporting Period and up to the Latest Practicable Date, the Bank did not enter into any equity-linked agreement.

XLI. Subsequent Events

(1) The prospectus of the Bank dated December 30, 2016 for the global offering disclosed that Mr. Jin Shuo ("Mr. Jin") had tendered his resignation as an independent non-executive Director of the Bank due to his decision to devote more time to other works. His resignation was approved by the Board on December 15, 2016. Mr. Jin continued to serve as an independent non-executive Director of the Bank until the appointment of his successor would become effective. On December 15, 2016, the Board also approved the nomination of Mr. Jiang Ning (蔣寧) ("Mr. Jiang") as an independent non-executive Director of the Bank. On January 4, 2017, at the first extraordinary general meeting for 2017 of the Bank, shareholders of the Bank approved the resolutions on the election of Mr. Jiang as an independent non-executive Director of the Bank and the resignation of Mr. Jin as an independent non-executive Director of the Bank. The Bank received the Approval of Qualification of Jiang Ning (《關於核准蔣寧任職資格的批覆》) issued by the Jilin Bureau of the China Banking Regulatory Commission (the "CBRC Jilin Bureau") on January 19, 2017. Pursuant to the approval, the qualification of Mr. Jiang Ning as an independent non-executive Director of the Bank has been approved by the CBRC Jilin Bureau. The term of Mr. Jiang commenced on January 19, 2017. With effect from the same day, Mr. Jiang began to serve as the chairman of the Related-party Transactions Control Committee and a member of the Audit Committee and Strategy and Development Committee under the Board.

The appointment of Mr. Jiang became effective on January 19, 2017 and Mr. Jin ceased to act as an independent non-executive Director of the Bank, the chairman of the Related-Party Transactions Control Committee and a member of the Audit Committee and Strategy and Development Committee under the Board on the same day. Mr. Jin has confirmed with the Bank that he has no disagreements with the Board and that there are no other matters with respect to his resignation that need to be brought to the attention of the shareholders of the Bank.

(2) Please refer to note 61 to the consolidated financial statement in this annual report for details of other subsequent events.

XLII. Review of Annual Results

ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited have audited the consolidated financial statements of the Group prepared in accordance with the PRC GAAP and IFRS, respectively, and issued standard unqualified auditors' reports. The Board of Directors and the Audit Committee have reviewed the results and financial report of the Bank for the year ended December 31, 2016 and recommended the Board of Directors to approve these documents.

XLIII. Miscellaneous

a. As of the Latest Practicable Date, the Bank was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.

b. As of the Latest Practicable Date, none of the Directors waived or agreed to waive the related remuneration arrangements.

c. During the Reporting Period and up to the Latest Practicable Date, there were no collateral and pledges of significant assets of the Bank.

d. The Bank did not implement any equity incentive plan during the Reporting Period and up to the Latest Practicable Date.

e. The Bank did not implement any employee stock ownership scheme during the Reporting Period and up to the Latest Practicable Date.

On behalf of the Board

Gao Bing

Chairman

Chapter 6 Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors of the Bank strictly complied with the regulatory requirements under the Guidelines on the Corporate Governance of Commercial Banks (商業銀行公司治理指引), the Guidelines on the Functioning of Board of Supervisory of Commercial Banks (商業銀行監事會工作指引) and the Articles of Association when performing the functions of the Board of Supervisors through various channels in close tandem with the works of the Bank. The work report for the year is set out herein.

I. Principal Work of the Board of Supervisors

(I) Convening meetings of the Board of Supervisors according to the requirements and schedule

During the Reporting Period, the third session of the Board of Supervisors convened a total of six meetings, which mainly considered and approved a total of 40 proposals, including the work report of the Board of Supervisors, various supervisory reports, the audited financial statements, the report on operation and management, and profit distribution and other related proposals.

(II) Attendance at the Shareholders' general meeting, meetings of the Board of Directors and other meetings in accordance with relevant requirements

Members of the Board of Supervisors attended the Shareholders' general meetings in accordance with laws, and participated in various meetings. During the Reporting Period, they attended four Shareholders' general meetings and two employee representative meetings, and participated in approximately 73 Board meetings and operational and management meetings, through which the Board of Supervisors effectively performed their duties.

(III) Supervising the financial operation of the Bank

During the Reporting Period, an audit on the truthfulness of the annual operating results was conducted and the annual financial report of the Bank prepared by the Board was reviewed.

(IV) Supervising the performance of the Board, the senior management and its members

In accordance with the relevant standards of the Interim Measures of the Board of Supervisors for the Assessment on the Performance of Directors and Senior Management (監事會對董事、高級管理人員盡職評價暫行辦法), during the Reporting Period, the Board of Supervisors duly supervised the performance of the Board, the senior management and its members to effectively ensure the operation and management compliance of the Bank.

(V) Performance of the Supervision Committee under the Board of Supervisors

During the Reporting Period, the Supervision Committee diligently performed its duties by convening four meetings and considering and approving 14 proposals in strict compliance with its terms of reference.

(VI) Performance of the Nomination Committee under the Board of Supervisors

During the Reporting Period, the Nomination Committee diligently performed its duties by convening four meetings and considering and approving 12 proposals in strict compliance with its terms of reference.

(VII) Supervising compliant operation for the prevention of business risks

The Board of Supervisors focused on the major works such as system standardization, asset quality, financial management, as well as the practice, legitimacy and risks of new businesses, and conducted whole-process supervision.

(VIII) Enhancing the supervision of the Board of Supervisors

Professional training programs and business studies have been regularly organized to continuously enhance both theoretical knowledge and practical skills of the members of the Board of Supervisors so as to ensure the work quality of the Board of Supervisors.

(IX) Conducting researches to give advice to the management

With a regular research system in place, the Board of Supervisors conducted various researches and issued research reports and proposals in order to prudently provide opinions and suggestions on the improvement of operation and management.

II. Independent Opinions Issued by the Board of Supervisors on Relevant Matters

(I) Performance of the Board and the senior management

During the Reporting Period, the Board and the senior management duly discharged their responsibilities in accordance with the Guidelines on the Corporate Governance of Commercial Banks and the Articles of Association. No material violation of laws and regulations or damage to the interests of the Shareholders by any Directors or senior management was identified.

(II) Compliant operation

In 2016, the Bank conducted its business activities in compliance with laws, and its management and internal control system were further enhanced. The decision-making procedures of the Bank were in compliance with the Company Law of the People's Republic of China and the Articles of Association of the Bank. The quality, effectiveness and scale of the Bank's development were synchronized.

(III) Truthfulness of financial report

ShineWing Certified Public Accounts LLP has audited the financial report for the year of 2016 in accordance with Hong Kong Standards on Auditing prepared by the Bank under the IFRS and issued a standard unqualified audit report thereon. The financial report gave a true and fair view of the consolidated financial position of the Group as of December 31, 2016 and the consolidated financial performance and cash flow of the Group for the year of 2016.

(IV) Connected transactions

In the year of 2016, based on its supervision on the management of connected transactions of the Bank, the Board of Supervisors is of the view that the management of connected transactions of the Bank was standardized and the standardized system for the management of connected transactions was well established. The Bank adhered to the principle of fairness when entering into connected transactions and no incident of damage to the interests of the Bank and Shareholders was identified.

(V) Internal control

During the Reporting Period, the Bank further strengthened and optimized its internal control system for more comprehensive and effective internal control. There was no material defect in the design or operation of the internal control system.

(VI) Implementation of resolutions of the Shareholders' general meetings

During the Reporting Period, a total of four Shareholders' general meetings were held. The Board of Supervisors has supervised the implementation of resolutions adopted at the Shareholders' general meetings. The Board of Supervisors is of the opinion that these resolutions were duly implemented by the Board of Directors.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

I. Changes in Share Capital of the Bank

(I) Share Capital

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on January 12, 2017. The global offering of the H Shares of the Bank consisted of a total number of 660,000,000 H Shares (including 600,000,000 H Shares issued by the Bank and 60,000,000 H Shares converted from Domestic Shares). The offer price was HK$4.56 per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) (the "Offer Price").

Based on the Offer Price, the net proceeds from the global offering received by the Bank, after deduction of (i) the net proceeds from the sale of the sale shares by the selling shareholders in the global offering, and (ii) the underwriting commissions and other estimated expenses payable by the Bank in connection with the global offering and assuming no exercise of the over-allotment option, were approximately HK$2,580.67 million.

The over-allotment option was fully exercised on January 16, 2017, in respect of an aggregate of 99,000,000 H Shares (the "Over-allotment Shares"). The Over-allotment Shares were issued and allotted by the Bank and sold by the selling shareholders at the Offer Price. The Over-allotment Shares were listed on the Hong Kong Stock Exchange on January 19, 2017. The Bank raised additional net proceeds of approximately HK$398.88 million (excluding the proceeds from the sale of the additional sale shares by the selling shareholders) from the issue and allotment of the Over-allotment Shares after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the over-allotment option.

The Bank intends to use the net proceeds from the global offering to strengthen the core capital base of the Bank to support the growth of the business.

(II) Changes in Share Capital

As of December 31, 2016, the share capital of the Bank comprises 3,294,797,692 Domestic Shares. Immediately following the completion of the Bank's global offering and the full exercise of the over-allotment option, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Domestic Shares	3,225,797,692	81.0%
H Shares converted from Domestic Shares and sold by the Selling Shareholders pursuant to the Global Offering	69,000,000	1.7%
H Shares issued pursuant to the Global Offering	690,000,000	17.3%
Total	**3,984,797,692**	**100.0%**

As of the date of this annual report, the share capital of the Bank is as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Domestic Shares	3,225,797,692	81.0%
H Shares	759,000,000	19.0%
Total	**3,984,797,692**	**100.0%**

II. Particulars of Shareholders

(I) Particulars of shareholdings of the top ten shareholders of the Domestic Shares of the Bank

Number	Name of shareholder	Total number of shares held at January 1, 2016	Total number of shares held at December 31, 2016	Shareholding percentage at December 31, 2016 (%)
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	436,934,351	436,934,351	13.26
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	328,056,320	328,056,320	9.96
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	175,864,493	177,047,788	5.37
4	Yongtai Holding Group Limited (永泰控股集團有限公司)	160,000,000	160,000,000	4.86
5	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	110,575,290	110,575,290	3.36
6	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	108,731,739	108,731,739	3.30
7	China Wood (Group) Co., Ltd. (中國木材 (集團) 有限公司)	100,352,000	100,352,000	3.05
8	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	100,000,000	100,000,000	3.04
9	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	98,597,120	98,597,120	2.99
10	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	83,295,651	83,295,651	2.53
Total		**1,702,406,964**	**1,703,590,259**	**51.72**

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

During the Reporting Period, the Bank's shares were not listed on the Hong Kong Stock Exchange. The interests or short positions in the Shares or relevant shares which would be required to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions registered on the register pursuant to section 336 of the SFO, were not applicable to the Bank.

The H Shares were listed on the Hong Kong Stock Exchange on January 12, 2017. To the best knowledge of the Bank, as at the date of the Latest Practicable Date, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the shareholders' general meetings of any other member of the Bank:

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held[14]	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Domestic Shares					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	382,929,916(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	328,056,320(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	177,047,788(L)	4.44	5.49
Jilin Jiuying Investment Management Group Co., Ltd. (吉林省九盈投資管理集團股份有限公司)[1]	Interest in controlled corporation	Domestic Shares	177,047,788(L)	4.44	5.49
Bohai International Trust Co., Ltd. (渤海國際信託股份有限公司)[2]	Interest in controlled corporation	Domestic Shares	177,047,788(L)	4.44	5.49

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held[14]	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
H Shares					
China Create Capital Limited (中科創資本有限公司)	Beneficial owner	H Shares	173,617,000(L)	4.36	22.87
Zhang Wei (張偉)[3]	Interest in controlled corporation	H Shares	173,617,000(L)	4.36	22.87
Suhang Investment Holdings Limited	Beneficial owner	H Shares	100,000,000(L)	2.51	13.18
China Huarong International Holdings Limited[4]	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Huarong Real Estate Co., Ltd. (華融置業有限責任公司)[5]	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)[6]	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Zhuang Qiao Luan (莊巧鸞)	Beneficial owner	H Shares	50,000,000(L)	1.25	6.59
Charm Success Group Limited (美成集團有限公司)	Beneficial owner	H Shares	53,300,000(L)	1.34	7.02
Lily Garden Investments Limited	Beneficial owner	H Shares	43,420,000(L)	1.09	5.72
Silver Prospects Limited[7]	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72
Ground International Development Limited[8]	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72
Ka Yik Investments Limited (家譯投資有限公司)[9]	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72
Cui Xintong (崔薪瞳)[10]	Interest in controlled corporation	H Shares	96,720,000(L)	2.43	12.74
Huijin Capital Limited	Beneficial owner	H Shares	48,240,000(L)	1.21	6.36

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held[14]	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Swift Fortune Investments Limited	Beneficial owner	H Shares	47,264,000(L)	1.19	6.23
Carnival Group International Holdings Limited[11]	Interest in controlled corporation	H Shares	47,264,000(L)	1.19	6.23
Better Joint Venture Limited[12]	Interest in controlled corporation	H Shares	47,264,000(L)	1.19	6.23
King Pak Fu (景百孚)[13]	Interest in controlled corporation	H Shares	47,264,000(L)	1.19	6.23

Notes:

(1) Jilin Jiuying Investment Management Group Co., Ltd. directly holds 92.2% of the total issued share capital in Changchun Huamei Tourism and Culture Media Co., Ltd. According to the SFO, Jilin Jiuying Investment Management Group Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.

(2) Jilin Jiuying Investment Management Group Co., Ltd. directly holds 92.2% of the total issued share capital in Changchun Huamei Tourism and Culture Media Co., Ltd. A trust scheme managed by Bohai International Trust Co., Ltd. directly holds 66.7% of the total issued share capital in Jilin Jiuying Investment Management Group Co., Ltd. According to the SFO, Bohai International Trust Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.

(3) Mr. Zhang Wei holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Mr. Zhang Wei is deemed to be interested in the Shares held by China Create Capital Limited.

(4) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. According to the SFO, China Huarong International Holdings Limited is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.

(5) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. According to the SFO, Huarong Real Estate Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.

(6) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.

(7) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospects Limited. According to the SFO, Silver Prospects Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.

(8) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospects Limited. Silver Prospects Limited is a wholly-owned subsidiary of Ground International Development Limited. According to the SFO, Ground International Development Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.

(9) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospects Limited. Silver Prospects Limited is a wholly-owned subsidiary of Ground International Development Limited. Ka Yik Investments Limited holds 49.66% of the total issued share capital of Ground International Development Limited. According to the SFO, Ka Yik Investments Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.

(10) Cui Xintong holds 100% of the total issued share capital of Ka Yik Investments Limited and Charm Success Group Limited. Charm Success Group Limited directly holds 53,300,000 H Shares. Lily Garden Investments Limited directly holds 43,420,000 H Shares. Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospects Limited. Silver Prospects Limited is a wholly-owned subsidiary of Ground International Development Limited. Ka Yik Investments Limited holds 49.66% of the total issued share capital of Ground International Development Limited. According to the SFO, Cui Xintong is deemed to be interested in the Shares held by Lily Garden Investments Limited and Charm Success Group Limited.

(11) Swift Fortune Investments Limited is a wholly-owned subsidiary of Carnival Group International Holdings Limited. According to the SFO, Carnival Group International Holdings Limited is deemed to be interested in the Shares held by Swift Fortune Investments Limited.

(12) Swift Fortune Investments Limited is a wholly-owned subsidiary of Carnival Group International Holdings Limited. Better Joint Venture Limited holds 36.66% of the total issued share capital of Carnival Group International Holdings Limited. According to the SFO, Better Joint Venture Limited is deemed to be interested in the Shares held by Swift Fortune Investments Limited.

(13) Swift Fortune Investments Limited is a wholly-owned subsidiary of Carnival Group International Holdings Limited. Better Joint Venture Limited holds 36.66% of the total issued share capital of Carnival Group International Holdings Limited. King Pak Fu holds 100% of the total issued share capital of Better Joint Venture Limited. According to the SFO, King Pak Fu is deemed to be interested in the Shares held by Swift Fortune Investments Limited.

(14) L represents long positions.

Save as disclosed above, as at the date of this annual report, 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, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

Please see (II) above for information on Shareholders holding 5% or more of the share capital of the Bank.

(IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified and the Bank does not have a controlling shareholder or actual controller.

As of the Latest Practicable Date, the largest Shareholder of the Bank is Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), holding 382,929,916 Domestic Shares of the Bank and representing 9.61% of the total issued share capital of the Bank.

Chapter 8 Directors, Supervisors, Senior Management, Employees and Organizations

I. Information on Directors, Supervisors and Senior Management Members

As of the date of this annual report, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Gao Bing (高兵)	49	Chairman, executive Director	December 2008	December 2017	Responsible for overall operations and strategic management, make material decisions and develop the business strategy
Mr. Liang Xiangmin (梁向民)	51	Executive Director, Vice-president and Chief Operating Officer	April 2016	December 2017	Responsible for the business operations and management of branches outside the Jiutai region, participate in making material business decisions and manage certain business departments and offices
Mr. Yuan Chunyu (袁春雨)	45	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	December 2017	Responsible for the management of the Board's office, participate in making material business decisions and developing the business development strategy
Ms. Guo Yan (郭燕)	54	Non-executive Director	April 2015	December 2017	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Wu Shujun (吳樹君)	58	Non-executive Director	December 2012	December 2017	Same as above
Mr. Zhang Xinyou (張新友)	51	Non-executive Director	December 2012	December 2017	Same as above
Mr. Wang Baocheng (王寶成)	61	Non-executive Director	April 2016	December 2017	Same as above
Mr. Zhang Yusheng (張玉生)	67	Non-executive Director	April 2015	December 2017	Same as above

Chapter 8 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Dr. Fu Qiong (傅穹)	47	Independent Non-executive Director	April 2015	December 2017	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management
Mr. Jiang Ning (蔣寧)	46	Independent Non-executive Director	January 2017	December 2017	Same as above
Mr. Li Beiwei (李北偉)	54	Independent Non-executive Director	April 2016	December 2017	Same as above
Mr. Chung Wing Yin (鍾永賢)	40	Independent Non-executive Director	July 2016	December 2017	Same as above
Mr. Yang Jinguan (楊金觀)	54	Independent Non-executive Director	April 2016	December 2017	Same as above

Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	45	Chairman of the Board of Supervisors, Employee Representative Supervisor	December 2008	December 2017	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enjiu (王恩久)	48	Employee Representative Supervisor	December 2008	December 2017	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	41	Employee Representative Supervisor	December 2015	December 2017	Same as above
Mr. Fan Shuguang (范曙光)	53	External Supervisor	June 2016	December 2017	Supervision of the Board of Directors and senior management

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Gao Pengcheng (高鵬程)	48	External Supervisor	January 2016	December 2017	Same as above
Mr. Wang Zhi (王志)	46	External Supervisor	January 2016	December 2017	Same as above
Mr. Zhang Ruibin (張瑞賓)	34	External Supervisor	January 2016	December 2017	Same as above

Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Zhang Haishan (張海山)	52	President	December 2008	December 2017	Responsible for the overall management of the business operations
Mr. Zhu Weidong (朱衛東)	52	Vice President	February 2011	December 2017	Responsible for the management of business operations of village and township banks
Mr. Liang Xiangmin (梁向民)	51	Executive Director, Vice President and Chief Operating Officer	August 2010	December 2017	Responsible for the business operations and management of branches outside the Jiutai region, participate in making material business decisions and manage certain business departments and offices
Mr. Li Guoqiang (李國強)	48	Vice President	December 2008	December 2017	Responsible for the business operations and management of branches within the Jiutai region and manage certain business departments and offices
Ms. Song Xiaoping (宋曉萍)	52	Vice President	February 2011	December 2017	Responsible for the management of information technology, accounting and settlement, financial planning and international business
Mr. Gao Zhonghua (高中華)	52	Vice President	February 2015	December 2017	Responsible for staff education and training
Mr. Yuan Chunyu (袁春雨)	45	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	December 2017	Responsible for the management of the Board's office, participate in making material business decisions and develop the business strategy

II. Changes in Directors, Supervisors and Senior Management Members

(I) Changes in Directors

On April 13, 2016, Mr. Gao Xijun (高希君) and Mr. Zhao Xiaoguang (趙曉光) ceased to be non-executive Directors of the Bank due to their decision to devote more time to other works.

On April 13, 2016, Mr. Fan Guobao (范國寶) ceased to be an executive Director of the Bank due to adjustment of his works.

On April 15, 2016, Mr. Xie Di (謝地) ceased to be an independent non-executive Director of the Bank due to his decision to devote more time to other works.

On April 21, 2016, Mr. Liang Xiangmin (梁向民) formally assumed his role as an executive Director of the Bank.

On April 21, 2016, Mr. Wang Baocheng (王寶成) formally assumed his role as a non-executive Director of the Bank.

On April 21, 2016, Mr. Jin Shuo (金碩), Mr. Li Beiwei (李北偉) and Mr. Wan Chi Wai Anthony (尹智偉) formally assumed their roles as independent non-executive Directors of the Bank.

On April 26, 2016, Mr. Yang Jinguan (楊金觀) formally assumed his role as an independent non-executive Director of the Bank.

On July 21, 2016, Mr. Wan Chi Wai Anthony (尹智偉) ceased to be an independent non-executive Director of the Bank because he wished to devote more time to his other works. On the same day, Mr. Chung Wing Yin (鍾永賢) formally assumed his role as an independent non-executive Director of the Bank.

On January 19, 2017, Mr. Jin Shuo (金碩) ceased to be an independent non-executive Director of the Bank due to his decision to devote more time to other works. On the same day, Mr. Jiang Ning (蔣寧) formally assumed his role as an independent non-executive Director of the Bank.

(II) Changes in Supervisors

On June 19, 2016, Ms. Wang Liying (王麗影) ceased to be an external Supervisor of the Bank due to her decision to devote more time to other works. On the same day, Mr. Fan Shuguang (范曙光) formally assumed his role as an external Supervisor of the Bank.

(III) Changes in Senior Management Members

During the Reporting Period, there were no changes in members of the Bank's senior management.

III. Biographies of Directors, Supervisors and Senior Management Members

(I) Biographies of Directors

Executive Directors

Mr. Gao Bing (高兵) has been the Bank's chairman, executive Director and secretary of the party committee of the Bank since December 2008. Prior to joining the Bank and from June 1990 to September 2001, Mr. Gao held a number of positions at Luxiang Credit Cooperative in Shuangyang District, Changchun, including loan clerk, deputy head and head of cooperative and he was the deputy head of Shuangyang District Rural Credit Union in Changchun from September 2001 to November 2004. Mr. Gao joined the Bank's predecessor in December 2004, and was the head of Jiutai Rural Credit Cooperative Union from December 2004 to December 2008. Mr. Gao has been a part-time professor of Jilin University of Finance and Economics since June 2010, an off-campus postgraduate tutor of School of Finance of the Jilin University of Finance and Economics since April 2016 and a distinguished professor of Changchun Finance College since June 2011. He served as the honorary president of Jiutai Association of Commerce and Industry since October 2011, vice-president of Tumenjiang International Cooperation Society of Jilin province since May 2013 and standing vice president of the Jilin Entrepreneurs Federation since July 2016. Mr. Gao graduated from a correspondence course at Changchun Finance College in December 1999, majoring in rural credit cooperative operations and management, and completed his postgraduate studies in accounting at Changchun Taxation College (currently known as Jilin University of Finance and Economics) in August 2002 and in economics and management from Party School of CPC Jilin Provincial Committee in July 2007. Mr. Gao is also a senior economist accredited by Bureau of Personnel of Jilin province in October 2005. Mr. Gao was a "National Labor Model" (全國勞動模範), a "Top Labor Model in Jilin" (吉林省特等勞動模範) and named the "Best Leader of National Rural Cooperative Institutions in Serving Three Rurals and Supporting SMEs" (全國農合機構服務三農和支持中小企業最佳領軍人物獎) by the China Banking Association.

Mr. Liang Xiangmin (梁向民) has been a vice-president since August 2010, the chief operating officer since December 2014, and the Bank's executive Director since April 2016. Mr. Liang joined the Bank's predecessor in August 1985 and he was a credit clerk, a bookkeeper and an accountant for agricultural loans at Chunyang Credit Cooperative from August 1985 to July 1988 and from July 1990 to June 1993 respectively, a human resources inspector and a deputy head of the operations department at Jiutai Rural Credit Cooperative Union from June 1993 to August 1994 and from August 1994 to February 1996 respectively. He was deputy head and head of Longjiabao Credit Cooperative from February 1996 to April 2006, head of the business department of Jiutai Rural Credit Cooperative Union from April 2006 to October 2007, deputy head of the branches of Jiutai Rural Credit Cooperative Union in Changchun Development Zone from October 2007 to December 2008 and an assistant to the Bank's president from December 2008 to August 2010. Mr. Liang completed his rural finance studies at Jilin Vocational Secondary School of Agricultural Bank of China in July 1990, and graduated from a correspondence course at the Changchun Finance College in January 2007, majoring in finance.

Mr. Yuan Chunyu (袁春雨) has been the Bank's executive Director since December 2012. Prior to joining the Bank, Mr. Yuan was a staff member and division head of Jiutai Employment Service Bureau from July 1995 to August 2002 and head of Social Affairs Division (reserve cadre in training) in the Policy Research Office of Municipal Government of Jiutai Municipal Committee from August 2002 to February 2004. He was placed as deputy head of the Office of Jiutai Municipal Government from February 2004 to June 2007 for field practice and served as an assistant to head of the Office of Jiutai Municipal Government from June 2007 to October 2007 and deputy head of the Office of Jiutai Municipal Government from October 2007 to November 2010. Mr. Yuan joined the Bank in November 2010 and served as Director of office, and he has been head of the office and general manager of the innovative business department since December 2011 and secretary to the Board since December 2012. Mr. Yuan graduated from Hebei Geological Institute (currently known as Shijiazhuang University of Economics) in July 1995, majoring in foreign economics and management.

Non-executive Directors

Ms. Guo Yan (郭燕) has been the Bank's non-executive Director since April 2015. Ms. Guo taught at the department of management engineering at Changchun Institute of Posts and Telecommunications from July 1985 to September 1987. She held various managerial positions at Jilin Province Trust Co., Ltd. since March 1993, including deputy general manager and person-in-charge of the personnel department of the party committee from January 1998 to August 2001, manager of the human resources department from August 2001 to January 2006, manager of the trust business department from January 2006 to January 2008, manager of the investment department from January 2008 to July 2012 and she has been the chief investment director and general manager of investment department since July 2012. Ms. Guo was the Bank's non-executive Director from December 2008 to January 2012 and the Bank's Supervisor from January 2012 to December 2014. Ms. Guo graduated from Jilin Institute of Technology (currently known as Changchun University of Technology) in July 1985, majoring in industrial management and engineering and completed her postgraduate studies in economics and management at Joint Party Schools of CPC Committee in Three Northeastern Provinces in July 1989. Ms. Guo is also a senior economist accredited by Office of Personnel of Jilin Province in January 1998.

Mr. Wu Shujun (吳樹君) has been the Bank's non-executive Director since December 2012. Mr. Wu was project manager of Shuangyang District Construction Corporation from September 1997 to July 2001 and project manager of Changchun Wanxing Construction Co., Ltd. from August 2001 to February 2003. He has been legal representative and general manager of the Bank's shareholder, Changchun Dingxing Construction Co., Ltd. from March 2004 to December 2014 and one of its shareholders since January 2015. Mr. Wu graduated from a correspondence course in Changchun Institute of Technology in July 2001, majoring in civil engineering.

Mr. Zhang Xinyou (張新友) has been the Bank's non-executive Director since December 2012. Mr. Zhang was project manager of Changchun Jiyuan Construction Group Co., Ltd. from May 1995 to March 2005. He founded the Bank's shareholder, Changchun Longde Real Estate Development Co., Ltd. and has been its chairman since April 2005. Mr. Zhang graduated from University of Amateur Construction Workers of Changchun in July 1989, majoring in industrial and civil construction.

Mr. Wang Baocheng (王寶成) has been the Bank's non-executive Director since April 2016. Mr. Wang was officer and deputy division head of Changchun Machinery Metals Minerals and Chemicals Import & Export Co., Ltd. from September 1982 to May 1984 and was deputy director of the business department of Changchun Foreign Economic and Trade Commission from May 1984 to July 1984. He was appointed as deputy manager of Changchun Machinery Metals Minerals and Chemicals Import & Export Co., Ltd. from July 1984 to June 1985 and has been chairman of the Bank's shareholder, Changchun Changqing Pharmaceutical Group Co., Ltd., since March 2000. Mr. Wang obtained a bachelor's degree in commercial economics from Jilin Institute of Finance and Trade (currently known as Jilin University of Finance and Economics) in July 1982 and he is a senior economist accredited by Office of Personnel of Changchun City in June 1992.

Mr. Zhang Yusheng (張玉生) has been the Bank's non-executive Director since April 2015. Mr. Zhang was secretary of Youth League Committee of Luxiang Town, Shuangyang District from August 1970 to October 1977, deputy secretary of the party committee of Sheling Village, Shuangyang District from November 1977 to March 1980, deputy secretary of the party committee of Luxiang Town, Shuangyang District from April 1980 to November 1983 and secretary of the party committee of Luxiang Town, Shuangyang District from December 1983 to June 1987. He was director of the Township Enterprise Bureau of Shuangyang District from June 1987 to September 1990, head of the mining and construction department of Changchun Township Enterprise Bureau from September 1990 to March 1993 and general manager of Changchun No. 4 Construction Company from March 1993 to May 2001. Mr. Zhang has been chairman of the Bank's shareholder, Changchun Huaxing Construction Co., Ltd., since May 2001 and representative of Changchun People's Congress since December 2007. Mr. Zhang graduated from Liaoning Correspondence Party School in December 1993, majoring in economics; and from a correspondence course in Jilin University of Technology in July 1999, majoring in industrial and civil construction management. Mr. Zhang is also a senior economist accredited by Office of Personnel of Jilin Province in August 2003.

Independent Non-executive Directors

Dr. Fu Qiong (傅穹) has been the Bank's independent non-executive Director since April 2015. Dr. Fu has been a professor at School of Law of Jilin University since December 2004 and has been teaching law since 1995. Dr. Fu majors in the legal research and analysis of corporate finance, corporate governance, mergers and acquisitions, securities market and property. Dr. Fu has been an independent director of China Quanjude Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002186) since September 2012, and an independent director of Jilin Zixin Pharmaceutical Industrial Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002118) since May 2013. Dr. Fu obtained a bachelor's degree in law from Southwest University of Political Science and Law in July 1992, a master's degree in civil and commercial law from Jilin University in July 1994, and a doctorate degree in civil and commercial law from China University of Political Science and Law in June 2003. In September 2013, he was awarded the title of the "Top Ten Young and Middle-aged Jurists" in the first such competition in Jilin province.

Mr. Jiang Ning (蔣寧) has been the Bank's independent non-executive Director since January, 2017. Mr. Jiang obtained a bachelor's degree in engineering from Huazhong University of Science and Technology, Hankou Branch (華中理工大學漢口分校, currently known as Jianghan University (江漢大學)) majoring in machine manufacturing engineering in July 1993. He also obtained a master's degree in business administration from University of Birmingham in December 2004. Mr. Jiang worked in the international business department of Jianghan sub-branch of Hubei branch of Agricultural Bank of China Limited ("ABC") from July 1993 to February 1997. He worked in the credit department of Jianghan sub-branch of Hubei branch of ABC from March 1997 to September 1997. He worked for China Everbright Bank Company Limited ("CEB") from October 1997 to February 2003, and served as the assistant to the general manager of the international business department of Wuhan branch of CEB from February 2002 to February 2003. Mr. Jiang served as the general manager of southwest audit center under the audit department of the headquarter of Shenzhen Development Bank Co., Ltd. (currently known as Ping An Bank Co., Ltd. ("Ping An Bank")) from September 2005 to March 2007. Mr. Jiang had also served various positions in the headquarters of Ping An Bank, including the assistant to the general manager of the small and medium-sized enterprise business department from April 2007 to December 2011, the deputy general manager of the trade finance department from December 2011 to October 2012, the general manager of the international business department from October 2012 to May 2013, the vice president of the trade and finance business department from May 2013 to August 2013 and the general manager of western regional business management department from August 2013 to November 2014. Mr. Jiang served as the deputy general manager of the strategy and new business department and the general manager of the new business development unit under the strategy and new business department, the deputy general manager (person-in-charge) of the small- and microenterprise business department and the deputy general manager of the platform finance department of Shenzhen Qianhai Webank Co., Ltd. from December 2014 to October 2015. He was the deputy general manager of Guizhou Yongan Finance Holdings Company Ltd. (貴州永安金融控股股份有限公司) from October 2015 to November 2016 and held positions at various subsidiaries of this company, including the legal representative and a director of Guizhou Yongan Internet Financial Investments Services Limited (貴州永安互聯網金融投資服務有限公司), the legal representative and a director of Shenzhen Yongan Chengxiang Investment Management Co., Ltd. (深圳市永安呈祥投資管理有限責任公司), the legal representative and director of Guiyang Qingqing Internet Technology Co., Ltd (貴陽青青互聯網科技有限公司) and a director of Hongkong Liren Holding Limited (香港利仁控股有限公司). He has served as the deputy general manager of Shenzhen Hande Finance Holdings Company Ltd. (深圳瀚德金融控股有限公司) and the general manager of Shenzhen Blockchain Financial Services Limited (深圳區塊鏈金融服務有限公司) since December 2016.

Mr. Li Beiwei (李北偉) has been the Bank's independent non-executive Director since April 2016. Mr. Li has been the deputy director of the Research Center for Chinese Technology Policy and Technology Management of Jilin University since December 2010 and professor and doctoral tutor at the School of Management of the Jilin University since October 2004. He was an assistant researcher at Jilin Academy of Social Sciences from July 1984 to July 1988, deputy director for the research office of Jilin Provincial Government from July 1988 to October 1993 and served as deputy chief economist and secretary-general of Jilin Northeast Asia Railway Harbour Group from October 1993 to July 1996. Mr. Li was deputy general manager of the head office of Jilin Province Foreign Economic Development Company from July 1996 to October 1998, assistant researcher of the economic and technological collaboration office of Jilin Provincial People's Government from October 1998 to July 2000, assistant to general manager of Jilin Electronics Group Company from July 2000 to March 2001 and general manager of Jilin Chinese Soft Technology Co., Ltd. from March 2001 to October 2004. Mr. Li has been a director of Zhuhai Hope Genes Pharmaceutical Research Institute Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations, stock code: 838619) since November 2015, and an independent director of Changchun UP Optotech (Holding) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002338) since July 2016. Mr. Li had authored a proposal and a research report in relation to promoting regional economic development which were selected as the outstanding policy consultation achievements in 2009 and 2013, respectively, by Jilin Provincial Government. Mr. Li obtained a bachelor of science degree in July 1984, a master's degree in technical economics and management from Jilin University of Technology (currently known as Jilin University) in July 1996 and a doctorate degree in technical economics and management from Jilin University in April 2002.

Mr. Chung Wing Yin (鍾永賢) has been the Bank's independent non-executive Director since July 2016. He is a partner of Li & Partners and has over ten years' experience in legal professional industry. Before joining Li & Partners, Mr. Chung worked at several Hong Kong law firms and was mainly involved in cross border commercial projects. He has been an independent non-executive director of Canvest Environmental Protection Group Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1381) since December 7, 2014 and an independent non-executive director of CBK Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 8428) since January 20, 2017. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in August 2002 and a solicitor of the Supreme Court of England and Wales in October 2003. Mr. Chung obtained a bachelor of laws degree and a master of laws in Chinese Law degree from The University of Hong Kong in December 1999 and December 2004, respectively.

Mr. Yang Jinguan (楊金觀) has been the Bank's independent non-executive Director since April 2016. Mr. Yang is currently a professor of the School of Accountancy of the Central University of Finance and Economics since November 2002. He has been teaching at Central University of Finance and Economics since September 1983, holding various positions including assistant tutor, lecturer and associate professor. Mr. Yang was deputy dean of Department of Accounting from June 2000 to May 2003, secretary of the general party branch and vice president of School of Accounting from June 2003 to May 2006 and head of the Office of Academic Affairs of Central University of Finance and Economics from June 2006 to November 2015. He was an independent supervisor of Beijing Beida Jade Bird Universal Sci-tech Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 08095) since May 2009, an independent non-executive director of Huadian Power International Corporation Limited (a company listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, stock code: 600027 (Shanghai Stock Exchange), 1071 (Hong Kong Stock Exchange)) from June 2009 to May 2015, an independent director of North Navigation Control Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600435) from September 2010 to September 2016, an independent director of Sinotex Investment & Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600061, currently known as SDIC Essence Co., Ltd.) from April 2013 to May 2015, an independent director of Beijing Airport High-Tech Park Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600463) from April 2014 to July 2015, and an independent director of Zhejiang Solar Photovoltaic Technology Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations, stock code: 833677) since April 2015. Mr. Yang obtained a master's degree in accounting and economics from Central Institute of Finance and Banking (currently known as Central University of Finance and Economics) in July 1988.

(II) Biographies of Supervisors

Mr. Luo Hui (羅輝) has been the chairman of the Bank's Board of Supervisors and an employee representative Supervisor since December 2008. Mr. Luo was head of Tongtai Credit Cooperative of Dehui Union from July 1999 to April 2003, division head of the Financial Division of Dehui Union from April 2003 to January 2006 and deputy head of Yushu Union from January 2006 to November 2008. Mr. Luo graduated from a correspondence course at Changchun Finance College in July 2001, majoring in finance and completed his postgraduate studies in economics and management at Party School of CPC Jilin Provincial Committee in July 2007. In addition, Mr. Luo obtained an intermediate economist qualification from Office of Personnel of Jilin Province in November 2003 and is a mid-level accountant jointly accredited by Jilin Accounting Professional Examination Office and Jilin Province Human Resources and Social Security Bureau in October 2012.

Mr. Wang Enjiu (王恩久) has been the Bank's employee representative Supervisor since December 2008. Mr. Wang joined the Bank's predecessor in December 1988 and worked as a bookkeeper and accountant at Jiutai Chunyang Credit Cooperative and Jiutai Erdaogou Credit Cooperative from December 1988 to August 1993 and he was an audit officer of the Jiutai Rural Credit Cooperative Union from August 1993 to January 1996. He was appointed as deputy head of Jiutai Xinglong Credit Cooperative in January 1996 and head of Jiutai Erdaogou Credit Cooperative from February 2000 to March 2006. Mr. Wang was manager of the Human Resources Department of Jiutai Rural Credit Cooperative Union from March 2006 to December 2008, general manager of the Human Resources Department of the Bank from April 2009 to February 2011, vice president of Da'an Huimin Village and Township Bank from February 2011 to November 2011, chairman of the board of supervisors at Anci District Huimin Village and Township Bank from November 2011 to December 2013, and has been the chairman of Anping Huimin Village and Township Bank since December 2013. Mr. Wang graduated from a part-time course at Central Radio and Television University (currently known as Open University of China) in April 2004, majoring in finance and financial direction and from a correspondence course at Jilin University of Finance and Economics in July 2011, majoring in finance. He is also a mid-level economist accredited by Jilin Professional Examination Office in November 2003.

Mr. Liu Xiangjun (劉向軍) has been the Bank's employee representative Supervisor since December 2015. Mr. Liu was a teacher at Dehui No. 20 Middle School from August 2000 to November 2002. He served in Songhuajiang Credit Cooperative in Dehui Union from November 2002 to April 2003, the Party Committee Office of Dehui from May 2003 to December 2003, the Office of Nong'an Union from February 2004 to February 2011. He was a staff member seconded to the Department of Party Work of Jilin Province Rural Credit Union from March 2011 to April 2013. He joined the Bank in May 2013 and was a staff member of the Education and Training Department of the Bank until December 2013. Mr. Liu has been an administrator of the website of the Bank since January 2014 and he has been a staff member of the office of the Board of Supervisors of the Bank since January 2015. Mr. Liu graduated from Changchun University in July 2000, majoring in education in Chinese literature, and completed the self-study examination in Han language literature at Northeast Normal University in December 2000.

Mr. Fan Shuguang (范曙光) has been the Bank's external Supervisor since June 2016. Mr. Fan served various teaching positions at Changchun Industrial Technical College from July 1987 to June 2000. He was deputy head of the business administrative department and vice president of the management department of Changchun Institute of Technology from June 2000 to July 2005 and from July 2005 to June 2013, respectively. He has been professor of Changchun Institute of Technology since January 2004, president of the management department of Changchun University of Finance and Economics since July 2013. Mr. Fan graduated from Northeast Institute of Technology (currently known as Northeastern University) majoring in management engineering with a bachelor's degree in July 1987, and obtained a master's degree in business administration from Jilin University in June 2002.

Mr. Gao Pengcheng (高鵬程) has been the Bank's external Supervisor since January 2016. Mr. Gao was an auditor at Jiutai Auditing Firm from September 1989 to March 1992 and an officer at the Jiutai Audit Bureau from April 1992 to December 1995. He was deputy head and head of Jiutai Auditing Firm from January 1996 to October 1999 and head of Changchun Hengda CPA Co., Ltd. from November 1999 to December 2013 and has been head of Jilin Xincheng CPA Co., Ltd. (General Partnership) since December 2013. Mr. Gao graduated from Jilin University in July 1996, majoring in accounting. He obtained his qualification as a PRC certified public accountant from Jilin Provincial Institute of Certified Public Accountants in April 1996.

Mr. Wang Zhi (王志) has been the Bank's external representative Supervisor since January 2016. Mr. Wang held various positions at Dehui Postal Bureau from July 1990 to April 2008, including accountant of the Savings and Remittances Division from July 1990 to March 1997, deputy division head of the Savings and Remittances Division from March 1997 to September 1998, deputy head of the Operations Department from September 1998 to November 2000, head of the Office from November 2000 to January 2002 and head of the Savings Department from January 2002 to April 2008. He was vice president of Dehui Sub-branch of Postal Savings Bank of China from April 2008 to December 2012 and president of Jiutai Sub-branch of the Postal Savings Bank of China from September 2013 to August 2015. He has been the president of Jiutai Longjia Village and Township Bank since January 2016. Mr. Wang graduated from Yanbian Posts & Telecommunications Technician Training School in July 1990 in the postal profession, from a part-time course at Changchun Radio and TV University in July 1994, majoring in financial accounting and from a correspondence course at Party School of CPC Jilin Provincial Committee in February 1998, majoring in economics and management. Mr. Wang is also a mid-level economist accredited by Jilin Professional Examination Office in November 2001.

Mr. Zhang Ruibin (張瑞賓) has been the Bank's external Supervisor since January 2016. Mr. Zhang served as a member of the finance department of Jilin Province Jiapeng Group Co., Ltd. from July 2004 to December 2013 and has been a deputy manager of the general office of Jilin Province Changming Municipal Engineering Co., Ltd. since January 2014. Mr. Zhang graduated from Liaoning Provincial College of Communications in July 2004, majoring in computerized accounting.

(III) Biographies of Senior Management Members

Mr. Zhang Haishan (張海山) has been the Bank's president since December 2008. Prior to joining the Bank, Mr. Zhang was a bookkeeper and an accountant at Leshan Credit Cooperative of Changchun Suburb Credit Cooperative Union from December 1982 to August 1984. He held various positions in Changchun Suburb Credit Cooperative Union from September 1984 to November 1992, including accounting counselor, auditor, division head of the financial division, division head of the planning and accounting division and head of the business division and he was director of the office from July 1992 to November 1992. Mr. Zhang was deputy director of Changchun Huancheng Credit Cooperative Union from November 1992 to May 2002 and deputy director of the joint business department of Changchun Rural Credit Cooperative from May 2002 to December 2008. Mr. Zhang graduated from Changchun Finance College and Open College of Central Party School of CPC in December 1999 and December 2001 respectively, majoring in economics and he completed his undergraduate studies in management at Changchun University of Science and Technology in January 2006. Mr. Zhang is also a senior economist accredited by Office of Personnel of Jilin Province in January 2007.

Mr. Zhu Weidong (朱衛東) has been the Bank's vice president since February 2011. Between March 1988 and April 1997, Mr. Zhu held various positions at Gongnong Lake Office of Qian'an County Sub-branch of Agricultural Bank of China, including credit officer, bookkeeper, accountant and head of the office. He was head of the Rangzi Business Office of Qian'an County Sub-branch of Agricultural Bank of China from April 1997 to October 1998 and was an assistant to president, member of the party committee and vice president of Qianguo County Sub-branch of the Agricultural Bank of China from October 1998 to January 2001. He was the vice president of Ningjiang District Sub-branch of Agricultural Bank of China in Songyuan from January 2001 to May 2002, secretary of the party committee and head of the business department of Songyuan Branch of Agricultural Bank of China from May 2002 to February 2003 and manager of the personal business department of Songyuan Branch of Agricultural Bank of China from February 2003 to March 2003. Mr. Zhu was president of Qianguo County Sub-branch of Agricultural Bank of China from March 2003 to March 2006, vice president of Songyuan Branch of Agricultural Bank of China from March 2006 to June 2007, general manager of Songyuan Urban Credit Union from June 2007 to October 2008, vice president of Songyuan Branch of Jilin Bank from November 2008 to February 2009 and president and secretary of the party committee of Songyuan Branch of Jilin Bank from March 2009 to November 2010. Mr. Zhu graduated from China Agricultural Broadcasting School with a secondary diploma in April 1987, majoring in agriculture and from Changchun Taxation College (currently known as Jilin University of Finance and Economics) in December 1994, majoring in accounting. He completed his correspondence undergraduate studies in economics and management at Party School of CPC Jilin Provincial Committee in February 2000, his postgraduate studies in economics and economics and management at Northeast Normal University in August 2002 and Party School of CPC Jilin Provincial Committee in July 2010 respectively. Mr. Zhu is also an mid-level economist accredited by the Jilin Professional Examination Office in November 1999.

Mr. Liang Xiangmin (梁向民) has been the Bank's vice president since August 2010. For Mr. Liang's biography, please see "— Biographies of Directors, Supervisors and Senior Management Members — Biographies of Directors — Executive Directors" of this annual report.

Mr. Li Guoqiang (李國強) has been the Bank's vice president since December 2008. Mr. Li was an agent of Bajilei Credit Cooperative in Nong'an County from March 1988 to July 1995, deputy head of Fulongquan Credit Cooperative in Nong'an County from July 1995 to December 1999 and head of Fulongquan Credit Cooperative in Nong'an County from January 2000 to January 2003. He was deputy head of Shuangyang Rural Credit Cooperative Union from January 2003 to April 2008. Mr. Li joined the Bank in March 2008, and was deputy head of Jiutai Rural Credit Cooperative Union from March 2008 to November 2008. Mr. Li graduated from Changchun Finance College in December 2000, majoring in finance, and completed his correspondence undergraduate studies in finance at Changchun Taxation College (currently known as Jilin University of Finance and Economics) and the economic management international CEO course at Yangtze Delta Region Institute of Tsinghua University in August 2003 and September 2012, respectively. In addition, Mr. Li is an assistant economist accredited by Office of Personnel of Jilin Province in June 1999.

Ms. Song Xiaoping (宋曉萍) has been the Bank's vice president since February 2011. Ms. Song worked at Changchun Branch of PBOC as a member of the accounting section from July 1985 to March 1994 and deputy section head of the accounting section from March 1994 to December 1998. She then worked at Changchun Center Sub-branch of PBOC as deputy section head of the payment and technology section from December 1998 to July 2000 and deputy section head of the accounting and finance section from July 2000 to April 2002. Ms. Song was deputy director of the settlement subcenter of PBOC from April 2002 to January 2003. She then returned to Changchun Center Sub-branch of PBOC as director of the business and settlement center from January 2003 to January 2008, section head of the payment and settlement section from January 2008 to February 2010 and section head of the treasury section from February 2010 to September 2010. Ms. Song graduated from Jilin Bank School (currently known as Changchun Finance College) in July 1985, majoring in accounting, from a correspondence course in Jilin Institute of Finance and Trade (currently known as Jilin University of Finance and Economics) in August 1991, majoring in finance and she completed her correspondence undergraduate studies in corporate management at Jilin University of Technology (currently known as Jilin University) in July 1997 and her postgraduate studies in politics and economics at Northeast Normal University in May 1999. In addition, Ms. Song is an mid-level economist accredited by Ministry of Personnel of the PRC in November 1998, and an mid-level accountant accredited by Jilin Professional Examination Office in May 1999.

Mr. Gao Zhonghua (高中華) has been the Bank's vice president since February 2015. Mr. Gao was a loan clerk at Gongzhulin Qinjiatun Credit Cooperative from May 1991 to November 1997. He was head of Gongzhuling Shiwu Credit Cooperative from October 1997 to November 2000, a loan clerk in the business department of Changchun Huancheng Credit Cooperative Union from November 2000 to February 2001, and he was head of the Sandao Credit Cooperative, Yinxing Credit Cooperative and Nanjiao Credit Cooperative of Changchun Huancheng Credit Cooperative Union from February 2001 to January 2002, from January 2002 to January 2004 and from January 2004 to May 2004 respectively. Mr. Gao was head of the Sandao Credit Cooperative, Quannong Cooperative and Yutan Credit Cooperative of Changchun Huancheng Credit Cooperative Union from May 2004 to December 2007, from December 2007 to February 2009 and from February 2009 to June 2010 respectively, and he was vice president of Heilongjiang Shuangcheng Huimin Village and County Bank from June 2010 to December 2010. Mr. Gao joined the Bank in December 2010 and was deputy secretary of the party committee of the Bank until February 2015. Mr. Gao completed his undergraduate studies in accounting at Changchun University of Science and Technology in January 2006.

Mr. Yuan Chunyu (袁春雨) has been the Bank's secretary to the Board of Directors since December 2012. For Mr. Yuan's biography, please see "— Biographies of Directors, Supervisors and Senior Management Members — Biographies of Directors — Executive Directors" of this annual report.

(IV) Biographies of Joint Company Secretaries

Mr. Yuan Chunyu (袁春雨) has been secretary to the Bank's Board of Directors since December 2012 and the Bank's joint company secretary since December 2015. For Mr. Yuan's biography, please see "— Biographies of Directors, Supervisors and Senior Management Members — Biographies of Directors — Executive Directors" of this annual report. As Mr. Yuan does not possess the qualifications as stipulated under Rules 3.28 and 8.17 of the Hong Kong Listing Rules, the Bank has applied for and has been granted a waiver by the Hong Kong Stock Exchange from strict compliance with those Hong Kong Listing Rules.

Mr. Wong Yat Tung (黃日東) has been the Bank's joint company secretary since December 2015. Mr. Wong is a manager of SW Corporate Services Group Limited. He has more than eight years of extensive experience in providing company secretarial services to private and listed companies. He currently serves as the company secretary of Auto Italia Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 720), Wonderful Sky Financial Group Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1260) and Tianjin Jinran Public Utilities Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1265) and the joint company secretary of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1543), China Zheshang Bank Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 2016) and Shanghai Dazhong Public Utilities (Group) Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1635 and Shanghai Stock Exchange, stock code: 600635). Mr. Wong obtained a degree in quantitative analysis for business from the City University of Hong Kong in July 1996 and a master's degree in corporate governance from Hong Kong Polytechnic University in August 2009. Mr. Wong is an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators.

IV. Remuneration Policies for Directors, Supervisors and Senior Management

The remuneration of the Directors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the shareholders' general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the shareholders' general meeting for approval after being approved by the Board of Supervisors.

The Bank's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Bank and the Shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Bank is mainly embodied in the remuneration mechanism for the senior management. The remuneration to the senior management is linked to the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Bank, and better encourage the senior management to contribute to the steady and sustainable development of the Bank.

V. 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 the Bank, please refer to notes 12 and 13 to consolidated financial statement included in this annual report.

VI. Positions held in the Shareholder Company by the Directors, Supervisors and Senior Management

Name	Position held with the Bank	Name of the shareholder company	Position held in the shareholder company
Guo Yan	Non-executive Director	Jilin Province Trust Co., Ltd.	Chief investment director and general manager of investment department
Zhang Xinyou	Non-executive Director	Changchun Longde Real Estate Development Co., Ltd.	Chairman
Wang Baocheng	Non-executive Director	Changchun Changqing Pharmaceutical Group Co., Ltd.	Chairman
Zhang Yusheng	Non-executive Director	Changchun Huaxing Construction Co., Ltd.	Chairman

VII. Other Information Required under Rule 13.51(2) of the Hong Kong Listing Rules

Mr. Zhang Xinyou (張新友) was a director of Nongan County Xinyou Industry Co., Ltd. (農安縣新友實業有限責任公司), a limited liability company incorporated in the PRC on February 2, 2002, mainly engaged in the wholesale and retail of hardware parts and dissolved by way of deregistration on December 28, 2006. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.

Mr. Zhang Yusheng (張玉生) was a director of Jilin Huaxing New Construction Materials Co., Ltd. (吉林華星新型建築材料有限責任公司), a limited liability company incorporated in the PRC on April 25, 2006, mainly engaged in the production, wholesale and retail of non-burnt bricks and wall panels and dissolved by way of deregistration on September 2, 2015. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.

Dr. Fu Qiong (傅穹) was a supervisor of Chizhou Chijiu Automobile Trade Co., Ltd. (池州市池九汽車貿易有限公司), a limited liability company incorporated in the PRC on March 12, 2013, mainly engaged in the sales of automobiles, and dissolved by way of deregistration on August 20, 2013. Dr. Fu confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a supervisor of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.

Mr. Li Beiwei (李北偉) was a supervisor of the following company incorporated in the PRC prior to its dissolution:

Name of company	Nature of the business	Role of Mr. Li	Date of dissolution	Means of dissolution
吉林省產業經濟研究(院)有限責任公司	Industrial and economic information research and consultation	shareholder & supervisor	October 30, 2006	Business license being revoked(Note 1)

Note 1: The company was established in late 2005 by (i) Mr. Jing Jipeng (靖繼鵬), who owned 90% of the equity interest, and also act as an executive director, (ii) Mr. Zhang Haitao (張海濤), who owned 5% of the equity interest, and also act as a director of the company, and (iii) Mr. Li, who owned 5% of the equity interest, and also act as a supervisor of the company. Followed by the old age and illness of Mr. Jing, he was no longer capable for the daily running of the company. The company was subsequently ceased to operate and failed to conduct the annual inspection in year 2006. Thus, the relevant authority has revoked the business license of the company in October 2006.

Mr. Li confirmed that there is no wrongful act on his part leading to the dissolution of the above company, he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, his involvement in the above companies was part and parcel of his services as a supervisor, that no misconduct or misfeasance had been involved in the dissolution of this company, and the relevant company was solvent at the time of dissolution or deregistration.

Chapter 8 Directors, Supervisors, Senior Management, Employees and Organizations

VIII. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As of December 31, 2016, the Group had 5,941 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	3,059	51
Management	820	14
Finance and accounting	569	10
Corporate banking	535	9
Risk management, internal audit and legal and compliance	167	3
Treasury operations	105	2
Information technology	53	1
Others(1)	633	10
Total	**5,941**	**100**

Note:

(1) Primarily include general office and security office.

As of December 31, 2016, more than 51% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of December 31, 2016, the Group also had 659 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiary banks make advance payments to the third-party agencies, who then pay salaries to and make social security contributions for independent contract staff.

(II) Employee Remuneration

The Group conducts performance evaluations of employees annually to provide feedback on performance. Compensation for full-time employees typically consists of a base salary and a discretionary bonus. The Group determines employee discretionary bonuses at the end of each year based on employee performance and its results of operations.

The Group's full-time employees participate in various employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity funds. In addition, the Group provides supplementary medical insurance to its employees.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

(III) Employee Training Program

The Group focuses on employee career development and provide training programs tailored to employees in different business lines. The Bank has built a specific team of internal trainers. The Bank also collaborates with PRC institutions of higher education to recruit and train employees. For example, the Bank has established a simulated banking and training center to enhance employee professional skills. The Bank emphasizes internal recruiting and employee training. In 2015, the Bank launched "Financial Special Forces" (金融特種兵), a management training program to select and train outstanding management personnel and provide employees with opportunities to enhance professional knowledge and develop leadership skills.

(IV) Labor Union

The Bank and each subsidiary bank has a labor union established in accordance with PRC laws and regulations. The Bank believes that the Bank and each subsidiary bank has maintained a good working relationship with its employees. As of the Latest Practicable Date, none of the Bank nor any of the Group's subsidiary banks had experienced any labor strikes or other labor disturbances that materially affected the Group's operations or public image.

Chapter 8 Directors, Supervisors, Senior Management, Employees and Organizations

VIX. SUBSIDIARY BANKS

Subsidiary banks	Places of business	Remarks
Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司)	1268 Renmin Street, Longshan District, Liaoyuan City, Jilin Province, PRC	12 sub-branches
Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司)	Block 4, Baihe New Town, Chibei District, Changbai Mountain City, Jilin Province, PRC	5 sub-branches
Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司)	299, Dexin Street, Dehui City, Jilin Province, PRC	27 sub-branches
Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司)	1085, Guangming Road, Gongzhuling City, Jilin Province, PRC	39 sub-branches
Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司)	Gongzhuling City, Jilin Province, PRC	5 sub-branches
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	Block 2, Fuhong Shopping Mall, North Side of Shaoguan East Road, Hanshan County, Ma'anshan City, Anhui Province, PRC	4 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	3 sub-branches

Subsidiary banks	Places of business	Remarks
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Juanshui Town, Tongcheng County, Hubei Province, PRC	1 sub-branch
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	919 Liqun Road, Gaomi Town, Weifang City, Shandong Province, PRC	5 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhiu Province, PRC	3 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	7 sub-branches
Da'an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	5 sub-branches
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Zhangchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	39 Guangming West Road, Anci District, Langfang City, Hebei Province, PRC	5 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	Room 101–106, 552 Zhenlong Street, Jiulong Town, Huangbu Disitrict, Guangzhou City, Guangdong Province, PRC	4 sub-branches
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North side of East Fenghuang West Road, Heyang County, Weinan City, Shanxi Province, PRC	2 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	216 Huadian Street, Huandian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	4 sub-branches

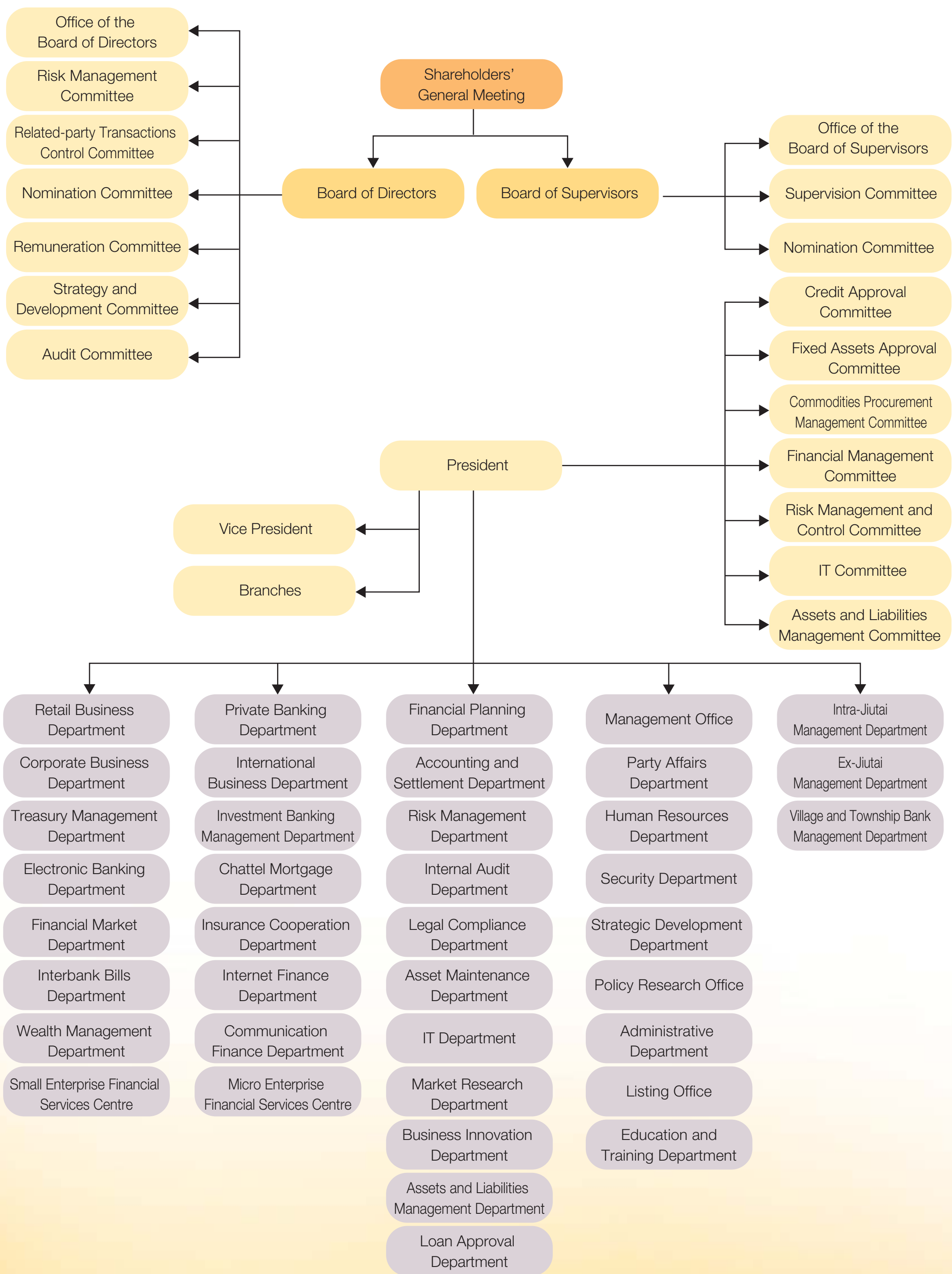
Subsidiary banks	Places of business	Remarks
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	3 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	120#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	2 sub-branches
Wenan Huimin Village Bank Co., Ltd (文安縣惠民村鎮銀行股份有限公司)	344 Xingwen Road, Wen'an County, Langfang City, Hebei Province, PRC	5 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	189 Huaxing North Road, Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	3 sub-branches
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan District, Yuzhou West Road, Qian'an County, Jilin Province, PRC	3 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Zhangchun City, Jilin Province, PRC	4 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shop 4–6, District A, Zuanshi Siji Huacheng)	2 sub-branches
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	Chunhua Road, Fuyu City, Jilin Province, PRC	2 sub-branches
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	2 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322–324 East Century Street, Binhai New District, Tianjin City, PRC	11 sub-branches
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Unit 9–10, 1/F–2/F, Block A, Changmao Huayuan Estate, Anshan Street, Chuanying District, Jilin City, Jilin Province, PRC	
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	21 Hunan Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	

Subsidiary banks	Places of business	Remarks
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	110–111 Block 66, Binjiang Jiayuan, Ningjiang District, Songyuan City, Jilin Province, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66–71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	2 sub-branches
Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)	Nangan Road, Yelin Town, Lingshui County, Hainan Province, PRC (Wutianshan Apartment)	
Sanya Phoenix County Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司)	Junction of Fenghuang Road and Jichang Road, Sanya City, Hainan Province, PRC (Jiangxiuhua Apartment)	

Chapter 9 Corporate Governance Report

I. Corporate Governance Structure

The following chart sets forth the Bank's principal organizational and management structure as of the date of this annual report:



II. Corporate Governance

Overview

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality corporate governance is one of the key factors to improve its core competitiveness and to build a modern rural commercial bank. Therefore, the Bank focuses on high quality of corporate governance, abides by the best domestic and international corporate governance practice, to ensure the rights and interests of Shareholders and improve the value of the Bank.

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as internal management structure. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, the related-party transactions control committee, the remuneration committee, the nomination committee, the risk management committee and the audit committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Code of Corporate Governance (the "Code of Corporate Governance") as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks issued by the CBRC (the "Guidelines") into the Bank's governance structure and polices. The Code of Corporate Governance and Guidelines are well reflected in the Articles of Association and the Terms of Reference of the Shareholders' General Meeting, the Board of Directors and committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties and form good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

For the period from the Listing Date up to the date of this annual report, the Bank has fully complied with all code provisions contained in the Code of Corporate Governance. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Code of Corporate Governance. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Code of Corporate Governance and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

The Board Diversity Policy

The Bank understands and believes that the diversity of the members of the Board of Directors could improve the performance of the Bank. It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development and its strategies and maintain good corporate governance.

In respect of appointing the Directors, the Bank will consider the diversity of the members in various aspects including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge, service term and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board of Directors.

The Directors are appointed on the basis of their qualifications, skills and experience. The Directors are selected according to a series of diversification benchmarks including but not limited to gender, age, cultural and educational background, region, professional skills, knowledge and service term.

The Nomination Committee of the Board is responsible for reviewing the structure, number of members, and composition (including the skills, knowledge and experience) of the Board of Directors. The Nomination Committee makes recommendations to the Board of Directors relating to the size and structure of the Board of Directors based on the Bank's strategic plans, business operations, asset scale and shareholding structure. The Nomination Committee also discusses and reviews the selection standard, the nomination and appointment process, and makes recommendations to the Board of Directors.

The Board Diversity Policy shall be complied with when the Nomination Committee makes recommendations on the candidates. The Nomination Committee is responsible for monitoring the implementation of the diversity policy and reviewing the policy regularly to ensure its effectiveness. The Nomination Committee will discuss any amendments to the diversity policy and make recommendations to the Board of Directors for approval.

III. General Meeting

During the Reporting Period and up to the date of this annual report, the Bank convened a total of five shareholders' general meeting (four of which were convened during the Reporting Period), the details of which are set out as follows:

The First Extraordinary General Meeting for 2016

The first extraordinary general meeting of the Bank for 2016 was convened on January 17, 2016, at which the following resolutions were considered and approved by the Shareholders:

1. the resolution on converting the Bank into a limited liability company issuing shares overseas (境外募集股份有限公司);

2. the resolution on the use of proceeds raised from the Bank's issue of H Shares;

3. the resolution on authorizing the Board of Directors and the authorized persons to deal with the matters related to the Bank's issue of H Shares;

4. the resolution on the validity period of the resolution on the Bank's issue of H Shares;

5. the resolution on the distribution plan related to the accumulated profits before the Bank's issue of H Shares;

6. the resolution on purchase of directors & officers liability insurance and prospectus liability insurance policies;

7. the resolution on amendments to the Articles of Association;

8. the resolution on amendments to the terms of reference of the shareholders' general meeting of the Bank;

9. the resolution on amendments to the terms of reference of the meeting of the Board of Directors;

10. the resolution on amendments to the terms of reference of the meeting of the Board of Supervisors;

11. the resolution on amendments to the management measures of connected transactions of the Bank;

12. the resolution on amendments to the information disclosure rules of the Bank;

13. the resolutions on appointment of certain Directors, including:

    - Mr. Liang Xiangmin as an executive Director
    - Mr. Wang Baocheng as a non-executive Director
    - Mr. Jin Shuo as an independent non-executive Director
    - Mr. Li Beiwei as an independent non-executive Director
    - Mr. Wan Chi Wai Anthony as an independent non-executive Director
    - Mr. Yang Jinguan as an independent non-executive Director

14. the resolutions on appointment of certain Supervisors, including:

    - Ms. Wang Liying as a shareholder Supervisor
    - Mr. Gao Pengcheng as an external Supervisor
    - Mr. Wang Zhi as an external Supervisor
    - Mr. Zhang Ruibin as an external Supervisor

The Shareholders' General Meeting for 2015

The shareholders' general meeting for 2015 was convened on March 27, 2016, at which the following resolutions were considered and approved by the Shareholders:

1. the resolution on the work report of the Board of Directors for 2015;
2. the resolution on the work report of the Board of Supervisors for 2015;
3. the resolution on the audited financial report for 2015;
4. the resolution on the profit distribution plan for 2015;
5. the resolution on the dividend distribution plan for 2015;
6. the resolution on the business plans for 2016;
7. the resolution on the budget plans for 2016;
8. the evaluation report of the Board of Supervisors on the performance of the Board of Directors and the senior management in 2015;
9. the resolution on the self-evaluation report on the performance of Supervisors in 2015; and

10 the resolution on the special auditors' report with respect to the Bank's President for 2015.

The Second Extraordinary General Meeting for 2016

The second extraordinary general meeting of the Bank for 2016 was convened on April 24, 2016, at which the following resolutions were considered and approved by the Shareholders:

1. the resolution on the issue of tier-two capital bonds; and
2. the resolution on the investment in Haikou United Rural Commercial Bank.

The Third Extraordinary General Meeting for 2016

The third extraordinary general meeting of the Bank for 2016 was convened on June 19, 2016, at which the following resolutions were considered and approved by the Shareholders:

1. the resolution on the election of independent Directors;

2. the resolution on the election of external Supervisors;

3. the resolution on the remuneration of the independent Directors of the third session of the Board of Directors and the external Supervisors of the third session of the Board of Supervisors; and

4. the resolution on the investment in Sanya Phoenix Village and Township Bank.

The First Extraordinary General Meeting for 2017

The first extraordinary general meeting of the Bank for 2017 was convened on January 4, 2017, at which the following resolutions were considered and approved by the Bank's Shareholders:

1. the resolution on approval of the resignation of Mr. Jin Shuo as an independent non-executive Director; and

2. the resolution on appointment of Mr. Jiang Ning as an independent non-executive Director

IV. Board of Directors

The Board of Directors is core to the Bank's corporate governance and is accountable to the Shareholders as a whole. The Board of Director is an independent decision-making body, which is responsible for implementing the resolutions of the Shareholders' general meeting, formulating the Bank's major strategy, policy and development plan, approving the operation plan, investment plan and the Bank's internal management setup, formulating the annual financial budget, final accounts and profit distribution plan and appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene specific daily affairs. The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Code of Corporate Governance.

The Board of Directors emphasizes similarity in both externality and internality in system establishment and practical operation, making the Board's decision more scientific and reasonable through the establishment of a diversified Board structure, improving the Board's efficiency through the operation of various committees. Constantly strengthening balanced, sound and sustainable development concept, the Board of Directors ensures the rapid, sustainable and sound development of the Bank through effective management of the strategies, risks, capital, compensation and audit.

(I) Composition of the Board of Directors

As of the date of this annual report, the Board of Directors consists of 13 members, including:

- Mr. Gao Bing (chairman, executive Director)
- Mr. Liang Xiangmin (executive Director)
- Mr. Yuan Chunyu (executive Director)
- Ms. Guo Yan (non-executive Director)
- Mr. Wu Shujun (non-executive Director)
- Mr. Zhang Xinyou (non-executive Director)
- Mr. Wang Baocheng (non-executive Director)
- Mr. Zhang Yusheng (non-executive Director)
- Dr. Fu Qiong (independent non-executive Director)
- Mr. Jiang Ning (independent non-executive Director)
- Mr. Li Beiwei (independent non-executive Director)
- Mr. Chung Wing Yin (independent non-executive Director)
- Mr. Yang Jinguan (independent non-executive Director)

The number of Directors and the composition of the Board of Directors are in compliance with applicable laws and regulations. The decision making, authorization and voting procedures strictly follow the relevant rules and regulations of regulatory authorities and the Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, carefully reviewed all matters that were significant to the Bank's future development, improved the Board operation mechanism, strengthened the corporate governance framework, implemented organizational changes, facilitated prudent decision making, ensured operational stability and protected the interests of the Bank and its shareholders.

(II) Appointment, re-election and removal of Directors

According to the Articles of Association, Directors shall be elected or removed from office by Shareholders at a shareholders' general meeting. The term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of their term of office. Subject to the relevant laws and administrative regulations, a Director whose term of office has not expired may be removed by Shareholders' ordinary resolution at a shareholders' general meeting, without prejudice to any claim which may be instituted under any contract.

The term of service of non-executive Directors and independent non-executive Directors shall be the same as that of other Directors and they may be re-elected and re-appointed upon the expiration of their terms of office, provided that such term of office of independent non-executive Directors shall not be more than six years on an accumulative basis.

The Directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association. The Nomination Committee is responsible for discussing and reviewing the qualification and experience of each candidate for Director and recommending the suitable candidates to the Board of Directors. After the approval from the Board of Directors, the selected candidates will be recommended for further approval by the Shareholders at a general meeting. As a banking institution regulated by the CBRC, the qualification of a candidate for the Bank's directorship shall also be approved by the CBRC.

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

The Directors, Supervisors and senior management members of the Bank are not related to one another 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, Employees and Organizations — Changes in Directors, Supervisors and Senior Management Members" in this annual report.

(V) Operation of the Board of Directors

According to the Articles of Association, the Board of Directors shall convene at least four 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 and 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 shall be dispatched to the Directors five business days prior to the date of convening the meeting. In emergency circumstances where 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 meetings (including video conference) of the Board of Directors generally conduct voting by way of a show of hands and voting by registered ballot.

Provided that sufficient protection is ensured for the expression of opinions by Directors, the Directors may pass resolutions at an extraordinary meeting of the Board of Directors by communication voting and the resolutions shall be signed by the participating Directors. The conditions and procedures 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 and the participating Directors and the recorder of minutes shall sign on such minutes. 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 to provide explanations and answer queries from the Directors. In the meetings of the Board of Directors, the Directors may express their opinions freely, and important decisions should be made after detailed discussions. If any Director has a conflict of interest in a matter to be considered by the Board of Directors, the relevant Director shall abstain from the discussion of and voting on the relevant resolution, and such Director shall not be counted as quorum in voting for that particular resolution.

The Board of Directors has established an office as its operating arm, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of Board committees, information disclosure and other daily matters.

(VI) Powers of the Board of Directors

The Board of Directors exercises the following powers:

(1) to convene general meetings and report its work to the general meetings;

(2) to implement the resolutions approved by the Shareholders at general meetings;

(3) to decide on the business plans and investment plans of the Bank;

(4) to prepare the annual financial budgets and final accounts of the Bank;

(5) to prepare the capital replenishment plan, risk capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank;

(6) to prepare plans for increase or reduction of the registered capital of the Bank;

(7) to prepare plans for issue and listing of bonds or other securities of the Bank;

(8) to prepare plans for merger, division, dissolution or liquidation or alteration of corporate form of the Bank;

(9) to prepare plans for repurchase of any shares of the Bank;

(10) to approve the establishment of any corporate bodies, material acquisitions, material external investments, material related-party transactions, purchase and disposal and write-off of material assets and material external guarantees of the Bank;

(11) to decide on the establishment of any internal management structure and the reform plan for the operation and management affecting the Bank as a whole;

(12) to appoint or remove the president of the Bank and the secretary to the Board of Directors; and based on the nomination by the president of the Bank, to appoint or remove the deputy presidents and senior officers (such as the persons in charge of finance, credit and audit) of the Bank and other persons whom the Board of Directors believes should be appointed or removed by the Board of Directors and to determine their remunerations and rewards and penalties;

(13) to formulate the basic management system of the Bank (including but not limited to human resource, finance and remuneration) and internal control policies;

(14) to formulate any amendment proposals to the Articles of Association, the rules of procedures for general meetings and Board meetings;

(15) to formulate the information disclosure system of the Bank and to manage information disclosure of the Bank;

(16) to propose the appointment or removal of the Bank's auditors to the general meeting;

(17) to receive the work report and examine the work of the president of the Bank;

(18) to prepare the operation and development strategy and capital planning of the Bank and monitor the implementation of such strategy; and

(19) other duties and powers as provided in the laws, rules and regulations and the Articles of Association or conferred by the general meetings.

(VII)Responsibilities of the Directors

During the Reporting Period, all the Directors are prudent, earnest, and diligent to exercise their rights granted by the Bank and domestic and overseas regulatory authorities. The Directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of the Bank's operation with laws, regulations and the requirements of national economic policies. The Directors have treated all the Shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, and performed other diligence obligations required by the laws, administrative regulations, departmental rules and the Articles of Association.

The independent non-executive Directors make full use of their respective professional expertise to provide professional and independent advice on the corporate governance, operation and management of the Bank.

The Bank also pays attention to the ongoing training of Directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities authorized by the relevant laws and regulatory requirements and the Articles of Association. The Bank has purchased the director liability insurance for all Directors.

(VIII) 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 December 31, 2016. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the consolidated financial statements of the Bank for the year ended December 31, 2016, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

(IX) Meetings of the Board of Directors

During the Reporting Period, the Bank has convened six meetings (including teleconference) of the Board of Directors. Attendance of Directors at the meetings of the Board of Directors, meetings of Board committees and general meetings of the Bank 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 and Development Committee	Audit Committee	Related-party Transactions Control Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	General Meeting (actual attendance)
Mr. Gao Bing[1]	6/0/6	2/0/2	–	–	1/0/1	–	–	4
Mr. Liang Xiangmin	4/0/4	–	–	–	1/0/1	2/0/2	–	0
Mr. Yuan Chunyu[2]	6/0/6	2/0/2	–	–	–	–	1/0/1	4
Ms. Guo Yan[3]	6/0/6	–	–	1/0/1	–	–	2/0/2	1
Mr. Wu Shujun[4]	4/0/6	–	–	–	1/0/1	–	1/0/1	0
Mr. Zhang Xinyou	6/0/6	–	–	–	–	–	1/0/1	0
Mr. Wang Baocheng	4/0/4	–	2/0/2	–	–	–	–	2
Mr. Zhang Yusheng[5]	6/0/6	–	–	1/0/1	–	2/0/2	–	2
Dr. Fu Qiong	5/0/6	–	–	–	1/0/1	2/0/2	2/0/2	0
Mr. Jiang Ning[6]	–	–	–	–	–	–	–	–
Mr. Li Beiwei	4/0/4	–	–	–	1/0/1	2/0/2	2/0/2	0
Mr. Chung Wing Yin	3/0/3	2/0/2	–	–	1/0/1	1/0/1	–	0
Mr. Yang Jinguan	3/0/4	2/0/2	2/0/2	–	–	–	–	0
Mr. Jin Shuo[7]	4/0/4	2/0/2	2/0/2	–	–	–	–	0
Mr. Xie Di[8]	0/0/2	–	–	0/0/1	–	–	0/0/1	0
Mr. Gao Xijun[9]	1/0/2	–	–	1/0/1	–	–	–	0
Mr. Zhao Xiaoguang[10]	0/0/2	–	–	–	–	–	0/0/1	0
Mr. Fan Guobao[11]	2/0/2	–	–	1/0/1	–	–	–	0
Mr. Wan Chi Wai Anthony[12]	0/0/1	–	–	–	–	0/0/1	–	0

Notes:

(1) Due to the adjustment to the composition of the committees under the Board of Directors in April 2016, Mr. Gao Bing no longer served as a member of the Risk Management Committee. During the Reporting Period, Mr. Gao Bing attended one meeting of the Risk Management Committee as its member.

(2) Due to the adjustment to the composition of the committees under the Board of Directors in April 2016, Mr. Yuan Chunyu no longer served as a member of the Remuneration Committee. During the Reporting Period, Mr. Yuan Chunyu attended one meeting of the Remuneration Committee as its member.

(3) Due to the adjustment to the composition of the committees under the Board of Directors in April 2016, Ms. Guo Yan no longer served as a member of the Related-party Transactions Control Committee. During the Reporting Period, Ms. Guo Yan attended one meeting of the Related-party Transactions Control Committee.

(4) Due to the adjustment to the composition of the committees under the Board of Directors in April 2016, Mr. Wu Shujun no longer served as a member of the Risk Management Committee and the Remuneration Committee. During the Reporting Period, Mr. Wu Shujun attended one meeting of the Risk Management Committee as its member and one meeting of the Remuneration Committee as its member.

(5) Due to the adjustment to the composition of the committees under the Board of Directors in April 2016, Mr. Zhang Yusheng no longer served as a member of the Related-party Transactions Control Committee. During the Reporting Period, Mr. Zhang Yusheng attended one meeting of the Related-party Transactions Control Committee as its member.

(6) Mr. Jiang Ning assumed his role as an independent non-executive Director, the chairman of the Related-party Transactions Control Committee and a member of the Audit Committee and Strategy and Development Committee under the Board on January 19, 2017.

(7) Mr. Jin Shuo ceased to be an independent non-executive Director, the chairman of the Related-party Transactions Control Committee and a member of the Audit Committee and Strategy and Development Committee under the Board on January 19, 2017.

(8) Mr. Xie Di ceased to be an independent non-executive Director and the chairman of the Related-party Transactions Control Committee, the Nomination Committee and the Remuneration Committee on April 15, 2016.

(9) Mr. Gao Xijun ceased to be a non-executive Director and a member of the Related-party Transactions Control Committee and the Nomination Committee on April 13, 2016.

(10) Mr. Zhao Xiaoguang ceased to be a non-executive Director and a member of the Remuneration Committee on April 13, 2016.

(11) Mr. Fan Guobao ceased to be an executive Director and member of the Related-party Transactions Control Committee on April 13, 2016.

(12) Mr. Wan Chi Wai Anthony ceased to be an independent non-executive Director and a member of the Strategy and Development Committee and the Risk Management Committee and the chairman of the Nomination Committee on July 21, 2016.

(X) Independent Non-executive Directors

The Board of Directors consists of five independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the CBRC, the CSRC and the Hong Kong Listing Rules. The five independent non-executive Directors are not involved in any conflict with the independence issue described in Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive Director the independence confirmation for the period from the Listing Date to March 27, 2017, being the date of the meeting of the Board to consider and approve the annual results of the Group for the year ended December 31, 2016. Therefore, the Bank confirms that all the independent non-executive Directors have complied with the Hong Kong Listing Rules in respect of their independence.

The Bank's independent non-executive Directors represent the majority of the Bank's Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. They also serve as the chairman of the Audit Committee, Related-party Transactions Control Committee, Nomination Committee and Remuneration Committee.

For the period from the Listing Date to March 27, 2017, being the date of the meeting of the Board to consider and approve the annual results of the Group for the year ended December 31, 2016, the independent non-executive Directors kept in touch with the Bank's management through various means such as attending meetings. They earnestly participated in meetings of the Board of Directors and the Board committees and actively provided their opinions and emphasized on the interests of minority shareholders of the Bank. The independent non-executive Directors have fully discharged their responsibilities.

(XI) Continuing professional development plan for Directors

All newly appointed Directors have been provided with comprehensive relevant materials at the first time when they were nominated 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 Hong Kong 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 and up to the date of this annual report, all the Directors of the Company attended the special trainings on Responsibilities and Obligations of Directors of Companies Listed in Hong Kong, Responsibilities and Obligations of Directors of Companies Listed in Hong Kong in respect of the Prospectus and Legal Issues Regarding Publicity Before Publication of the Prospectus delivered by Latham & Watkins, the Hong Kong legal adviser to the Company.

The Bank will provide briefings on the latest developments of the Hong Kong Listing Rules and other applicable regulatory requirements to the Directors from time to time, to ensure that the Directors are aware of the latest regulatory development.

(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 and up to the date of this annual report, the Board of Directors 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

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

(XIII) Board Committees

The Board of Directors delegates certain responsibilities to various committees. In accordance with relevant PRC laws, the Articles of Association and the Hong Kong Listing Rules, the Bank has formed six Board committees, namely the Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee.

1. Strategy and Development Committee

As of the date of this annual report, the Bank's Strategy and Development Committee consists of two executive Directors, Mr. Gao Bing and Mr. Yuan Chunyu, and three independent non-executive Directors, Mr. Jiang Ning, Mr. Chung Wing Yin and Mr. Yang Jinguan. Mr. Gao Bing is the chairman of the committee.

The principal responsibilities of the Strategy and Development Committee include but are not limited to:

- to formulate the business objectives and long-term development strategies;
- to supervise and review the execution of annual business plan and investment plan;
- to review regularly the capital management and capital plans and provide advice, particularly on any material investment proposals beneficial to share capital; and
- to discuss the operations and risk management with senior management, assess the implementation of the corporate governance policies and provide advice to the Bank on their improvement.

During the Reporting Period, the Strategy and Development Committee held two meetings in total, at which the Resolution on the Establishment of Branches, Sub-branches and Offices and the Resolution on the Global Offering of H Shares (the Hong Kong Public Offering and the International Offering) and the Listing on the Hong Kong Stock Exchange were considered and approved.

2. Audit Committee

As of the date of this annual report, The Bank's Audit Committee consists of one non-executive Director, Mr. Wang Baocheng, and two independent non-executive Directors, Mr. Jiang Ning and Mr. Yang Jinguan. Mr. Yang Jinguan is the chairman of the committee, and has the appropriate professional qualifications in accounting or relevant financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules.

The principal responsibilities of the Audit Committee include but are not limited to:

- to review the accounting policy, internal control policy, financial reporting procedure, compliance and risk management systems and financial condition;
- to consider major investigation findings on internal control matters and discuss the internal control system with senior management to ensure that management has performed its duty to have an effective internal control system, covering topics such as adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions;
- to review and ensure the accuracy and completeness of the financial statements and audit reports submitted to the Bank's Board of Directors for approval and disclosure to Shareholders and the general public;
- to advise on the appointment of external auditors, review the scope of engagement, remuneration and independence of external auditors;
- to review the external auditor's management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response and ensure that the Bank's Board of Directors provides a timely response to the issues raised in the external auditor's management letter;
- to ensure coordination between any internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness; and
- to report to the Board of Directors on matters covered by the corporate governance requirements in the Hong Kong Listing Rules.

During the Reporting Period, the Audit Committee held two meetings in total, at which the Resolutions on the Work Report on the Internal Audit for the First Half of 2016 and the Work Report on the Internal Audit for 2016 were considered and approved.

Overview of the annual audit work of the Bank:

ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited (collectively as "ShineWing") carried out the 2016 audit on the Bank by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, ShineWing conducted the audit on internal control, carried out internal control test at the entity level to the Bank's level and business process level, and evaluated the effectiveness of the internal control design and whether it has been effectively implemented during the audit. Through the interview, ShineWing understood the Bank's control environment, the main operation conditions, business innovation, system updates and fraud risk. ShineWing conducted a preliminary audit on major subjects of financial statements, such as financial instruments, operating income, investment income and other subjects. ShineWing also made a testing and evaluation on the main information system used by the Bank and discussed timely the finding of preliminary audit with the Bank's management. At the end of year-end audit, ShineWing followed up the finding on the preliminary audit stage and conducted detailed audit procedures for all major subjects, and communicated the finding of year-end audit with the Bank's management.

In order to successfully complete the audit work in 2016 and issue relevant reports with scheduled time, the Audit Committee of the third session of the Board of Directors authorized the finance department of the Bank to discuss with ShineWing about the planning of audit work, audit progress, scope of consolidation, timing of initial draft and final draft of the audit report, etc. During the audited period, the Audit Committee made multiple rounds of supervision. On March 27, 2017, ShineWing issued the standard unqualified audit reports to the Bank within the scheduled time.

The Audit Committee reviewed the independence, objectivity and audit procedure of ShineWing to ensure that the financial reports issued give a true and fair view. ShineWing has taken the necessary protective measures in accordance with the relevant ethical requirements to prevent possible threats to independence.

3. Related-party Transactions Control Committee

As at the date of this annual report, the Bank's Related-party Transactions Control Committee consists of two non-executive Directors, namely Mr. Wu Shujun and Mr. Zhang Xinyou, and three independent non-executive Directors, namely Mr. Jiang Ning, Dr. Fu Qiong and Mr. Yang Jinguan. Mr. Jiang Ning is the chairman of the committee.

The principal responsibilities of the Related-party Transactions Control Committee include but are not limited to:

- to identify and manage the collection of information regarding related parties and report to the Board of Directors and Board of Supervisors;

- to manage, review and approve related-party transactions in a timely manner and conduct annual assessments of related-party transactions and the management process;

- to control the risks of related-party transactions and asses the information disclosure of related-party transactions;

- to formulate the policies and management procedures regarding related-party transactions; and

- to supervise and review the control of related-party transactions, and report to the Bank's Board of Directors and competent regulatory authorities.

During the Reporting Period, the Related-party Transaction Control Committee held one meeting in total, at which the Resolution on the Report on the Implementation of the Related-party Transaction Management Measures and the Related-party Transactions in 2015 was considered and approved.

4. Risk Management Committee

As at the date of this annual report, the Bank's Risk Management Committee consists of one executive Director, Mr. Liang Xiangmin, and two independent non-executive Directors, Mr. Li Beiwei and Mr. Chung Wing Yin. Mr. Liang Xiangmin is the chairman of the committee.

The principal responsibilities of the Risk Management Committee include but are not limited to:

- to control, manage, supervise and assess the risks through continuous assessment of the effectiveness of the risk management and internal control systems;

- to formulate the strategies, policies and targets for the risk management and control for the Board's approval;

- to supervise senior management on the control of risks such as credit risks, market risks, operating risks and liquidity risks and conduct regular evaluation on the risk management status and risk tolerance level;

- to provide advice on improvement of risk management and internal control and raise any material issues in risk management to the attention of Board of Directors;

- to undertake the duties of anti-money laundering of the Bank, and to organize and guide the anti-money laundering works in accordance with the authorization of the Board of Directors and be accountable to the Board of Directors; to supervise and provide guidance to the anti-money laundering steering group; to discuss important issues of anti-money laundering works and review work reports on anti-money laundering; to be authorized and obligated to make decisions on and handle substantial or sensitive issues in relation to anti-money laundering;

- to discuss the risk management and internal control system with the management to ensure that the management has performed its duties by developing an effective system, and the discussion shall cover the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget for accounting, internal audit and financial reporting of the Bank; and

- to review the following special issues at least once a year:

  ➢ the changes of the nature and extent of major risks, and the capabilities of the Bank in dealing with the changes of its businesses and the external environment since the review of last year;

  ➢ the scope and quality of the works of the management for continuous monitoring of the risk and internal control system as well as (if applicable) the internal audit functions and the works of other assurers;

  ➢ the extent and frequency that the supervision results were reported to the board of directors, which may facilitate the assessment of the Board of Directors on the effectiveness of the supervision and risk management of the Bank;

  ➢ substantial supervision faults incurred and material supervision weaknesses identified during the period and the seriousness of the unforeseeable consequences or critical situations, as well as the significant influences which have been, might have been or will be caused by such consequences or situations on the financial performance or position of the Bank;

  ➢ the effectiveness of the procedures in relation to financial reporting and compliance with the requirements of the Hong Kong Listing Rules of the Bank.

During the Reporting Period, the Risk Management Committee held two meetings in total, at which the Report on the Risk Management in 2015, the Risk Management Plans for 2016 and the Resolution on the Engagement of the Consultant for Internal Control and Risk Management Following the Listing of the H Shares of the Bank were considered and approved.

5. Nomination Committee

As at the date of this annual report, the Bank's Nomination Committee consists of one executive Director, Mr. Liang Xiangmin, one non-executive Director, Mr. Zhang Yusheng, and three independent non-executive Directors, Dr. Fu Qiong, Mr. Li Beiwei and Mr. Chung Wing Yin. Mr. Chung Wing Yin is the chairman of the committee.

The principal responsibilities of the Nomination Committee include but are not limited to:

- to review the structure and composition of the Bank's Board of Directors and senior management and advise on any changes to be made to the Board of Directors to complement the strategies;

- to formulate the selection procedures and criteria for Directors and senior management;

- to conduct preliminary review and examination and advise the Board of Directors on the qualifications and suitability of candidates for Directors and senior management and the appointment and re-appointment of Directors; and

- to assess the independence of independent non-executive Directors.

During the Reporting Period, the Nomination Committee held two meetings in total, at which the Resolution on the Resignation of Wan Chi Wai Anthony as the Independent Director, the Resolution on the Nomination of the Candidate for the Independent Director, the Resolution on the Nomination of the Chief Asset Management Officer, the Resolution on the Nomination of the Chief Product Officer, the Resolution on the Resignation of Jin Shuo as the Independent Director and the Resolution on the Nomination of the Candidate for the Independent Non-executive Director were considered and approved.

6. Remuneration Committee

As at the date of this annual report, the Bank's Remuneration Committee consists of one non-executive Director, Ms. Guo Yan, and two independent non-executive Directors, Dr. Fu Qiong and Mr. Li Beiwei. Mr. Li Beiwei is the chairman of the committee.

The principal responsibilities of the Remuneration Committee include but are not limited to:

- to establish and review a proper and transparent remuneration system and policy for the Bank;

- to make recommendations to the Bank's Board of Directors on remuneration system and policy and supervise the implementation of the scheme;

- to assess and approve the fair and reasonable compensation for loss of office of Directors and senior management;

- to review the performance of Directors and senior management and review and advise on the remuneration for Directors and senior management with reference to the rates remuneration of other comparable banks; and

- to review the performance of Directors and the senior management and to carry out annual appraisal.

During the Reporting Period, the Remuneration Committee held three meetings in total, at which the Administrative Measures on the Remuneration for 2016, the Resolution on the Remuneration of the Independent Directors of the Third Session of the Board of Directors and the Resolution on the One-off Annual Bonus for 2016 were considered and approved.

V. Board of Supervisors

The Board of Supervisors, the Bank's supervisory body, aims to guarantee the legitimate interests of the Bank, Shareholders, employees, depositors and other stakeholders and has the obligation to oversee the Bank's financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the Shareholders as a whole.

The term of office of the Supervisors shall be three years. Upon expiry of the current term of office, a Supervisor is eligible for re-election and re-appointment. The cumulative term of office for an external Supervisor in the Bank shall be no more than six years. Shareholder Supervisors and external Supervisors shall be elected, removed or replaced by the general meeting. Employee Supervisors shall be elected, removed or replaced by the employee representative meeting of the Bank.

(I) Composition of the Board of Supervisors

According to the Articles of Association, the Board of Supervisors shall comprise shareholder Supervisors, employee Supervisors and external Supervisors. The number of the employee Supervisors of the Bank shall not be less than 1/3 of the total number of the Supervisors.

As at the date of this annual report, the Board of Supervisors consists of seven members, including:

- Mr. Luo Hui (chairman of the Board of Supervisors, employee representative Supervisor)
- Mr. Wang Enjiu (employee representative Supervisor)
- Mr. Liu Xiangjun (employee representative Supervisor)

- Mr. Fan Shuguang (external Supervisor)
- Mr. Gao Pengcheng (external Supervisor)
- Mr. Wang Zhi (external Supervisor)
- Mr. Zhang Ruibin (external Supervisor)

(II) Chairman of the Board of Supervisors

Mr. Luo Hui is the chairman of the Board of Supervisors. The chairman of the Board of Supervisors shall have the following duties and powers:

- to convene and hold meetings of the Board of Supervisors;
- to report work to the general meetings on behalf of the Board of Supervisors;
- to organize the Board of Supervisors to fulfill obligations;
- to sign reports of the Board of Supervisors and other important documents; and
- other duties and powers as provided for in laws, regulations and articles of association of a commercial bank.

(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) Responsibilities of the Board of Supervisors

The Board of Supervisors is a supervising organ of the Bank and accountable to the Shareholders as a whole. The Board of Supervisors shall exercise the following powers:

(1) to examine and supervise the Bank's financial affairs;

(2) to monitor the Board of Directors and senior officers in the performance of their duties;

(3) to monitor the Directors, president of the Bank and other senior officers in performing their duties;

(4) to demand rectification from a Director, the president of the Bank and any other senior officer of the Bank when the acts of such persons are detrimental to the interests of the Bank;

(5) to conduct special and off-office audits in respect of any Directors and senior officers of the Bank;

(6) to conduct audits in respect of the operation policy, risk management and internal controls of the Bank and to provide guidance with respect to such internal audits of the Bank;

(7) to address the inquiries to any Directors, the chairman of the Board and senior officers of the Bank;

(8) to propose the convening of extraordinary general meetings;

(9) to propose to general meetings to remove any Directors, president of the Bank or Supervisors who have failed to perform their duties or violated any laws, administrative regulations or the Articles of Association;

(10) to review the financial reports, operation reports and profit distribution plans to be submitted by the Board to general meetings; if any queries arise or any abnormality is found in operations of the Bank, to conduct investigations; and when necessary, to engage such professionals as accountant firms or law firms to assist in the work, for the account of the Bank;

(11) to propose any remuneration (or allowance) arrangement of a Supervisor; and

(12) other duties and powers as provided in the laws, rules and regulations, department regulations, normative documents and the Articles of Association or conferred by the general meetings.

The Board of Supervisors fulfills their supervisory responsibilities mainly in the following manners:

- convening regular meetings of the Board of Supervisors;
- attending general meetings and the meetings of the Board of Directors;
- attending the relevant meetings of the senior management;
- reviewing various documents and materials provided by the senior management and listening to the work report prepared by the senior management;
- evaluating annual performance of the Directors and senior management;
- conducting on-site inspections of the Bank's branches, sub-branches and subsidiaries; and
- conducting off-office audits of the Bank's executive Directors and senior management.

Through the above works, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management, internal controls, and the performance of the Board of Directors and senior management.

(V) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened six meetings and there was no objection to the matters concerning the supervision of the Board of Supervisors.

The following table sets forth the attendance of Supervisors at meetings during the Reporting Period:

	Number of meetings attended in person/attended by proxy/should be attended		
Members of the Board of Supervisors	**Attendance in Person**	**Attendance through Proxy**	**No. of Required Attendance**
Luo Hui	6	0	6
Wang Enjiu	6	0	6
Liu Xiangjun	6	0	6
Fan Shuguang(1)	4	0	4
Gao Pengcheng	6	0	6
Wang Zhi	6	0	6
Zhang Ruibin	6	0	6
Wang Liying(2)	2	0	2

Notes:

(1) On June 19, 2016, Mr. Fan Shuguan formally assumed his role as an external Supervisor of the Bank.

(2) On June 19, 2016, Ms. Wang Liying ceased to be an external Supervisor of the Bank due to her decision to devote more time to other works.

(VI) Attendance at the general meetings

During the Reporting Period, the Board of Supervisors designated representatives to attend the annual general meeting of the Bank. The Board of Supervisors presented its report on work and results of performance appraisal of Supervisors, which were approved at the annual general meeting.

(VII) Attendance at the meetings of the Board of Directors and senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend the meetings of the Board of Directors and supervised legal compliance of the meetings, procedures of voting, attendance, speech and voting of the Directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised implementation of resolutions by the Board of Directors.

(VIII) Committees of the Board of Supervisors

The Board of Supervisors has established the Nomination Committee and the Supervisory Committee. The committees operate in accordance with their respective terms of reference formulated by the Board of Supervisors.

1. Nomination Committee

The Nomination Committee consists of three Supervisors, being Mr. Fan Shuguang, Mr. Wang Zhi and Mr. Liu Xiangjun. The chairman of the Nomination Committee is Mr. Fan Shuguang.

The principal responsibilities of the Nomination Committee include:

(1) to make recommendations to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors in accordance with the Bank's operation, scale of assets and shareholding structure;

(2) to review the procedures and criteria for selecting and appointing Supervisors and making recommendations;

(3) to search for qualified candidates for the Supervisors;

(4) to perform preliminary review of the qualifications and credentials of candidates for the Supervisors nominated by the Bank's Shareholders in accordance with applicable laws and regulations;

(5) to supervise the process of election and appointment of Directors;

(6) to supervise and examine the discharge of responsibilities and duties of the Supervisors during their term of office as authorized by the Board of Supervisors;

(7) to take the lead in conducting a comprehensive assessment and evaluation of the discharge of responsibilities and duties by the Board of Directors, the Board of Supervisors and senior management and report the results to the Board of Supervisors;

(8) to draft the proposals related to removal of a Supervisor to be submitted by the Board of Supervisors;

(9) to make proposals to the Board of Supervisors related to award and sanction of the Supervisors;

(10) to be responsible for the daily work of the Nomination Committee and liaise with the members of the Nomination Committee under the guidance of the chairman of the Nomination Committee;

(11) to be responsible for the preparatory works in relation to the election of the members of the Board of Supervisors;

(12) to supervise scientificity and reasonableness of remuneration system and policies of the Bank and remuneration proposals of the senior management; and

(13) other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of four meetings during the Reporting Period, at which the Resolution on the Self-evaluation on the Performance of Supervisors in 2015, the Resolution on the Resignation of Wang Liying as a Supervisor of the Third Session of the Board of Supervisors, the Resolution on the Election of Supervisors and Adjustment to the Committees under the Board of Supervisors and the Resolution on Remuneration of External Supervisors of the Third Session of the Board of Supervisors and other proposals were considered and approved.

2. Supervisory Committee

The Supervisory Committee consists of three Supervisors, being Mr. Fan Shuguang, Mr. Wang Zhi and Mr. Wang Enjiu. The chairman of the Supervisory Committee is Mr. Fan Shuguang.

The principal responsibilities of the Supervisory Committee include:

(1) to formulate plans on supervising and examining the Bank's financial activities;

(2) to formulate plans of specific audits of the Directors and senior management and perform off-office audit of the Directors and senior management;

(3) to formulate and implement audit plans of the Bank's business decision-making, risk management and internal controls;

(4) to perform audit related to the authenticity of the financial results of the Bank in the last financial year;

(5) to supervise compliance with applicable laws, regulations, financial policies and Articles of Association by the Directors and senior management in discharging their respective duties and responsibilities;

(6) to make proposals in relation to engagement or change of external auditors;

(7) to provide guidance to the Bank's internal audit and supervise the Bank's internal audit policies and implementation of these policies;

(8) to liaise with internal auditors and external auditors;

(9) to review the financial information of the Bank and its disclosure;

(10) to review the internal control policies of the Bank; and

(11) other matters authorized by the Board of Supervisors.

The Supervisory Committee held a total of four meetings during the Reporting Period, at which the Resolution on the Auditing of 2015 Financial Results, the Resolution on the Financial Results of 2015, the Resolution on 2015 Dividends Distribution Plan and the Resolution on the Engagement of the Consultant for Internal Control and Risk Management Following the Listing of the H Shares of the Bank and other proposals were considered and approved.

(IX) Work performed by External Supervisors

The Chairmen of the Nomination Committee and the Supervisory Committee are served by external Supervisors, which strengthens the role of external Supervisors in performing assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the Bank's management quality and governance structure.

During the Reporting Period, external Supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of sustainable development of the Bank and protection of its Shareholders' interests, carefully provided their independent opinions, and fulfilled the responsibilities of external Supervisors in compliance with applicable laws and regulations.

VI. Senior Management

The Bank institutes a system in which the president assumes full responsibility under the Board of Directors. According to the Articles of Association, the Bank shall have one president, and three to seven vice presidents. The president and vice presidents shall be appointed and removed by the Board of Directors after their qualifications have been approved by competent authorities.

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 strictly complies with the corporate governance documents, including the Articles of Association.

As at the date of this annual report, the senior management of the Bank consists of seven members, including:

- Mr. Zhang Haishan (president)
- Mr. Zhu Weidong (vice president)
- Mr. Liang Xiangming (executive Director, vice president and chief operating officer)
- Mr. Li Guoqiang (vice president)
- Ms. Song Xiaoping (vice president)
- Mr. Gao Zhonghua (vice president)
- Mr. Yuan Chunyu (executive Director, secretary to the Board of Directors and joint company secretary)

The president of the Bank is responsible to the Board of Directors and has the following powers and duties:

(1) to manage the business operations of the Bank and report work to the Board of Directors;

(2) to organize to implement resolutions of the Board of Directors, the annual business plans and investment plans of the Bank;

(3) to prepare plans for the establishment of internal management structure;

(4) to establish the basic management system of the Bank;

(5) to formulate detailed regulations of the Bank;

(6) to propose to the Board of Directors for the appointment or removal of such senior officers of the Bank as the vice president and persons in charge of finance, credit and audit;

(7) to appoint or remove the management persons other than those required to be appointed or removed by the Board of Directors;

(8) to determine the salary, welfare, reward and punishment of employees of the Bank and to decide on the appointment and dismissal of employees of the Bank;

(9) to propose to convene interim meetings of the Board of Directors;

(10) to decide on the set-up and cancellation of any branches of the Bank and to authorize presidents of any branches to manage normal business and operation;

(11) in the event of emergencies (such as a run on the Bank), to take emergent measures and report immediately to the banking regulators under the State Council, the Board of Directors and the Board of Supervisors; and

(12) other duties and powers provided for in the laws, regulations, department regulations, normative documents and relevant regulators and the Articles of Association and conferred by the Board of Directors.

The president of the Bank shall attend the meetings of the Board of Directors as a non-voting attendee and a non-director president shall have no voting rights at the meetings of the Board of Directors. The president shall, as required by the Board of Directors or the Board of Supervisors, report to the Board of Directors or the Board of Supervisors in respect of any conclusion and performance of any material contracts, use of fund and profits and losses and guarantee and truthfulness of such report.

Remuneration paid to the senior management (excluding the members of senior management who are also the Directors) by bands for the year ended December 31, 2016 is set out as follows:

Remuneration bands	Number of Persons
Below RMB2.0 million	3
RMB2.0 million – RMB2.5 million	2

VII. 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, with their respective responsibilities clearly delineated and in compliance with the requirements under the Hong Kong Listing Rules.

Mr. Gao Bing, an executive Director, is the chairman of the Board of Directors and is responsible for the overall strategic planning and leadership of the Board of Directors to ensure the effective operation of the Board of Directors and that all Directors are aware of the current issues and that each issue could be discussed in a timely and constructively manner. To assist the Board of Directors to discuss all important or other related matters, the chairman of the Board of Directors works with the Bank's senior management to ensure that all Directors receive timely, appropriate, complete and reliable information for their consideration and review.

Mr. Zhang Haishan is the president of the Bank, who is responsible for business operations, implementing the Bank's strategies and carrying out the business plans. The president of the Bank, being nominated by the chairman of the Board of Directors and appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the Articles of Association and within the authorization by the Board of Directors.

VIII. Securities Transactions by Directors, Supervisors and Senior Management

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 ("Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules.

Having made specific enquiries to all Directors, Supervisors and members of the senior management of the Bank, the Bank confirmed that they had complied with the Model Code for the period from the Listing Date to March 27, 2017, being the date of the meeting of the Board to consider and approve the annual results of the Group for the year ended December 31, 2016.

IX. External Auditors and Remuneration of Auditors

The Group engaged ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as its domestic and international auditors for 2016, respectively. The fees as agreed to be paid by the Group for the audit of the financial statements for the year ended December 31, 2016 are RMB4.66 million. During the Reporting Period, the Bank also agreed to pay an aggregate fee of RMB8.8 million to ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited for preparing the accountants report in respect of the Bank's H Shares listing.

The Audit Committee of the Board of Directors was of the view that ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited can complete various engagements of the Bank satisfactorily, stick to the principles of independence, objectiveness and impartiality and comply with the applicable accounting principles and ethical requirements for accountants, and are diligent and responsive when conducting the audit work. The Bank has continued to appoint ShineWing Certified Public Accountants LLP as its domestic external auditor in the past three years. During the Reporting Period, there was no occasion where the Board of Directors did not agree with the opinions of the Audit Committee on the selection and appointment of external auditors.

X. Joint Company Secretaries

Mr. Yuan Chunyu, an executive Director and secretary to the Board of Directors, and Mr. Wong Yat Tung, a manager of SW Corporate Services Group Limited, are the joint company secretaries of the Bank. The key contact person between Mr. Wong Yat Tung and the Bank is Mr. Yuan Chunyu.

Mr. Yuan Chunyu is aware of the requirements of Rule 3.29 of the Hong Kong Listing Rules. Considering that the H Shares of the Bank were listed on the Hong Kong Stock Exchange on January 12, 2017, Mr. Yuan Chunyu will comply with the requirements of Rule 3.29 of the Hong Kong Listing Rules for the year ending December 31, 2017. Mr. Wong Yat Tung took part in relevant professional trainings for no less than 15 hours during the Reporting Period.

XI. Communication with Shareholders

The Bank places great importance on its Shareholders' opinions and suggestions and has enhanced understanding and interaction with the Shareholders through a wide range of channels such as the general meeting, reception for visitors, on-site visits and telephone consultations.

General enquiries

For enquiries made to the Board of Directors by the Shareholders and potential investors, please contact:

Office of the Board of Directors of Jilin Jiutai Rural Commercial Bank Corporation Limited
No. 2559 Wei Shan Road, High-tech Zone
Changchun City, Jilin Province, the PRC
Telephone: +86 (431) 8925 0628
Facsimile: +86 (431) 8925 0628

Place of Business in Hong Kong: Room 3521, 35/F, Two Pacific Place, 88 Queensway, Hong Kong

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

Enquiries on matters relating to the H Shares

If the Shareholders have any enquiries on matters relating to the H Shares held by them, 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

Enquiries on matters relating to the Domestic Shares

If the Shareholders have any enquiries on matters relating to the Domestic Shares held by them, 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 Jilin Jiutai Rural Commercial Bank Corporation Limited
No. 2559 Wei Shan Road, High-tech Zone
Changchun City, Jilin Province, the PRC
Telephone: +86 (431) 8925 0628
Facsimile: +86 (431) 8925 0628

XII. Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and internal controls to provide timely, accurate and fair information for the investors. During the Reporting Period and up to the date of this annual report, no insider dealing was identified.

In accordance with the requirement of "Measures for the Information Disclosure of Commercial Banks" and "Notice on the Normative Content of the Annual Report of the Joint-stock Commercial Banks", the Bank continuously improved the timeliness, accuracy and completeness of the information to be disclosed.

The Bank has also formulated the Information Disclosure Management Rules, which provide for basic principles of information disclosure, including the disclosure principles in the Bank's prospectus, offering circulars, listing documents, regular reports and interim reports. The Board of Directors is primarily responsible for the information disclosure of the Bank and the chairman is the primary person-in-charge of the information disclosure of the Bank.

XIII. Procedures and Regulatory Measures related to Inside Information

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, the Bank has formulated the Information Disclosure Management Rules and the Measures of Registration and Confidentiality of Relevant Persons Possessing the Bank's Inside Information pursuant to applicable laws, regulations, the Hong Kong Listing Rules and other regulatory requirements.

The Bank's Information Disclosure Management Rules and the Measures of Registration and Confidentiality provide for the scope of inside information and the definition of insiders possessing inside information, detailed requirements on management of insiders and inside information, confidentiality of such information and sanction measures for divulgence of inside information.

XIV. Amendment to Articles of Association

During the Reporting Period, the Bank amended certain articles of the Articles of Association to comply with the applicable laws, regulations, administrative measures and the Hong Kong Listing Rules with respect to the listing of its H Shares on the Hong Kong Stock Exchange. The amended Articles of Association became effective from the Listing Date. Investors may view the amended Articles of Association on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

XV. Rights of Shareholders

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

The Shareholders of the Bank who individually or jointly hold more than 10% of the total voting Shares of the Bank may request in writing to the Board of Directors to convene an extraordinary general meeting (the shareholding percentage shall be calculated based on the shareholding on the date when such written request is made). The Board of Directors shall hold an extraordinary general meeting within two months of the date of such request.

Where a Shareholder holding more than 10% of the Shares having voting rights individually or in aggregate (the "Proposal Shareholder of the Extraordinary General Meeting") proposes to the Board to convene an extraordinary general meeting, the topic to be considered at the meeting and the proposals with complete contents shall be submitted to the Board in writing. The Proposal Shareholder of the Extraordinary General Meeting shall ensure the proposals are in compliance with the provisions of the laws, rules and regulations and the Articles of Association.

For the purpose of any proposal submitted in writing by the Proposal Shareholder of the Extraordinary General Meeting to convene a general meeting, the Board shall decide whether to convene such meeting in accordance with the laws, rules and regulations and the Articles of Association. The decision of the Board shall be given to the Proposal Shareholder of the Extraordinary General Meeting within 15 days upon receipt of such written proposal.

Where the Board agrees to convene a general meeting, a notice of the general meeting shall be given, in which the consent of the Proposal Shareholder of the Extraordinary General Meeting shall be obtained in respect of any changes to the original proposals. After the notice is given, the Board shall neither propose any new proposals nor change or postpone the time for the general meeting without any consent of the Proposal Shareholder of the Extraordinary General Meeting.

Where the Board does not agree to convene an extraordinary general meeting or does not respond within 15 days upon receipt of the request, the Proposal Shareholder of the Extraordinary General Meeting shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting and make such proposal in writing to the Board of Supervisors. Where the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days upon receipt of such request, in which the consent of the Proposal Shareholder of the Extraordinary General Meeting shall be obtained in respect of any changes to the original proposal.

Where the Board of Supervisors fails to give a notice of the general meeting, the Board of Supervisors shall be deemed not to agree to convene and preside over the general meeting. The Shareholders holding more than 10% of the Shares for consecutive 90 days individually or in aggregate (the "Convening Shareholder") may convene and preside over a general meeting.

Where the Board fails to respond to the request of the Shareholder to hold a general meeting, any reasonable expenses incurred by the Shareholder to convene and preside over such meeting shall be borne by the Bank and deducted from any sums owing by the Bank to the Directors who have defaulted on their duties.

(II) Proposing resolutions at Shareholders' general meetings

When the Bank convenes a general meeting, the Board, the Board of Supervisors and the Shareholders individually or jointly holding more than 3% of the voting Shares of the Bank are entitled to propose new proposals to the general meeting in writing. The Bank shall include in the meeting agenda such proposals as required to be deliberated at a general meeting.

The Shareholders who individually or jointly hold more than 3% of the total voting Shares of the Bank may nominate candidates for Directors to the Board of Directors and Supervisors to the Board of Supervisors, but the number of candidates shall be in compliance with the provisions of the Articles of Association and shall not be more than the Directors and Supervisors to be elected and appointed.

The Shareholders who individually or jointly hold more than 1% of the total voting Shares of the Bank may nominate candidates for independent non-executive Directors to the Board of Directors and such independent non-executive Directors shall be elected at the general meeting. A Shareholder who has nominated a candidate for Director shall not nominate any candidate for independent non-executive Director and the same Shareholder could only nominate one candidate for independent non-executive Director. No Shareholder can concurrently nominate a candidate for independent non-executive Director and a candidate for non-employee Supervisor.

The Shareholders who individually or jointly hold more than 1% of the total voting Shares of the Bank may nominate candidates for external Supervisors.

(III) Making inquiries to the Board of Directors

The Shareholders of the Bank are entitled to supervise the business activities of the Bank, and make recommendations or inquiries to the Board of Directors.

(IV) Inspection rights of the Shareholders

The Shareholders are entitled to access to the following information in accordance with applicable laws, regulations, departmental rules, normative documents, regulations promulgated by the securities regulatory authorities of the place where the Bank's Shares are listed and the Articles of Association, including:

1. a copy of the Articles of Association upon the payment of cost;

2. a copy of the following documents after a reasonable fee has been paid:

    a. all parts of the register of members of the Bank;

b. the personal information of Directors, Supervisors, president of the Bank and senior executives of the Bank;

c. status of the share capital of the Bank;

d. reports on the aggregate par value, number, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last financial year, as well as all the expenses paid by the Bank in relation to such repurchases;

e. minutes of the general meeting;

f. special resolutions of the Bank;

g. the latest audited financial statements and the reports of the Board, auditors' reports and the reports of the Board of Supervisors; and

h. annual report of the Bank submitted to the State Administration for Industry & Commerce of China or other competent authorities for filing.

In accordance with the requirements of Hong Kong Listing Rules, the Bank makes the documents referred to in item (a), (c), (d), (e), (f), (g) and (h) available for free inspection by the public and shareholders of H Shares at the address of the Bank in Hong Kong, of which the documents referred to in item (f) shall be available for inspection by Shareholders only.

Copies of minutes of the meetings will be available for inspection by the Shareholders free of charge during the office hours of the Bank. If any Shareholder makes a request to obtain a copy of the relevant minutes from the Bank, the Bank shall send a copy of the requested minutes within seven days upon the receipt of a reasonable fee. The Bank may refuse to provide any documents if such documents or the copies thereof requested involve any business secrets and/or include inside information of the Bank.

Where a Shareholder of the Bank requests to review the relevant information above, such Shareholder shall provide written document to prove that he possesses any Shares of the Bank and the Bank shall make available such information required by the Shareholder after the identity of such Shareholder has been proved.

Chapter 10 Risk Management, Internal Control and Internal Audit

I. Overview

The Group emphasizes prudent business management and believes that effective risk management and internal control are critical to its sustainable business growth:

- The Bank has established a comprehensive risk management system covering its front, middle and back offices and all business procedures to monitor, evaluate and manage the risk exposure of its business activities. The Group has formulated different risk management strategies based on the risk characteristics of different industries. In particular, for sensitive industries, such as real estate, the Group has adopted stricter management measures and optimized its credit structure to lower concentration risks.

- As a separate legal entity, each subsidiary bank has established a risk management and internal control system in accordance with the applicable regulatory requirements. The Bank actively participates in formulating the risk management policies and strategies of the subsidiary banks through the Bank's nominees on their Board of Directors. The Bank also assists each subsidiary bank in formulating and restructuring its risk management measures and processes, and supervises and monitors the implementation of the risk management measures and processes of the subsidiary banks through the risk management personnel sent or designated by the Bank or through the village and township bank management department of the Bank.

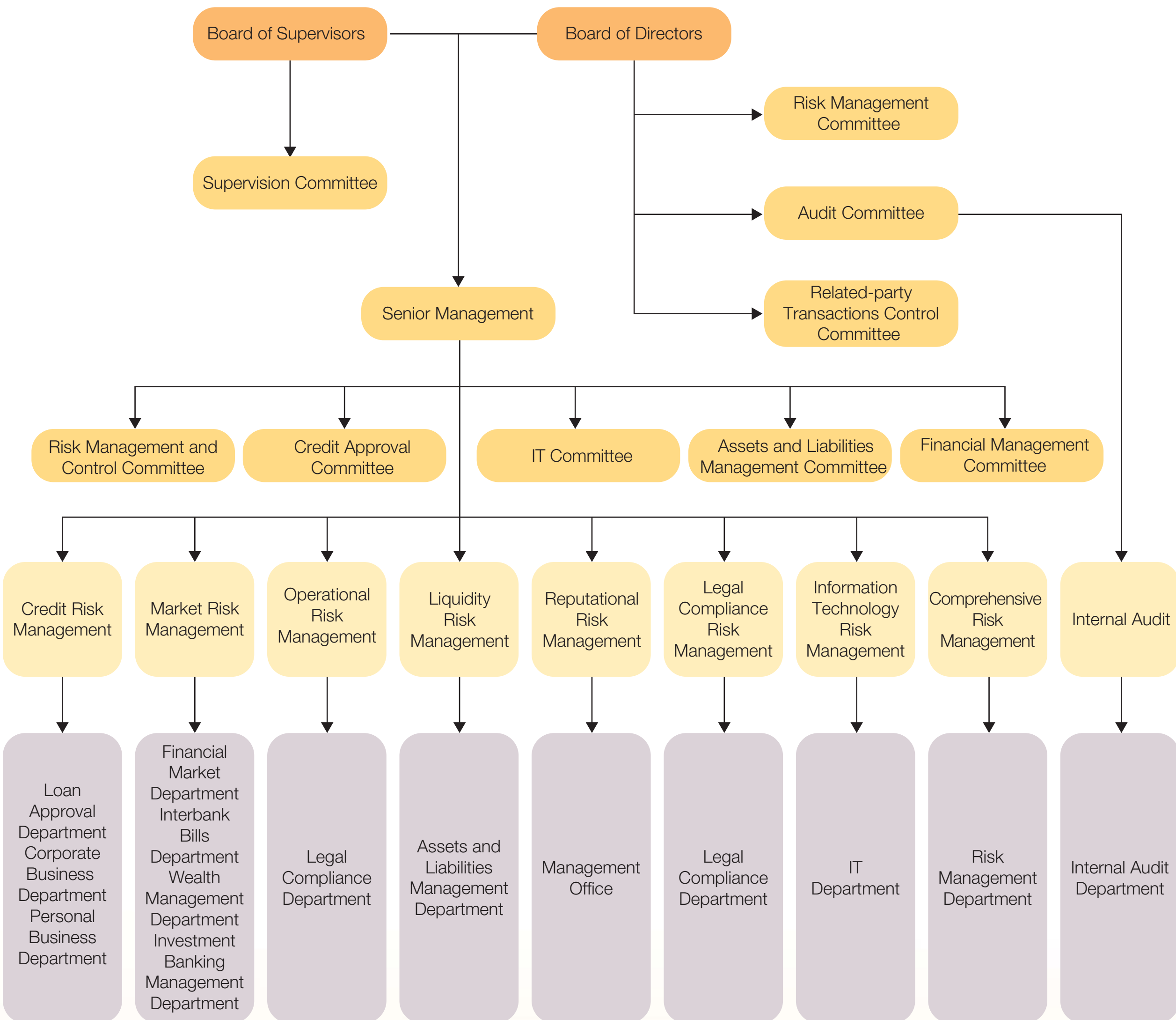
The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Bank has implemented prudent risk management and internal control to ensure good asset quality. As of December 31, 2014 and 2015 and 2016, the Bank's non-performing loan ratio (on an unconsolidated basis) was 0.72%, 1.28% and 1.27%, respectively, and the Bank's provision coverage ratio (on an unconsolidated basis) was 353.52%, 203.40% and 205.50%, respectively. In addition, as of December 31, 2014 and 2015 and 2016, the Group's non-performing loan ratio (on a consolidated basis) was 1.19%, 1.42% and 1.41%, respectively, and the Group's provision coverage ratio (on a consolidated basis) was 233.40%, 206.86% and 206.57%, respectively.

II. Risk Management and Internal Control of the Bank

(I) Organizational System

As of the date of this annual report, the organizational structure of the Bank's risk management was as follows:



Chapter 10 Risk Management, Internal Control and Internal Audit

Board of Directors and special committee of the Board of Directors

The Board of Directors is ultimately responsible for its risk management and internal control. The Board of Directors is responsible for (i) determining the Bank's overall risk appetite and risk tolerance level; (ii) approving risk management strategies, policies and procedures; (iii) requiring senior management to take necessary risk response measures; and (iv) monitoring and assessing the comprehensiveness and effectiveness of the Bank's risk management and internal control. The Bank has also established a risk management committee, audit committee and related-party transactions control committee under the Board of Directors.

Risk Management Committee

The Bank's Risk Management Committee is primarily responsible for (i) controlling, managing, monitoring and evaluating risks and assessing its risk management systems and internal control systems; (ii) proposing risk management strategies, policies and targets for Board discussion and approval; (iii) reviewing risk management measures; and (iv) reviewing risk management issues and making recommendations to improve its risk management and internal control.

Audit Committee

The Bank's Audit Committee is primarily responsible for (i) reviewing its accounting policies, financial position, financial reports and risk and compliance conditions; (ii) proposing the engagement or replacement of external auditing firms; (iii) supervising its internal audit system; (iv) coordinating internal and external audits; and (v) ensuring the truthfulness, accuracy and completeness of its audited financial information.

Related-party Transactions Control Committee

The Bank's Related-party Transactions Control Committee is primarily responsible for (i) identifying related parties and monitoring and reviewing significant related party transactions; (ii) establishing, updating and overseeing the implementation of rules for related-party transactions; and (iii) submitting regular reports on related-party transactions to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

During the Reporting Period, in pursuit of synchronized improvement in business scale, quality and efficiency, the Bank promoted comprehensive risk management to ensure steady growth. Risk management rules were revised to clarify the internal control responsibilities. In addition to authorized and classified management, the Bank also implemented risk pre-warning and reporting system to constantly regulate its business activities. Furthermore, it strengthened the inspection of key business lines to prevent and mitigate various risk exposures. Employee education and training programs were conducted, which effectively enhanced the competence of staff and their awareness of internal control and compliance. The internal control and supervision functions in the business management departments, internal control and compliance department and audit department were improved, which set up a supervision and inspection system covering all levels of institutions, different products and business procedures.

According to the regulatory requirements, the Board of Directors conducts self-evaluation on the effectiveness of risk management and internal control on an annual basis. During the Reporting Period, the Bank maintained effective risk management and internal control in all material respects, and the Board of Directors was not aware of any significant or material defects in relation to the risk management and internal control.

Board of Supervisors and its supervision committee

The Board of Supervisors monitors the compliance of its Board of Directors and senior management with laws, regulations and internal policies related to risk management. It also monitors and supervises its financial activities and internal control. Additionally, the Board of Supervisors conducts audits of resigning executive Directors and senior management.

The Supervision Committee of the Board of Supervisors establishes supervisory plans for financial activities and conducts related inspections. It also oversees the implementation of the Bank's operating philosophy and development strategies. Additionally, the Supervision Committee monitors and inspects the Bank's operational decisions, risk management and internal control while performing other duties as authorized by the Board of Supervisors.

Senior management and its special committees

Senior management implements the risk management policies, strategies, plans and policies determined by the Board of Directors and coordinates risk management activities. With the assistance of other senior management personnel, the Bank's president is ultimately responsible for risk management at the senior management level and reports directly to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

The Bank has established five special committees with risk management functions, namely the risk management and control committee, credit approval committee, IT committee, assets and liabilities management committee and financial management committee. These committees work together to organize, coordinate and review measures for risk management and their implementation.

Risk management and control committee

The Bank's risk management and control committee is primarily responsible for (i) monitoring its daily risk management and internal control activities; (ii) regularly assessing its overall risk status; (iii) approving the disposal of non-performing assets; and (iv) making recommendations for the improvement of risk management and internal control.

Credit approval committee

The Bank's credit approval committee is mainly responsible for (i) reviewing and approving extensions of credit; (ii) providing market knowledge for authorized approval officers; and (iii) ensuring an appropriate balance of rights among authorized approval officers. The credit approval committee reviews all credit business that exceeds the approval authority of vice presidents.

IT committee

The Bank's IT committee is responsible for (i) reviewing IT development plans; (ii) reviewing and coordinating work plans for IT development; (iii) evaluating management, data and information standards for information technology; (iv) reviewing approvals and system requirements for bank-wide informatization development projects; (v) coordinating the development, testing and maintenance of IT systems; and (vi) reviewing development plans and policies for information safety management system.

Assets and liabilities management committee

The Bank's assets and liabilities management committee is primarily responsible for (i) centralized management of the size, structure and proportion of the Bank's asset and liability businesses; (ii) making appropriate adjustments to risk asset management plans in accordance with the Bank's business development strategies; and (iii) evaluating the Bank's internal and external pricing policies and strategies, pricing management mechanism and liquidity management system.

Financial management committee

The Bank's financial management committee is responsible for (i) monitoring compliance with national policies and regulations; (ii) overseeing the accuracy, promptness, truthfulness and completeness of financial information; (iii) evaluating the Bank's financial condition and operating performance; (iv) reviewing financial inspections by external institutions and preparing appropriate remediation plans; and (v) reviewing fixed asset purchases, construction and leasing as well as the feasibility of other large purchase plans.

Risk Management Department

A number of the Bank's business departments, such as Loan Approval Department, Corporate Business Department, Personal Business Department, are also involved in the Bank's daily risk management.

(II) Risk Management System

1. Authorization management system

The Bank has established measures for authorization management to grant annual basic authorizations for operational, financial, human resources and other affairs in the Bank's normal operations within the Bank's statutory scope of business. The Bank may also grant temporary special authorizations for transactions that exceed the scope of basic authorizations, special financing transactions and new businesses. While the Bank's headquarters grants authorizations directly to specific personnel, authorized personnel may delegate authority to other personnel within their scope of authority, provided proper approvals or reporting have been made.

The Bank grants and properly adjusts authorizations to different grantees in accordance with their operational management performance, management role and employment status. The relevant personnel must report on and obtain authorization for business and other affairs that are beyond their authority in compliance with the Bank's Measures for Authorization Management.

2. Credit management system

The credit management system of the Bank has the following features:

- ***Credit management for all credit customers***: in accordance with the CBRC's requirement, the Bank determines the credit limit for each customer primarily based on factors such as (a) the operational and financial condition and repayment history of the borrower, (b) the intended purpose of the loans, and (c) the collateral or guarantees for the loans.

- ***Strengthening uniform credit management for group customers***: in order to identify and control concentration risks arising from group customers, the Bank does not extend credit to any group customer in excess of 15% of its regulatory capital. The Bank uniformly determines credit limits for group customers to prevent parallel credit extension from multiple branches.

- ***Separate systems for credit investigation and credit review***: different department and staff of the Bank have separate responsibilities for credit investigations, assessments and decisions.

- ***Strengthening the management of the credit business procedures***: the Bank has formulated specific administrative measures for each stage of credit extension.

- ***Strengthening the management of the Bank's acceptance business***: the Bank has formulated specific administrative measures for its acceptance bill business, discounted bill business and other bill businesses to ensure that its acceptance business complies with the applicable laws and regulations and to prevent the use of false trading information or the use of loan proceeds for security deposits.

- ***Strengthening the management of loan classifications***: the Bank has established refined loan classification measures based on the loan risk classifications formulated by the CBRC to precisely evaluate its credit risks.

- ***Strengthening the management of corporate customers***: the Bank has formulated a sophisticated system for credit ratings of corporate customers to evaluate credit risks for each type of corporate customer.

- ***Strengthening the risk awareness of employees***: the Bank encourages employees to strictly comply with risk management policies and systems by enacting strict penalties for non-compliance and for issues identified in its internal audits.

(III) Management of Different Types of Risks

1. Credit Risk Management

Overview

Credit risk is the risk of loss related to a failure by a debtor or counterparty to meet its contractual obligations or to a change in their credit ratings. The Bank's credit risks arise mainly from corporate loans, retail loans and treasury operations.

The Bank's credit risk management structure includes its president, chief officers and risk management committee, persons-in-charge of branches and sub-branches, credit approval committees or groups and its risk management, business, marketing and internal audit departments.

The Bank prepares annual credit approval plans, credit limit plans and credit policies based on national and regional economic development plans, financial market conditions, austerity requirements, its asset and liability structure and deposit and loan growth trends.

The Bank uses a variety of mechanisms to management credit risks, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

Additionally, the Bank has established a system to manage the extension of corporate and personal loans. As part of this system, the Bank has taken measures to improve credit risk management that include identifying risks, monitoring policies and dividing responsibilities among its credit investigation, approval and execution departments. The Bank also sets departmental authorization limits and monitor the use of loan proceeds.

Credit risk management for corporate loans

The Bank has adopted unified risk management procedures for corporate loans that include pre-loan investigation, credit review and approval, loan disbursement management, post-disbursement management, risk monitoring and risk alerts.

Credit risk management for retail loans

The credit risk management procedures for the Bank's retail loan business include pre-loan investigation, credit review and approval, loan disbursement and post-disbursement management.

Credit risk management for treasury operations

The Bank's treasury operations include money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. The Bank has established various mechanisms to manage credit risks arising from its treasury operations.

Credit risk management for off-balance sheet business

The Bank classifies its off-balance sheet businesses based on whether or not it is required to bear any credit risk. The Bank has implemented unified credit extension management for businesses in which it bears credit risks. The Bank's credit extension management includes investigations, reviews, credit planning, credit limits and reviews of operational structures for customers and end-users.

Information system for credit risk management

The Bank uses information technology to improve credit risk management. The Bank has contracted with Jilin Province Rural Credit Union to develop its credit data management system and other information technology. The Bank uses its credit extension system for post-lending management and the review and approval of applications for credit. The system can also be used for the monitoring and analyses of the Bank's credit extension businesses.

The Bank has taken measures to ensure the credit data security of its management system. The system has employee authorization limits that prevent employees from engaging in activities not related to their duties. The Bank also conducts regular on-site and off-site examination to ensure the proper use and maintenance of equipment and systems.

2. Market Risk Management

Market risk is the risk of loss in on- and off-balance sheet positions arising from fluctuations in market prices due to interest rates, exchange rates and other market factors. The Bank is exposed to market risk primarily through its banking and trading business portfolios. The market risks associated with the banking business portfolio of the Bank include interest rate risk and exchange rate risk. The primary market risks associated with the Bank's trading business portfolio are fluctuations in the market value of trading positions, which are affected by movements in observable market variables, such as interest and exchange rates. The principal objective of the Bank's market risk management is to limit potential market losses to acceptable levels based on its risk appetite while seeking to maximize risk adjusted returns.

The Bank's organizational structure for market risk management includes its front, middle and back offices. The Bank's Board assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies as approved by its Board. The Bank's business departments implement market risk management measures in their daily operations.

Market risk management includes the identification, measuring and monitoring of market risk. The Bank has formulated a basic policy for market risk management, namely, Provisional Measures for Market Risk Management. The Bank has also established authorization limits and internal approval procedures for products based on factors such as market risk tolerance, business strategies and market conditions for specific products. The Bank sets different exposure limits and take different quantitative measures to manage market risks arising from banking and trading accounts. The Bank controls market risks by balancing different positions, controlling credit limits and decreasing risk exposure.

3. Operational Risk Management

Operational risk refers to the risk of loss caused by corporate governance issues, incomplete internal control procedures, failures of employee and IT systems or external events. Operational risk events include internal and external fraud and errors and malfunctions of risk and IT systems relating to customers, products and operations.

The Bank's Board of Directors is ultimately responsible for operational risk management and reviewing operational risk policies. The Bank's senior management is responsible for coordinating daily operational risk management. The Bank's legal compliance department leads the management of operational risks and is responsible for the daily monitoring, identification, evaluation and control of operational risks and reporting to senior management. The risk management departments, all business departments, branches and sub-branches are integral to the Bank's operational risk management framework. The Bank manages and controls operational risks through reporting, balancing authority and supervision systems. The Bank has adopted a variety of measures to monitor, identify, evaluate, control and mitigate operational risks.

4. Liquidity Risk Management

Liquidity risk refers to the risk of failure to liquidate a position in a timely manner or failure to acquire sufficient funds to fulfill payment obligations. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and competitive strengths of the banking industry. Liquidity risk is also affected by internal factors such as the balance and maturity profile of assets and liabilities, the stability of deposits and ability to obtain financing. The Bank's liquidity risk management aims to identify, measure, monitor and control liquidity risks. The Bank also seeks to balance the safety, liquidity and efficiency of its funds business to support sustainable, healthy and stable operations.

The Bank has established an effective liquidity management and decision-making system. The Bank's assets and liabilities management committee is ultimately responsible for liquidity risk management and the review and approval of the Bank's liquidity risk appetite, strategies and policies and procedures. The committee receives periodic liquidity risk reports on major changes and potential liquidity risks.

The Bank's assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures and Contingency Plan for Liquidity Risks. The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

5. Reputational Risk Management

Reputational risk is the risk of negative publicity caused by the Bank's operations, management, other activities and external events. The Bank's reputational risk management aims to identify, monitor, manage and minimize reputational risk, build a positive corporate image and maintain sustainable development. The Bank proactively enhances its corporate image and brand awareness through publicity of business achievements, quality of service and social responsibility.

The Bank's Board of Directors bears ultimate responsibility for reputational risk management. The Bank's risk management committee is responsible for establishing policies and guidelines for reputational risk management. The Bank's senior management is responsible for overall reputational risk management. The General Office is responsible for the daily management of reputational risk.

The Bank has adopted various measures to manage reputational risks, such as formulating a system framework for reputational risk management to define relevant duties and responsibilities, implementing public opinion reporting system and classification systems for reputational events and public opinions, analyzing public opinion, investigating reputational risk and analyzing channels of reputational risk and related incidents, etc.

6. Legal and Compliance Risk Management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aim to establish a sound and comprehensive compliance risk management structure.

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system.

The Bank has a two-tier legal and compliance risk management structure. The Bank's legal compliance department is in charge of legal and compliance affairs as well as legal affairs management. It regularly updates senior management on legal and regulatory developments. It also handles communications with the PBOC and the CBRC. Furthermore, the legal compliance department is responsible for drafting and reviewing contracts and other legal documents, management of trademark registration, legal and compliance risk analysis of mergers and acquisitions and new products. The legal compliance department is also responsible for management and guidance on litigation relating to non-contentious legal issues, litigation cases (other than asset preservation and loan collection litigations) and internal legal training, and the provision of legal consulting services to all business departments and sub-branches. To better manage litigation risk, the Bank has appointed legal counsel to provide professional legal support for the Bank's daily operations and management, and external legal counsel to provide professional legal services for major business conflicts and litigations. The Bank has established branch level legal compliance departments or part-time positions as needed. If there is no legal compliance department, risk management officers at branches are responsible for legal and compliance risk management. The Bank also provides guidance and conduct periodic trainings to improve legal and compliance risk management at branches.

The Bank's major management measures for legal and compliance risk include regulations and rules, compliance training and education, identification and evaluation of compliance risk, development of a culture of compliance, compliance accountability and whistle-blower system.

7. Information Technology ("IT") Risk Management

IT risk refers to the operational, reputational, legal and other risks arising from information technologies due to natural factors, man-made factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure the safe and stable operation of the Bank and promote business innovation through the application of advanced information technology.

The Bank has an IT committee to supervise and guide IT activities. IT risks are covered by the Bank's risk management system. The IT department is responsible for the implementation of specific risk management measures, plans and proposals.

The Bank has adopted a variety of measures to manage IT risk, including an effective and flexible basic structure, a three-line defense system and an IT outsourcing risk management system, etc.

8. Anti-money Laundering Management

The Bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC.

The Bank's anti-money laundering steering group is established under the legal compliance department, and is mainly responsible for convening meetings of anti-money laundering steering group, taking actions against rules violations or negligent conduct during anti-money laundering operations and reducing or controlling related risks by strengthening or improving the Bank's steering group processes and rules. The Bank's Board of Directors is ultimately responsible for the management of anti-money laundering risks, and senior management implements anti-money laundering policies and procedures.

The Bank has set up an anti-money laundering information monitoring and reporting system to report large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center (中國反洗錢監測分析中心) on a daily basis. The Bank also reports all suspected money laundering activities to the local branch of the PBOC and cooperate in anti-money laundering investigations.

The Bank also provides anti-money laundering training and related promotional activities and evaluations. The Bank requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

III. Risk Management and Internal Control of the Subsidiary Banks

As a separate legal entity, each subsidiary banks of the Bank has established a risk management and internal control system in accordance with applicable regulatory requirements.

The Bank participates in formulating the risk management policies and strategies of each subsidiary bank through the Bank's Board representatives. The Bank supervises and monitors the implementation of the risk management processes of the subsidiary banks through the risk management personnel sent or designated by the Bank and through the Bank's village and township bank management department.

(I) Organizational System

Each subsidiary bank has established a multi-layer risk management organizational system that primarily consists of (1) the Board of Directors that is ultimately responsible for risk management, (2) various special committees under the Board of Directors, which are responsible for proposing risk management strategies, policies and targets and reviewing accounting policies, financial reports and risk and compliance conditions, (3) the Board of Supervisors, which is primarily responsible for monitoring the compliance by the Board of Directors and senior management with risk management laws, regulations and internal policies, and (4) senior management and various special committees, which implement the risk management policies, strategies, plans and policies determined by the Board of Directors and coordinate risk management activities.

(II) Management of Different Types of Risks

1. Credit Risk Management

Overview

The respective policies of the subsidiary banks provide for the management of credit risk through various mechanisms, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

Credit risk management for corporate loans

The respective policies of the subsidiary banks provide for the management of credit risks through credit applications and pre-loan investigations, credit reviews and approvals, and through loan disbursement and post-disbursement management.

Credit risk management for retail loans

The credit risk management procedures for the subsidiary banks' retail loan business include loan application and pre-loan investigation, credit review and approval and post-disbursement management.

Credit risk management for treasury operations

Some of the subsidiary banks engage in money market transactions and invest in debt securities. Below is a summary of these subsidiary banks' prescribed risk management procedures and measures relating to their treasury business:

- ***Credit risk management for money market transactions***. Each bank reviews and approves credit lines granted to inter-bank customers and timely adjusts limits based on customer operating conditions. Each bank also monitors operational changes of the actual bearer of credit risks and external factors that could affect their ability to honor contractual obligations.

- ***Credit risk management for investment in debt securities***. Each bank manages the credit risk for investment in debt securities through (1) a counterparty screening mechanism to evaluate the qualification and creditworthiness of cooperating financial institutions, (2) due diligence investigations on the underlying transactions and (3) post-investment inspections.

2. Market Risk Management

The respective policies of each bank require each bank to manage interest rate risks arising from its banking accounts by adjusting the mix of assets and liabilities through resetting interest rates for different types of products and developing new products. Each bank also revalues its trading account positions on a regular basis and closely monitors trading limits, stop-loss limits and risk limits and monitor market risk using measures such as stress testing.

3. Operational Risk Management

Each bank has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices.

4. Liquidity Risk Management

The respective policies of each bank provide for the management of liquidity risk through (1) a reporting system for large fund flows and a reasonable allocation of funds to increase returns on assets, (2) closely monitoring movements in key liquidity indicators, (3) adjusting the maturity profile of assets and liabilities, and (4) conducting periodic cash flow analyses and liquidity stress tests.

5. Reputational Risk Management

The respective policies of each bank provide for the management of reputational risk through (1) a system framework that clearly defines duties and responsibilities, (2) a public opinion reporting system and classification systems for reputational events and public opinion, and (3) contingency plans with clear procedures for handling reputational risk.

6. Legal and Compliance Risk Management

The respective policies of each bank provide for the management of legal and compliance risk through (1) regular compliance training, and (2) a whistle-blower system to encourage employees to report non-compliance events.

7. IT Risk Management

Each bank has formulated comprehensive procedures and policies to manage IT risks. Each of them has also established business continuity management and contingency plans to manage the risk of business interruption.

8. Anti-money Laundering Management

Each bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each bank reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center individually as a separate legal entity in accordance with the relevant regulatory requirements.

IV. Internal Audit

(I) Internal audit of the Bank

The Bank's internal audit seeks to ensure strict compliance with laws and regulations and effective implementation of its internal rules, policies and operating guidelines. The Bank's internal audit also aims to inspect and assess the comprehensiveness, prudence and effectiveness of its internal control and improve its operational and management abilities. The Bank has adopted an independent and vertical internal audit organizational framework consisting of the audit committee of Board of Directors and internal audit department. The audit committee supervises and oversees Director and senior management activities, including business decisions, financial management, risk management, internal controls and other activities. The committee also audits all departing Directors and senior management personnel and requires remedial measures if necessary.

The internal audit department is responsible for the Bank's internal audit and has designated auditors who perform independent audits, supervision and assessments and provide independent advice. The internal audit department formulates internal audit policies, prepares and implements annual audit plan, inspects bank-wide management, evaluates internal control, supervises branches and conducts follow-up audits.

The Bank's internal audit follows the principles of independence, importance, prudence, objectivity, correlation and efficiency. The Bank focuses on and seeks to prevent major operational risks. The Bank carries out audits and supervision of its business operations, finance and accounting, risk profile and effectiveness of internal control. The Bank also audits the performance of responsibilities for key positions. The internal audit department performs its duties through on-site audits, off-site audits, routine audits and special audits. Generally, it conducts routine audits at least twice a year and special audits, follow-up audits and off-site audits on a case-by-case basis.

The Bank strengthens the audits and supervision of the business practices and daily operations of the Bank's staff through position exchanges or ad-hoc audits to prevent operational and ethical risks. Every year, the Bank conducts audits through position exchanges for key personnel of two branches, including back-office presidents (in charge of accounting), treasurers, accounting clerks, accounting officers of rural loans and integrated tellers. These audits also include a comprehensive examination of business operations and management work over the prior three years. The Bank conducts examinations on the above key positions to strengthen the effectiveness of its audits and to identify, remedy and prevent errors, deviations, faults and omissions.

The Bank also conducts at least three ad-hoc audits per year, focusing on the major risks, key processes and key positions of its regional business operations. The Bank has increased supervision of counter business prohibitions through ad-hoc inspections to identify potential risks and further standardize the implementation of its policies. The Board considered the risk management and internal control systems effective and adequate.

(II) Internal audit of the subsidiary banks

Each subsidiary banks has designated auditors who perform independent audits, supervision and assessments and provide independent advice.

V. Regulation of the Bank's Inside Information

The Bank attaches great importance to information disclosure and insider information management. In order to strengthen the insider information and confidentiality work, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated Measures for Information Disclosure (《信息披露制度》) and Measures of Registration of Insiders and Management of Confidential Information (《內幕信息知情人登記管理及保密制度》) in accordance with PRC Company Law, PRC Securities Laws, the Hong Kong Listing Rules, and other applicable laws, regulations and normative documents.

The following aspects are clearly provided for in the Measures of Registration of Insiders and Management of Confidential Information, including the coverage of the information that involves the Bank's operation and finance, or that may have significant impact on the market prices of the Bank's shares and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Bank has specified in detail management of insiders and confidentiality and the penalties for violating the internal measures governing insiders and inside information.

In accordance with the Measures of Registration of Insiders and Management of Confidential Information, the Office of the Board of Directors shall maintain a complete record of the persons that are involved in preparing, relaying, reviewing and disclosing the inside information of the Bank before such information is formally disclosed. The details of registration include the identities of the insiders, number of the insider's securities account, relationship with the Bank and timing and method of knowing the inside information. The Office of the Board of Directors shall also conduct regular and ad hoc inspections into trading of the Bank's securities by the insiders.

The Bank carries out information disclosure strictly according to regulatory requirements. In the Measures for Information Disclosure, the Bank has clearly defined the basic principles of information disclosure and the disclosure rules. In addition, the Bank has specified that the Board of Directors is responsible for developing and implementing the Measures for Information Disclosure, the Bank's chairman is the first responsible officer responsible for implementing the Bank's information disclosure system, the secretary to the Board of Directors is the designated contact person between the Bank and the PRC banking regulatory authorities, and the company secretary is responsible for submitting the required documents to the Hong Kong Stock Exchange. The Board of Supervisors is responsible for supervising the Bank's information disclosure and reporting to the general meeting of the Bank and the competent regulatory authorities about irregularities related to information disclosure involving the Bank's Directors, president or senior management.

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited

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

信永中和 ShineWing

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Opinion

We have audited the consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 221 to 397, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 (the "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 International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 International Ethics Standard Board for Accountant's Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 judgment, 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, we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summerised as follows:

- Basis of consolidation
- Impairment of loans and advances to customers
- Impairment of goodwill
- Outsourcing arrangements for information technology system

Basis of consolidation

Refer to notes 59 to the consolidated financial statements and the accounting policies on page 237 to 238.

The key audit matter	How the matter was addressed in our audit
The Bank operates its businesses through the Bank itself and through 37 subsidiaries as at 31 December 2016. As at 31 December 2016, the Bank controlled and consolidated 16 subsidiaries in which the Bank owned no more than 50% equity interest (the "Non Major Subsidiaries"). To control these non major subsidiaries, the Bank held more than 50% of the voting rights in these Non Major Subsidiaries through acting in concert agreements (the "AIC Agreements") with certain minority shareholders of the respective Non Major Subsidiaries. In particular, under these AIC Agreements, these minority shareholders have agreed to align their votes with the Bank in the shareholders' meeting of the Subsidiaries. If these minority shareholders fail to abide by their agreements, or if the AIC Agreements are terminated, the Bank may not be able to continue to control and consolidate the financial results of these Non Major Subsidiaries.	Our procedures were designed to review the management's assessment, with reference to the legal advice on the validity of AIC Agreements, of whether the Group control the Non Major Subsidiaries and challenge the reasonableness of the methodologies used to assessment of control. We have discussed the indicators of possible loss of control with the management and, where such indicators were identified, assessing the management's view on control. Also, we have sought legal advice on the validity of AIC Agreements.

Impairment of loans and advances to customers

Refer to notes 23 in the consolidated financial statements on pages 248 to 252.

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent management's best estimate of the losses incurred within the loan portfolios at the reporting date. They are calculated on a collective basis for portfolios of loans of a similar nature and on an individual basis for significant loans. The calculation of both collective and individual impairment allowances is inherently judgemental for any bank. Collective impairment allowances are calculated using statistical models which approximate the impact of current economic and credit conditions on large portfolios of loans. The inputs to these models are subject to management judgement and model overlays are often required. For individual impairments, judgement is required to determine when an impairment event has occurred and then to estimate the expected future cash flows related to that loan. The audit was focused on impairment due to the materiality of the balances amounted to approximately RMB60,286,350,000 and the subjective nature of the calculation involved in the determination of the impairment losses.	Our procedures were designed to review the management assessment of the indicators of impairment and challenge the reasonableness of the methods and assumptions used to estimate impairment allowances of loans and advances to customers. We have discussed the indicators of possible impairment allowances with management and, where such indicators were identified, assessing the management's impairment testing individually and collectively. For collective allowances, the appropriateness of the modelling policy, assumptions and methodology used for material portfolios was independently assessed by reference to the accounting standards and market practices, and model calculations were tested through re-performance and code review. For individual impairments, we have challenged the assumptions, critical judgement and statistical models used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and the recent creditworthiness of borrowers.

Impairment of goodwill

Refer to note 29 to the consolidated financial statements on page 242.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the Group had goodwill of approximately HK$1,173,756,000 and no impairment was recognised. The impairment assessment relied on the calculation of a value-in use for each of the cash-generating units (the "CGUs"). That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate and pre-tax discount rate. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3% which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the People's Republic of China. The discount rates used were the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU. The estimation of future cash flows and the level to which they are discounted are inherently uncertain and requires significant judgement. The extent of judgement and the size of the goodwill, resulted in impairment of goodwill being identified as an area of audit focus.	In order to address this matter in our audit, we have reviewed management's assessment and challenged the reasonableness of the selection of valuation model, adoption of key assumptions and input data. In particular, we have tested the future cash flow forecasts on whether they are agreed to the budgets approved by the board of directors of the Bank and compared the budgets with actual results available up to the report date. We have also challenged the appropriateness of the assumptions, including the growth rates and gross margin, against latest market expectations. We have also challenged the discount rate employed in each calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources. As any changes in these assumptions and input to valuation model may result in significant financial impact, we have tested management's sensitivity analysis in relation to the key inputs to the impairment assessment and performed our own sensitivity analysis which included changes in the growth rate, gross margin and discount rates employed.

Outsourcing arrangements of information technology system

Refer to note 51(d) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's information technology ("IT") system are critical to various aspects of its operations which are developed, operated and maintained by the IT service providers (the "IT outsourcing arrangements"). The Group entrusts those IT service providers to manage and maintain its database but has its own dedicated IT team to perform daily monitoring on those IT service providers for the operations and maintenance of the Group's IT system. If the Group cannot effectively monitor the services provided by the IT service providers, or any problems arising out of the IT system, there could have a material impact, among other aspects, on the Group's consolidated financial statements.	We involved our IT audit specialists in the course of audit. We carried out assessment, testings and review of the Group's controls over the IT outsourcing arrangements and the monitoring procedures executed by the Group on those IT service providers. We also assessed the reliability of the Group's IT system regarding the process in the preparation of the Group's consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Bank (the "Directors") are responsible for the other information. The other information comprises the all of 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Bank and Those Charged with Governance for the Consolidated Financial Statements

The Directors 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 of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities 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 ISAs 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, 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 Wong Chuen Fai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

27 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Interest income		**8,487,615**	6,080,644
Interest expenses		**(3,954,276)**	(2,708,365)
Net interest income	6	**4,533,339**	3,372,279
Fee and commission income		**781,627**	241,726
Fee and commission expenses		**(33,861)**	(19,029)
Net Fee and commission income	7	**747,766**	222,697
Net trading gains	8	**127,675**	131,926
Dividend income		**106,581**	69,261
Net gains arising from investment securities	9	**387,714**	344,500
Gain on disposal of a subsidiary	58	**—**	12,840
Net exchange gains		**9,280**	6,463
Other operating income	10	**41,830**	107,987
Operating income		**5,954,185**	4,267,953
Operating expenses	11	**(2,608,088)**	(2,044,073)
Impairment losses on assets	14	**(382,818)**	(350,105)
Operating profit		**2,963,279**	1,873,775
Share of profits of associates	27	**9,792**	2,167
Profit before tax		**2,973,071**	1,875,942
Income tax expense	15	**(657,176)**	(473,713)
Profit for the year		**2,315,895**	1,402,229
Earnings per share			
— Basic and diluted (RMB cents)	16	**57.27**	41.29

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Year Ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	**2,315,895**	1,402,229
Other comprehensive (expense)/income for the year:		
Items that may be reclassified subsequently to profit or loss:		
— Available-for-sale financial assets		
— Change in fair value recognised in investment revaluation reserve	**(126,449)**	100,784
— Reclassified to the profit or loss upon disposal	**35,604**	698
— Income tax relating to item that may be reclassified subsequently	**22,711**	(25,371)
	(68,134)	76,111
Total comprehensive income for the year	**2,247,761**	1,478,340
Profit for the year attributable to:		
— Owners of the Bank	**1,886,796**	1,215,821
— Non-controlling interests	**429,099**	186,408
	2,315,895	1,402,229
Total comprehensive income for the year attributable to:		
— Owners of the Bank	**1,827,737**	1,291,932
— Non-controlling interests	**420,024**	186,408
	2,247,761	1,478,340

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Assets			
Cash and deposits with the central bank	17	32,983,711	19,333,596
Deposits with banks and other financial institutions	18	37,733,808	18,640,153
Placements with banks and other financial institutions	19	—	390,000
Financial assets held under resale agreements	20	15,231,104	17,297,442
Financial assets at fair value through profit or loss	21	13,797,549	12,101,530
Interest receivable	22	379,221	316,611
Loans and advances to customers	23	60,286,350	46,477,430
Available-for-sale financial assets	24	12,002,670	9,047,852
Held-to-maturity investments	25	2,184,607	1,376,071
Debt securities classified as receivables	26	10,767,773	12,487,546
Interests in associates	27	231,971	121,979
Property and equipment	28	3,289,595	2,348,776
Goodwill	29	1,173,756	1,170,404
Deferred tax assets	30	285,133	197,817
Other assets	31	1,124,049	646,127
Total assets		191,471,297	141,953,334

Consolidated Statement of Financial Position (Continued)

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank	33	1,822,845	293,567
Deposits from banks and other financial institutions	34	7,245,735	1,868,321
Placements from banks and other financial institutions	35	442,496	52,496
Financial assets sold under repurchase agreements	36	14,595,044	23,063,498
Deposits from customers	37	127,408,661	93,302,782
Accrued staff costs	38	218,495	139,968
Taxes payable		183,310	267,599
Interests payable	39	1,782,313	1,429,903
Debts securities issued	40	23,395,879	9,074,179
Other liabilities	41	653,373	603,822
Total liabilities		177,748,151	130,096,135
Equity			
Share capital	42	3,294,797	3,294,797
Capital reserve	43	3,347,045	3,309,135
Investment revaluation reserve		17,921	76,980
Surplus reserve	44	510,333	354,741
General reserve	44	1,351,936	1,025,282
Retained earnings		1,608,473	1,087,363
Total equity attributable to owners of the Bank		10,130,505	9,148,298
Non-controlling interests		3,592,641	2,708,901
Total equity		13,723,146	11,857,199
Total Liabilities and equity		191,471,297	141,953,334

The consolidated financial statements on pages 221 to 397 were approved and authorised for issue by the board of directors of the Bank on 27 March 2017 and are signed on its behalf by:

Mr. GAO Bing
Director

Mr. YUAN Chunyu
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	2,406,069	1,663,291	869	234,007	622,926	809,184	5,736,346	2,097,980	7,834,326
Profit for the year	–	–	–	–	–	1,215,821	1,215,821	186,408	1,402,229
Other comprehensive income for the year	–	–	76,111	–	–	–	76,111	–	76,111
Total comprehensive income for the year	–	–	76,111	–	–	1,215,821	1,291,932	186,408	1,478,340
Changes in share capital									
– Capital contributed by equity shareholders	600,000	1,800,000	–	–	–	–	2,400,000	–	2,400,000
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	176,368	176,368
Acquisitions of subsidiaries (Note 56)	–	–	–	–	–	–	–	969,359	969,359
Disposals of subsidiaries (Note 58)	–	–	–	–	–	–	–	(795,690)	(795,690)
Transfer from capital reserve to share capital	288,728	(288,728)	–	–	–	–	–	–	–
Changes in ownership in subsidiaries without changes in control (Note 57)	–	134,572	–	–	–	–	134,572	196,270	330,842
Appropriation of profits									
– Appropriation to surplus reserve	–	–	–	120,734	–	(120,734)	–	–	–
– Appropriation to general reserve	–	–	–	–	404,156	(404,156)	–	–	–
– Dividends recognised as distribution (Note 45)	–	–	–	–	–	(414,552)	(414,552)	–	(414,552)
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(121,794)	(121,794)
Release of general reserve upon disposal of a subsidiary	–	–	–	–	(1,800)	1,800	–	–	–
At 31 December 2015	3,294,797	3,309,135	76,980	354,741	1,025,282	1,087,363	9,148,298	2,708,901	11,857,199

Consolidated Statement of Changes in Equity (Continued)

For the Year Ended 31 December 2016

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	3,294,797	3,309,135	76,980	354,741	1,025,282	1,087,363	9,148,298	2,708,901	11,857,199
Profit for the year	–	–	–	–	–	1,886,796	1,886,796	429,099	2,315,895
Other comprehensive expense for the year	–	–	(59,059)	–	–	–	(59,059)	(9,075)	(68,134)
Total comprehensive income for the year	–	–	(59,059)	–	–	1,886,796	1,827,737	420,024	2,247,761
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	120,315	120,315
Acquisitions of subsidiaries (Note 56)	–	–	–	–	–	–	–	2,595	2,595
Changes in ownership in subsidiaries without changes in control (Note 57)	–	37,910	–	–	–	–	37,910	432,090	470,000
Appropriation of profits									
– Appropriation to surplus reserve	–	–	–	155,592	–	(155,592)	–	–	–
– Appropriation to general reserve	–	–	–	–	326,654	(326,654)	–	–	–
– Dividends recognised as distribution (Note 45)	–	–	–	–	–	(883,440)	(883,440)	–	(883,440)
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(91,284)	(91,284)
At 31 December 2016	3,294,797	3,347,045	17,921	510,333	1,351,936	1,608,473	10,130,505	3,592,641	13,723,146

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before tax for the year	**2,973,071**	1,875,942
Adjustments for:		
Depreciation of property and equipment	**243,086**	176,605
Amortisation of long-term deferred expenses and land use rights	**27,567**	51,741
Impairment losses on assets	**382,818**	350,105
Interest expense on debts securities issued	**490,433**	226,900
Dividend income	**(106,581)**	(69,261)
Impairment loss reversed in respect of property and equipment	**—**	(678)
Gain on disposal of property and equipment	**(1,659)**	(2,987)
Net unrealised trading gains	**(110,790)**	(124,581)
Net gains arising from investment securities	**(387,714)**	(344,500)
Government grants	**(57,848)**	(116,091)
Interest income from financial investments	**(2,027,285)**	(965,991)
Share of profits of associates	**(9,792)**	(2,167)
Gain on disposal of a subsidiary	**—**	(12,840)
	1,415,306	1,042,197
Changes in operating assets		
Net increase in deposits with the central bank	**(3,446,368)**	(1,038,276)
Net increase in deposits with the banks and other financial institutions	**(17,419,370)**	(3,499,060)
Net decrease in placements with the banks and other financial institutions	**—**	100,000
Net decrease in financial assets held under resale agreements	**—**	1,249,260
Net increase in financial assets at fair value through profit or loss	**(1,585,229)**	(9,418,144)
Net increase in loans and advances to customers	**(14,175,756)**	(11,352,619)
Net increase in interest receivables	**(62,565)**	(136,983)
Net (decrease)/increase in other assets	**(50,154)**	241,403
	(36,739,442)	(23,854,419)
Changes in operating liabilities		
Net increase in borrowing from central bank	**1,529,278**	61,204
Net increase/(decrease) in deposits from banks and other financial institutions	**5,362,390**	(3,125,617)
Net increase/(decrease) in placements from banks and other financial institutions	**390,000**	(270,000)
Net (decrease)/increase in financial assets sold under repurchase agreements	**(8,468,454)**	17,616,298
Net increase in deposits from customers	**34,098,900**	30,830,122
Net increase in accrued staff costs	**78,418**	19,216
Net increase in interests payable	**352,253**	328,357
Net increase in other liabilities	**4,109**	258,849
	33,346,894	45,718,429

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Cash (used in)/generated from operations	(1,977,242)	22,906,207
Income tax paid	(805,025)	(434,147)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(2,782,267)	22,472,060
INVESTING ACTIVITIES		
Proceeds from disposal of financial investments	301,419,896	312,741,311
Interest income from financial investments	1,991,444	831,793
Dividend income received	106,581	69,261
Proceeds from disposal of property and equipment	20,483	13,179
Payments on acquisition of financial investments	(303,123,228)	(327,657,532)
Payments on acquisition of property and equipment	(1,201,992)	(899,788)
Deposits paid for acquisition of property and equipment	(420,837)	—
Capital contribution to interest in an associate	(100,200)	—
Net cash inflow arising on acquisitions of subsidiaries	6,459	258,103
Net cash outflow arising on disposals of subsidiaries	—	(1,846,235)
NET CASH USED IN INVESTING ACTIVITIES	(1,301,394)	(16,489,908)
FINANCING ACTIVITIES		
Proceeds from capital contribution by equity shareholders	—	2,400,000
Capital contribution by non-controlling interests	120,315	176,368
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	470,000	330,842
Government grants received	57,848	116,091
Proceeds from issue of new debt securities	37,255,387	13,198,890
Repayment of debt securities issued	(23,320,000)	(6,600,000)
Interest paid on debts securities issued	(104,120)	(140,986)
Dividends paid	(883,440)	(414,552)
Dividends paid to non-controlling interests	(91,284)	(106,975)
NET CASH FROM FINANCING ACTIVITIES	13,504,706	8,959,678
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,421,045	14,941,830
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	34,873,412	19,931,582
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 48)	44,294,457	34,873,412
Interest received	8,425,005	5,943,661
Interest paid (excluding interest expense on debts securities issued)	(3,497,746)	(2,239,022)

1. GENERAL

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on 16 December 2008 with approval of the China Banking Regulatory Commission (the "CBRC") (YinFu 2008 No.320) on 15 December 2008.

The Bank obtained its finance permit No. B1001H222010001 from the CBRC Jilin Bureau. The Bank obtained its business license (Unified Social Credit Code:.912200001243547911) from Jilin Administration of Industry and Commerce. The legal representative is Gao Bing and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, the People's Republic of China (the "PRC").

As at 31 December 2016, the Bank has established 3 branches and 54 sub-branches. The Bank has 37 subsidiaries. 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.

On 12 January 2017, the Bank's H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 6122).

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Bank and its subsidiaries.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has consistently adopted all of the new and revised International Accounting Standards ("IASs"), IFRSs' amendments and the related interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") which are effective for the Group's financial year beginning on 1 January 2016.

The Group has not early applied the following new and revised IFRSs, amendments and interpretations that have been issued but are not yet effective.

IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarification of Revenue from Contracts with Customers[1]
Amendments to IFRSs	Annual improvements to IFRSs 2014–2016 Cycles[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2017.

3 Effective for annual periods beginning on or after 1 January 2019.

4 Effective date not yet been determined.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 (2014) Financial instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) that are relevant to the Group are:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. All of the above represent new requirements for classification and measurement for financial assets under IFRS 9 (2014) that will change the way the Group classifies and measures its financial assets in 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables' and 'available-for-sale financial assets' under the existing IAS 39.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 (2014) Financial instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 (2014) Financial instruments (Continued)

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Bank is analysing its business models, loans and other financial instruments' contract terms and changes to its existing credit exposures to assess the potential impact on its consolidated financial statements resulting from the adopting of IFRS 9. Given the nature of the Group's operations, it is expected to have an impact on the classification of financial instruments as well as the calculation, amount and timing of its allowances for impairment losses for financial assets. Implementation of IFRS 9 will also have an impact on the risk management organisation, process and key functions, budgeting and performance review, as well as Information Technology ("IT") systems.

The directors of the Bank is starting to carry out an assessment of the need for any system modification related to the expected credit loss model, updating financial instruments impairment policies and procedures as well as launching relevant staff training. The Bank has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Bank's operating results and financial position has not yet been quantified.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 15 Revenue from contracts with customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

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

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Bank assess that adopting IFRS 15 would not have a material impact to the Group's consolidated financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 16 Leases

IFRS 16 Leases was issued by International Accounting Standards Board (the "IASB") in January 2016. It will be effective for annual periods beginning on or after 1 January 2019 and will supersede IAS 17 Leases. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measure of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately RMB870,004,000, set out in Note 54 (b). However, the Group is in process to assess to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases. The directors of the Bank do not expect the adopting of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities under IFRS 16.

The Group expects that, as a lessor, there will be no significant impact on the consolidated financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendment to IAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to IAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Bank anticipate that the application of amendments to IAS 7 would result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Bank and entities controlled by the Bank (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration that is within the scope of IAS 39 is measured at fair value at each reporting date, and changes in fair value are recognised in profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date and changes in fair value are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. During the measurement period (see above), the provisional amounts recognised at the acquisition date are adjusted retrospectively or additional assets or liabilities are recognised as of that date, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

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 People's Bank of China (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 a rate 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 recognised 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 recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognised in capital reserve.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generatingunits (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its -carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the net gains/(losses) arising from investment securities line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in Note 52.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method, less any identifies impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are stated at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses are recognised in profit or loss.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- disappearance of an active market for financial assets because of financial difficulties.

Loans and receivables

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

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 recognised 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 collateralised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

Homogeneous groups of loans not considered individually significant

For homogeneous groups of loans that are not considered individually significant, the Group adopts a loan mitigation rate methodology to collectively assess impairment losses. This methodology utilises 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 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 judgement 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

Individually assessed loans with no objective evidence of impairment on an individual basis (Continued)

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 recognised 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.

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 recognised, 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 amortised cost at the date of the reversal had the impairment not been recognised.

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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

Individually assessed loans with no objective evidence of impairment on an individual basis (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investments revaluation reserve is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Fair value measurement (Continued)

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

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 consolidated statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated 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 amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

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 consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Property and equipment including buildings and leasehold improvement for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	3%	20 years
Leasehold improvement	0%	Over the shorter of the economic useful lives and remaining lease terms
Office equipment	3%	3–10 years
Motor vehicles	3%	4 years

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over their authorised useful lives.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as, a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Employee benefits

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions to retirement benefits scheme

The Group participates in Central Provident Fund ("CPF") Scheme for its employees in the PRC organised by the municipal governments of the relevant provinces. The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- Interest income for financial assets is recognised 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 amortisation 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 amortised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- Fee and commission income is recognised in profit or loss when the corresponding service is provided.

- Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

- Other income is recognised on an accrual basis.

Expenses recognition

Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

Other expenses

Other expenses are recognised on an accrual basis.

Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group include, but are not limited to:

(a) the Bank's subsidiaries;

(b) investors that exercise significant influence over the Group;

(c) key management personnel of the Group and close family members of such individuals;

(d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement in applying accounting policies (Continued)

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.

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 recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, 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 recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement in applying accounting policies (Continued)

Determination of control over investees

Management applies its judgement to determine whether the control indicators 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 investment products. 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 investment products in which the Group has an interest or for which it is a sponsor, see Note 46.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses of loans and advances to customers, held-to-maturity investments 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 to customers, held-to-maturity investments 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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment losses of loans and advances to customers, held-to-maturity investments and debt securities classified as receivables (Continued)

As at 31 December 2016, the carrying amount of loans and advances to customers, held-to-maturity investments and debt securities classified as receivables were approximately RMB60,286,350,000, RMB2,184,607,000 and RMB10,767,773,000 respectively (2015: approximately RMB46,477,430,000, RMB1,376,071,000, and RMB12,487,546,000 respectively), net of accumulated impairment loss amounted approximately RMB1,814,413,000, Nil and RMB11,800,000 respectively (2015: approximately RMB1,404,266,000, Nil and RMB19,339,000 respectively).

Impairment losses of available-for-sale investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale 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.

As at 31 December 2016, the carrying amount of available-for-sale investments were approximately RMB12,002,670,000 (2015: approximately RMB9,047,852,000). No accumulated impairment losses were recognised for the year ended 31 December 2016 and 2015.

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 and discounted cash flow analysis. 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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of non-financial assets

Non-financial assets (i.e., property and equipment, repossessed assets, long-term deferred expenses and land use rights) 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.

As at 31 December 2016, the carrying amount of non-financial assets were approximately RMB3,785,229,000 (2015: approximately RMB2,706,723,000), net of accumulated impairment losses amounted approximately RMB103,347,000 (2015: approximately RMB99,372,000).

Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised 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 amortisation 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 amortisation, the amount of depreciation or amortisation will be revised.

As at 31 December 2016, the carrying amount of property and equipment were approximately RMB3,289,595,000 (2015: approximately RMB2,348,776,000).

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2016, the carrying amount of goodwill is approximately RMB1,173,756,000 (2015: approximately RMB1,170,404,000). Details of the recoverable amount calculation are disclosed in Note 29.

Impairment of interests in associates

In determining whether the interests in associates are impaired, the directors of the Bank assesses the recoverable amount of the interests in associates which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interests in associates exceeds its recoverable amount. In determining the recoverable amount of the interests in associates, the directors of the Bank require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value in use of the interests in associates.

As at 31 December 2016, the carrying amount of interests in associates was approximately RMB231,971,000 (2015: approximately RMB121,979,000). No accumulated impairment losses were recognised for the year ended 31 December 2016 and 2015.

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) Business tax

Business tax is charged at 3%–5% on taxable income.

(b) Urban maintenance and construction tax

Urban maintenance and construction tax is calculated as 5%–7% of business tax and value added tax.

(c) Education surcharge

Education surcharge is calculated as 3% of business tax and value added tax.

(d) Local education surcharge

Local education surcharge is calculated as 2% of business tax and value added tax.

(e) Income tax

The income tax is calculated on taxable income. The statutory income tax rate is 15%–25%.

(f) Value added tax

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from May 1, 2016. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

6 NET INTEREST INCOME

	2016 RMB'000	2015 RMB'000
Interest income arising from		
— Deposits with the central bank	**191,506**	144,844
— Deposits with banks and other financial institutions	**1,135,177**	533,654
— Placements with banks and other financial institutions	**37,321**	41,887
— Financial assets at fair value through profit or loss	**625,592**	251,099
— Loans and advances to customers:		
Corporate loans and advances	**2,919,279**	2,205,396
Personal loans and advances	**1,107,409**	991,987
Discounted bills	**28,840**	403,297
— Financial assets held under resale agreements	**415,206**	542,489
— Available-for-sale financial assets	**964,252**	249,458
— Held-to-maturity investments	**68,103**	37,711
— Debt securities classified as receivables	**994,930**	678,822
	8,487,615	6,080,644
Less: Interest expenses arising from		
— Borrowings from the central bank	**(10,759)**	(7,934)
— Deposits from banks and other financial institutions	**(297,616)**	(290,270)
— Placements from banks and other financial institutions	**(30,494)**	(13,676)
— Deposits from customers:		
Corporate customers	**(1,335,774)**	(637,128)
Individual customers	**(1,128,566)**	(945,653)
— Financial assets sold under repurchase agreements	**(660,634)**	(586,804)
— Debts securities issued	**(490,433)**	(226,900)
	(3,954,276)	(2,708,365)
	4,533,339	3,372,279

7 NET FEE AND COMMISSION INCOME

	2016 RMB'000	2015 RMB'000
Fee and commission income		
— Advisory fees	**418,723**	137,056
— Settlement and clearing fees	**39,970**	26,412
— Wealth management service fees	**198,838**	7,590
— Agency service fees	**61,790**	17,889
— Syndicated loan service fees	**43,490**	30,432
— Bank card service fees	**6,115**	5,104
— Others	**12,701**	17,243
	781,627	241,726
Fee and commission expense		
— Settlement and clearing fees	**(26,875)**	(12,165)
— Others	**(6,986)**	(6,864)
	(33,861)	(19,029)
	747,766	222,697

8 NET TRADING GAINS

	2016 RMB'000	2015 RMB'000
Trading financial instruments		
— Debt securities	**(17,836)**	38,038
— Financial instruments designated at fair value through profit or loss	**145,511**	93,888
	127,675	131,926

9 NET GAINS ARISING FROM INVESTMENT SECURITIES

	2016 RMB'000	2015 RMB'000
Net gains on disposal of available-for-sale financial assets	**142,160**	192,923
Net gains on disposal of debt securities classified as receivables	**281,158**	152,275
Net revaluation losses reclassified from other comprehensive income on disposal	**(35,604)**	(698)
	387,714	344,500

10 OTHER OPERATING INCOME

	2016 RMB'000	2015 RMB'000
Government grants (Note)	**57,848**	116,091
Gain on disposal of property and equipment	**1,659**	2,987
Others operating expenses	**(17,677)**	(11,091)
	41,830	107,987

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

11 OPERATING EXPENSES

	2016 RMB'000	2015 RMB'000
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	**1,143,163**	808,998
— Staff welfares	**82,588**	63,794
— Social insurance	**235,396**	175,379
— Housing allowances	**61,857**	49,230
— Labour union and staff education expenses	**30,500**	21,987
	1,553,504	1,119,388
Premises and equipment expenses		
— Depreciation of property and equipment	**243,086**	176,605
— Amortisation of long-term deferred expenses	**26,404**	51,136
— Amortisation of land use rights	**1,163**	605
— Rental and property management expenses	**166,457**	107,689
	437,110	336,035
Business tax and surcharges	**130,434**	185,964
Other general and administrative expenses (Note)	**487,040**	402,686
	2,608,088	2,044,073

Note: Auditor's remuneration for the year ended 31 December 2016 was RMB4,662,000 (2015: RMB3,050,000).

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 31 (2015: 24) directors, the chief executive and supervisors were as follows:

For the year ended 31 December 2016

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing	–	485	702	1,950	3,137
Fan Guobao (1)	–	186	26	–	212
Yuan Chunyu	–	328	390	1,170	1,888
Liang Xiangmin (2)	–	220	289	1,170	1,679
Non-executive directors					
Wu Shujun	–	–	–	–	–
Zhang Xinyou	–	–	–	–	–
Zhao Xiaoguang (3)	–	–	–	–	–
Guo Yan	–	–	–	–	–
Zhang Yusheng	–	–	–	–	–
Gao Xijun (4)	–	–	–	–	–
Wang Baocheng (5)	–	–	–	–	–
Independent non-executive directors					
Xie Di (6)	100	–	–	–	100
Fu Qiong	100	–	–	–	100
Jin Shuo (7)	67	–	–	–	67
Li Beiwei (8)	67	–	–	–	67
Wan Chi Wai Anthony (9)	60	–	–	–	60
Yang Jinguan (10)	67	–	–	–	67
Chung Wing Yin (11)	100	–	–	–	100

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 31 (2015: 24) directors, the chief executive and supervisors were as follows: (Continued)

For the year ended 31 December 2016 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Supervisors					
Luo Hui	–	409	479	1,235	2,123
Wang Enjiu	–	444	88	–	532
Zhou Jianquan (12)	–	99	24	–	123
Duan Baojun (13)	–	92	26	–	118
Liu Xiangjun	–	89	27	29	145
External supervisors					
Chen Guangli (14)	–	–	–	–	–
Wang Baocheng (5)	–	–	–	–	–
Wang Liying (15)	21	–	–	–	21
Jiang Hong (16)	–	–	–	–	–
Gao Pengcheng (17)	46	–	–	–	46
Wang Zhi (18)	46	–	–	–	46
Zhang Ruibin (19)	46	–	–	–	46
Fan Shuguang (20)	25	–	–	–	25
	745	2,352	2,051	5,554	10,702

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2015

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing	–	481	561	1,950	2,992
Fan Guobao	–	350	73	58	481
Yuan Chunyu	–	167	219	1,170	1,556
Non-executive directors					
Wu Shujun	–	–	–	–	–
Qiu Rongsheng (21)	–	–	–	–	–
Zhang Xinyou	–	–	–	–	–
Wang Zhishan (22)	–	–	–	–	–
Zhao Zhenyi (23)	–	–	–	–	–
Zhao Xiaoguang	–	–	–	–	–
Guo Yan (24)	–	–	–	–	–
Zhang Yusheng (25)	–	–	–	–	–
Gao Xijun (26)	–	–	–	–	–
Independent non-executive directors					
Jia Dongming (27)	100	–	–	–	100
Li Junjiang (28)	100	–	–	–	100
Xie Di (29)	–	–	–	–	–
Fu Qiong (30)	–	–	–	–	–
Supervisors					
Luo Hui	–	405	331	1,235	1,971
Wang Enjiu	–	444	90	–	534
Zhou Jianquan	–	181	37	27	245
Duan Baojun	–	196	37	13	246
Liu Xiangjun (31)	–	–	–	–	–
External supervisors					
Chen Guangli	–	–	–	–	–
Wang Baocheng	–	–	–	–	–
Jiang Hong	–	–	–	–	–
	200	2,224	1,348	4,453	8,225

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Note: Discretionary bonuses are paid depending on staff grading, individual performance and the profitability of the Group.

(1) Fan Guobao resigned as executive director on 13 April 2016.

(2) Liang Xiangmin was appointed as executive director on 21 April 2016.

(3) Zhao Xiaoguang resigned as non-executive director on 13 April 2016.

(4) Gao Xijun resigned as non-executive director on 13 April 2016.

(5) Wang Baocheng resigned as external supervisor on 17 January 2016 and was appointed as non-executive director on 21 April 2016.

(6) Xie Di resigned as independent non-executive director on 15 April 2016.

(7) Jin Shuo was appointed as independent non-executive director on 21 April 2016 and resigned on 19 January 2017.

(8) Li Beiwei was appointed as independent non-executive director on 21 April 2016.

(9) Wan Chi Wai Anthony was appointed as independent non-executive director on 21 April 2016 and resigned on 21 July 2016

(10) Yang Jinguan was appointed as independent non-executive director on 26 April 2016.

(11) Chung Wing Yin was appointed as independent non-executive director on 21 July 2016.

(12) Zhou Jianquan resigned as supervisor on 17 January 2016.

(13) Duan Baojun resigned as supervisor on 17 January 2016.

(14) Chen Guangli resigned as external supervisor on 17 January 2016.

(15) Wang Liying was appointed as external supervisor on 17 January 2016 and resigned on 19 June 2016.

(16) Jiang Hong resigned as external supervisor on 17 January 2016.

(17) Gao Pengcheng was appointed as external supervisor on 17 January 2016.

(18) Wang Zhi was appointed as external supervisor on 17 January 2016.

(19) Zhang Ruibin was appointed as external supervisor on 17 January 2016.

(20) Fan Shuguang was appointed as external supervisor on 19 June 2016.

(21) Qiu Rongsheng resigned as non-executive director on 2 April 2015.

(22) Wang Zhishan resigned as non-executive director on 2 April 2015.

(23) Zhao Zhenyi resigned as non-executive director on 2 April 2015.

(24) Guo Yan was appointed as non-executive director on 2 April 2015.

(25) Zhang Yusheng was appointed as non-executive director on 2 April 2015.

(26) Gao Xijun was appointed as non-executive director on 2 April 2015.

(27) Jia Dongming resigned as independent non-executive director on 2 April 2015.

(28) Li Junjiang resigned as independent non-executive director on 2 April 2015.

(29) Xie Di was appointed as independent non-executive director on 2 April 2015

(30) Fu Qiong was appointed as independent non-executive director on 2 April 2015.

(31) Liu Xiangjun was appointed as supervisor on 12 December 2015.

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Mr. Gao Bing is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2016 and 2015. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2016 and 2015.

13 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2015: one) was director whose emoluments are disclosed in Note 12 above. The emoluments of remaining four (2015: four) individuals were as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	9,708	14,948
Retirement benefits scheme contributions	2,133	935
Discretionary bonuses	1,357	149
	13,198	16,032

Their emoluments were within the following bands:

	2016 No. of employees	2015 No. of employees
RMB2,000,001–2,500,000	1	—
RMB2,500,001–3,000,000	1	—
RMB3,000,001–3,500,000	—	2
RMB3,500,001–4,000,000	1	—
RMB4,000,001–4,500,000	—	1
RMB4,500,001–5,000,000	1	—
RMB5,000,001–5,500,000	—	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 years ended 31 December 2016 and 2015.

14 IMPAIRMENT LOSSES ON ASSETS

	2016 RMB'000	2015 RMB'000
Loans and advances to customers		
Charge for the year	**446,772**	418,344
Reverse for the year	**(67,677)**	(91,397)
	379,095	326,947
Debt securities classified as receivables		
Charge for the year	**—**	19,339
Reverse for the year	**(7,539)**	—
	(7,539)	19,339
Other receivables and repossessed assets	**11,262**	3,819
	382,818	350,105

15 INCOME TAX EXPENSE

(a) Income tax:

	2016 RMB'000	2015 RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	720,495	577,427
Under/(over) provision in prior years:		
— Mainland China Enterprise Income Tax	241	(6,185)
Deferred tax (Note 30)		
— Current year	(63,560)	(101,780)
— Attributable to change in tax rate	—	4,251
	(63,560)	(97,529)
	657,176	473,713

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the years ended 31 December 2016 and 2015, certain branches with operations in a subsidiary, Changbai Mountain Rural Commercial Bank Co., Ltd. ("長白山農村商業銀行股份有限公司", "Changbai Mountain Rural Commercial Bank") obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

15 INCOME TAX EXPENSE (Continued)

(b) The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	2,973,071	1,875,942
Tax at domestic income tax rate of 25%	743,267	468,985
Tax effect of share of profit of associates	(2,448)	(542)
Tax effect of expenses not deductible for tax purpose (Notes i)	7,801	53,971
Tax effect of income that are not taxable for tax purpose (Notes ii)	(82,712)	(37,916)
Under/(over) provision in respect of prior years	241	(6,185)
Decrease in opening deferred tax assets resulting from an decrease in applicable tax rate	–	4,251
Income tax on concessionary rate	(8,973)	(8,851)
Income tax expense	657,176	473,713

Notes:

(i) Expenses not deductible for tax purpose consists of a portion of expenditure, such as entertainment expense and donations, which exceed the tax deduction limits in accordance with Mainland China tax regulation.

(ii) Income not taxable for tax purpose consists of interest income from the Mainland China government bonds and income from equity investment between qualified resident enterprises such as dividends and bonuses, which are exempted from income tax under the Mainland China tax regulation.

Details of the deferred taxation are set out in Note 30.

16 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	2016 RMB'000	2015 RMB'000
Profit for the year attributable to owners of the Bank (RMB'000)	**1,886,796**	1,215,821
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	**3,294,797**	2,944,800

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2016 and 2015.

17 CASH AND DEPOSITS WITH THE CENTRAL BANK

	2016 RMB'000	2015 RMB'000
Cash on hand	**781,908**	741,588
Deposits with the central bank		
— Statutory deposit reserves (Notes a)	**12,770,512**	9,320,854
— Surplus deposit reserves (Notes b)	**19,365,026**	9,202,248
— Fiscal deposits	**66,265**	68,906
	32,201,803	18,592,008
	32,983,711	19,333,596

17 CASH AND DEPOSITS WITH THE CENTRAL BANK (Continued)

Notes:

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. At 31 December 2016 and 2015, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2016	2015
Reserve ratio for RMB deposits	14.5%	11.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are restricted balances with central bank and are not available for the Bank'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 cash settlement and other kinds of unrestricted deposits.

18 DEPOSITS WITH BANK AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2016 RMB'000	2015 RMB'000
Deposits in Mainland China		
— Banks	37,703,378	18,637,168
— Other financial institutions	1,604	1,904
	37,704,982	18,639,072
Deposits outside Mainland China		
— Banks	28,826	1,081
	37,733,808	18,640,153

19 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2016 RMB'000	2015 RMB'000
Placements in Mainland China		
— Banks	–	250,000
— Other financial institutions	–	140,000
	–	390,000

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2016 RMB'000	2015 RMB'000
In Mainland China		
— Banks	3,983,223	9,539,674
— Other financial institutions	11,247,881	7,757,768
	15,231,104	17,297,442

(b) Analysed by type of security held

	2016 RMB'000	2015 RMB'000
Debt securities		
— Government	7,313,172	3,484,941
— Banks and other financial institutions	6,068,358	12,248,112
— Corporations	1,849,574	1,564,389
	15,231,104	17,297,442

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 RMB'000	2015 RMB'000
Debt securities held for trading (Notes a)	287,632	3,857,844
Financial assets designated at FVTPL (Notes b)	13,509,917	8,243,686
	13,797,549	12,101,530

Notes:

(a) Debt securities held for trading

	2016 RMB'000	2015 RMB'000
Issued by institutions in Mainland China		
— Government	–	279,519
— Banks and other financial institutions	178,982	2,324,023
— Corporations	108,650	1,254,302
	287,632	3,857,844
Analysed as:		
Listed outside Hong Kong	287,632	3,857,844

As at 31 December 2016 and 2015, no debt securities held for trading were subject to material restrictions on the realisation.

As at the end of each of the year, part of the debt securities held for trading was pledged for repurchase agreements. Details are disclosed in Note 32(a).

All debt securities held for trading are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

(b) Financial assets designated at FVTPL

Financial assets designated at FVTPL represented investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers.

22 INTERESTS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Interests receivable arising from:		
— Investments	**205,144**	201,588
— Loans and advances to customers	**67,841**	58,313
— Financial assets held under resale agreements	**22,617**	17,415
— Deposits and placements with banks and other financial institutions	**83,619**	39,295
	379,221	316,611

23 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2016 RMB'000	2015 RMB'000
Gross loans and advances to customers		
Corporate loans and advances	**45,304,455**	32,610,795
Personal loans and advances		
— Personal business loans	**11,748,352**	10,793,449
— Personal consumption loans	**2,884,438**	2,169,153
— Residential and commercial mortgage loans	**2,153,469**	1,375,660
	16,786,259	14,338,262
Discounted bills	**10,049**	932,639
	62,100,763	47,881,696
Less: Provision for impairment losses		
— Individually assessed	**(295,736)**	(230,286)
— Collectively assessed	**(1,518,677)**	(1,173,980)
	(1,814,413)	(1,404,266)
	60,286,350	46,477,430

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At 31 December 2016		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
— Wholesale and retail	10,204,630	16.43%	5,342,384
— Manufacturing	8,430,652	13.58%	3,510,672
— Construction	5,408,795	8.71%	2,507,403
— Real estate	4,743,520	7.64%	2,710,020
— Agriculture, forestry, animal husbandry and fishery	3,820,871	6.15%	1,596,234
— Leasing and business services	2,851,984	4.59%	945,619
— Transportation, storage and postal services	2,231,663	3.59%	507,829
— Electricity, gas and water production and supply	1,951,706	3.14%	452,626
— Education	1,069,700	1.72%	342,500
— Accommodation and catering	920,381	1.49%	732,281
— Resident and other services	776,760	1.25%	369,890
— Health and social services	660,540	1.06%	141,300
— Information transmission, computer services and software	638,577	1.03%	175,530
— Water, environment and public facility management	326,090	0.53%	96,400
— Public administration, social security and social organisations	297,450	0.48%	–
— Scientific research, technical services and geological prospecting	294,100	0.47%	171,100
— Mining	254,421	0.41%	9,530
— Finance	244,500	0.39%	18,000
— Cultural, sports and entertainment	178,115	0.29%	72,415
	45,304,455	72.95%	19,701,733
Personal loans and advances	16,786,259	27.03%	8,773,389
Discounted bills	10,049	0.02%	–
	62,100,763	100.00%	28,475,122
Less: Provision for impairment losses			
— Individually assessed	(295,736)		
— Collectively assessed	(1,518,677)		
	(1,814,413)		
	60,286,350		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

	At 31 December 2015		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
— Wholesale and retail	7,136,856	14.91%	4,653,686
— Manufacturing	6,369,072	13.30%	3,305,379
— Construction	4,022,928	8.40%	2,115,858
— Real estate	2,962,451	6.19%	2,066,091
— Leasing and business services	2,388,310	4.99%	608,858
— Agriculture, forestry, animal husbandry and fishery	2,316,808	4.84%	1,104,240
— Transportation, storage and postal services	1,977,709	4.13%	759,619
— Electricity, gas and water production and supply	1,318,260	2.75%	438,360
— Information transmission, computer services and software	935,372	1.95%	166,500
— Education	644,450	1.35%	39,500
— Resident and other services	622,408	1.30%	283,090
— Accommodation and catering	413,826	0.86%	347,916
— Health and social services	412,444	0.86%	129,003
— Water, environment and public facility management	392,800	0.82%	99,900
— Scientific research, technical services and geological prospecting	321,890	0.67%	235,770
— Mining	159,761	0.33%	9,170
— Cultural, sports and entertainment	132,000	0.28%	40,000
— Finance	77,800	0.16%	18,000
— Public administration, social security and social organisations	5,650	0.01%	—
	32,610,795	68.10%	16,420,940
Personal loans and advances	14,338,262	29.95%	6,911,726
Discounted bills	932,639	1.95%	—
	47,881,696	100.00%	23,332,666
Less: Provision for impairment losses			
— Individually assessed	(230,286)		
— Collectively assessed	(1,173,980)		
	(1,404,266)		
	46,477,430		

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at 31 December 2016 and 2015, 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:

	At 31 December 2016				
	Impaired loans and advances RMB'000	Individually assessed provision for impairment losses RMB'000	Collectively assessed provision for impairment losses RMB'000	Impairment charged during the year RMB'000	Written-off during the year RMB'000
— Wholesale and retail	**107,286**	**57,064**	**214,344**	**89,836**	**—**
— Manufacturing	**191,409**	**105,965**	**181,497**	**46,258**	**473**

	At 31 December 2015				
	Impaired loans and advances RMB'000	Individually assessed provision for impairment losses RMB'000	Collectively assessed provision for impairment losses RMB'000	Impairment charged during the year RMB'000	Written-off during the year RMB'000
— Wholesale and retail	69,144	37,083	144,491	75,038	—
— Manufacturing	165,787	98,504	142,699	159,420	142

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	2016 RMB'000	2015 RMB'000
Gross loans and advances to customers		
Unsecured loans	1,423,863	917,886
Guaranteed loans	21,932,170	15,504,818
Collateralised loans	28,475,122	23,332,666
Pledged loans	10,269,608	8,126,326
	62,100,763	47,881,696
Less: Provision for impairment losses		
— Individually assessed	(295,736)	(230,286)
— Collectively assessed	(1,518,677)	(1,173,980)
	(1,814,413)	(1,404,266)
	60,286,350	46,477,430

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analysed by overdue period

	At 31 December 2016				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	6,412	2,135	10,736	42,350	61,633
Guaranteed loans	174,067	89,154	58,119	83,971	405,311
Collateralised loans	436,202	301,789	424,928	159,461	1,322,380
Pledged loans	229,317	71,548	106,551	55,345	462,761
	845,998	464,626	600,334	341,127	2,252,085
As a percentage of gross loans and advances to customers	1.36%	0.75%	0.97%	0.55%	3.63%

	At 31 December 2015				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	18,536	2,566	31,082	25,125	77,309
Guaranteed loans	579,427	65,792	122,505	45,230	812,954
Collateralised loans	225,545	259,930	184,535	105,265	775,275
Pledged loans	259,737	100,511	113,302	25,838	499,388
	1,083,245	428,799	451,424	201,458	2,164,926
As a percentage of gross loans and advances to customers	2.26%	0.90%	0.94%	0.42%	4.52%

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

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	At 31 December 2016					
	Loans and advances for which provision are collectively assessed (Notes (i)) RMB'000	Impaired loans and advances (Notes (ii)) For which provision are collectively assessed RMB'000	For which provision are individually assessed RMB'000	Subtotal	Total RMB'000	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	61,222,394	305,251	573,118	878,369	62,100,763	1.41%
Less: Provision for impairment losses	(1,347,525)	(171,152)	(295,736)	(466,888)	(1,814,413)	
	59,874,869	134,099	277,382	411,481	60,286,350	

	At 31 December 2015					
	Loans and advances for which provision are collectively assessed (Notes (i)) RMB'000	Impaired loans and advances (Notes (ii)) For which provision are collectively assessed RMB'000	For which provision are individually assessed RMB'000	Subtotal	Total RMB'000	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	47,202,863	276,369	402,464	678,833	47,881,696	1.42%
Less: Provision for impairment losses	(1,016,640)	(157,340)	(230,286)	(387,626)	(1,404,266)	
	46,186,223	119,029	172,178	291,207	46,477,430	

Notes:

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

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

(iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 51.

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

	Year ended 31 December 2016		
	Provision for loans and advances which are collectively assessed RMB'000	Provision for impaired loans and advances which are individually assessed RMB'000	Total RMB'000
At 1 January,	1,173,980	230,286	1,404,266
Impairment losses recognised			
Charge for the year	361,526	85,246	446,772
Reverse for the year	(45,967)	(21,710)	(67,677)
	315,559	63,536	379,095
Recoveries of loans and advances previously written off	42,146	1,716	43,862
Amounts written off as uncollectible	(15,716)	(472)	(16,188)
Acquisition of subsidiaries	2,708	670	3,378
At 31 December,	1,518,677	295,736	1,814,413

	Year ended 31 December 2015		
	Provision for loans and advances which are collectively assessed RMB'000	Provision for impaired loans and advances which are individually assessed RMB'000	Total RMB'000
At 1 January,	889,249	65,216	954,465
Impairment losses recognised			
Charge for the year	247,246	171,098	418,344
Reverse for the year	(67,989)	(23,408)	(91,397)
	179,257	147,690	326,947
Recoveries of loans and advances previously written off	73,082	1,285	74,367
Amounts written off as uncollectible	(35,894)	(3,270)	(39,164)
Acquisition of subsidiaries	68,286	19,365	87,651
At 31 December,	1,173,980	230,286	1,404,266

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analysed by geographical sector

	At 31 December 2016		
	Gross loan balance RMB'000	Percentage	Loan and advances secured by collaterals RMB'000
Jilin Region	**54,806,357**	**88.25%**	**24,950,442**
Mainland China excluding Jilin Region	**7,294,406**	**11.75%**	**3,524,680**
	62,100,763	**100.00%**	**28,475,122**

	At 31 December 2015		
	Gross loan balance RMB'000	Percentage	Loan and advances secured by collaterals RMB'000
Jilin Region	42,152,416	88.03%	20,560,495
Mainland China excluding Jilin Region	5,729,280	11.97%	2,772,171
	47,881,696	100.00%	23,332,666

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Available-for-sale debt investments (Notes a)	**10,807,620**	8,006,942
Available-for-sale equity investments (Notes b)	**1,195,050**	1,040,910
	12,002,670	9,047,852
Analysed as:		
Listed outside Hong Kong	**4,735,250**	3,887,479
Unlisted outside Hong Kong	**7,267,420**	5,160,373
	12,002,670	9,047,852

Notes:

(a) Available-for-sale debt investments

	2016 RMB'000	2015 RMB'000
Debt securities issued by the following institutions in Mainland China		
— Government	**2,245,907**	1,436,275
— Banks and other financial institutions	**1,990,148**	2,451,204
— Corporations	**499,195**	—
	4,735,250	3,887,479
Trust fund plans	**250,000**	602,404
Asset management plans	**2,958,540**	1,755,467
Wealth management products issued by other financial institutions	**2,863,830**	1,761,592
	10,827,620	8,006,942

All available-for-sale debt investments were stated at fair value.

All available-for-sale debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

As at the end of each of the year, part of the available-for-sale financial assets was pledged for repurchase agreements. Details are disclosed in Note 32 (a).

(b) Available-for-sale equity investments

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

25 HELD-TO-MATURITY INVESTMENTS

Analysed by type and location of issuers:

	2016 RMB'000	2015 RMB'000
Carrying value		
Debt securities issued by the following institutions in Mainland China		
— Government	1,616,028	1,376,071
— Banks and other financial institutions	568,579	—
	2,184,607	1,376,071
Analysed as:		
Listed outside Hong Kong	2,184,607	1,376,071
Fair value	2,169,443	1,400,280

(a) All held-to-maturity investments are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

(b) At 31 December 2016 and 2015, part of the held-to-maturity investments were pledged as security for repurchase agreement (Note 32(a)).

26 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trust plans (Note)	**2,650,000**	1,410,000
Asset management plans	**6,297,573**	9,465,885
Wealth management products issued by other financial institutions	**1,832,000**	61,000
Beneficiary certificates issued by securities companies	**—**	1,570,000
	10,779,573	12,506,885
Less: Provision for impairment losses	**(11,800)**	(19,339)
	10,767,773	12,487,546
Analysed as:		
Unlisted outside Hong Kong	**10,767,773**	12,487,546

The carrying values of debt securities classified as receivables were approximate to their fair values.

Note: As at 31 December 2016, there was an amount of approximately RMB750,000,000 classified as trust plans investments (the "Trust Plans Investment"), in which the underlying assets were receivables from a subsidiary of a company listed on the main board of the Stock Exchange whose share price had a substantial decrease subsequent to the reporting period.

The directors of the Bank considered no impairment of the Trust Plans Investment as of 31 December 2016, after taken in account of the net realisable values of collaterals and various other available facts and circumstances as of the date on which the consolidated financial statements are being approved by the directors.

26 DEBT SECURITIES CLASSIFIED AS RECEIVABLES (Continued)

Movements of allowance for impairment losses

	Year ended 31 December 2016	
	Collective assessed allowance RMB'000	Total RMB'000
At 1 January	**19,339**	**19,339**
Impairment losses reversed	**(7,539)**	**(7,539)**
At 31 December	**11,800**	**11,800**

	Year ended 31 December 2015	
	Collective assessed allowance RMB'000	Total RMB'000
At 1 January	—	—
Impairment losses recognised	19,339	19,339
At 31 December	19,339	19,339

27 INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Costs of investments in associates, unlisted	220,012	119,812
Share of post-acquisition profits and other comprehensive income	11,959	2,167
	231,971	121,979

During the year ended 31 December 2016, the Bank made additional investment of RMB100,200,000 to an associate to maintain its proportion of ownership interest in the associates.

As at 31 December 2016 and 2015, the Group had interests in the following associates:

Name of the bank	Form of entity	Country of incorporation/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				2016	2015	2016	2015	
Dongfang Huifeng Village Bank Co., Ltd* ("東方惠豐村鎮銀行股份有限公司") (1)	Incorporated	PRC	Ordinary	20%	20%	20%	20%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd ("海口聯合農村商業銀行股份有限公司", "Haikou United Rural Commercial Bank") (1)	Incorporated	PRC	Ordinary	20%	20%	24%	24%	Corporate and retail bank

(1) These associates are directly held by the Bank.

* The English translation is for identification only.

27 INTERESTS IN ASSOCIATES (Continued)

On January 8, 2015, four of the shareholders who hold 27.91% of ownership and voting power of Haikou United Rural Commercial Bank terminated the act in concert contract. Hence, the Group loss control over this bank and this bank was deemed to be an associate of the Group.

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	2016 **RMB'000**	2015 RMB'000
The Group's share of profit and comprehensive income for the year for all immaterial associates	**9,792**	2,167

	2016 **RMB'000**	2015 RMB'000
Carrying amount of the Group's interests in these associates	**231,971**	121,979

28 PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2015	772,885	281,289	337,235	604,879	21,050	2,017,338
Additions	60,043	99,116	94,722	643,513	2,394	899,788
Transfers in/(out) of construction in progress	459,631	30,437	16,293	(506,361)	—	—
Transfer out to land use rights	—	—	—	(3,730)	—	(3,730)
Acquired on acquisitions of subsidiaries	57,466	2,087	14,965	53,953	154	128,625
Derecognised on disposals of subsidiaries	(119,168)	(5,713)	(46,357)	(48,313)	(2,764)	(222,315)
Disposals	(12,830)	(1,417)	(12,294)	—	(6,027)	(32,568)
At 31 December 2015	**1,218,027**	**405,799**	**404,564**	**743,941**	**14,807**	**2,787,138**
Additions	**17,211**	**84,529**	**146,924**	**952,903**	**425**	**1,201,992**
Transfers in/(out) of construction in progress	**657,494**	**5,682**	**37,487**	**(700,663)**	**—**	**—**
Acquired on acquisitions of subsidiaries	**—**	**161**	**139**	**—**	**437**	**737**
Disposals	**(17,789)**	**(3,401)**	**(7,025)**	**—**	**(711)**	**(28,926)**
At 31 December 2016	**1,874,943**	**492,770**	**582,089**	**996,181**	**14,958**	**3,960,941**

28 PROPERTY AND EQUIPMENT (Continued)

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Accumulated depreciation and impairment						
At 1 January 2015	106,204	69,408	107,952	–	11,518	295,082
Provided for the year	52,599	41,857	78,156	–	3,993	176,605
Impairment losses reversed in profit or loss	(678)	–	–	–	–	(678)
Eliminated on disposals of subsidiaries	(764)	(821)	(6,343)	–	(2,343)	(10,271)
Eliminated on disposals	(9,545)	–	(10,391)	–	(2,440)	(22,376)
At 31 December 2015	147,816	110,444	169,374	–	10,728	438,362
Provided for the year	74,367	59,831	106,777	–	2,111	243,086
Eliminated on disposals	(3,904)	–	(5,598)	–	(600)	(10,102)
At 31 December 2016	218,279	170,275	270,553	–	12,239	671,346
Net book value						
At 31 December 2016	1,656,664	322,495	311,536	996,181	2,719	3,289,595
At 31 December 2015	1,070,211	295,355	235,190	743,941	4,079	2,348,776

At 31 December 2016 and 2015, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB1,087,355,000 (2015: approximately RMB821,446,000). Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB286,597,000 (2015: approximately RMB356,899,000).

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.

28 PROPERTY AND EQUIPMENT (Continued)

At 31 December 2016 and 2015, the net book values of premises are analysed by the remaining terms of the leases as follows:

	2016 RMB'000	2015 RMB'000
Held in Mainland China		
— Long term leases (over 50 years)	23,826	503
— Medium term leases (10–50 years)	1,601,236	1,060,068
— Short term leases (less than 10 years)	31,602	9,640
	1,656,664	1,070,211

29 GOODWILL

	2016 RMB'000	2015 RMB'000
Cost		
At the beginning of the financial year	1,170,404	863,907
Arising on acquisition subsidiaries	3,352	337,267
Eliminated on disposal of a subsidiary	—	(30,770)
At the end of the financial year	1,173,756	1,170,404
Impairment		
At the beginning and end of the financial year	—	—
Carrying amounts		
At the end of the financial year	1,173,756	1,170,404

29 GOODWILL (Continued)

Impairment testing on Goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives set out as above have been allocated to seven and six individual cash-generating units ("CGUs"), comprising seven and six subsidiaries in corporate and retail banking as at 31 December 2016 and 2015 respectively.

	2016 RMB'000	2015 RMB'000
Changbai Mountain Rural Commercial Bank	**157,206**	157,206
Liaoyuan Rural Commercial Bank Co., Ltd. ("遼源農村商業銀行有限責任公司", "Liaoyuan Rural Commercial Bank")	**386,202**	386,202
Jilin Dehui Rural Commercial Bank Co., Ltd. ("吉林德惠農村商業銀行股份有限公司", "Jilin Dehui Rural Commercial Bank")	**289,729**	289,729
Jilin Gongzhuling Rural Commercial Bank Co., Ltd. ("吉林公主嶺農村商業銀行股份有限公司", "Jilin Gongzhuling Rural Commercial Bank")	**135,142**	135,142
Jilin Chuncheng Rural Commercial Bank Co., Ltd. ("吉林春城農村商業銀行股份有限公司", "Jilin Chuncheng Rural Commercial Bank")	**201,115**	201,115
Lingshui Dasheng Village and Township Bank Co., Ltd. ("陵水大生村鎮銀行股份有限公司", "Lingshui Dasheng Village and Township Bank")	**1,010**	1,010
Sanya Phoenix Country Bank Co., Ltd. ("三亞鳳凰村鎮銀行股份有限公司", "Sanya Phoenix Village and Township Bank")	**3,352**	—
	1,173,756	1,170,404

During the year ended 31 December 2016 and 2015, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill with indefinite useful lives.

29 GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Changbai Mountain Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 5%, and pre-tax discount rate of 6.08% (2015: 6.94%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

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

Liaoyuan Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 5%, and pre-tax discount rate of 6.48% (2015: 7.07%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

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

29 GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarised below: (Continued)

Jilin Dehui Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 6.48% (2015: 7.08%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

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

Jilin Gongzhuling Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 6.48% (2015: 7.03%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

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

29 GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarised below: (Continued)

Jilin Chuncheng Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 6.49% (2015: 7.13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

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

Lingshui Dasheng Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 20%, and pre-tax discount rate of 6.47% (2015: 7.45%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

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

29 GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarised below: (Continued)

Sanya Phoenix Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 20%, and pre-tax discount rate of 6.40% (2015: 7.48%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

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

30 DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2016 **RMB'000**	2015 RMB'000
Deferred tax assets	**356,816**	258,969
Deferred tax liabilities	**(71,683)**	(61,152)
	285,133	197,817

30 DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior year:

	Provision for impairment losses on assets RMB'000 Notes (i)	Net losses/ (gains) from fair value changes of financial instruments RMB'000 Notes (ii)	Tax losses RMB'000 Notes (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2015	145,699	(4,331)	9,219	478	151,065
Credit/(charge) to profit or loss	125,558	(31,725)	6,154	1,793	101,780
Charge to other comprehensive income	–	(25,371)	–	–	(25,371)
Disposal of subsidiaries	(25,406)	–	–	–	(25,406)
Effect of change in tax rate	(4,830)	579	–	–	(4,251)
At 31 December 2015	**241,021**	**(60,848)**	**15,373**	**2,271**	**197,817**
Credit/(charge) to profit or loss	**69,081**	**(27,696)**	**17,243**	**4,932**	**63,560**
Credit to other comprehensive income	**–**	**22,711**	**–**	**–**	**22,711**
Acquisition of subsidiaries	**805**	**–**	**240**	**–**	**1,045**
At 31 December 2016	**310,907**	**(65,833)**	**32,856**	**7,203**	**285,133**

Notes:

(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 Mainland China 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 realised.

(iii) At 31 December 2016, the Group has unused tax losses of approximately RMB131,425,000 (2015: approximately RMB61,494,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

31 OTHER ASSETS

	2016 RMB'000	2015 RMB'000
Other receivables and prepayments (Notes (i))	201,860	269,549
Deposits paid for acquisition of property and equipment	420,837	—
Repossessed assets (Notes (ii))	324,630	253,712
Long-term deferred expenses (Notes (iii))	119,935	80,469
Land use rights (Notes (iv))	51,069	23,766
Other	5,718	18,631
	1,124,049	646,127

Notes:

(i)

	2016 RMB'000	2015 RMB'000
Other receivables and prepayments	210,802	275,941
Less: Provision for impairment losses	(8,942)	(6,392)
	201,860	269,549

Movements of allowance for impairment losses

	2016 RMB'000	2015 RMB'000
At 1 January	6,392	2,573
Impairment losses recognised	5,761	3,819
Amounts written off as uncollectible	(3,211)	—
At 31 December	8,942	6,392

31 OTHER ASSETS (Continued)

Notes: (Continued)

(ii)

	2016 RMB'000	2015 RMB'000
Repossessed assets	426,450	351,548
Less: Provision for impairment losses	(101,820)	(97,836)
	324,630	253,712

Movements of allowance for impairment losses

	2016 RMB'000	2015 RMB'000
At 1 January	97,836	25,862
Impairment losses recognised	5,501	—
Acquisition of subsidiaries	—	71,974
Amounts written off as uncollectible	(1,517)	—
At 31 December	101,820	97,836

(iii) Long-term deferred expenses represent prepaid rent and prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period. Amortisation of long-term deferred expenses for the year ended 31 December 2016 was approximately RMB26,404,000 (2015: approximately RMB51,136,000).

(iv) Movements of land use rights

	2016 RMB'000	2015 RMB'000
Cost		
At the beginning of the financial year	24,927	20,950
Additions	28,466	247
Transfer in from construction in progress	—	3,730
At the end of the financial year	53,393	24,927
Accumulated amortisation		
At the beginning of the financial year	1,161	556
Amortised for the year	1,163	605
At the end of the financial year	2,324	1,161
Carrying amounts		
At the end of the financial year	51,069	23,766

These lands are located in PRC with medium term leases (10 – 50 years).

At 31 December 2016,the net book value of land use rights of which title deeds were not yet finalised by the Group were approximately RMB4,776,000 (2015: approximately RMB3,929,000).

According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned lands and entitled to occupy, use, transfer, pledge and dispose of these lands.

32 PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include financial assets held under resale agreement and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 31 December 2016 is approximately RMB15,984,808,000 (2015: approximately RMB23,391,797,000).

(b) Received pledged assets

The Group and the Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

33 BORROWINGS FROM THE CENTRAL BANK

	2016 RMB'000	2015 RMB'000
Borrowings	1,822,845	289,660
Re-discounted bills	—	3,907
	1,822,845	293,567

34 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2016 RMB'000	2015 RMB'000
Deposits in Mainland China		
— Banks	7,245,735	1,698,321
— Other financial institutions	—	170,000
	7,245,735	1,868,321

35 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2016 RMB'000	2015 RMB'000
Placements in Mainland China		
— Banks	442,496	52,496

36 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2016 RMB'000	2015 RMB'000
In Mainland China		
— Banks	14,166,544	22,363,598
— Other financial institutions	428,500	699,900
	14,595,044	23,063,498

(b) Analysed by collateral

	2016 RMB'000	2015 RMB'000
Debt securities	14,595,044	23,063,498

37 DEPOSITS FROM CUSTOMERS

	2016 RMB'000	2015 RMB'000
Demand deposits		
— Corporate customers	**35,848,713**	23,100,651
— Individual customers	**18,943,927**	14,984,073
	54,792,640	38,084,724
Time deposits		
— Corporate customers	**22,708,246**	17,537,648
— Individual customers	**46,259,838**	34,048,350
	68,968,084	51,585,998
Pledged deposits		
— Acceptances	**1,015,756**	1,104,507
— Guarantees and letters of guarantees	**1,754,868**	1,719,626
	2,770,624	2,824,133
Others	**877,313**	807,927
	127,408,661	93,302,782

38 ACCRUED STAFF COSTS

	2016 RMB'000	2015 RMB'000
Salary and bonus payable	211,669	130,343
Social pension schemes payable	523	568
Other social insurances payable	550	342
Other staff welfare payable	5,753	8,715
	218,495	139,968

39 INTERESTS PAYABLE

	2016 RMB'000	2015 RMB'000
Deposits from customers	1,671,219	1,363,012
Deposits from banks and other financial institutions	42,719	15,378
Debts securities issued	43,876	36,450
Others	24,499	15,063
	1,782,313	1,429,903

40 DEBT SECURITIES ISSUED

	2016 RMB'000	2015 RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Notes (i))	2,393,567	1,495,673
Interbank deposits (Notes (ii))	21,002,312	7,578,506
	23,395,879	9,074,179

40 DEBT SECURITIES ISSUED (Continued)

Notes:

(i) Fixed rate subordinated debts/tier-two capital bonds issued

(a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The Group has an option to redeem the debts on 30 December 2017 at the nominal amount. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 31 December 2016, the outstanding balance of this fixed rate subordinated debts issued is RMB698,200,000 (2015: RMB697,900,000).

(b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The Group has an option to redeem the debts on 13 April 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.34%. As at 31 December 2016, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB798,013,000 (2015: approximately RMB797,773,000).

(c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20%. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 31 December 2016, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB897,354,000.

(ii) Interbank deposits

(a) For the year ended 31 December 2015, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB12,530,000,000 and duration between 1 month to 1 year. As at 31 December 2015, the outstanding balance of interbank deposits issued is approximately RMB7,578,506,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.56% to 4.18%. These interbank deposits were matured during the year ended 31 December 2016.

(b) For the year ended 31 December 2016, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB37,140,000,000 and duration between 1 month to 1 year. As at 31 December 2016, the outstanding balance of interbank deposits issued by the Group is approximately RMB21,002,312,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.90% to 4.10%.

41 OTHER LIABILITIES

	2016 RMB'000	2015 RMB'000
Other payable and accrued expenses	**377,322**	343,769
Clearance of inter-bank accounts	**103,889**	82,456
Other taxes payables	**49,065**	81,297
Agency business liabilities	**122,571**	25,637
Dividend payable	**7**	16,363
Others	**519**	54,300
	653,373	603,822

42 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:

	2016 RMB'000	2015 RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
— Ordinary shares	3,294,797	3,294,797
At the beginning of the year	3,294,797	2,406,069
Issuance of shares (Notes i)	–	600,000
Transfer from capital reserve (Notes ii)	–	288,728
At end of the year	3,294,797	3,294,797

Notes:

(i) In June and December 2015, the Bank issued 400,000,000 and 200,000,000 ordinary shares with a par value RMB1 at issue price of RMB4 per share. The premium arising from the issuance of new shares amounting to RMB1,200,000,000 and RMB600,000,000 was recorded in capital reserve respectively. The new shares rank pari passu with the existing shares in all respects.

(ii) In June 2015, the Bank issued 288,728,000 ordinary shares with a par value RMB1 at issue price by way of capitalisation of capital reserve of the Bank on the basis of twelve bonus shares for every one hundred existing shares. The new shares rank pari passu with the existing shares in all respects.

43 CAPITAL RESERVE

	2016 RMB'000	2015 RMB'000
Share premium	3,093,593	3,093,593
Changes in ownership in subsidiaries without changes in control	253,452	215,542
	3,347,045	3,309,135

44 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 as at 31 December 2016 is approximately RMB493,674,000 (2015: approximately RMB338,082,000), while other surplus reserve is approximately RMB16,659,000 as at 31 December 2016 (2015: approximately RMB16,659,000). 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 Group 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.

45 DIVIDENDS

	2016 **RMB'000**	2015 RMB'000
2014 find dividend (Note a)	**–**	414,552
2015 final dividend (Note b)	**883,440**	—

Notes:

(a) Pursuant to the resolution of the shareholders meeting of 2014 on 1 February 2015, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on weighted average number of approximately 2,303,067,000 shares held amounting to approximately RMB414,552,000 during the year ended 31 December 2015.

(b) Pursuant to the resolution of the shareholders meeting of 2015 on 27 March 2016, the Bank distributed cash dividends of RMB0.3 per share (tax included) based on weighted average number of approximately 2,944,800,000 shares held amounting to approximately RMB883,440,000 during the year ended 31 December 2016.

Subsequent to the end of the reporting period, a cash dividend of RMB 0.3 per share (tax include) based on 3,984,797,692 shares (including the shares issued the initial public offering and exercise of over-allotment option) amounting to approximately RMB1,195,439,000 has been proposed by the director and is subject to approval by the shareholders in the forthcoming annual general meeting on 15 May 2017.

46 STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 31 December 2016 and 2015, the amount of assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB13,509,917,000 and approximately RMB8,243,686,000 respectively.

(b) Unconsolidated structured entities

(i) 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 trust fund plans, asset management plans and wealth management products issued by other financial institutions.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 31 December 2016 and 2015:

	31 December 2016			
	Available-for-sale financial assets RMB'000	Debt securities classified as receivables RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	250,000	2,646,500	2,896,500	2,896,500
Asset management plans	2,958,540	6,289,273	9,247,813	9,247,813
Wealth management products issued by other financial institutions	2,863,830	1,832,000	4,695,830	4,695,830
	6,072,370	10,767,773	16,840,143	16,840,143

46 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

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

	31 December 2015			
	Available-for-sale financial assets RMB'000	Debt securities classified as receivables RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	602,404	1,407,180	2,009,584	2,009,584
Asset management plans	1,755,467	9,449,366	11,204,833	11,204,833
Wealth management products issued by other financial institutions	1,761,592	61,000	1,822,592	1,822,592
	4,119,463	10,917,546	15,037,009	15,037,009

(ii) 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 and 2015, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

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 approximately RMB10,233,220,000 (2015: approximately RMB2,997,940,000).

46 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(iii) Unconsolidated structured entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2016 and 2015:

During the year ended 31 December 2016, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December amounted to approximately RMB8,980,660,000 (2015: approximately RMB543,840,000).

47 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 "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC.

47 CAPITAL MANAGEMENT (Continued)

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Administrative Measures for the 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 the generally accepted accounting principles in the PRC. During the years ended 31 December 2016 and 2015, the Group has complied with all its externally imposed capital requirements.

47 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 31 December 2016 and 2015 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

	2016 RMB'000	2015 RMB'000
Total core tier-one capital		
Share capital	**3,294,797**	3,294,797
Qualifying portion of capital reserve	**3,347,045**	3,309,135
Investment revaluation reserve	**17,921**	76,980
Surplus reserve	**510,333**	354,741
General reserve	**1,351,936**	1,025,282
Retained earnings	**1,608,473**	1,087,363
Qualifying portions of non-controlling interests	**2,127,470**	2,708,901
Core tier-one capital deductions (Notes)	**(1,238,693)**	(1,201,103)
Net core tier-one capital	**11,019,282**	10,656,096
Eligible portion of non-controlling interests	**187,181**	—
Net tier-one capital	**11,206,463**	10,656,096
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	**2,120,000**	1,290,000
Surplus provision for loan impairment	**936,044**	652,068
Eligible portion of non-controlling interests	**422,741**	—
Net capital base	**14,685,248**	12,598,164
Total risk weighted assets	**106,484,306**	85,325,552
Core tier-one capital adequacy ratio	**10.35%**	12.49%
Tier-one capital adequacy ratio	**10.52%**	12.49%
Capital adequacy ratio	**13.79%**	14.76%

Notes: Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill and deferred tax assets recognised for tax losses.

48 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	2016 RMB'000	2015 RMB'000
Cash on hand	781,908	741,588
Deposits with the central bank	19,365,026	9,202,248
Deposits with banks and other financial institutions	8,916,419	7,242,134
Placements with banks and other financial institutions	—	390,000
Financial assets held under resale agreements	15,231,104	17,297,442
Total	44,294,457	34,873,412

49 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

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

Shareholding in the Bank:

	2016	2015
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	13.26%	13.26%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	9.96%	9.96%
Changchun Huamei Tourism and Culture Media Co., Ltd. ("長春市華美旅遊文化傳媒有限公司")	5.37%	5.34%

49 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(a) Related parties of the Group (Continued)

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 49(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

(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 consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and associates

	2016 RMB'000	2015 RMB'000
Transactions during the year		
Interest income	138	2,458
Interest expense	893	—

	2016 RMB'000	2015 RMB'000
Balances at end of the year		
Deposits with banks and other financial institutions	—	20,000
Interests receivable	—	196
Deposits from banks and other financial institutions	50,025	—
Interests payable	893	—

49 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(iii) Transactions between the Group and major shareholders

	2016 RMB'000	2015 RMB'000
Transactions during the year		
Interest income	15,499	37,852
Interest expense	1,199	2,918
Rental expense	700	700

	2016 RMB'000	2015 RMB'000
Balances at end of the year		
Placements with banks and other financial institutions	—	140,000
Financial assets held under resale agreements	293,918	106,429
Loans and advances to customers	13,000	13,000
Interests receivable	148	31
Deposits from customers	131,593	133,146

(iv) Transactions between the Group and other related parties

	2016 RMB'000	2015 RMB'000
Transactions during the year		
Interest income	77,951	49,820
Interest expense	310	191
Rental expense	1,836	—

	2016 RMB'000	2015 RMB'000
Balances at end of the year		
Loans and advances to customers	705,147	509,350
Deposits from customers	52,025	57,750
Deposits from banks and other financial institutions	1,643	—

49 RELATED PARTIES 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, board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	2016 RMB'000	2015 RMB'000
Transactions during the year		
Interest income	485	711
Interest expense	102	21
Rental expense	2,236	2,236

	2016 RMB'000	2015 RMB'000
Balances at end of the year		
Loans and advances to customers	11,825	8,080
Deposits from customers	10,029	13,869

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2016 RMB'000	2015 RMB'000
Short-term staff benefits	16,552	16,165
Retirement benefits		
— Basic social pension insurance	4,153	2,951
	20,705	19,116

49 RELATED PARTIES 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 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	2016 RMB'000	2015 RMB'000
Loans and advances to directors, supervisors and officers	**11,825**	8,080

50 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 and government agencies. These products and services include corporate loans and advances, 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.

50 SEGMENT REPORTING (Continued)

Treasury operations

This segment covers the Group's treasury operations. The treasury operations 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 and expenses are determined before 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, land use rights and other long-term assets.

50 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Year ended 31 December 2016				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	1,585,364	(21,156)	2,969,131	–	4,533,339
Internal net interest income/(expense)	390,173	2,007,876	(2,398,049)	–	–
Net interest income	1,975,537	1,986,720	571,082	–	4,533,339
Net fee and commission income	227,877	27,109	492,780	–	747,766
Net trading gains	–	–	127,675	–	127,675
Dividend income	–	–	–	106,581	106,581
Net gains arising from investment securities	–	–	387,714	–	387,714
Net exchange gains	–	–	–	9,280	9,280
Other operating income	–	–	–	41,830	41,830
Operating income	2,203,414	2,013,829	1,579,251	157,691	5,954,185
Operating expenses	(1,096,840)	(1,019,534)	(444,266)	(47,448)	(2,608,088)
Impairment losses on assets	(295,647)	(83,447)	7,539	(11,263)	(382,818)
Operating profit	810,927	910,848	1,142,524	98,980	2,963,279
Share of profits of associates	–	–	–	9,792	9,792
Profit before tax	810,927	910,848	1,142,524	108,772	2,973,071
Segment assets	46,468,126	17,453,470	124,374,511	2,890,057	191,186,164
Deferred tax assets	–	–	–	285,133	285,133
Total assets	46,468,126	17,453,470	124,374,511	3,175,190	191,471,297
Segment liabilities	63,350,210	66,280,136	47,726,748	391,050	177,748,144
Dividend payable	–	–	–	7	7
Total liabilities	63,350,210	66,280,136	47,726,748	391,057	177,748,151
Other segment information					
– Depreciation and amortisation	117,352	107,121	40,130	6,050	270,653
– Capital expenditure	506,890	380,742	298,364	44,462	1,230,458

50 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2015				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	1,525,063	88,047	1,759,169	—	3,372,279
Internal net interest (expense)/income	(240,329)	1,250,384	(1,010,055)	—	—
Net interest income	1,284,734	1,338,431	749,114	—	3,372,279
Net fee and commission income	87,520	21,084	114,093	—	222,697
Net trading gains	—	—	131,926	—	131,926
Dividend income	—	—	—	69,261	69,261
Net gains arising from investment securities	—	—	344,500	—	344,500
Gain on disposal of a subsidiary	—	—	12,840	—	12,840
Net exchange gains	—	—	—	6,463	6,463
Other operating income	—	—	—	107,987	107,987
Operating income	1,372,254	1,359,515	1,352,473	183,711	4,267,953
Operating expenses	(860,828)	(797,946)	(325,668)	(59,631)	(2,044,073)
Impairment losses on assets	(330,394)	3,447	(19,339)	(3,819)	(350,105)
Operating profit	181,032	565,016	1,007,466	120,261	1,873,775
Share of profits of associates	—	—	—	2,167	2,167
Profit before tax	181,032	565,016	1,007,466	122,428	1,875,942
Segment assets	33,926,465	14,901,114	90,246,179	2,681,759	141,755,517
Deferred tax assets	—	—	—	197,817	197,817
Total assets	33,926,465	14,901,114	90,246,179	2,879,576	141,953,334
Segment liabilities	45,447,466	50,098,668	34,161,934	371,704	130,079,772
Dividend payable	—	—	—	16,363	16,363
Total liabilities	45,447,466	50,098,668	34,161,934	388,067	130,096,135
Other segment information					
— Depreciation and amortisation	90,354	82,757	43,886	11,349	228,346
— Capital expenditure	393,316	312,401	169,882	24,436	900,035

50 SEGMENT REPORTING (Continued)

(b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipments, deposits paid for acquisition of property and equipment, long-term deferred expenses and land use rights. 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 which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- "Jilin Region" refers to the head quarter of the Bank and the 16 (2015: 15) subsidiaries of the Group.

- "Mainland China excluding Jilin Region" refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income	
	2016	2015
	RMB'000	RMB'000
Jilin Region	**5,474,547**	3,860,114
Mainland China excluding Jilin Region	**479,638**	407,839
	5,954,185	4,267,953

	Non-current asset	
	2016	2015
	RMB'000	RMB'000
Jilin Region	**3,425,675**	2,057,920
Mainland China excluding Jilin Region	**455,761**	395,091
	3,881,436	2,453,011

51 FINANCIAL 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.

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 Group established a credit risk management structure which includes the president, chief officers and the risk management committee of the head office, persons-in-charge and risk officers of branches and sub-branches, credit approval committees or groups and the risk management, business, marketing and internal audit departments. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. Legal and Compliance Department is responsible for formulating the authorization proposals for credit business. 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 Business Department carry out credit businesses according to the Group's risk management policies and procedures.

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

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. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

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 standardised 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.

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

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

Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special mention: Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised 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 Operations

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.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets at 31 December 2016 and 2015.

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Treasury Operations (Continued)

(ii) Financial assets analysed by credit quality are summarised as follows:

	At 31 December 2016				
	Loans and advances RMB'000	Deposits/ placements with banks and other financial institution RMB'000	Financial assets held under resale agreements RMB'000	Investments (*) RMB'000	Others (**) RMB'000
Impaired					
Individually assessed gross amount	573,118	–	–	–	926
Less: provision for impairment losses	(295,736)	–	–	–	(778)
	277,382	–	–	–	148
Collectively assessed gross amount	305,251	–	–	–	13,787
Less: provision for impairment losses	(171,152)	–	–	–	(6,515)
	134,099	–	–	–	7,272
Overdue but not Impaired					
Gross amount					
— Less than three months (inclusive)	837,131	–	–	–	27,597
— Between three months and six months (inclusive)	163,092	–	–	–	–
— Between six months and one year (inclusive)	153,685	–	–	–	–
— More than one year	231,363	–	–	–	–
	1,385,271	–	–	–	27,597
Less: provision for impairment losses	(112,596)	–	–	–	–
	1,272,675	–	–	–	27,597
Neither overdue nor impaired					
Gross amount	59,837,123	37,733,808	15,231,104	37,569,349	968,550
Less: provision for impairment losses	(1,234,929)	–	–	(11,800)	(1,649)
	58,602,194	37,733,808	15,231,104	37,557,549	966,901
	60,286,350	37,733,808	15,231,104	37,557,549	1,001,918

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Treasury Operations (Continued)

(ii) Financial assets analysed by credit quality are summarised as follows: (Continued)

	At 31 December 2015				
	Loans and advances RMB'000	Deposits/ placements with banks and other financial institution RMB'000	Financial assets held under resale agreements RMB'000	Investments (*) RMB'000	Others (**) RMB'000
Impaired					
Individually assessed gross amount	402,464	–	–	–	1,142
Less: provision for impairment losses	(230,286)	–	–	–	(1,093)
	172,178	–	–	–	49
Collectively assessed gross amount	276,369	–	–	–	10,265
Less: provision for impairment losses	(157,340)	–	–	–	(4,297)
	119,029	–	–	–	5,968
Overdue but not Impaired					
Gross amount					
– Less than three months (inclusive)	1,058,963	–	–	–	17,678
– Between three months and six months (inclusive)	82,606	–	–	–	–
– Between six months and one year (inclusive)	163,368	–	–	–	–
– More than one year	182,646	–	–	–	–
	1,487,583	–	–	–	17,678
Less: provision for impairment losses	(85,527)	–	–	–	–
	1,402,056	–	–	–	17,678
Neither overdue nor impaired					
Gross amount	45,715,280	19,030,153	17,297,442	33,991,428	563,462
Less: provision for impairment losses	(931,113)	–	–	(19,339)	(997)
	44,784,167	19,030,153	17,297,442	33,972,089	562,465
	46,477,430	19,030,153	17,297,442	33,972,089	586,160

51 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Treasury Operations (Continued)

(ii) Financial assets analysed by credit quality are summarised as follows: (Continued)

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

** Others comprise interest receivable, other receivables and prepayments and deposits paid for acquisition of property and equipment in other assets.

(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 analysed by the rating agency designations as at the end of each of the reporting period are as follows:

	2016 RMB'000	2015 RMB'000
Neither overdue nor impaired		
Ratings		
— AAA	1,539,212	1,589,890
— AA- to AA	167,786	—
— A- to A	306,033	160,058
— unrated (Note)	5,194,458	7,371,446
	7,207,489	9,121,394

Note: Unrated debt securities held by the Group are mainly issued by the Mainland China government and policy banks.

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk

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

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised 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 operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by our board. The Group's business departments implement market risk management measures in their daily operations.

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.

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

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.

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.

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2016 and 2015 by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At 31 December 2016					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	32,983,711	781,908	32,201,803	–	–	–
Deposits with banks and other financial institutions	37,733,808	–	15,754,048	21,735,760	244,000	–
Loans and advances to customers (Notes (i))	60,286,350	–	16,894,435	27,405,350	15,242,350	744,215
Financial assets held under resale agreement	15,231,104	–	15,231,104	–	–	–
Investments (Notes (ii))	38,752,599	1,195,050	9,288,413	14,956,047	10,415,247	2,897,842
Interests receivable	379,221	379,221	–	–	–	–
Others	6,104,504	6,104,504	–	–	–	–
	191,471,297	8,460,683	89,369,803	64,097,157	25,901,597	3,642,057
Liabilities						
Borrowings from the central bank	1,822,845	–	1,698,015	104,430	16,520	3,880
Deposits from banks and other financial institutions	7,245,735	–	3,447,735	3,798,000	–	–
Placements from banks and other financial institutions	442,496	2,496	150,000	290,000	–	–
Financial assets sold under repurchase agreements	14,595,044	–	14,367,544	227,500	–	–
Deposits from customers	127,408,661	–	76,381,047	35,611,086	15,415,169	1,359
Interests payable	1,782,313	1,782,313	–	–	–	–
Debt securities issued	23,395,879	–	4,744,018	16,956,494	1,695,367	–
Others	1,055,178	1,055,178	–	–	–	–
	177,748,151	2,839,987	100,788,359	56,987,510	17,127,056	5,239
Asset-liability gap	13,723,146	5,620,696	(11,418,556)	7,109,647	8,774,541	3,636,818

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2016 and 2015 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

	At 31 December 2015					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	19,333,596	741,588	18,592,008	–	–	–
Deposits with banks and other financial institutions	18,640,153	–	9,600,153	9,040,000	–	–
Placements with banks and other financial institutions	390,000	–	390,000	–	–	–
Loans and advances to customers (Notes (i))	46,477,430	–	12,094,048	21,948,661	11,806,801	627,920
Financial assets held under resale agreement	17,297,442	–	17,297,442	–	–	–
Investments (Notes (ii))	35,012,999	1,040,910	5,863,862	9,368,759	15,939,281	2,800,187
Interests receivable	316,611	316,611	–	–	–	–
Others	4,485,103	4,485,103	–	–	–	–
	141,953,334	6,584,212	63,837,513	40,357,420	27,746,082	3,428,107
Liabilities						
Borrowings from the central bank	293,567	–	63,907	205,130	16,520	8,010
Deposits from banks and other financial institutions	1,868,321	–	1,593,321	275,000	–	–
Placements from banks and other financial institutions	52,496	2,496	50,000	–	–	–
Financial assets sold under repurchase agreements	23,063,498	–	23,063,498	–	–	–
Deposits from customers	93,302,782	–	53,805,650	28,312,445	11,157,697	26,990
Interests payable	1,429,903	1,429,903	–	–	–	–
Debt securities issued	9,074,179	–	6,011,424	1,567,083	1,495,672	–
Others	1,011,389	1,011,389	–	–	–	–
	130,096,135	2,443,788	84,587,800	30,359,658	12,669,889	35,000
Asset-liability gap	11,857,199	4,140,424	(20,750,287)	9,997,762	15,076,193	3,393,107

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2016 and 2015 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

Notes:

(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 approximately RMB948,766,000, (2015: approximately RMB529,496,000).

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

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As 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 approximately RMB117,809,000 (2015: increase approximately RMB127,177,000), and the Group's equity to decrease approximately RMB382,448,000 (2015: increase approximately RMB18,665,000); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to increase approximately RMB117,809,000 (2015: decrease approximately RMB127,177,000), and the Group's equity to increase approximately RMB382,448,000 (2015: decrease approximately RMB18,665,000).

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

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, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities. 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;
- 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.

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2016 and 2015 are as follows:

	At 31 December 2016			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	32,978,507	2,859	2,345	32,983,711
Deposits with banks and other financial institutions	37,704,370	17,027	12,411	37,733,808
Financial assets held under resale agreements	15,231,104	–	–	15,231,104
Financial assets at fair value through profit or loss	13,797,549	–	–	13,797,549
Interest receivable	379,221	–	–	379,221
Loans and advances to customers	60,280,486	5,864	–	60,286,350
Available-for-sale financial assets	12,002,670	–	–	12,002,670
Held-to-maturity assets	2,184,607	–	–	2,184,607
Debt securities classified as receivables	10,767,773	–	–	10,767,773
Others	6,104,504	–	–	6,104,504
	191,430,791	25,750	14,756	191,471,297
Liabilities				
Borrowings from the central bank	1,822,845	–	–	1,822,845
Deposits from banks and other financial institutions	7,245,735	–	–	7,245,735
Placements from banks and other financial institutions	442,496	–	–	442,496
Financial assets sold under repurchase agreements	14,595,044	–	–	14,595,044
Deposits from customers	127,391,284	4,765	12,612	127,408,661
Interests payable	1,782,268	45	–	1,782,313
Debt securities issued	23,395,879	–	–	23,395,879
Others	1,055,178	–	–	1,055,178
	177,730,729	4,810	12,612	177,748,151
Net position	13,700,062	20,940	2,144	13,723,146
Off-balance sheet credit commitments	2,816,368	60,775	106,368	2,983,511

51 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2016 and 2015 are as follows: (Continued)

	At 31 December 2015			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	19,331,259	1,086	1,251	19,333,596
Deposits with banks and other financial institutions	18,627,914	12,171	68	18,640,153
Placements with banks and other financial institutions	390,000	–	–	390,000
Financial assets held under resale agreements	17,297,442	–	–	17,297,442
Financial assets at fair value through profit or loss	12,101,530	–	–	12,101,530
Interest receivable	316,375	236	–	316,611
Loans and advances to customers	46,471,879	5,551	–	46,477,430
Available-for-sale financial assets	9,047,852	–	–	9,047,852
Held-to-maturity assets	1,376,071	–	–	1,376,071
Debt securities classified as receivables	12,487,546	–	–	12,487,546
Others	4,485,103	–	–	4,485,103
	141,932,971	19,044	1,319	141,953,334
Liabilities				
Borrowings from the central bank	293,567	–	–	293,567
Deposits from banks and other financial institutions	1,868,321	–	–	1,868,321
Placements from banks and other financial institutions	52,496	–	–	52,496
Financial assets sold under repurchase agreements	23,063,498	–	–	23,063,498
Deposits from customers	93,290,490	12,111	181	93,302,782
Interests payable	1,429,903	–	–	1,429,903
Debt securities issued	9,074,179	–	–	9,074,179
Others	1,011,389	–	–	1,011,389
	130,083,843	12,111	181	130,096,135
Net position	11,849,128	6,933	1,138	11,857,199
Off-balance sheet credit commitments	2,264,130	–	–	2,264,130

As the net position of the Group's foreign currency is immaterial, the foreign currency risk is immaterial and no sensitivity analysis is presented.

51 FINANCIAL 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 minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Group's funds.

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

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.

51 FINANCIAL 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 31 December 2016 and 2015:

	At 31 December 2016						
	Repayable on demand RMB'000	Indefinite (Notes) RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	20,146,934	12,836,777	–	–	–	–	32,983,711
Deposits with banks and other financial institutions	2,976,458	–	12,777,590	21,735,760	244,000	–	37,733,808
Financial assets held under resale agreements	–	–	15,231,104	–	–	–	15,231,104
Financial assets at fair value through profit or loss	–	–	5,148,690	8,381,345	193,770	73,744	13,797,549
Interest receivable	24,405	–	164,251	188,514	2,051	–	379,221
Loans and advances to customers	99,633	893,945	8,284,482	29,561,760	17,737,457	3,709,073	60,286,350
Available-for-sale financial assets	4,040	1,195,050	3,434,529	2,607,062	3,414,864	1,347,125	12,002,670
Held-to-maturity investments	–	–	100,565	–	607,070	1,476,972	2,184,607
Debt securities classified as receivables	–	–	600,591	3,967,640	6,199,542	–	10,767,773
Others	5,717	5,849,190	44,932	–	204,665	–	6,104,504
	23,257,187	20,774,962	45,786,734	66,442,081	28,603,419	6,606,914	191,471,297
Liabilities							
Borrowings from the central bank	–	–	1,698,015	104,430	16,520	3,880	1,822,845
Deposits from banks and other financial institutions	183,735	–	3,264,000	3,798,000	–	–	7,245,735
Placements from banks and other financial institutions	2,496	–	150,000	290,000	–	–	442,496
Financial assets sold under repurchase agreements	–	–	14,367,544	227,500	–	–	14,595,044
Deposits from customers	57,216,590	–	19,164,457	35,611,086	15,415,169	1,359	127,408,661
Interests payable	1,436,951	–	165,346	179,455	561	–	1,782,313
Debt securities issued	–	–	4,744,018	16,956,494	1,695,367	–	23,395,879
Others	583,042	–	471,459	677	–	–	1,055,178
	59,422,814	–	44,024,839	57,167,642	17,127,617	5,239	177,748,151
(Short)/Long position	(36,165,627)	20,774,962	1,761,895	9,274,439	11,475,802	6,601,675	13,723,146

51 FINANCIAL 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 31 December 2016 and 2015: (Continued)

	At 31 December 2015						
	Repayable on demand RMB'000	Indefinite (Notes) RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	9,943,836	9,389,760	–	–	–	–	19,333,596
Deposits with banks and other financial institutions	3,318,150	–	6,282,003	9,040,000	–	–	18,640,153
Placements with banks and other financial institutions	–	–	390,000	–	–	–	390,000
Financial assets held under resale agreements	–	–	17,297,442	–	–	–	17,297,442
Financial assets at fair value through profit or loss	–	–	2,970,016	7,537,136	883,605	710,773	12,101,530
Interest receivable	19,901	–	112,383	183,313	1,014	–	316,611
Loans and advances to customers	77,730	529,945	5,295,199	24,596,215	13,714,433	2,263,908	46,477,430
Available-for-sale financial assets	10,000	1,040,910	1,689,662	2,006,207	2,888,649	1,412,424	9,047,852
Held-to-maturity investments	–	–	–	110,000	589,081	676,990	1,376,071
Debt securities classified as receivables	–	–	211,000	698,600	11,577,946	–	12,487,546
Others	1,474	4,180,394	2,573	–	300,662	–	4,485,103
	13,371,091	15,141,009	34,250,278	44,171,471	29,955,390	5,064,095	141,953,334
Liabilities							
Borrowings from the central bank	–	–	63,907	205,130	16,520	8,010	293,567
Deposits from banks and other financial institutions	178,320	–	1,415,001	275,000	–	–	1,868,321
Placements from banks and other financial institutions	2,496	–	50,000	–	–	–	52,496
Financial assets sold under repurchase agreements	–	–	23,063,498	–	–	–	23,063,498
Deposits from customers	40,616,319	–	13,189,331	28,312,445	11,157,697	26,990	93,302,782
Interests payable	1,142,076	–	88,735	145,270	53,822	–	1,429,903
Debt securities issued	–	–	6,011,423	1,567,083	1,495,673	–	9,074,179
Others	510,647	–	377,777	118,557	4,408	–	1,011,389
	42,449,858	–	44,259,672	30,623,485	12,728,120	35,000	130,096,135
(Short)/Long position	(29,078,767)	15,141,009	(10,009,394)	13,547,986	17,227,270	5,029,095	11,857,199

51 FINANCIAL 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 31 December 2016 and 2015: (Continued)

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

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at 31 December 2016 and 2015:

	At 31 December 2016						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	1,822,845	1,827,908	–	1,700,398	105,763	17,786	3,961
Deposits from bank and other financial institutions	7,245,735	7,438,456	183,735	3,297,693	3,957,028	–	–
Placements from bank and other financial institutions	442,496	449,498	2,496	151,713	295,289	–	–
Financial assets sold under repurchase agreements	14,595,044	14,619,958	–	14,388,770	231,188	–	–
Deposits from customers	127,408,661	131,084,296	57,216,590	19,434,086	36,398,836	18,033,243	1,541
Debt securities issued	23,395,879	24,289,600	–	4,760,000	17,527,200	2,002,400	–
Others	1,055,178	1,055,178	583,042	471,459	677	–	–
	175,965,838	180,764,894	57,985,863	44,204,119	58,515,981	20,053,429	5,502
Off-balance sheet credit commitments	–	2,983,511	28,017	1,248,269	1,429,018	278,207	–

51 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at 31 December 2016 and 2015: (Continued)

	At 31 December 2015						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	293,567	299,391	–	134,906	137,412	19,138	7,935
Deposits from bank and other financial institutions	1,868,321	1,807,462	178,320	1,529,822	99,320	–	–
Placements from bank and other financial institutions	52,496	52,511	2,496	50,015	–	–	–
Financial assets sold under repurchase agreements	23,063,498	23,084,719	–	23,084,719	–	–	–
Deposits from customers	93,302,782	95,301,064	40,616,319	13,654,440	28,521,085	12,477,573	31,647
Debt securities issued	9,074,179	9,480,000	–	6,030,000	1,699,400	1,750,600	–
Others	1,011,389	1,011,389	510,018	378,198	118,748	4,425	–
	128,666,232	131,036,536	41,307,153	44,862,100	30,575,965	14,251,736	39,582
Off-balance sheet credit commitments	–	2,264,130	11,109	1,214,433	1,033,519	5,069	–

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

51 FINANCIAL 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, settlement, intermediary business 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.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

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

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

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the reporting period. 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.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(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 debt 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 Note 25 and 26 respectively.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debts securities issued.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated 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 categorised 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.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At 31 December 2016 Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
— debt securities held for trading	—	287,632	—	287,632
— financial assets designated at FVTPL	—	13,509,917	—	13,509,917
Available-for-sale financial assets				
— debt securities	—	4,735,250	—	4,735,250
— trust fund plans	—	250,000	—	250,000
— asset management plans	—	2,958,540	—	2,958,540
— wealth management products issued by other financial institutions	—	2,863,830	—	2,863,830
	—	24,605,169	—	24,605,169

	At 31 December 2015 Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
— debt securities held for trading	—	3,857,844	—	3,857,844
— financial assets designated at FVTPL	—	8,243,686	—	8,243,686
Available-for-sale financial assets				
— debt securities	—	3,887,479	—	3,887,479
— trust plans	—	602,404	—	602,404
— asset management plans	—	1,755,467	—	1,755,467
— wealth management products issued by other financial institutions	—	1,761,592	—	1,761,592
	—	20,108,472	—	20,108,472

(i) During the year ended 31 December 2016 and 2015, there were no significant transfers among each level.

53 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 recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	2016	2015
	RMB'000	RMB'000
Entrusted loans	**5,478,990**	8,685,398
Entrusted funds	**5,478,990**	8,685,398

54 COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and financial guarantees.

The Group provides financial guarantees 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.

	2016	2015
	RMB'000	RMB'000
Acceptances	**2,031,374**	2,233,441
Letters of guarantees	**784,994**	30,689
Letters of credit	**167,143**	—
	2,983,511	2,264,130

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.

54 COMMITMENTS (Continued)

(b) Operating lease commitments

At 31 December 2016 and 2015, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group as lessee

	2016 RMB'000	2015 RMB'000
Within one year	139,212	88,483
In the second to fifth years inclusive	494,578	397,506
Over five years	236,214	236,879
	870,004	722,868

(c) Capital commitments

At 31 December 2016 and 2015, the Group's authorised capital commitments are as follows:

	2016 RMB'000	2015 RMB'000
Purchase of property and equipment		
— Contracted for but not provided	58,945	269,285

55 CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. At 31 December 2016 and 2015, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

56 ACQUISITION OF SUBSIDIARIES

(i) Acquisition of Jilin Gongzhuling Rural Commercial Bank

On 12 October 2015, the Group acquired 30% of the issued share capital of Jilin Gongzhuling Rural Commercial Bank for consideration of RMB375,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB135,142,000. Jilin Gongzhuling Rural Commercial Bank is engaged in the provision of banking services. Jilin Gongzhuling Rural Commercial Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with three shareholders of Jilin Gongzhuling Rural Commercial Bank, which hold 30% equity interests in Jilin Gongzhuling Rural Commercial Bank. Pursuant to agreement, these three shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jilin Gongzhuling Rural Commercial Bank and therefore, Jilin Gongzhuling Rural Commercial Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	375,000

56 ACQUISITION OF SUBSIDIARIES (Continued)

(i) Acquisition of Jilin Gongzhuling Rural Commercial Bank (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	799,565
Deposits with banks and other financial institutions	2,654,507
Placements with banks and other financial institutions	100,000
Financial assets held under resale agreements	598,972
Financial assets at fair value through profit or loss	1,575,871
Interest receivable	32,244
Loans and advances to customers	4,643,259
Available-for-sale financial assets	36,260
Property and equipment	88,865
Other assets	140,283
Borrowings from the central bank	(29,340)
Deposits from banks and other financial institutions	(1,442,873)
Financial assets sold under repurchase agreements	(1,159,000)
Accrued staff costs	(8,724)
Deposits from customers	(6,966,054)
Taxes payable	(2,126)
Interests payable	(193,174)
Other liabilities	(69,007)
	799,528

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB4,643,259,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB4,833,259,000 at the date of acquisition.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(i) Acquisition of Jilin Gongzhuling Rural Commercial Bank (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	375,000
Plus: non-controlling interest (70% in Jilin Gongzhuling Rural Commercial Bank)	559,670
Less: net assets acquired	(799,528)
Goodwill arising on acquisition	135,142

The non-controlling interests (70%) in Jilin Gongzhuling Rural Commercial Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Jilin Gongzhuling Rural Commercial Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Jilin Gongzhuling Rural Commercial Bank. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(i) Acquisition of Jilin Gongzhuling Rural Commercial Bank (Continued)

Net cash inflow on acquisition of Jilin Gongzhuling Rural Commercial Bank:

	RMB'000
Cash consideration paid	(375,000)
Less: cash and cash equivalent balances acquired	799,565
	424,565

Included in the profit for the year is approximately RMB42,461,000 attributable to the additional business generated by Jilin Gongzhuling Rural Commercial Bank. Operating income for the year includes approximately RMB121,702,000 generated from Jilin Gongzhuling Rural Commercial Bank.

Had the acquisition been completed on 1 January 2015, operating income of the Group for the year would have been approximately RMB4,457,146,000 and profit of the Group for the year would have been approximately RMB1,456,168,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the "pro-forma" operating income and profit of the Group had Jilin Gongzhuling Rural Commercial Bank been acquired at the beginning of the year ended 31 December 2015, the directors of the Bank have:

- included operating income and profit of Jilin Gongzhuling Rural Cooperative Bank (吉林公主嶺農村合作銀行) from the period 1 January 2015 to 11 October 2015 before reformation to Jilin Gongzhuling Rural Commercial Bank on 12 October 2015;
- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Acquisition of Jilin Chuncheng Rural Commercial Bank

On 12 October 2015, the Group acquired 30% of the issued share capital of Jilin Chuncheng Rural Commercial Bank for consideration of RMB375,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB201,115,000. Jilin Chuncheng Rural Commercial Bank is engaged in the provision of banking services. Jilin Chuncheng Rural Commercial Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with four shareholders of Jilin Chuncheng Rural Commercial Bank, which hold 40% equity interests in Jilin Chuncheng Rural Commercial Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jilin Chuncheng Rural Commercial Bank and therefore, Jilin Chuncheng Rural Commercial Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	375,000

56 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Acquisition of Jilin Chuncheng Rural Commercial Bank (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	199,375
Deposits with banks and other financial institutions	1,243,331
Interest receivable	1,155
Loans and advances to customers	327,018
Property and equipment	37,525
Other assets	17,631
Accrued staff costs	(390)
Deposits from customers	(1,211,736)
Taxes payable	(97)
Interests payable	(32,247)
Other liabilities	(1,952)
	579,613

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB327,018,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB375,286,000 at the date of acquisition.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Acquisition of Jilin Chuncheng Rural Commercial Bank (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	375,000
Plus: non-controlling interest (70% in Jilin Chuncheng Rural Commercial Bank)	405,728
Less: net assets acquired	(579,613)
Goodwill arising on acquisition	201,115

The non-controlling interests (70%) in Jilin Chuncheng Rural Commercial Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Jilin Chuncheng Rural Commercial Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Jilin Chuncheng Rural Commercial Bank. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Acquisition of Jilin Chuncheng Rural Commercial Bank (Continued)

Net cash outflow on acquisition of Jilin Chuncheng Rural Commercial Bank:

	RMB'000
Cash consideration paid	(375,000)
Less: cash and cash equivalent balances acquired	199,375
	(175,625)

Included in the profit for the year is approximately RMB3,693,000 attributable to the additional business generated by Jilin Chuncheng Rural Commercial Bank. Operating income for the year includes approximately RMB17,218,000 generated from Jilin Chuncheng Rural Commercial Bank.

Had the acquisition been completed on 1 January 2015, operating income for the year would have been approximately RMB4,265,135,000 and profit of the Group for the year would have been approximately RMB1,384,828,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Acquisition of Jilin Chuncheng Rural Commercial Bank (Continued)

In determining the "pro-forma" operating income and profit of the Group had Jilin Chuncheng Rural Commercial Bank been acquired at the beginning of the year ended 31 December 2015, the directors of the Bank have:

- included operating income and profit of Siping Jincheng Rural Credit Cooperative (四平市金誠農村信用合作社), Siping Jinghua Rural Credit Cooperative (四平市京華農村信用合作社) and Siping Jinhe Rural Credit Cooperative (四平市金合農村信用合作社) from the period 1 January 2015 to 11 October 2015 before reformation to Jilin Chuncheng Rural Commercial Bank on October 12, 2015;

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iii) Acquisition of Lingshui Dasheng Village and Township Bank

On 31 December 2015, the Group acquired 20% of the issued share capital of Lingshui Dasheng Village and Township Bank for consideration of RMB2,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB1,010,000. Lingshui Dasheng Village and Township Bank is engaged in the provision of banking services. Lingshui Dasheng Village and Township Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with four shareholders of Lingshui Dasheng Village and Township Bank, which hold 38% equity interests in Lingshui Dasheng Village and Township Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Lingshui Dasheng Village and Township Bank and therefore, Lingshui Dasheng Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iii) Acquisition of Lingshui Dasheng Village and Township Bank (Continued)

Consideration Transferred

	RMB'000
Cash consideration	2,000

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	11,163
Deposits with banks and other financial institutions	3,979
Interest receivable	327
Loans and advances to customers	80,756
Property and equipment	2,235
Other assets	240
Deposits from banks and other financial institutions	(45,000)
Accrued staff costs	(222)
Deposits from customers	(47,748)
Taxes payable	(56)
Interests payable	(534)
Other liabilities	(189)
	4,951

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB80,756,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB81,986,000 at the date of acquisition.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iii) Acquisition of Lingshui Dasheng Village and Township Bank (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	2,000
Plus: non-controlling interest (80% in Lingshui Dasheng Village and Township Bank)	3,961
Less: net assets acquired	(4,951)
Goodwill arising on acquisition	1,010

The non-controlling interests (80%) in Lingshui Dasheng Village and Township Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Lingshui Dasheng Village and Township Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Lingshui Dasheng Village and Township Bank. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iii) Acquisition of Lingshui Dasheng Village and Township Bank (Continued)

Net cash inflow on acquisition of Lingshui Dasheng Village and Township Bank

	RMB'000
Cash consideration paid	(2,000)
Less: cash and cash equivalent balances acquired	11,163
	9,163

Lingshui Dasheng Village and Township Bank did not contribute operating income and profit for the year to the Group after acquisition.

Had the acquisition been completed on 1 January 2015, operating income of the Group for the year would have been approximately RMB4,274,777,000, and profit for the year would have been approximately RMB1,400,925,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the "pro-forma" operating income and profit of the Group had Lingshui Dasheng Village and Township Bank been acquired at the beginning of the year ended 31 December 2015, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iv) Acquisition of Sanya Phoenix Village and Township Bank

On 22 June 2016, the Group acquired 20% of the issued share capital of Sanya Phoenix Village and Township Bank for consideration of RMB4,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB3,352,000. Sanya Phoenix Village and Township Bank is engaged in the provision of banking services. Sanya Phoenix Village and Township Bank was acquired so as to continue the expansion of the Group's banking business.

The Group had signed contracts with four shareholders of Sanya Phoenix Village and Township Bank, which hold 33% equity interests in Sanya Phoenix Village and Township Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Sanya Phoenix Village and Township Bank and therefore, Sanya Phoenix Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	4,000

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iv) Acquisition of Sanya Phoenix Village and Township Bank (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	1,385
Deposits with banks and other financial institutions	9,723
Interest receivable	45
Loans and advances to customers	12,259
Property and equipment	737
Deferred tax assets	1,045
Other assets	828
Deposits from banks and other financial institutions	(15,024)
Accrued staff costs	(109)
Deposits from customers	(6,979)
Interests payable	(157)
Other liabilities	(510)
	3,243

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB12,259,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB15,637,000 at the date of acquisition.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iv) Acquisition of Sanya Phoenix Village and Township Bank (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	4,000
Plus: non-controlling interest (80% in Sanya Phoenix Village and Township Bank)	2,595
Less: net assets acquired	(3,243)
Goodwill arising on acquisition	3,352

The non-controlling interests (80%) in Sanya Phoenix Village and Township Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Sanya Phoenix Village and Township Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Sanya Phoenix Village and Township Bank. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

56 ACQUISITION OF SUBSIDIARIES (Continued)

(iv) Acquisition of Sanya Phoenix Village and Township Bank (Continued)

Net cash inflow on acquisition of Sanya Phoenix Village and Township Bank

	RMB'000
Cash consideration paid	(4,000)
Less: cash and cash equivalent balances acquired	10,459
	6,459

Included in the profit for the year is approximately RMB4,553,000 attributable to the additional business generated by Sanya Phoenix Village and Township Bank. Operating income for the year includes approximately RMB3,914,000 generated from Sanya Phoenix Village and Township Bank.

Had the acquisition been completed on 1 January 2016, operating income of the Group for the year ended 31 December 2016 would have been approximately RMB5,954,834,000, and profit for the year would have been approximately RMB2,312,762,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the "pro-forma" operating income and profit of the Group had Sanya Phoenix Village and Township Bank been acquired at the beginning of the year ended 31 December 2016, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/ equity position of the Group after the business combination.

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2016 and 2015, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

(i) Dilution of interest in Changchun Nanguan Huimin Village and Township Bank Co., Ltd. ("長春南關惠民村鎮銀行有限責任公司", "Changchun Nanguan Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2015, Changchun Nanguan Huimin Village and Township Bank issued 23,000,000 ordinary shares with par value of RMB1 at RMB2.41 per share to non-controlling interests and the Group's ownership was diluted from 63.33% to 51.20%. This resulted in an increase in non-controlling interests of approximately RMB43,932,000 and an increase in equity attributable to owners of the Bank of approximately RMB11,568,000. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(43,932)
Consideration received from non-controlling interests	55,500
Gain recognised in capital reserve within equity	11,568

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2016 and 2015, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(ii) Dilution of interest in Da'an Huimin Village and Township Bank Co., Ltd. ("大安惠民村鎮銀行有限責任公司", "Da'an Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2015, Da'an Huimin Village and Township Bank issued 7,540,000 ordinary shares with par value of RMB1 at RMB2.3 per share to non-controlling interests and the Group's ownership was diluted from 60.80% to 51.46%. This resulted in an increase in non-controlling interests of approximately RMB15,386,000 and an increase in equity attributable to owners of the parent of approximately RMB1,956,000. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(15,386)
Consideration received from non-controlling interests	17,342
Gain recognised in capital reserve within equity	1,956

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2016 and 2015, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(iii) Dilution of interest in Wuchang Huimin Village and Township Bank Co., Ltd. ("五常惠民村鎮銀行有限責任公司", "Wuchang Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2015, Wuchang Huimin Village and Township Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 66.67%. This resulted in an increase in non-controlling interests of approximately RMB18,831,000 and an increase in equity attributable to owners of the Bank of approximately RMB1,169,000. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(18,831)
Consideration received from non-controlling interests	20,000
Gain recognised in capital reserve within equity	1,169

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2016 and 2015, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(iv) Disposal of interest in Changchun Gaoxin Huimin Village and Township Bank Co., Ltd. ("長春高新惠民村鎮銀行有限責任公司", "Changchun Gaoxin Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2015, the Group disposed of 50% equity interest out of 100% equity interest in Changchun Gaoxin Huimin Village and Township Bank at a consideration of RMB150,000,000. This resulted in an increase in non-controlling interests of approximately RMB51,124,000 and an increase in equity attributable to owners of the Bank of approximately RMB98,876,000.

The Group had signed contracts with a shareholder of Changchun Gaoxin Huimin Village and Township Bank, which hold 1.85% equity interests in Changchun Gaoxin Huimin Village and Township Bank. Pursuant to agreement, this shareholder agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Changchun Gaoxin Huimin Village and Township Bank and therefore, Changchun Gaoxin Huimin Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(51,124)
Consideration received from non-controlling interests	150,000
Gain recognised in capital reserve within equity	98,876

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2016 and 2015, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(v) Dilution of interest in Lujiang Huimin Village and Township Bank Co., Ltd. ("廬江惠民村鎮銀行有限責任公司", "Lujiang Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2015, Lujiang Huimin Village and Township Bank issued 20,000,000 ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 60%. This resulted in an increase in non-controlling interests of approximately RMB35,669,000 and an increase in equity attributable to owners of the Bank of approximately RMB8,331,000. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(35,669)
Consideration received from non-controlling interests	44,000
Gain recognised in capital reserve within equity	8,331

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2016 and 2015, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(vi) Dilution of interest in Gaomi Huimin Village and Township Bank Co., Ltd. ("高密惠民村鎮銀行有限責任公司", "Gaomi Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2015, Gaomi Huimin Village and Township Bank issued 20,000,000 ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 71.43%. This resulted in an increase in non-controlling interests of approximately RMB31,328,000 and an increase in equity attributable to owners of the Bank of approximately RMB12,672,000. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(31,328)
Consideration received from non-controlling interests	44,000
Gain recognised in capital reserve within equity	12,672

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2016 and 2015, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(vii) Dilution of interest in Shuangcheng Huimin Village and Township Bank Co. Ltd. ("雙城惠民村鎮銀行有限責任公司", "Shuangcheng Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2016, Shuangcheng Huimin Village and Township Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group's ownership was diluted from 100% to 75%. This resulted in an increase in non-controlling interests of approximately RMB15,051,000 and an increase in equity attributable to owners of the Bank of approximately RMB4,949,000. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(15,051)
Consideration received from non-controlling interests	20,000
Gain recognised in capital reserve within equity	4,949

57 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2016 and 2015, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(viii) Dilution of interest in Changbai Mountain Rural Commercial Bank without loss of control

During the year ended 31 December 2016, Changbai Mountain Rural Commercial Bank issued 150,000,000 ordinary shares with par value of RMB1 at RMB3 per share to non-controlling interests and the Group's ownership was diluted from 97% to 38.8%. This resulted in an increase in non-controlling interests of approximately RMB417,039,000 and an increase in equity attributable to owners of the Bank of approximately RMB32,961,000.

The Group had signed contracts with three shareholders of Changbai Mountain Rural Commercial Bank, which hold total 27.9% equity interests in Changbai Mountain Rural Commercial Bank. Pursuant to agreement, these three shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Changbai Mountain Rural Commercial Bank and therefore, Changbai Mountain Rural Commercial Bank is regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(417,039)
Consideration received from non-controlling interests	450,000
Gain recognised in capital reserve within equity	32,961

58 DISPOSAL OF INTEREST IN SUBSIDIARIES

(i) Deemed disposal of interest in Haikou United Rural Commercial Bank

On 8 January 2015, four of the shareholders who holds 27.91% of ownership and voting power of Haikou United Rural Commercial Bank terminated the act in concert contract. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Haikou United Rural Commercial Bank.

The Group holds 20% equity interest in and has significant influence in Haikou United Rural Commercial Bank. As a result, it is classified as an associate of the Group.

Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:

	RMB'000
Cash and deposits with the central bank	593,111
Deposits with banks and other financial institutions	1,595,459
Interest receivable	10,988
Loans and advances to customers	380,694
Property and equipment	32,902
Deferred tax assets	791
Other assets	8,882
Deposits from banks and other financial institutions	(827,147)
Placements from banks and other financial institutions	(72,138)
Deposits from customers	(1,294,546)
Tax payables	(1,546)
Interest payables	(20,243)
Other liabilities	(11,995)
Net assets disposed of	395,212

58 DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(i) Deemed disposal of interest in Haikou United Rural Commercial Bank (Continued)

Gain on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interest in the associate	109,812
Net assets disposed of	(395,212)
Goodwill	(30,770)
Non-controlling interests	316,170
Gain on deemed disposal	—

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(1,360,200)
	(1,360,200)

(ii) Disposal of interest in Jilin Shulan Rural Commercial Bank Company Limited ("吉林舒蘭農村商業銀行股份有限公司", "Shulan Rural Commercial Bank")

On 10 December 2015, the Group disposed of Shulan Rural Commercial Bank to an independent third party, at cash consideration of RMB66,120,000. Shulan Rural Commercial Bank is engaged in corporate and retail bank business. The net assets of Shulan Rural Commercial Bank at the date of disposal were as follows:

Consideration received

	RMB'000
Cash received	66,120

58 DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(ii) Disposal of interest in Jilin Shulan Rural Commercial Bank Company Limited ("吉林舒蘭農村商業銀行股份有限公司", "Shulan Rural Commercial Bank") (Continued)

Analysis of assets and liabilities over which control was lost:

	RMB'000
Cash and deposits with the central bank	552,155
Deposits with banks and other financial institutions	1,090,795
Financial assets at fair value through profit or loss	300,000
Interest receivable	7,122
Loans and advances to customers	2,635,618
Available-for-sale financial assets	705,529
Held-to-maturity investments	481,653
Interest in an associate	15,000
Property and equipment	179,142
Deferred tax assets	24,615
Other assets	4,053
Deposits from banks and other financial institutions	(486,843)
Placements from banks and other financial institutions	(200,000)
Deposits from customers	(4,229,984)
Financial assets sold under repurchase agreements	(389,400)
Tax payables	(5,902)
Interest payables	(124,388)
Other liabilities	(26,365)
Net assets disposed of	532,800

58 DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(ii) Disposal of interest in Jilin Shulan Rural Commercial Bank Company Limited ("吉林舒蘭農村商業銀行股份有限公司", "Shulan Rural Commercial Bank") (Continued)

Gain on disposal of a subsidiary:

	RMB'000
Consideration received and receivable	66,120
Net assets disposed of	(532,800)
Non-controlling interests	479,520
Gain on disposal of a subsidiary	12,840

Net cash outflow arising on disposal

	RMB'000
Cash consideration	66,120
Less: cash and cash equivalent balances disposed of	(552,155)
	(486,035)

Included in the profit for the year is approximately RMB23,923,000 attributable to the business generated by Shulan Rural Commercial Bank. Operating income for the year includes approximately RMB108,907,000 generated from Shulan Rural Commercial Bank.

During the year ended 31 December 2015, Shulan Rural Commercial Bank contributed approximately RMB2,118,330,000 to the Group's net operating cash flows, paid approximately RMB2,512,406,000 in respect of investing activities and paid approximately RMB34,800,000 in respect of financing activities.

59 PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
			2016	2015	2016	2015	2016	2015	
Shuangcheng Huimin Village and Township Bank	25/1/2010	PRC	40,000	30,000	75.00%	100.00%	75.00%	100.00%	Corporate and retail bank
Hanshan Huimin Village and Township Bank Co., Ltd. ("含山惠民村鎮銀行有限責任公司")	30/10/2010	PRC	40,000	20,000	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank
Wuchang Huimin Village and Township Bank	11/11/2010	PRC	30,000	30,000	66.67%	66.67%	66.67%	66.67%	Corporate and retail bank
Qingdao Pingdu Huimin Village and Township Bank Co., Ltd. ("青島平度惠民村鎮銀行股份有限公司")	23/12/2010	PRC	85,000	85,000	58.82%	58.82%	58.82%	58.82%	Corporate and retail bank
Qianan Huimin Village and Township Bank Co., Ltd. ("乾安惠民村鎮銀行有限責任公司")	28/12/2010	PRC	37,950	34,500	50.67%	50.67%	50.67%	50.67%	Corporate and retail bank
Lujiang Huimin Village and Township Bank	28/12/2010	PRC	50,000	50,000	60.00%	60.00%	60.00%	60.00%	Corporate and retail bank
Changchun Nanguan Huimin Village and Township Bank	11/1/2011	PRC	91,300	83,000	51.20%	51.20%	51.20%	51.20%	Corporate and retail bank
Songyuan Ningjiang Huimin Village and Township Bank Co., Ltd. ("松原寧江惠民村鎮銀行股份有限公司") (Notes (1))	19/1/2011	PRC	81,000	60,000	40.80%	40.80%	52.32%	54.94%	Corporate and retail bank
Da'an Huimin Village and Township Bank	26/1/2011	PRC	42,625	38,750	51.46%	51.46%	51.46%	51.46%	Corporate and retail bank
Lingshui Dasheng Village and Township Bank (Notes (2))	16/5/2011	PRC	50,000	10,000	20.00%	20.00%	61.60%	58.00%	Corporate and retail bank
Sanya Phoenix Village and Township Bank (Notes (3))	16/5/2011	PRC	20,000	N/A	20.00%	N/A	53.00%	N/A	Corporate and retail bank
Gaomi Huimin Village and Township Bank	25/5/2011	PRC	70,000	70,000	71.43%	71.43%	71.43%	71.43%	Corporate and retail bank
Langfang City Anci District Huimin Village and Township Bank Co., Ltd. ("廊坊市安次區惠民村鎮銀行股份有限公司")	6/12/2011	PRC	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank (Note (4))	14/12/2011	PRC	250,000	100,000	38.80%	97.00%	66.70%	97.00%	Corporate and retail bank
Jingmen Dongbao Huimin Village and Township Bank Co., Ltd. ("荊門東寶惠民村鎮銀行股份有限公司")	21/12/2011	PRC	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Wenan County Huimin Village and Township Bank Co., Ltd. ("文安縣惠民村鎮銀行股份有限公司")	23/12/2011	PRC	30,000	30,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank

59 PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
			2016	2015	2016	2015	2016	2015	
Tongcheng Huimin Village and Township Bank Co., Ltd. ("通城惠民村鎮銀行有限責任公司")	19/9/2012	PRC	30,000	30,000	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank
Liaoyuan Rural Commercial Bank	15/11/2012	PRC	150,000	150,000	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank
Changchun Gaoxin Huimin Village and Township Bank (Notes (5))	24/9/2013	PRC	100,000	100,000	50.00%	50.00%	51.85%	51.85%	Corporate and retail bank
Huadian Huimin Village and Township Bank Co., Ltd. ("樺甸惠民村鎮銀行股份有限公司")	29/10/2013	PRC	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Jilin Fengman Huimin Village and Township Bank Co., Ltd. ("吉林豐滿惠民村鎮銀行股份有限公司")	16/12/2013	PRC	200,000	200,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Heyang Huimin Village and Township Bank Co., Ltd. ("合陽惠民村鎮銀行股份有限公司")	16/12/2013	PRC	30,000	30,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Anping Huimin Village and Township Bank Co., Ltd. ("安平惠民村鎮銀行股份有限公司") (Notes (6))	24/12/2013	PRC	36,000	30,000	36.00%	36.00%	75.16%	81.00%	Corporate and retail bank
Jilin Jilin Dehui Rural Commercial Bank (Notes (7))	30/12/2013	PRC	500,000	500,000	45.00%	45.00%	65.00%	65.00%	Corporate and retail bank
Wuhua Huimin Village and Township Bank Co., Ltd. ("五華惠民村鎮銀行股份有限公司")	13/1/2014	PRC	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Qingyuan Qingxin Huimin Village and Township Bank Co., Ltd. ("清遠清新惠民村鎮銀行股份有限公司")	23/1/2014	PRC	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Yunan Huimin Village and Township Bank Co., Ltd. ("雲安惠民村鎮銀行股份有限公司")	27/1/2014	PRC	80,000	80,000	61.00%	61.00%	61.00%	61.00%	Corporate and retail bank
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. ("廣州黃浦惠民村鎮銀行股份有限公司")	7/2/2014	PRC	200,000	200,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Tianjin Binhai Huimin Village and Township Bank Co., Ltd. ("天津濱海惠民村鎮銀行股份有限公司") (Notes (8))	11/6/2014	PRC	300,000	300,000	47.00%	47.00%	52.00%	52.00%	Corporate and retail bank
Huidong Huimin Village and Township Bank Co., Ltd. ("惠東惠民村鎮銀行股份有限公司") (Notes (9))	21/11/2014	PRC	200,000	200,000	35.00%	35.00%	65.00%	65.00%	Corporate and retail bank

59 PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
			2016	2015	2016	2015	2016	2015	
Leizhou Huimin Village and Township Bank Co., Ltd. ("雷州惠民村鎮银行股份有限公司") (Notes (10))	25/3/2015	PRC	30,000	30,000	45.00%	45.00%	65.00%	65.00%	Corporate and retail bank
Jilin Gongzhuling Rural Commercial Bank (Notes (11))	12/10/2015	PRC	500,000	500,000	30.00%	30.00%	60.00%	60.00%	Corporate and retail bank
Jilin Chuncheng Rural Commercial Bank (Notes (12))	12/10/2015	PRC	512,900	500,000	30.00%	30.00%	70.00%	70.00%	Corporate and retail bank
Baicheng Taobei Huimin Village and Township Bank Co., Ltd. ("白城洮北惠民村鎮銀行股份有限公司") (Notes (13))	23/11/2015	PRC	50,000	50,000	49.00%	49.00%	67.00%	67.00%	Corporate and retail bank
Taonan Huimin Village and Township Bank Co., Ltd. ("洮南惠民村鎮銀行股份有限公司") (Notes (14))	11/12/2015	PRC	50,000	50,000	49.00%	49.00%	79.00%	79.00%	Corporate and retail bank
Fuyu Huimin Village and Township Bank Co., Ltd. ("扶餘惠民村鎮銀行股份有限公司") (Notes (15))	14/12/2015	PRC	50,000	50,000	49.00%	49.00%	52.00%	52.00%	Corporate and retail bank
Jilin Chuanying Huimin Village and Township Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司) (Notes (16))	21/1/2016	PRC	100,000	N/A	46.00%	N/A	51.00%	N/A	Corporate and retail bank

No subsidiary has non-controlling interest material to the Group.

All subsidiaries are directly held by the Bank.

Notes:

(1) During the year ended 31 December 2015, the Bank signed contracts with two shareholders who hold in total 14.14% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2016, the Bank signed contracts with two shareholders who hold in total 11.52% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

59 PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Notes: (Continued)

(2) During the year ended 31 December 2015, the Bank signed contracts with four shareholders who hold in total 38% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2016, the Bank signed contracts with eleven shareholders who hold in total 41.6% of ownership and voting power of this bank. These eleven shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(3) During the year ended 31 December 2016, the Bank signed contracts with four shareholders who hold in total 33% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(4) During the year ended 31 December 2016, the Bank signed contracts with three shareholders who hold in total 27.9% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(5) The Bank signed contracts with a shareholder who holds in total 1.85% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(6) During the year ended 31 December 2015, the Bank signed contracts with five shareholders who hold in total 45% of ownership and voting power of this bank. These five shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2016, the Bank signed contracts with five shareholders who hold in total 39.16% of ownership and voting power of this bank. These five shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(7) The Bank signed contracts with two shareholders who hold in total 20% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(8) The Bank signed contracts with a shareholder who holds 5% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(9) The Bank signed contracts with three shareholders who hold in total 30% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(10) The Bank signed contracts with three shareholders who hold in total 20% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(11) The Bank signed contracts with three shareholders who hold in total 30% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(12) The Bank signed contracts with four shareholders who hold in total 40% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(13) The Bank signed contracts with six shareholders who hold in total 18% of ownership and voting power of this bank. These six shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

59 PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Notes: (Continued)

(14) The Bank signed contracts with four shareholders who hold in total 30% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(15) The Bank signed contracts with two shareholders who hold in total 3% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(16) The Bank signed contracts with a shareholder who holds in total 5% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

* The English translation is for identification only.

60 STATEMENTS OF FINANCIAL POSITION OF THE BANK

	2016 RMB'000	2015 RMB'000
Assets		
Cash and deposits with the central bank	21,839,156	9,293,581
Deposits with banks and other financial institutions	18,785,481	8,513,665
Placements with banks and other financial institutions	—	140,000
Financial assets held under resale agreements	14,063,584	17,293,846
Financial assets at fair value through profit or loss	12,933,644	9,967,127
Interest receivable	151,024	181,880
Loans and advances to customers	28,534,527	20,701,992
Available-for-sale financial assets	6,564,975	6,752,565
Held-to-maturity investments	1,376,205	1,266,071
Debt securities classified as receivables	5,885,773	11,978,546
Interests in associates	218,200	118,000
Investments in subsidiaries	3,403,120	3,302,440
Property and equipment	1,465,154	974,276
Deferred tax assets	51,704	32,115
Other assets	762,234	332,902
Total assets	116,034,781	90,849,006

60 STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

	2016 RMB'000	2015 RMB'000
Liabilities and equity		
Liabilities		
Borrowings from the central bank	1,500,000	—
Deposits from banks and other financial institutions	3,650,915	4,580,245
Placements from banks and other financial institutions	2,496	2,496
Financial assets sold under repurchase agreements	11,339,640	21,634,598
Deposits from customers	65,613,294	45,970,978
Accrued staff costs	75,824	34,641
Taxes payable	76,680	96,702
Interests payable	859,421	708,311
Debts securities issued	23,395,879	9,074,179
Other liabilities	334,925	190,239
Total liabilities	106,849,074	82,292,389
Equity		
Share capital	3,294,797	3,294,797
Capital reserve	3,093,593	3,093,593
Investment revaluation reserve	17,028	56,112
Surplus reserve	510,333	354,741
General reserve	1,001,475	802,423
Retained earnings	1,268,481	954,951
Total equity	9,185,707	8,556,617
Total Liabilities and equity	116,034,781	90,849,006

Approved and authorised for issue by the board of directors of the Bank on 27 March 2017 and are signed on its behalf by:

Mr. GAO Bing	Mr. YUAN Chunyu
Director	Director

61 EVENTS AFTER THE REPORTING PERIOD

(i) On 12 January 2017, the Bank's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 6122). The total number of H shares issued globally was 660,000,000 (including 600,000,000 new H shares and 60,000,000 shares sold by selling shareholders). The offer price was HK$4.56 per share, each share at the par value of RMB1.00.

(ii) On 16 January 2017, Guotai Junan Securities (Hong Kong) Limited exercised all its over-allotment option for itself and on behalf of the international underwriters. The total number of H shares issued was 99,000,000 (including 90,000,000 new H shares and 9,000,000 shares sold by selling shareholders). The offer price was HK$4.56 per share, each share at the par value of RMB1.00. Details of over-allotment were set out in announcement of the Bank dated 16 January 2017.

Chapter 12 Unaudited Supplementary Financial Information

(Amounts 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 (%)

	At December 31, 2016	Average for the year ended December 31, 2016
Liquidity coverage ratio (RMB and foreign currency)	52.19%	49.53%

	At December 31, 2015	Average for the year ended December 31, 2015
Liquidity coverage ratio (RMB and foreign currency)	46.83%	49.27%

Leverage Ratio

	At December 31, 2016
Leverage Ratio	6.30%

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Currency concentrations

	At December 31, 2016		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	25,750	14,756	40,505
Spot liabilities	(4,810)	(12,612)	(17,422)
Net position	20,940	2,144	23,084

	At December 31, 2015		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	19,044	1,319	20,363
Spot liabilities	(12,111)	(181)	(12,292)
Net position	6,933	1,138	8,071

The above information is computed in accordance with the provisions of the CBRC. The Group has no structural position as at the end of each reporting period.

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, deposit and placement with 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.

	At December 31,	
	2016	2015
Deposit with banks		
Asia Pacific excluding Mainland China	301	1
Europe	—	—
	301	1

(Amounts in thousands of Renminbi, unless otherwise stated)

4. Loans and advances overdue for more than 90 days by geographical segments

	At December 31, 2016	2015
Jilin Region	**1,294,586**	966,280
Mainland China excluding Jilin Region	**111,501**	115,401
Total	**1,406,087**	1,081,681

5. Gross amount of loans and advances overdue for more than 90 days

	At December 31, 2016	2015
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
— Between three months and six months (inclusive)	**242,261**	149,976
— Between six months and one year (inclusive)	**222,365**	278,823
— Between one year and three years	**600,334**	451,424
— Over three years	**341,127**	201,458
Total	**1,406,087**	1,081,681
As a percentage of total gross loans and advances		
— Between three months and six months (inclusive)	**0.39%**	0.32%
— Between six months and one year (inclusive)	**0.36%**	0.58%
— Between one year and three years	**0.97%**	0.94%
— Over three years	**0.55%**	0.42%
Total	**2.27%**	2.26%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At December 31, 2016 and 2015, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.

九台农商银行
JIUTAI RURAL COMMERCIAL BANK

吉林九台農村商業銀行股份有限公司
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED