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錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

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

(Stock Code: 0416)

(Stock Code of Preference Shares: 4615)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the “**Board**”) of Bank of Jinzhou Co., Ltd.* (the “**Bank**”, including its subsidiaries unless the context otherwise requires) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank for the year ended 31 December 2017 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Annual Results.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

Legal Name and Abbreviation in Chinese:	錦州銀行股份有限公司 (Abbreviation: 錦州銀行)
Legal Name in English:	BANK OF JINZHOU CO., LTD.
Legal Representative:	Zhang Wei
Authorized Representative:	Zhang Wei, Wang Jing
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited (“ Hong Kong Stock Exchange ”)
Stock Name of H Shares:	BANKOFJINZHOU
Stock Code of H Shares:	0416
Listing Exchange of Offshore Preference Shares:	Hong Kong Stock Exchange
Stock Name of Offshore Preference Shares:	BOJZ 17USDPREF
Stock Code of Offshore Preference Shares:	4615

1.2 Contact Persons and Contact Details

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

2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with China Accounting Standards for Business Enterprises and those in accordance with IFRSs, there is no difference in respect of the net profit attributable to equity shareholders of the Bank for the year ended 31 December 2017 and net asset attributable to equity shareholders of the Bank as of the end of the Reporting Period.

2.1 Financial Data

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December				
	2017	2016	2017 vs 2016 Change (%)	2015	2014
Operating Results					
Interest income	39,943,533	27,897,191	43.2	21,819,437	13,582,488
Interest expense	(21,410,609)	(12,448,982)	72.0	(11,015,124)	(7,954,065)
Net interest income	<u>18,532,924</u>	<u>15,448,209</u>	20.0	<u>10,804,313</u>	<u>5,628,423</u>
Net fee and commission income	736,674	809,265	(9.0)	500,790	116,323
Net trading (losses)/gains	(278,264)	49,948	(657.1)	97,164	470
Dividend income	640	895	(28.5)	6,440	6,360
Net gains arising from investment securities	30,796	10,348	197.6	2,896	8,396
Net foreign exchange (loss)/gain	(239,637)	53,724	(546.1)	85,895	7,872
Other net operating income	22,859	41,460	(44.9)	19,886	26,765
Operating income	<u>18,805,992</u>	<u>16,413,849</u>	14.6	<u>11,517,384</u>	<u>5,794,609</u>
Operating expenses	(3,308,138)	(2,758,039)	19.9	(2,724,872)	(2,213,490)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December				
	2017	2016	2017 vs 2016 Change (%)	2015	2014
Operating Results					
Operating profit before impairment	15,497,854	13,655,810	13.5	8,792,512	3,581,119
Impairment losses on assets	(3,444,523)	(2,784,895)	23.7	(2,296,943)	(793,469)
Profit before taxation	<u>12,053,331</u>	<u>10,870,915</u>	10.9	<u>6,495,569</u>	<u>2,787,650</u>
Income tax expense	(2,963,273)	(2,671,469)	10.9	(1,587,513)	(664,473)
Profit for the year	<u>9,090,058</u>	<u>8,199,446</u>	10.9	<u>4,908,056</u>	<u>2,123,177</u>
Net profit attributable to equity shareholders of the parent company	8,976,990	8,129,590	10.4	4,898,761	2,115,715
Calculated on a Per Share Basis (RMB)					
Basic and diluted earnings per share	1.32	1.40	(0.08)	1.09	0.54
Major Indicators of Assets/ Liabilities					
Total assets	723,417,650	539,059,522	34.2	361,659,913	250,692,720
Of which: loans and advances to customers	209,084,947	121,930,761	71.5	97,313,206	86,548,794
Total liabilities	663,252,922	496,165,210	33.7	335,388,599	234,815,584
Of which: deposits from customers	342,264,228	262,969,211	30.2	170,178,722	119,402,997
Share capital	6,781,616	6,781,616	—	5,781,616	4,402,234
Total equity attributable to equity shareholders of the parent company	56,230,555	39,035,430	44.1	25,598,461	15,658,315
Total equity	60,164,728	42,894,312	40.3	26,271,314	15,877,136

2.2 Financial Indicators

	2017	2016	2017 vs 2016 Change	2015	2014
Profitability Indicators (%)					
Return on average total assets ⁽¹⁾	1.44	1.82	(0.38)	1.60	1.00
Return on average equity ⁽²⁾	21.03	25.16	(4.13)	23.75	15.64
Net interest spread ⁽³⁾	2.58	3.41	(0.83)	3.29	2.43
Net interest margin ⁽⁴⁾	2.88	3.67	(0.79)	3.51	2.63
Net fee and commission income to operating income ratio	3.92	4.93	(1.01)	4.35	2.01
Cost-to-income ratio ⁽⁵⁾	15.71	14.83	0.88	18.80	31.26
Assets Quality Indicators (%)					
			Change		
Non-performing loan ratio ⁽⁶⁾	1.04	1.14	(0.10)	1.03	0.99
Allowance coverage ratio ⁽⁷⁾	268.64	336.30	(67.66)	369.13	256.15
Allowance to loans ratio ⁽⁸⁾	2.81	3.84	(1.03)	3.82	2.53
Capital Adequacy Indicators (%)					
			Change		
Core tier 1 capital adequacy ratio ⁽⁹⁾	8.44	9.79	(1.35)	8.96	8.64
Tier 1 capital adequacy ratio ⁽¹⁰⁾	10.24	9.80	0.44	8.97	8.64
Capital adequacy ratio	11.67	11.62	0.05	10.50	10.45
Total equity to total assets	8.32	7.96	0.36	7.26	6.33
Other Indicators (%)					
			Change		
Loan-to-deposit ratio ⁽¹¹⁾	53.68	40.36	13.32	47.44	55.70

Notes:

- (1) Represents the net profit for the year as a percentage of the average balance of total assets at the beginning and the end of that year.
- (2) Represents the Bank's net profit attributable to the parent company for the year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the parent company at the beginning and at the end of that year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding tax and surcharges) / operating income.
- (6) Non-performing loan ratio = total non-performing loans / total loans and advances to customers.

- (7) Allowance coverage ratio = allowance for impairment losses on loans / total non-performing loans.
- (8) Allowance-to-loans ratio = allowance for impairment losses on loans / total loans and advances to customers.
- (9) Core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions) / risk-weighted assets.
- (10) Tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions) / risk-weighted assets.
- (11) Such ratios represent the ratios the Bank submitted to the China Banking Regulatory Commission (the “**CBRC**”) and were calculated in accordance with financial data under the PRC generally accepted accounting policies (the “**PRC GAPP**”) and the CBRC requirements.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business and Financial Review

During the Reporting Period, with the continuous deepening of the supply-side reform in macro economy and the continuous development of financial technology, the continuous change of capital market and the intensifying competitions in interbank market, the Bank experienced rapid and healthy development in its various business and delivered sound returns to the investors of the Bank and shareholders of the Bank (the “**Shareholders**”) by the active implementation of the five development concepts of “Innovation, Coordination, Green, Openness, Share” of the country and the combination with the operation principle of “Changing mode, Adjusting structure, Controlling risk and Strengthening development” of the Bank.

In the year 2017, the Bank recorded a net profit of RMB9,090 million, representing an increase of 10.9% as compared to the previous year. The Bank’s performance not only delivered sound returns to its Shareholders and investors, but also laid a solid foundation for its sustainable development.

As of 31 December 2017, the total assets of the Bank amounted to RMB723,418 million, representing a year-on-year increase of 34.2%; the net loans and advances to customers amounted to RMB209,085 million, representing a year-on-year increase of 71.5%; the non-performing loan ratio was 1.04%; the balance of deposits from customers of the Bank amounted to RMB342,264 million, representing a year-on-year increase of 30.2%. During the Reporting Period, the operating income of the Bank amounted to RMB18,806 million, representing a year-on-year increase of 14.6%; and the net profit amounted to RMB9,090 million, representing a year-on-year increase of 10.9%.

On 27 October 2017, the Bank issued 74,800,000 offshore preference shares of RMB100 each at a price of US\$20 per share, and all the proceeds (after deducting the fees and expenses related to the issuance) were used to replenish other tier 1 capital of the Bank. As of 31 December 2017, the Bank's capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio were 11.67%, 10.24% and 8.44%, respectively.

As of the end of the Reporting Period, the Bank had invested in 7 village and township banks, under which there were 24 operation departments and sub-branches, 5 in Jinzhou City, 1 in Chaoyang City and 1 in Benxi City, Liaoning province, the PRC.

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

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the Income Statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2017	2016	Change in amount	
Interest income	39,943,533	27,897,191	12,046,342	43.2
Interest expense	(21,410,609)	(12,448,982)	(8,961,627)	72.0
Net interest income	<u>18,532,924</u>	<u>15,448,209</u>	<u>3,084,715</u>	20.0
Net fee and commission income	736,674	809,265	(72,591)	(9.0)
Net trading (losses)/gains	(278,264)	49,948	(328,212)	(657.1)
Dividend income	640	895	(255)	(28.5)
Net gains arising from investment securities	30,796	10,348	20,448	197.6
Net foreign exchange (loss)/gain	(239,637)	53,724	(293,361)	(546.1)
Other net operating income	22,859	41,460	(18,601)	(44.9)
Operating income	<u>18,805,992</u>	<u>16,413,849</u>	<u>2,392,143</u>	14.6
Operating expenses	(3,308,138)	(2,758,039)	(550,099)	19.9
Impairment losses on assets	(3,444,523)	(2,784,895)	(659,628)	23.7
Profit before tax	<u>12,053,331</u>	<u>10,870,915</u>	<u>1,182,416</u>	10.9
Income tax expense	<u>(2,963,273)</u>	<u>(2,671,469)</u>	<u>(291,804)</u>	10.9
Profit for the year	<u>9,090,058</u>	<u>8,199,446</u>	<u>890,612</u>	10.9

During the Reporting Period, the Bank's profit before tax was RMB12,053 million, representing a year-on-year increase of 10.9%; net profit was RMB9,090 million, representing a year-on-year increase of 10.9%, mainly attributable to the stable growth of interest-earning assets resulting in the increase in net interest income of RMB3,085 million or 20.0% as compared to last year.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 98.5% and 94.1% of operating income for 2017 and 2016, respectively. The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2017	2016	Change in amount	
Interest income	39,943,533	27,897,191	12,046,342	43.2
Interest expense	<u>(21,410,609)</u>	<u>(12,448,982)</u>	<u>(8,961,627)</u>	72.0
Net interest income	<u>18,532,924</u>	<u>15,448,209</u>	<u>3,084,715</u>	20.0

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2017			2016		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Interest-Earning Assets						
Loans and advances to customers	175,586,314	11,109,727	6.33	112,343,694	7,597,435	6.76
Investment securities and other financial assets ⁽¹⁾	393,350,486	27,144,523	6.90	264,092,219	19,390,157	7.34
Cash and deposits with the central bank	47,311,691	729,694	1.54	33,961,224	515,757	1.52
Deposits with banks and other financial institutions	12,497,769	354,559	2.84	4,207,779	178,037	4.23
Placements with banks and other financial institutions	1,858,677	32,611	1.75	980,721	10,100	1.03
Financial assets held under resale agreements	7,222,692	216,957	3.00	3,931,486	87,682	2.23
Financial lease receivables	<u>5,307,782</u>	<u>355,462</u>	6.70	<u>1,742,711</u>	<u>118,023</u>	6.77
Total interest-earning assets	<u>643,135,411</u>	<u>39,943,533</u>	6.21	<u>421,259,834</u>	<u>27,897,191</u>	6.62

	For the year ended 31 December					
	2017			2016		
(Expressed in thousands of Renminbi, unless otherwise stated)	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Interest-Bearing Liabilities						
Deposits from customers	330,001,288	10,088,102	3.06	215,073,252	5,238,664	2.44
Deposits from banks and other financial institutions	120,670,223	5,664,850	4.69	130,440,389	5,723,145	4.39
Placements from banks and other financial institutions	11,994,250	275,451	2.30	4,157,929	42,496	1.02
Financial assets sold under repurchase agreements	31,641,761	1,152,199	3.64	17,831,179	588,392	3.30
Debt securities issued	72,761,648	3,342,613	4.59	3,925,479	185,795	4.73
Financial liabilities at fair value through profit or loss	22,225,907	884,801	3.98	16,474,314	670,490	4.07
Borrowings from the central bank	<u>117,066</u>	<u>2,593</u>	2.21	<u>—</u>	<u>—</u>	<u>—</u>
Total interest-bearing liabilities	<u>589,412,143</u>	<u>21,410,609</u>	3.63	<u>387,902,542</u>	<u>12,448,982</u>	3.21
Net interest income		18,532,924			15,448,209	
Net interest spread ⁽²⁾			2.58			3.41
Net interest margin ⁽³⁾			2.88			3.67

Notes:

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

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2017 vs 2016		
	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-Earning Assets			
Loans and advances to customers	4,276,891	(764,599)	3,512,292
Investment securities and other financial assets	9,490,390	(1,736,024)	7,754,366
Cash and deposits with the central bank	202,749	11,188	213,937
Deposits with banks and other financial institutions	350,761	(174,239)	176,522
Placements with banks and other financial institutions	9,042	13,469	22,511
Financial assets held under resale agreements	73,402	55,873	129,275
Financial lease receivables	<u>241,440</u>	<u>(4,001)</u>	<u>237,439</u>
Changes in interest income	<u>14,644,675</u>	<u>(2,598,333)</u>	<u>12,046,342</u>
Interest-bearing Liabilities			
Deposits from customers	2,799,369	2,050,069	4,849,438
Deposits from banks and other financial institutions	(428,671)	370,376	(58,295)
Placements from banks and other financial institutions	80,091	152,864	232,955
Financial assets sold under repurchase agreements	455,721	108,086	563,807
Debt securities issued	3,258,052	(101,234)	3,156,818
Financial liabilities at fair value through profit or loss	234,085	(19,774)	214,311
Borrowings from the central bank	<u>2,593</u>	<u>—</u>	<u>2,593</u>
Changes in interest expense	<u>6,401,240</u>	<u>2,560,387</u>	<u>8,961,627</u>
Changes in net interest income	<u>8,243,435</u>	<u>(5,158,720)</u>	<u>3,084,715</u>

Notes:

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

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

3.2.1.2 Interest income

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2017		2016	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	10,396,679	26.0	6,930,209	24.9
Personal loans	599,313	1.5	645,924	2.3
Discounted bills	113,735	0.3	21,302	0.1
Subtotal	<u>11,109,727</u>	<u>27.8</u>	<u>7,597,435</u>	<u>27.3</u>
Investment securities and other financial assets	27,144,523	68.0	19,390,157	69.5
Cash and deposits with the central bank	729,694	1.8	515,757	1.8
Deposits with banks and other financial institutions	354,559	0.9	178,037	0.6
Financial assets held under resale agreements	216,957	0.5	87,682	0.3
Placements with banks and other financial institutions	32,611	0.1	10,100	0.1
Financial lease receivables	<u>355,462</u>	<u>0.9</u>	<u>118,023</u>	<u>0.4</u>
Total	<u>39,943,533</u>	<u>100.0</u>	<u>27,897,191</u>	<u>100.0</u>

The Bank's interest income increased by 43.2% to RMB39,943,533 thousand in 2017 from RMB27,897,191 thousand in 2016, primarily due to the increase in the investment and loan business of the Bank which resulted in the corresponding increase in interest income.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 27.8% and 27.3% of the Bank's interest income in 2017 and 2016, respectively. The following table sets forth, for the years indicated, the average balance of loans and advances to customers, relevant interest income and average yield for loans and advances to customers:

<i>(Expressed in millions of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2017			2016		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	164,957,800	10,396,679	6.30	102,814,469	6,930,209	6.74
Personal loans	9,867,572	599,313	6.07	9,420,358	645,924	6.86
Discounted bills	<u>760,942</u>	<u>113,735</u>	14.95	<u>108,867</u>	<u>21,302</u>	19.57
Total	<u>175,586,314</u>	<u>11,109,727</u>	6.33	<u>112,343,694</u>	<u>7,597,435</u>	6.76

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

Interest income from investment securities and other financial assets increased by 40.0% to RMB27,144,523 thousand in 2017 from RMB19,390,157 thousand in 2016, primarily due to increase in the scale of investment assets resulting in corresponding increase in interest income.

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

Interest income from cash and deposits with the central bank increased by 41.5% to RMB729,694 thousand in 2017 from RMB515,757 thousand in 2016, primarily due to increase in the scale of the Bank's deposits resulting in the increase in the amount of the statutory deposit reserves deposited by the Bank with the central bank.

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

Interest income from deposits with banks and other financial institutions increased by 99.1% to RMB354,559 thousand in 2017 from RMB178,037 thousand in 2016, mainly due to the increase in average balance of the Bank's deposits with banks and other financial institutions.

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

Interest income from financial assets held under resale agreements increased by 147.4% to RMB216,957 thousand in 2017 from RMB87,682 thousand in 2016, primarily due to an increase in the average balance and the average yield. The average balance of financial assets held under resale agreements increased by 83.7% to RMB7,222,692 thousand in 2017 from RMB3,931,486 thousand in 2016, primarily due to the Bank's investment in financial assets held under resale agreements for management of assets and liabilities. The average yield of financial assets held under resale agreements increased to 3.00% in 2017 from 2.23% in 2016 primarily due to the increase in the interbank market interest rate.

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

Interest income from placements with banks and other financial institutions increased by 222.9% to RMB32,611 thousand in 2017 from RMB10,100 thousand in 2016, primarily due to an increase in the size and average yield rate of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 89.5% to RMB1,858,677 thousand in 2017 from RMB980,721 thousand in 2016. The average yield of placements with banks and other financial institutions rose to 1.75% in 2017 from 1.03% in 2016, primarily due to the increase in the scale of the placements with banks and other financial institutions by the Bank as a result of the increase in the interest rate of US dollars in the monetary market and increase in proportion of placements with banks and other financial institutions with longer terms.

(7) Interest income from financial lease receivables

Interest income from financial lease receivables increased by 201.2% to RMB355,462 thousand in 2017 from RMB118,023 thousand in 2016, primarily due to the increase of average balance of financial lease receivables.

3.2.1.3 Interest expense

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2017		2016	
	Amount	% of total	Amount	% of total
Deposits from customers	10,088,102	47.1	5,238,664	42.1
Deposits from banks and other financial institutions	5,664,850	26.5	5,723,145	46.0
Placements from banks and other financial institutions	275,451	1.3	42,496	0.3
Financial assets sold under repurchase agreements	1,152,199	5.4	588,392	4.7
Debt securities issued	3,342,613	15.6	185,795	1.5
Financial liabilities at fair value through profit or loss	884,801	4.1	670,490	5.4
Borrowings from the central bank	<u>2,593</u>	<u>0.0</u>	<u>—</u>	<u>—</u>
Total	<u>21,410,609</u>	<u>100.0</u>	<u>12,448,982</u>	<u>100.0</u>

(1) Interest expense on deposits from customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2017			2016		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	152,526,452	4,988,980	3.27	87,364,922	2,822,685	3.23
Demand	48,952,536	342,838	0.66	47,559,196	191,339	0.40
Subtotal	<u>201,478,988</u>	<u>5,313,818</u>	2.64	<u>134,924,118</u>	<u>3,014,024</u>	2.23
Personal deposits						
Time	114,300,571	4,665,025	4.08	68,281,154	2,169,640	3.18
Demand	14,221,729	109,259	0.77	11,867,980	55,000	0.46
Subtotal	<u>128,522,300</u>	<u>4,774,284</u>	3.71	<u>80,149,134</u>	<u>2,224,640</u>	2.78
Total deposits from customers	<u>330,001,288</u>	<u>10,088,102</u>	3.06	<u>215,073,252</u>	<u>5,238,664</u>	2.44

Interest expense on deposits from customers increased by 92.6% to RMB10,088,102 thousand in 2017 from RMB5,238,664 thousand in 2016, primarily due to the increase in the scale of the Bank's deposits and increase in cost.

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

Interest expense on deposits from banks and other financial institutions decreased by 1.0% to RMB5,664,850 thousand in 2017 from RMB5,723,145 thousand in 2016, primarily due to the slight reduction in the average balance of the deposits from banks and other financial institutions.

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

Interest expense on placements from banks and other financial institutions increased by 548.2% to RMB275,451 thousand in 2017 from RMB42,496 thousand in 2016, primarily due to the increase in average balance and cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions increased by 188.5% to RMB11,994,250 thousand in 2017 from RMB4,157,929 thousand in 2016, and the average cost of placements from banks and other financial institutions increased from 1.02% in 2016 to 2.30% in 2017, which was mainly attributable to the increase in the offered rate of the US dollars in the monetary market in 2017 and the extension of term of placements from banks and other financial institutions.

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

Interest expense on financial assets sold under repurchase agreements increased by 95.8% to RMB1,152,199 thousand in 2017 from RMB588,392 thousand in 2016, primarily due to the increase in the average balance and increase in cost. The average balance of financial assets sold under repurchased agreements increased by 77.5% to RMB31,641,761 thousand in 2017 from RMB17,831,179 thousand in 2016. The average cost of the financial assets sold under repurchase agreements increased to 3.64% in 2017 from 3.30% in 2016, mainly due to the increase in the average interest rate in the interbank market in 2017.

(5) Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB3,342,613 thousand, increased by RMB3,156,818 thousand from 2016, which was mainly due to the increase in average balance of the Bank's debt securities issued. The average balance of the Bank's debt securities issued increased by RMB68,836,169 thousand to RMB72,761,648 thousand in 2017 from RMB3,925,479 thousand in 2016, which was mainly due to the increase in issuance size of interbank certificates of deposit of the Bank in 2017.

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

Financial liabilities at fair value through profit or loss are funds of wealth management products managed and measured at fair value sold by the Bank. The interest expense on financial liabilities at fair value through profit or loss increased by 32.0% to RMB884,801 thousand in 2017 from RMB670,490 thousand in 2016, primarily due to the increase in the average balance in wealth management products funds. The average balance of the Bank's wealth management products increased by 34.9% to RMB22,225,907 thousand in 2017 from RMB16,474,314 thousand in 2016, which was mainly due to the increase in issuance size of wealth management products to meet the enlarged demand of customers for wealth management investment.

3.2.1.4 Net Interest Spread and Net Interest Margin

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

The net interest spread decreased to 2.58% in 2017 as compared to 3.41% in 2016 and the net interest margin decreased to 2.88% in 2017 as compared to 3.67% in 2016, primarily due to the impact of changes in market interest rate and the adjustment in the structure of the industry.

3.2.1.5 Non-interest income

(1) Net Fee and Commission Income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2017	2016	Change	
Fee and Commission Income				
Agency services fees	360,744	205,069	155,675	75.9
Settlement and clearing fees	203,581	184,083	19,498	10.6
Wealth management service fees	185,941	245,069	(59,128)	(24.1)
Underwriting and advisory fees	65,602	226,673	(161,071)	(71.1)
Bank card service fees	14,576	17,374	(2,798)	(16.1)
Others	2,389	5,665	(3,276)	(57.8)
Subtotal	<u>832,833</u>	<u>883,933</u>	<u>(51,100)</u>	(5.8)
Fee and Commission Expense				
Settlement and clearing fees	59,562	43,393	16,169	37.3
Others	36,597	31,275	5,322	17.0
Subtotal	<u>96,159</u>	<u>74,668</u>	<u>21,491</u>	28.8
Net fee and commission income	<u>736,674</u>	<u>809,265</u>	<u>(72,591)</u>	(9.0)

The fee and commission income decreased to RMB832,833 thousand in 2017 compared to RMB883,933 thousand in 2016, primarily due to the decrease in underwriting and advisory fees as well as wealth management service fees of the Bank.

Fee and commission expense consists primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense increased by 28.8% to RMB96,159 thousand in 2017 compared to RMB74,668 thousand in 2016, primarily due to the increase in the Bank's settlement volume.

(2) Net Trading (Losses)/Gains

Net trading (losses)/gains primarily comprises of net gains or losses from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. During the Reporting Period, the net trading losses of the Bank amounted to RMB278,264 thousand in 2017, while the net trading gains of the Bank amounted to RMB49,948 thousand in 2016. The increase in the Bank's net trading losses in 2017 was primary due to the fact that the derivatives measured at fair value were affected by the market price fluctuation.

(3) Dividend Income

Dividend income decreased by 28.5% to RMB640 thousand in 2017 from RMB895 thousand in 2016.

(4) Net Gains arising from Investment Securities

Net gain from investment securities increased by RMB20,448 thousand to RMB30,796 thousand in 2017 from RMB10,348 thousand in 2016. Such increase was mainly due to the increase in income from trading bonds by the Bank.

(5) Net foreign Exchange (Losses)/Gains

Foreign exchange (losses)/gains changed to a net loss of RMB239,637 thousand in 2017 from a net gain of RMB53,724 thousand in 2016, primarily due to volatility in exchange rates.

(6) Other Net Operating Income

Other net operating income decreased by 44.9% to RMB22,859 thousand in 2017 from RMB41,460 thousand in 2016.

3.2.1.6 Operating Expenses

During 2017, the Bank's operating expenses were RMB3,308,138 thousand, representing a year-on-year increase of RMB550,099 thousand or 19.9%.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2017	2016	Change	
Staff costs	1,680,269	1,308,208	372,061	28.4
General and administrative expenses	869,788	739,767	130,021	17.6
Tax and surcharges	169,969	328,405	(158,436)	(48.2)
Depreciation and amortization	403,193	381,258	21,935	5.8
Others	<u>184,919</u>	<u>401</u>	<u>184,518</u>	46,014.5
Total operating expenses	<u>3,308,138</u>	<u>2,758,039</u>	<u>550,099</u>	19.9

(1) Staff Costs

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2017	2016	Change	
Salaries and bonuses	1,231,249	943,042	288,207	30.6
Staff welfares	76,554	61,570	14,984	24.3
Pension	160,301	122,277	38,024	31.1
Housing allowances	84,870	68,514	16,356	23.9
Other social insurance	73,439	59,956	13,483	22.5
Supplementary retirement benefits	1,629	466	1,163	249.6
Other long-term staff welfares	3,909	14,703	(10,794)	(73.4)
Others	<u>48,318</u>	<u>37,680</u>	<u>10,638</u>	28.2
Total staff costs	<u>1,680,269</u>	<u>1,308,208</u>	<u>372,061</u>	28.4

During the Reporting Period, the Bank's total staff costs were RMB1,680,269 thousand, representing an increase of RMB372,061 thousand or 28.4% as compared to 2016, primarily due to the increase in labour costs as a result of increases in the remuneration and number of the Bank's employees due to the business development of the Bank.

(2) General and Administrative Expenses

General and administrative expenses increased by 17.6% to RMB869,788 thousand in 2017 compared to RMB739,767 thousand in 2016, primarily due to (i) the increase of daily administration expenses as a result of the increase in outlets; and (ii) the increase of general and administrative expenses as a result of the increase in volume of the Bank's business.

(3) Tax and Surcharges

The Bank's tax and surcharges decreased by 48.2% to RMB169,969 thousand in 2017 from RMB328,405 thousand in 2016, primarily because the Bank has paid value added taxes instead of business taxes since 1 May 2016 pursuant to the requirement of "Circular of the Ministry of Finance and the State Administration of Taxation regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]第36號))".

(4) Depreciation and Amortization

Depreciation and amortization increased by 5.8% to RMB403,193 thousand in 2017 from RMB381,258 thousand in 2016, primarily due to increases in depreciation and amortization expenses as a result of the increase in the Bank's properties and equipment and softwares.

(5) Others

Other operating expense of the Bank increased to RMB184,919 thousand in 2017 from RMB401 thousand in 2016, mainly attributable to the Bank's increase in donation to third parties resulting from the Bank's active implementation of the national policy of "targeted poverty alleviation and elimination" during the Reporting Period.

3.2.1.7 Impairment Losses on Assets

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2017	2016	Change	
Impairment losses on loans and advances to customers	1,623,208	1,153,424	469,784	40.7
Impairment losses on debt securities classified as receivables	1,685,216	1,583,849	101,367	6.4
Impairment losses on financial lease receivables	132,748	47,154	85,594	181.5
Impairment losses on other assets	<u>3,351</u>	<u>468</u>	<u>2,883</u>	616.0
Total	<u>3,444,523</u>	<u>2,784,895</u>	<u>659,628</u>	23.7

Impairment losses on assets increased by 23.7% to RMB3,444,523 thousand in 2017 from RMB2,784,895 thousand in 2016.

3.2.1.8 Income Tax Expense

In 2017, the Bank's income tax was RMB2,963,273 thousand, representing an increase of RMB291,804 thousand or 10.9% as compared to last year. The Bank's actual tax rate was 24.58%, representing an increase of 0.01 percentage point as compared to that of last year.

3.2.2 Analysis of the Statement of Financial Position

3.2.2.1 Assets

As at 31 December 2017 and 31 December 2016, the Bank had total assets of RMB723,417,650 thousand and RMB539,059,522 thousand, respectively. The principal components of the assets were (i) loans and advances to customers; (ii) net investment securities and other financial assets; (iii) cash and deposits with the central bank; and (iv) deposits with banks and other financial institutions, accounting for 28.9%, 58.8%, 7.2% and 1.3% of the Bank's total assets as at 31 December 2017, respectively. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	215,121,174	29.7	126,800,083	23.5
Provision for impairment losses on loans and advances to customers	(6,036,227)	(0.8)	(4,869,322)	(0.9)
Net Loans and advances to customers	209,084,947	28.9	121,930,761	22.6
Net investments securities and other financial assets	425,372,238	58.8	347,990,616	64.6
Cash and deposits with the central bank	52,117,510	7.2	43,666,527	8.1
Deposits with banks and other financial institutions	9,617,694	1.3	8,673,633	1.6
Financial assets held under resale agreements	3,572,794	0.5	—	—
Placements with banks and other financial institutions	2,500,000	0.3	—	—
Financial lease receivables ⁽²⁾	6,840,341	0.9	4,615,491	0.9
Other assets ⁽³⁾	14,312,126	2.1	12,182,494	2.2
Total assets	<u>723,417,650</u>	<u>100.0</u>	<u>539,059,522</u>	<u>100.0</u>

Notes:

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

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

The Bank's total assets increased by 34.2% from RMB539,059,522 thousand as at 31 December 2016 to RMB723,417,650 thousand as at 31 December 2017. The increase in the Bank's total assets was primarily because the Bank made appropriate expansion of investment and loan size based on the needs of real economy development and the Bank's business development plan, which resulted in the increase in asset size.

(1) Loans and Advances to Customers

As at 31 December 2017, the Bank's total loans and advances to customers were RMB215,121,174 thousand, representing an increase of 69.7% as compared to the end of last year. Total loans and advances to customers accounted for 29.7% of the Bank's total assets, representing an increase of 6.2 percentage points as compared to that at the end of last year.

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Corporate loans	202,487,355	94.2	117,553,214	92.7
Personal loans	10,161,100	4.7	9,205,425	7.3
Discounted bills	<u>2,472,719</u>	<u>1.1</u>	<u>41,444</u>	<u>0.0</u>
Total loans and advances to customers	<u>215,121,174</u>	<u>100.0</u>	<u>126,800,083</u>	<u>100.0</u>

The Bank's total loans and advances to customers primarily comprise of corporate loans, personal loans and discounted bills. Corporate loans is the largest component of the Bank's loan portfolio. As at 31 December 2017 and as at 31 December 2016, the Bank's corporate loans amounted to RMB202,487,355 thousand and RMB117,553,214 thousand, accounting for 94.2% and 92.7% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 72.3% from RMB117,553,214 thousand as at 31 December 2016 to RMB202,487,355 thousand as at 31 December 2017, primarily due to (i) the continued growth of the market demand for corporate loans; and (ii) the increase of loans granted to new high-quality customers by the Bank.

The Bank's personal loans mainly comprise of personal business loans, residential mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. As at 31 December 2017, the balance of personal loans amounted to RMB10,161,100 thousand, representing an increase of RMB955,675 thousand or 10.4 percentage points as compared to the end of last year, and accounted for 4.7% of the total loans and advances to customers.

A. Loans by collateral

Collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 92.0% and 96.2% of the Bank's total loans and advances to customers as at 31 December 2017 and 31 December 2016, respectively. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Unsecured loans	17,226,342	8.0	4,788,651	3.8
Guaranteed loans	76,539,268	35.6	45,951,515	36.2
Collateralized loans	55,872,860	26.0	56,164,010	44.3
Pledged loans	<u>65,482,704</u>	<u>30.4</u>	<u>19,895,907</u>	<u>15.7</u>
Total loans and advances to customers	<u>215,121,174</u>	<u>100.0</u>	<u>126,800,083</u>	<u>100.0</u>

As at 31 December 2017, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB121,355,564 thousand, representing an increase of RMB45,295,647 thousand or 59.6% as compared to the end of last year, accounting for 56.4% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB93,765,610 thousand, an increase of RMB43,025,444 thousand as compared to the end of last year, accounting for 43.6% of the Bank's total loans and advances to customers.

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

	2017	2016
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
As at 1 January	4,869,322	3,861,204
Charge for the year	1,766,727	1,351,168
Release for the year	(143,519)	(197,744)
Recoveries for the year	—	2,051
Unwinding of discount	(67,635)	(35,907)
Disposal for the year	<u>(388,668)</u>	<u>(111,450)</u>
As at 31 December	<u>6,036,227</u>	<u>4,869,322</u>

Provision for impairment losses on loans increased by 24.0% from RMB4,869,322 thousand as at 31 December 2016 to RMB6,036,227 thousand as at 31 December 2017, primarily due to the increase in the Bank's provision for impairment losses to counter against uncertainties arising from macroeconomic operation and the increase in loan size.

(2) Investment Securities and Other Financial Assets

Investment securities and other financial assets consist of debt investment, equity investment, investments using funds of wealth management products, precious metals held for trading and debt securities classified as receivables. Investment securities and other financial assets was the largest component of the Bank's assets as at 31 December 2017. As at 31 December 2017 and 31 December 2016, the Bank had net investment securities and other financial assets of RMB425,372,238 thousand and RMB347,990,616 thousand, accounting for 58.8% and 64.6% of the Bank's total assets, respectively.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Debt investments	59,423,064	14.0	45,162,404	12.9
Held-to-maturity investments	7,778,664	1.9	10,436,027	3.0
Available-for-sale debt investments	50,638,949	11.9	34,664,662	9.9
Investments in debt securities held for trading	1,005,451	0.2	61,715	0.0
Provision for impairment losses on debt investments	—	—	—	—
Equity investments	58,250	0.0	58,250	0.0
Available-for-sale equity investments	58,250	0.0	58,250	0.0
Provision for impairment losses on equity investments	—	—	—	—
Wealth management products investments	22,507,706	5.3	21,089,421	6.1
Precious metals held for trading	13,651	0.0	—	—
Debt securities classified as receivables	343,369,567	80.7	281,680,541	81.0
Wealth management products issued by financial institutions	200,088	0.0	200,088	0.1
Beneficial interest transfer plans	346,673,345	81.5	283,571,571	81.5
Provision for impairment losses on debt securities classified as receivables	(3,503,866)	(0.8)	(2,091,118)	(0.6)
Net investments	<u>425,372,238</u>	<u>100.0</u>	<u>347,990,616</u>	<u>100.0</u>

As at 31 December 2017, the Bank's investment securities and other financial assets, net amounted to RMB425,372,238 thousand, representing an increase of 22.2% from RMB347,990,616 thousand as at 31 December 2016. Such increase was primarily due to increased investment in securities and other financial assets as a result of the implementation of development strategy of the Bank's treasury business.

3.2.2.2 Liabilities

As at 31 December 2017 and 31 December 2016, the Bank's total liabilities amounted to RMB663,252,922 thousand and RMB496,165,210 thousand, respectively. The Bank's liabilities comprise (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) debt securities issued; and (iv) financial assets sold under repurchase agreements, accounting for 51.6%, 20.3%, 13.5% and 5.9% of the Bank's total liabilities as at 31 December 2017, respectively.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Deposits from customers	342,264,228	51.6	262,969,211	53.0
Deposits from banks and other financial institutions	134,537,429	20.3	131,028,453	26.4
Financial assets sold under repurchase agreements	39,064,430	5.9	35,164,192	7.1
Debt securities issued	89,564,751	13.5	30,223,286	6.1
Placements from banks and other financial institutions	13,466,127	2.0	3,866,521	0.8
Financial liabilities at fair value through profit or loss	22,439,776	3.4	20,986,772	4.2
Other liabilities ⁽¹⁾	<u>21,916,181</u>	<u>3.3</u>	<u>11,926,775</u>	<u>2.4</u>
Total	<u>663,252,922</u>	<u>100.0</u>	<u>496,165,210</u>	<u>100.0</u>

Note:

- (1) Include borrowings from the central bank, derivative financial liabilities, accrued staff costs, taxes payable, interests payable and others.

(1) Deposits from Customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	52,192,358	15.2	52,522,396	20.0
Time deposits	138,545,258	40.5	115,711,642	44.0
Subtotal	<u>190,737,616</u>	<u>55.7</u>	<u>168,234,038</u>	<u>64.0</u>
Personal deposits				
Demand deposits	14,276,240	4.2	12,855,119	4.9
Time deposits	137,250,372	40.1	81,880,054	31.1
Subtotal	<u>151,526,612</u>	<u>44.3</u>	<u>94,735,173</u>	<u>36.0</u>
Total	<u>342,264,228</u>	<u>100.0</u>	<u>262,969,211</u>	<u>100.0</u>

As at 31 December 2017, the Bank's total deposits from customers amounted to RMB342,264,228 thousand, representing an increase of RMB79,295,017 thousand or 30.2% as compared to the end of last year. Deposits from customers accounted for 51.6% of total liabilities, representing a decrease of 1.4 percentage points as compared to the end of last year. During the Reporting Period, the increase in deposits from customers was because the Bank optimized the service channel and outlet construction while increasing its efforts in marketing customer deposits.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)

	31 December 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Banks	78,318,057	58.2	59,893,668	45.7
Other financial institutions	<u>56,219,372</u>	<u>41.8</u>	<u>71,134,785</u>	<u>54.3</u>
Total	<u>134,537,429</u>	<u>100.0</u>	<u>131,028,453</u>	<u>100.0</u>

(3) Debts Securities Issued

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

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

On 31 December 2017, the fair value of the above payable tier-two capital debts was RMB3,961 million.

As of 31 December 2017, the Bank issued 238 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate amount of RMB85,569 million. On 31 December 2017, the fair value of the above interbank certificates of deposit was RMB85,370 million.

3.2.2.3 Shareholders' Equity

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Share capital	6,781,616	11.3	6,781,616	15.8
Other equity instruments				
Including: preference shares	9,897,363	16.5	—	—
Capital reserve	13,578,809	22.6	14,240,795	33.2
Surplus reserve	2,994,679	5.0	2,101,109	4.9
General reserve	9,818,070	16.3	7,225,282	16.8
Retained earnings	13,160,018	21.9	8,686,628	20.3
Non-controlling interests	<u>3,934,173</u>	<u>6.4</u>	<u>3,858,882</u>	<u>9.0</u>
Total equity	<u>60,164,728</u>	<u>100.0</u>	<u>42,894,312</u>	<u>100.0</u>

On 27 October 2017, the Bank issued 74,800,000 offshore preference shares with a par value of RMB100 at an offering price of US\$20 per share. The total proceeds from the issuance of offshore preference shares amounted to RMB9,944 million and was used to replenish the Bank's other tier one capital after deducting the issuance expenses.

3.2.3 Assets Quality Analysis

3.2.3.1 Breakdown of Loans by the Five-Category Classification

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at 31 December 2017, the non-performing loans recorded by the Bank amounted to RMB2,246,933 thousand and the Bank's total provision for impairment losses on loans to customers was RMB6,036,227 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Pass	207,906,403	96.7	120,769,380	95.3
Special mention	4,967,838	2.3	4,582,785	3.6
Substandard	1,470,816	0.7	751,542	0.6
Doubtful	475,259	0.2	409,402	0.3
Loss	<u>300,858</u>	<u>0.1</u>	<u>286,974</u>	<u>0.2</u>
Total loans and advances to customers	<u>215,121,174</u>	<u>100.0</u>	<u>126,800,083</u>	<u>100.0</u>
Non-performing loan	<u>2,246,933</u>	<u>1.04</u>	<u>1,447,918</u>	<u>1.14</u>

As at 31 December 2017 and 31 December 2016, the non-performing loan ratios of the Bank were 1.04% and 1.14%, respectively. The Bank's non-performing loan ratio for 2017 decreased by 0.10 percentage point as compared to 2016, primarily due to the following reasons: the Bank formulated guidelines for and guided credit extension based on national policies and market conditions; continued to optimise selection requirements of industries, regions and customers and adjusted the Bank's credit asset structure; strengthened post-loan inspections and the collection of non-performing loans, effectively control the occurrence of non-performing loans, and decline in non-performing rate of the Bank as a result of the expansion of the scale of loans.

3.2.3.2 Concentration of Loans

(1) Concentration by Industry of Corporate Loans

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	107,983,226	53.3	39,985,815	34.0
Manufacturing	34,526,186	17.1	37,272,136	31.7
Real estate	14,611,490	7.2	13,774,113	11.7
Leasing and commercial services	11,297,965	5.6	6,426,944	5.5
Public management and social organization	8,160,339	4.0	242,750	0.2
Education	5,573,015	2.8	3,213,742	2.7
Electricity, gas and water production and supply	2,524,672	1.2	3,822,215	3.3
Mining	2,312,522	1.1	1,801,952	1.5
Construction	2,088,328	1.0	1,647,035	1.4
Transportation, storage and postal services	1,704,719	0.8	2,802,067	2.4
Agriculture, forestry, animal husbandry and fishery	1,540,602	0.8	1,534,475	1.3
Water, environment and public utility management	1,326,750	0.7	1,352,440	1.2
Others	<u>8,837,541</u>	<u>4.4</u>	<u>3,677,530</u>	<u>3.1</u>
Total corporate loans and advances	<u>202,487,355</u>	<u>100.0</u>	<u>117,553,214</u>	<u>100.0</u>

As at 31 December 2017, loans provided to customers in the industries of (i) wholesale and retail trade, (ii) manufacturing, and (iii) real estate represented the largest components of the Bank's corporate loans. As at 31 December 2017 and 31 December 2016, the balance of loans provided to the corporate customers in these three industries were RMB157,120,902 thousand and RMB91,032,064 thousand, respectively, accounting for 77.6% and 77.4% of the total corporate loans and advances granted by the Bank, respectively. From the perspective of the structure of increased volume, the three industries in (i) wholesale and retail trade (ii) public management and social organization, (iii) leasing and commercial services experienced the largest increment. The increased volume, and the increment were respectively as follows: RMB67,997,411 thousand, 170.1%; RMB7,917,589 thousand, 3,261.6%; and RMB4,871,021 thousand, 75.8%.

(2) Borrower Concentration

A. Indicators of concentration

Major regulatory indicators	Regulatory standard	As at 31 December 2017	As at 31 December 2016
Loan concentration ratio for the largest single customer	≤10%	4.41%	4.23%
Loan concentration ratio for the top ten customers	≤50%	32.29%	39.92%

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

B. Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the ten largest single borrowers as of 31 December 2017. As of the same date, all such loans were classified as pass loans.

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

Customer	Industry involved	As at 31 December 2017	
		Amount	% of total loan
Customer A	Scientific research and technical services	2,849,000	1.3
Customer B	Wholesale and retail trade	2,100,000	1.0
Customer C	Leasing and commercial services	2,000,000	0.9
Customer D	Wholesale and retail trade	2,000,000	0.9
Customer E	Wholesale and retail trade	1,999,500	0.9
Customer F	Wholesale and retail trade	1,999,330	0.9
Customer G	Wholesale and retail trade	1,995,000	0.9
Customer H	Wholesale and retail trade	1,995,000	0.9
Customer I	Real estate	1,987,000	0.9
Customer J	Leasing and commercial services	<u>1,920,500</u>	<u>0.9</u>
Total		<u>20,845,330</u>	<u>9.5</u>

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

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017			As at 31 December 2016		
	Loan amount	Non-performing Loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing Loan amount	Non-performing loan ratio (%)
Corporate loans						
Small Enterprises and Micro Enterprises						
Enterprises	101,147,853	1,076,518	1.06	61,043,560	537,109	0.88
Medium Enterprises	<u>65,919,809</u>	<u>457,046</u>	0.69	<u>31,158,505</u>	<u>430,161</u>	1.38
Others	<u>35,419,693</u>	<u>303,989</u>	0.86	<u>25,351,149</u>	<u>284,477</u>	1.12
Subtotal	<u>202,487,355</u>	<u>1,837,553</u>	0.91	<u>117,553,214</u>	<u>1,251,747</u>	1.06
Discounted bills	<u>2,472,719</u>	-	-	<u>41,444</u>	-	-
Personal loans						
Personal business loans	8,641,737	399,090	4.62	7,896,779	191,647	2.43
Personal consumption loans	645,395	7,868	1.22	478,483	3,213	0.67
Residential and commercial properties mortgage loans						
properties mortgage loans	747,574	1,002	0.13	723,439	291	0.04
Credit cards overdrafts	125,988	1,014	0.80	106,243	539	0.51
Others	<u>406</u>	<u>406</u>	100.00	<u>481</u>	<u>481</u>	100.00
Subtotal	<u>10,161,100</u>	<u>409,380</u>	4.03	<u>9,205,425</u>	<u>196,171</u>	2.13
Total	<u>215,121,174</u>	<u>2,246,933</u>	1.04	<u>126,800,083</u>	<u>1,447,918</u>	1.14

The non-performing loan ratio, defined as total non-performing loans divided by the Bank's gross loans and advances to customers, decreased from 1.14% as at 31 December 2016 to 1.04% as at 31 December 2017, a decrease of 0.10 percentage point.

As at 31 December 2017 and 31 December 2016, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 0.91% and 1.06%, respectively.

As 31 December 2017 and 31 December 2016, the non-performing loan ratio of the Bank's personal loans was 4.03% and 2.13%, respectively.

(4) Overdue loans and advances to customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Overdue within 3 months (inclusive)	873,455	28.2	700,660	13.7
Overdue more than 3 months to 6 months (inclusive)	213,726	6.9	2,034,531	39.9
Overdue more than 6 months to 1 year (inclusive)	354,620	11.5	1,071,518	21.0
Overdue more than 1 year	<u>1,653,749</u>	<u>53.4</u>	<u>1,297,004</u>	<u>25.4</u>
Total overdue loans and advances to customers	<u>3,095,550</u>	<u>100.0</u>	<u>5,103,713</u>	<u>100.0</u>

3.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2015) promulgated by the CBRC. As at 31 December 2017, the Bank's capital adequacy ratios at all tiers met the regulatory requirements under such new regulation. The Bank's core tier one capital adequacy ratio was 8.44%, 1.35 percentage points lower than that as at the end of last year; the tier one capital adequacy ratio was 10.24%, 0.44 percentage point higher than those as at the end of last year; the capital adequacy ratio was 11.67%, 0.05 percentage point higher than that as at the end of last year.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017	As at 31 December 2016
Total core tier-one capital		
—Share capital	6,781,616	6,781,616
—Qualifying portion of capital reserve	13,578,809	14,240,795
—Surplus reserve	2,994,679	2,101,109
—General reserve	9,818,070	7,225,282
—Retained earnings	13,160,018	8,686,628
—Qualifying portions of non-controlling interests	532,382	1,057,708
Core tier-one capital deductions		
—Other intangible assets other than land use right	<u>(182,643)</u>	<u>(148,166)</u>
Net core tier-one capital	46,682,931	39,944,972
Other tier-one capital	<u>9,968,347</u>	<u>38,102</u>
Net tier-one capital	56,651,278	39,983,074
Tier-two capital		
—Instruments issued and share premium	4,000,000	4,000,000
—Surplus provision for loan impairment	3,969,198	3,311,404
—Qualifying portions of non-controlling interests	141,968	86,576
—Tier-two capital deductions	<u>(200,000)</u>	<u>—</u>
Net capital base	<u>64,562,444</u>	<u>47,381,054</u>
Total risk weighted assets	553,087,541	407,922,931
Core tier one capital adequacy ratio	8.44%	9.79%
Tier one capital adequacy ratio	10.24%	9.80%
Capital adequacy ratio	11.67%	11.62%

3.2.5 Segment Information

3.2.5.1 Summary of Geographical Segment

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

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

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

Northern China Region: Beijing branch and Tianjin branch.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2017		2016	
	Amount	% of total	Amount	% of total
Operating income				
Jinzhou Region	14,153,945	75.2	11,897,713	72.5
Other Northeastern Region	2,416,986	12.9	1,760,085	10.7
Northern China Region	<u>2,235,061</u>	<u>11.9</u>	<u>2,756,051</u>	<u>16.8</u>
Total	<u>18,805,992</u>	<u>100.0</u>	<u>16,413,849</u>	<u>100.0</u>

3.2.5.2 Summary of Business Segment

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2017		2016	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking	6,207,732	33.0	5,213,190	31.8
Retail banking	1,403,570	7.5	1,163,725	7.1
Treasury business	11,172,171	59.4	9,990,517	60.8
Others	<u>22,519</u>	<u>0.1</u>	<u>46,417</u>	<u>0.3</u>
Total	<u>18,805,992</u>	<u>100.0</u>	<u>16,413,849</u>	<u>100.0</u>

3.2.6 Off-balance Sheet Items

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017	As at 31 December 2016
Acceptances	105,422,308	78,222,618
Letters of credit	21,070,234	18,272,197
Letters of guarantees	3,284,999	9,446,624
Loan commitments	3,870,216	3,537,196
Credit card commitments	929,182	667,338
Subtotal	<u>134,576,939</u>	<u>110,145,973</u>
Operating lease commitments	439,920	508,552
Capital commitments	1,022,570	615,127
Subtotal	<u>1,462,490</u>	<u>1,123,679</u>
Total	<u>136,039,429</u>	<u>111,269,652</u>

3.3 Risk Management

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

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed, to set appropriate risk limits, and to design relevant internal control 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 Bank's activities. The internal audit department undertakes both regular and ad hoc reviews of the compliance of internal control system implementation with risk management policies.

3.3.1 Credit risk

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

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

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

3.3.2 Operational risk

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

3.3.3 Market risk

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

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

3.3.3.1 Interest rate risk

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

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

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

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

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017					
	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	52,117,510	747,977	51,369,533	—	—	—
Deposit with banks and other financial institutions	9,617,694	—	6,365,194	2,598,000	654,500	—
Placements with banks and other financial institutions	2,500,000	—	2,500,000	—	—	—
Financial assets held under resale agreements	3,572,794	—	3,572,794	—	—	—
Loans and advances to customers ⁽¹⁾	209,084,947	—	23,915,955	72,253,031	111,106,057	1,809,904
Investment ⁽²⁾	425,372,238	71,900	49,911,210	95,023,941	270,921,510	9,443,677
Financial lease receivables	6,840,341	—	2,977,922	1,676,518	2,185,901	—
Others	14,312,126	14,310,717	1,409	—	—	—
Total assets	<u>723,417,650</u>	<u>15,130,594</u>	<u>140,614,017</u>	<u>171,551,490</u>	<u>384,867,968</u>	<u>11,253,581</u>
Liabilities						
Borrowings from the central bank	307,848	—	—	307,848	—	—
Deposits from banks and other financial institutions	134,537,429	—	30,869,509	54,184,550	46,270,870	3,212,500
Placements from banks and other financial institutions	13,466,127	—	3,546,559	9,919,568	—	—
Financial assets sold under repurchase agreements	39,064,430	—	39,064,430	—	—	—
Deposit from customers	342,264,228	111,982	102,330,196	91,867,159	147,919,590	35,301
Debt securities issued	89,564,751	—	37,974,793	47,594,477	3,995,481	—
Others	44,048,109	20,885,351	11,772,622	11,351,679	38,457	—
Total liabilities	<u>663,252,922</u>	<u>20,997,333</u>	<u>225,558,109</u>	<u>215,225,281</u>	<u>198,224,398</u>	<u>3,247,801</u>
Asset-liability gap	<u>60,164,728</u>	<u>(5,866,739)</u>	<u>(84,944,092)</u>	<u>(43,673,791)</u>	<u>186,643,570</u>	<u>8,005,780</u>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2016					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	43,666,527	573,486	43,093,041	—	—	—
Deposit with banks and other financial institutions	8,673,633	—	8,464,133	55,000	154,500	—
Loans and advances to customers ⁽¹⁾	121,930,761	—	19,162,528	37,974,369	62,522,367	2,271,497
Investments ⁽²⁾	347,990,616	58,250	40,162,403	116,457,560	187,390,603	3,921,800
Financial lease receivables	4,615,491	—	1,075,819	595,989	1,907,346	1,036,337
Others	12,182,494	12,128,636	53,858	—	—	—
Total assets	<u>539,059,522</u>	<u>12,760,372</u>	<u>112,011,782</u>	<u>155,082,918</u>	<u>251,974,816</u>	<u>7,229,634</u>
Liabilities						
Deposits from banks and other financial institutions	131,028,453	—	24,590,953	52,170,000	53,267,500	1,000,000
Placements from banks and other financial institutions	3,866,521	—	3,737,146	129,375	—	—
Financial assets sold under repurchase agreements	35,164,192	—	33,874,192	1,290,000	—	—
Deposit from customers	262,969,211	50,815	92,366,755	55,452,195	115,095,660	3,786
Debt securities issued	30,223,286	—	3,925,514	22,303,420	3,994,352	—
Others	32,913,547	11,793,139	7,931,952	13,188,456	—	—
Total liabilities	<u>496,165,210</u>	<u>11,843,954</u>	<u>166,426,512</u>	<u>144,533,446</u>	<u>172,357,512</u>	<u>1,003,786</u>
Asset-liability gap	<u>42,894,312</u>	<u>916,418</u>	<u>(54,414,730)</u>	<u>10,549,472</u>	<u>79,617,304</u>	<u>6,225,848</u>

Notes:

- (1) As at 31 December 2017 and 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 RMB1,754 million and RMB3,871 million, respectively.
- (2) Investments includes financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2017		2016	
	Change of net profit for the year	Shareholders' equity change	Change of net profit for the year	Shareholders' equity change
100 basis points increase	(725,802)	(1,470,140)	(614,963)	(1,232,282)
100 basis points decrease	724,521	1,502,690	614,962	1,261,407

3.3.3.2 Exchange rate risk

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

The Bank's currency exposures as at the end of the relevant periods are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2017			
	RMB	USD	Others	Total
		(RMB	(RMB	(RMB
		Equivalent)	Equivalent)	Equivalent)
Assets				
Cash and deposits with the central bank	51,694,247	421,551	1,712	52,117,510
Deposits with banks and other financial institutions	7,812,720	1,688,247	116,727	9,617,694
Placements with banks and other financial institutions	2,500,000	—	—	2,500,000
Interests receivable	4,194,500	33,597	823	4,228,920
Loans and advances to customers	205,758,970	3,240,758	85,219	209,084,947
Others ⁽¹⁾	445,663,686	197,888	7,005	445,868,579
Total assets	<u>717,624,123</u>	<u>5,582,041</u>	<u>211,486</u>	<u>723,417,650</u>
Liabilities				
Deposits from banks and other financial institutions	134,537,429	—	—	134,537,429
Placements from banks and other financial institutions	2,012,000	11,040,562	413,565	13,466,127
Deposit from customers	333,934,816	7,843,255	486,157	342,264,228
Interests payable	12,174,541	285,007	2,852	12,462,400
Others ⁽²⁾	160,517,000	5,657	81	160,522,738
Total liabilities	<u>643,175,786</u>	<u>19,174,481</u>	<u>902,655</u>	<u>663,252,922</u>
Net position	<u>74,448,337</u>	<u>(13,592,440)</u>	<u>(691,169)</u>	<u>60,164,728</u>
Off-balance sheet credit commitments	<u>130,544,733</u>	<u>3,033,937</u>	<u>998,269</u>	<u>134,576,939</u>

(Expressed in thousands of Renminbi, unless otherwise stated)

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

Notes:

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

3.3.4.1 Liquidity risk management

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

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

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

3.3.4.2 Liquidity risk analysis

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

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017							Total
	Indefinite	Repayable on demand	With one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	48,228,548	3,888,962	—	—	—	—	—	52,117,510
Deposits with banks and other financial institutions	—	2,063,194	495,000	3,807,000	2,598,000	654,500	—	9,617,694
Placements with banks and other financial institutions	—	—	2,500,000	—	—	—	—	2,500,000
Financial assets held under resale agreements	—	—	3,572,794	—	—	—	—	3,572,794
Loans and advances to customers	1,629,801	123,883	4,382,466	17,088,310	72,016,790	111,635,692	2,208,005	209,084,947
Investments	556,597	—	14,236,219	27,161,136	94,996,281	278,978,328	9,443,677	425,372,238
Financial lease receivables	—	—	176,563	632,123	2,259,399	3,772,256	—	6,840,341
Others	10,182,043	—	666,469	1,038,953	1,942,505	482,033	123	14,312,126
Total assets	<u>60,596,989</u>	<u>6,076,039</u>	<u>26,029,511</u>	<u>49,727,522</u>	<u>173,812,975</u>	<u>395,522,809</u>	<u>11,651,805</u>	<u>723,417,650</u>
Liabilities								
Borrowings from the central bank	—	—	—	—	307,848	—	—	307,848
Deposits from banks and other financial institutions	—	289,509	5,830,000	24,750,000	54,184,550	46,270,870	3,212,500	134,537,429
Placements from banks and other financial institutions	—	—	1,420,888	2,125,671	9,919,568	—	—	13,466,127
Financial assets sold under repurchase agreements	—	—	33,775,615	5,288,815	—	—	—	39,064,430
Deposit from customers	—	66,468,598	13,179,122	22,794,458	91,867,159	147,919,590	35,301	342,264,228
Debt securities issued	—	—	9,011,430	22,983,363	47,594,477	9,975,481	—	89,564,751
Others	—	8,175,817	5,914,642	8,487,457	15,213,921	6,203,034	53,238	44,048,109
Total liabilities	<u>—</u>	<u>74,933,924</u>	<u>69,131,697</u>	<u>86,429,764</u>	<u>219,087,523</u>	<u>210,368,975</u>	<u>3,301,039</u>	<u>663,252,922</u>
Net position	<u>60,596,989</u>	<u>(68,857,885)</u>	<u>(43,102,186)</u>	<u>(36,702,242)</u>	<u>(45,274,548)</u>	<u>185,153,834</u>	<u>8,350,766</u>	<u>60,164,728</u>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2016							Total
	Indefinite	Repayable on demand	With one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	39,349,394	4,317,133	—	—	—	—	—	43,666,527
Deposits with banks and other financial institutions	—	866,800	723,596	6,873,737	55,000	154,500	—	8,673,633
Loans and advances to customers	3,693,801	176,869	3,808,079	11,054,126	38,289,124	62,740,046	2,168,716	121,930,761
Investments	58,250	1,926,545	5,506,587	26,540,708	87,264,452	216,482,034	10,212,040	347,990,616
Financial lease receivables	—	—	13,696	292,213	839,935	3,377,459	92,188	4,615,491
Others	8,658,006	134	538,873	854,750	1,752,228	378,492	11	12,182,494
Total assets	<u>51,759,451</u>	<u>7,287,481</u>	<u>10,590,831</u>	<u>45,615,534</u>	<u>128,200,739</u>	<u>283,132,531</u>	<u>12,472,955</u>	<u>539,059,522</u>
Liabilities								
Deposits from banks and other financial institutions	—	220,953	5,730,000	18,640,000	52,170,000	53,267,500	1,000,000	131,028,453
Placements from banks and other financial institutions	—	—	1,726,994	2,010,152	129,375	—	—	3,866,521
Financial assets sold under repurchase agreements	—	—	31,932,192	1,942,000	1,290,000	—	—	35,164,192
Deposit from customers	—	65,377,256	11,151,995	15,888,319	55,452,195	115,095,660	3,786	262,969,211
Debt securities issued	—	—	—	3,925,514	22,303,420	3,994,352	—	30,223,286
Others	—	4,427,104	4,357,670	5,644,031	15,144,415	3,280,226	60,101	32,913,547
Total liabilities	<u>—</u>	<u>70,025,313</u>	<u>54,898,851</u>	<u>48,050,016</u>	<u>146,489,405</u>	<u>175,637,738</u>	<u>1,063,887</u>	<u>496,165,210</u>
Net position	<u>51,759,451</u>	<u>(62,737,832)</u>	<u>(44,308,020)</u>	<u>(2,434,482)</u>	<u>(18,288,666)</u>	<u>107,494,793</u>	<u>11,409,068</u>	<u>42,894,312</u>

3.4 Future Prospects

In 2018, the Bank will thoroughly implement the spirit of the 19th National Congress of the Communist Party of China, the requirements of the National Financial Work Conference and the spirit of the Central Economic Work Conference, adhere to the operating policies of “Changing mode, Adjusting structure, Controlling risk and Strengthening development” actively respond to the national strategies and plans, capture the opportunities of deepening financial reform, strengthen the risk prevention and guard the risk bottom line and keep the basis of serving the real economy in mind. With the theme of reform

and development, the mainstream of transformation and renovation, the driver of innovation and technology, the protection of compliance and stability and the objective of efficiency and quality, the Bank will consolidate its strategic position of “Three Basis & Three Smalls (三基三小)”, comprehensively develop financial technology, increase the efforts in facilitating inclusive finance, establish a diversified and characteristic business pattern with low capital consumption, enhance the efficiency of refined, professional and collaborative management, thereby forming a new pattern of high-quality development of the Bank.

4. ISSUANCE OF SECURITIES AND BONDS

4.1 Issuance of Tier 2 Capital Bonds

With the approvals from the CBRC and the People’s Bank of China (the “PBOC”), on 24 January 2014, the Bank issued tier 2 capital bonds with write-down terms in the aggregate principal amount of RMB1.50 billion with a term of ten years at a fixed coupon rate of 7.00% per annum. These bonds are redeemable at carrying amount in part or in full at the Bank’s discretion at the end of the fifth year upon approval of the relevant regulatory authorities.

On 26 December 2016, with the approvals from the CBRC and the PBOC, the Bank issued tier 2 capital bonds with write-down terms in an aggregate principal amount of RMB2.50 billion with a term of ten years at a fixed coupon rate of 4.30% per annum. Such bonds are redeemable at carrying amount in part or in full at the discretion of the Bank at the end of fifth year upon approval of the relevant regulatory authorities.

4.2 Issuance of Interbank Certificates of Deposit

As at the end of the Reporting Period, the Bank issued 238 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate amount of RMB85,569 million.

4.3 Issuance of Offshore Preference Shares

On 27 October 2017, the Bank issued 74,800,000 offshore preference shares of RMB100 each at the price of US\$20 per share. The total proceeds from issuance of offshore preference shares amounted to RMB9,944 million, which were used to replenish other tier 1 capital of the Bank after deducting the commission and expense related to the issuance.

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

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

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

5.2 Securities Transactions by Directors and Supervisors

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

5.3 Profits and Dividend

The Bank's revenue for the year ended 31 December 2017 and the Bank's financial position as at the same date are set out in the section headed "Financial Report" of this results announcement.

The Board has proposed the payment of a cash dividend of RMB0.16 per share (tax inclusive) for the year ended 31 December 2017 in aggregate amount of RMB1,085,058,509.44 (tax inclusive) to all Shareholders, subject to the Shareholders' approval at the annual general meeting of the year 2017. Such proposed dividend will be denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB, whereas dividends payable to holders of

H shares shall be paid in HK\$. The exchange rate of RMB to HK\$ to be adopted shall be the average middle exchange rates of the five business days preceding and including the date of declaration of such dividends (being Tuesday, 29 May 2018, the date of the annual general meeting of 2017) as announced by the PBOC.

According to the Enterprise Income Tax Law of the PRC (中國企業所得稅法) and its Regulation on the Implementation effective from 1 January 2008, the Bank shall withhold and pay the enterprise income tax at a rate of 10% for the non-resident enterprise Shareholders whose names appear on the H Share Register of the Bank on Friday, 8 June 2018.

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

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

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

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

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

The dividend distribution plan will be submitted to the annual general meeting of 2017 for consideration and approval. If such proposal is approved at the annual general meeting of 2017, the dividend will be distributed to holders of domestic shares and holders of H shares whose names appear on the register of members on Friday, 8 June 2018 by the Bank. Such dividend is expected to be paid to Shareholders on or before Friday, 20 July 2018.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2016	2015	2014
Cash dividend (tax inclusive)	1,017,242	780,518	528,268
As a percentage of profit for the year	12.4%	15.9%	25.0%

5.4 Annual General Meeting and Closures of Register of Members

The Bank's annual general meeting of 2017 will be held on Tuesday, 29 May 2018. In order to determine the holders of domestic shares and holders of H shares of the Bank who are eligible to attend and vote at the annual general meeting of 2017, the register of members of the Bank will be closed from Sunday, 29 April 2018 to Tuesday, 29 May 2018 (both days inclusive), during such period no transfer of shares will be registered. Holders of domestic shares and holders of H shares of the Bank whose names appear on the Bank's register of members on Sunday, 29 April 2018 shall be entitled to attend the annual general meeting of 2017. Holders of H shares of the Bank who wish to attend and vote at the annual general meeting of 2017 must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 27 April 2018.

In order to determine the holders of domestic shares and holders of H shares who are entitled to the final dividend, subject to approval by the Shareholders on the annual general meeting of 2017, the register of members of the Bank will be closed from Sunday, 3 June 2018 to Friday, 8 June 2018 (both days inclusive), during such period no transfer of shares will be registered. The Bank will pay the final dividends to holders of domestic shares and holders of H shares whose names appear on the Bank's register of members on Friday, 8 June 2018. In order to be entitled to the final dividend, holders of H shares of the Bank who have not registered the related transfer documents are required to lodge all the transfer documents, together with the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 1 June 2018.

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

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

5.6 Review by Audit Committee

The audit committee of the Bank is currently comprised of Ms. PENG Taoying, Ms. TAN Ying and Ms. MENG Xiao, of whom Ms. Peng Taoying and Ms. Tan Ying are independent non-executive directors of the Bank and Ms. Meng Xiao is a non-executive director of the Bank. The audit committee of the Bank has reviewed the audited consolidated annual financial statements of the Bank for the year ended 31 December 2017.

5.7 Subsequent Events

On 26 March 2018, the Bank issued the tier 2 capital bonds with write-down terms in the aggregate principal amount of RMB4 billion with a term of ten years at a fixed coupon rate of 4.9% per annum. These bonds are redeemable at carrying amount at the Bank's discretion on 27 March 2023.

6. FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2017	2016
Interest income	39,943,533	27,897,191
Interest expense	(21,410,609)	(12,448,982)
Net interest income	18,532,924	15,448,209
Fee and commission income	832,833	883,933
Fee and commission expense	(96,159)	(74,668)
Net fee and commission income	736,674	809,265
Net trading (losses)/gains	(278,264)	49,948
Dividend income	640	895
Net gains arising from investment securities	30,796	10,348
Foreign exchange (losses)/gains	(239,637)	53,724
Other net operating income	22,859	41,460
Operating income	18,805,992	16,413,849
Operating expenses	(3,308,138)	(2,758,039)
Operating profit before impairment	15,497,854	13,655,810
Impairment losses on assets	(3,444,523)	(2,784,895)
Profit before tax	12,053,331	10,870,915
Income tax expense	(2,963,273)	(2,671,469)
Profit for the year	9,090,058	8,199,446
Attributable to:		
Equity shareholders of the Bank	8,976,990	8,129,590
Non-controlling interests	113,068	69,856
Profit for the year	9,090,058	8,199,446
Basic and diluted earnings per share (in RMB)	1.32	1.40

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

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2017	2016
Profit for the year	9,090,058	8,199,446
	-----	-----
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Change in fair value recognized in the Capital Reserve	(840,826)	(678,497)
Reclassified to the profit or loss upon disposal	(39,022)	(54,323)
Related income tax effect	219,962	183,205
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	(2,100)	(247)
	-----	-----
Other comprehensive income net of tax	(661,986)	(549,862)
	-----	-----
Total comprehensive income for the year	8,428,072	7,649,584
	-----	-----
Attributable to:		
Equity shareholders of the Bank	8,315,004	7,579,728
Non-controlling interests	113,068	69,856
	-----	-----
Total comprehensive income for the year	8,428,072	7,649,584
	-----	-----

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December	
	2017	2016
Assets		
Cash and deposits with the central bank	52,117,510	43,666,527
Deposits with banks and other financial institutions	9,617,694	8,673,633
Placements with banks and other financial institutions	2,500,000	—
Financial assets at fair value through profit or loss	23,526,808	21,151,136
Positive fair value of derivatives	1,409	53,858
Financial assets held under resale agreements	3,572,794	—
Interests receivable	4,228,920	3,555,448
Loans and advances to customers	209,084,947	121,930,761
Available-for-sale financial assets	50,697,199	34,722,912
Held-to-maturity investments	7,778,664	10,436,027
Debt securities classified as receivables	343,369,567	281,680,541
Financial lease receivables	6,840,341	4,615,491
Property and equipment	6,452,324	6,142,076
Deferred tax assets	2,379,845	1,476,339
Others assets	<u>1,249,628</u>	<u>954,773</u>
Total Assets	<u>723,417,650</u>	<u>539,059,522</u>

	As at 31 December	
	2017	2016
Liabilities and equity		
Liabilities		
Borrowing from the central bank	307,848	—
Deposits from banks and other financial institutions	134,537,429	131,028,453
Placements from banks and other financial institutions	13,466,127	3,866,521
Financial liabilities at fair value through profit or loss	22,439,776	20,986,772
Negative fair value of derivatives	722,982	7,938
Financial assets sold under repurchase agreements	39,064,430	35,164,192
Deposit from customers	342,264,228	262,969,211
Accrued staff costs	259,517	253,268
Taxes payable	1,148,908	770,886
Interests payable	12,462,400	7,241,416
Debt securities issued	89,564,751	30,223,286
Others liabilities	<u>7,014,526</u>	<u>3,653,267</u>
Total Liabilities	<u>663,252,922</u>	<u>496,165,210</u>
Equity		
Share capital	6,781,616	6,781,616
Other equity instruments		
Including: preference shares	9,897,363	—
Capital reserve	13,578,809	14,240,795
Surplus reserve	2,994,679	2,101,109
General reserve	9,818,070	7,225,282
Retained earnings	<u>13,160,018</u>	<u>8,686,628</u>
Total equity attributable to equity shareholders of the Bank	56,230,555	39,035,430
Non-controlling interests	<u>3,934,173</u>	<u>3,858,882</u>
Total equity	<u>60,164,728</u>	<u>42,894,312</u>
Liabilities and equity Total	<u>723,417,650</u>	<u>539,059,522</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2017	6,781,616	—	14,240,795	2,101,109	7,225,282	8,686,628	39,035,430	3,858,882	42,894,312
Changes in equity for the year:									
Total comprehensive income	—	—	(661,986)	—	—	8,976,990	8,315,004	113,068	8,428,072
Capital injection by other equity holders	—	9,897,363	—	—	—	—	9,897,363	—	9,897,363
Appropriation of profits									
—Appropriation to surplus reserve	—	—	—	893,570	—	(893,570)	—	—	—
—Appropriation to general reserve	—	—	—	—	2,592,788	(2,592,788)	—	—	—
—Appropriation to shareholders	—	—	—	—	—	(1,017,242)	(1,017,242)	(37,777)	(1,055,019)
Balance at 31 December 2017	<u>6,781,616</u>	<u>9,897,363</u>	<u>13,578,809</u>	<u>2,994,679</u>	<u>9,818,070</u>	<u>13,160,018</u>	<u>56,230,555</u>	<u>3,934,173</u>	<u>60,164,728</u>
Balance at 1 January 2016	5,781,616	—	9,152,898	1,292,031	4,801,449	4,570,467	25,598,461	672,853	26,271,314
Changes in equity for the year:									
Total comprehensive income	—	—	(549,862)	—	—	8,129,590	7,579,728	69,856	7,649,584
Changes in share capital									
—Capital injection by equity shareholders	1,000,000	—	5,637,759	—	—	—	6,637,759	—	6,637,759
—Capital injection by non-controlling interests	—	—	—	—	—	—	—	3,121,570	3,121,570
Appropriation of profits									
—Appropriation to surplus reserve	—	—	—	809,078	—	(809,078)	—	—	—
—Appropriation to general reserve	—	—	—	—	2,423,833	(2,423,833)	—	—	—
—Appropriation to shareholders	—	—	—	—	—	(780,518)	(780,518)	(5,397)	(785,915)
Balance at 31 December 2016	<u>6,781,616</u>	<u>—</u>	<u>14,240,795</u>	<u>2,101,109</u>	<u>7,225,282</u>	<u>8,686,628</u>	<u>39,035,430</u>	<u>3,858,882</u>	<u>42,894,312</u>

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended	
	31 December	
	2017	2016
Cash flows from operating activities		
Profit for the year	9,090,058	8,199,446
Adjustments for:		
Impairment losses on assets	3,444,523	2,784,895
Depreciation and amortization	403,193	381,258
Unwinding of discount	(67,635)	(35,907)
Dividend income	(640)	(895)
Unrealized foreign exchange losses/(gains)	158,814	(76,412)
Net losses/(gains) on derivative financial instruments	98,352	(31,415)
Net gains on disposal of investment securities	(30,796)	(10,348)
Net (gains)/losses on disposal of trading securities	(2,578)	5,450
Revaluation losses/(gains) on financial instruments at fair value through profit or loss	182,490	(23,983)
Interest expense on debts securities issued	3,342,613	185,795
Net gains on disposal of property and equipment	—	(15)
Income tax expense	<u>2,963,273</u>	<u>2,671,469</u>
	<u>19,581,667</u>	<u>14,049,338</u>
Changes in operating assets		
Net (increase)/decrease in deposits with the central bank, banks and other financial institutions	(15,227,559)	140,861
Net decrease in placements with banks and other financial institutions	—	649,360
Net increase in loans and advances to customers	(88,709,589)	(25,736,853)
Net increase in financial assets designated at fair value through profit or loss	(1,416,690)	(5,712,570)
Net increase in financial lease receivables	(2,357,598)	(4,662,645)
Net increase in other operating assets	<u>(991,126)</u>	<u>(1,032,942)</u>
	<u>(108,702,562)</u>	<u>(36,354,789)</u>

	For the year ended 31 December	
	2017	2016
Changes in operating liabilities		
Net increase in borrowing from central bank	307,848	—
Net increase in deposits from banks and other financial institutions	3,508,976	14,677,275
Net increase in placements from banks and other financial institutions	9,599,606	10,713
Net increase in financial assets sold under repurchase agreements	3,900,238	14,920,092
Net increase in financial liabilities designated at fair value through profit or loss	1,416,690	5,712,570
Net increase in deposits from customers	79,295,017	92,790,489
Income tax paid	(3,553,146)	(3,054,975)
Net increase in other operating liabilities	<u>8,680,747</u>	<u>3,927,030</u>
	<u>103,155,976</u>	<u>128,983,194</u>
Net cash flows generated from operating activities	<u>14,035,081</u>	<u>106,677,743</u>
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	297,078,610	608,239,100
Dividends received	640	895
Proceeds from disposal of property and equipment and other assets	—	50
Payments on acquisition of investments	(374,922,174)	(743,971,123)
Payments on acquisition of property and equipment, intangible assets and other assets	<u>(705,690)</u>	<u>(1,020,040)</u>
Net cash flows used in investing activities	<u>(78,548,614)</u>	<u>(136,751,118)</u>

**For the year ended
31 December
2017 2016**

Cash flows from financing activities

Proceeds from capital contribution by equity shareholders	—	6,637,759
Capital injection by non-controlling interests	—	3,121,570
Proceeds from issue of other equity instruments	9,897,363	—
Proceeds from issue of debts securities	159,475,633	28,643,703
Repayment of debts securities issued	(103,090,000)	—
Interest paid on debts securities issued	(358,962)	(105,011)
Dividends paid	<u>(892,846)</u>	<u>(826,967)</u>
Net cash flows generated from financing activities	<u>65,031,188</u>	<u>37,471,054</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(277,376)</u>	<u>29,031</u>
Net increase in cash and cash equivalents	240,279	7,426,710
Cash and cash equivalents as at 1 January	<u>12,229,671</u>	<u>4,802,961</u>
Cash and cash equivalents as at 31 December	<u>12,469,950</u>	<u>12,229,671</u>
Interest received	<u>39,236,370</u>	<u>26,876,062</u>
Interest paid (excluding interest expense on debts securities issued)	<u>(12,874,831)</u>	<u>(10,368,736)</u>

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

1 Background information

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

The Bank obtained its finance permit No. B0127H221070001 from the China Banking Regulatory Commission (the “**CBRC**”) of the People’s Republic of China (the “**PRC**”). The Bank obtained its business license with unified social credit code No. 912107002426682145 from the State Administration for Industry and Commerce of the PRC. The legal representative is Zhang Wei and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December, 2015, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (stock code: 0416). As at 31 December 2017, the share capital of the Bank is RMB6,782 million.

The principal activities of the Bank and its subsidiaries, collectively referred to as the “**Group**”, are the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing, as well as other banking services as approved by the CBRC. The Group operates in mainland China, which, for the purpose of this announcement, excludes the Hong Kong Special Administration Region of the PRC (“**Hong Kong**”), the Macau Special Administration Region of the PRC (“**Macau**”) and Taiwan. As at 31 December 2017, the Bank has established 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

2 Basis of preparation

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

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

3 Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group significantly. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Net interest income

	Years ended 31 December	
	2017	2016
Interest income arising from		
Deposits with the central bank	729,694	515,757
Deposits with banks and other financial institutions	354,559	178,037
Placements with banks and other financial institutions	32,611	10,100
Financial assets at fair value through profit or loss	1,269,201	1,067,525
Loans and advances to customers		
- Corporate loans and advances	10,396,679	6,930,209
- Personal loans and advances	599,313	645,924
- Discounted bills	113,735	21,302
Financial assets held under resale agreements	216,957	87,682
Available-for-sale debt investment	1,561,599	873,549
Held-to-maturity investment	339,638	297,216
Debt securities classified as receivables	23,974,085	17,151,867
Financial lease receivables	<u>355,462</u>	<u>118,023</u>
Sub-total	<u>39,943,533</u>	<u>27,897,191</u>
Interest expenses arising from		
Borrowing from the central bank	2,593	—
Deposits from banks and other financial institutions	5,664,850	5,723,145
Placements from banks and other financial institutions	275,451	42,496
Financial liabilities at fair value through profit or loss	884,801	670,490
Deposits from customers		
- Corporate customers	5,313,818	3,014,024
- Individual customers	4,774,284	2,224,640
Financial assets sold under repurchase agreements	1,152,199	588,392
Debts securities issued	<u>3,342,613</u>	<u>185,795</u>
Sub-total	<u>21,410,609</u>	<u>12,448,982</u>
Net interest income	<u>18,532,924</u>	<u>15,448,209</u>
Of which		
Interest income arising from impaired financial assets identified	<u>67,635</u>	<u>35,907</u>

5 Net fee and commission income

	Years ended 31 December	
	2017	2016
Fee and commission income		
Agency services fees	360,744	205,069
Settlement and clearing fees	203,581	184,083
Wealth management service fees	185,941	245,069
Underwriting and advisory fees	65,602	226,673
Bank card service fees	14,576	17,374
Others	<u>2,389</u>	<u>5,665</u>
Sub-total	<u>832,833</u>	<u>883,933</u>
Fee and commission expense		
Settlement and clearing fees	59,562	43,393
Others	<u>36,597</u>	<u>31,275</u>
Sub-total	<u>96,159</u>	<u>74,668</u>
Net fee and commission income	<u>736,674</u>	<u>809,265</u>

6 Net trading (losses)/gains

	Years ended 31 December	
	2017	2016
Trading financial instruments		
- Debt securities	(6,236)	(7,700)
- Derivative financial instruments	(237,132)	24,302
- Precious metals	<u>(178)</u>	<u>—</u>
Sub-total	<u>(243,546)</u>	<u>16,602</u>
Financial instruments designated at fair value through profit or loss	<u>(34,718)</u>	<u>33,346</u>
Total	<u>(278,264)</u>	<u>49,948</u>

7 Operating expenses

	Years ended 31 December	
	2017	2016
Staff costs		
- Salaries and bonuses	1,231,249	943,042
- Staff welfares	76,554	61,570
- Pension	160,301	122,277
- Housing allowances	84,870	68,514
- Other social insurance	73,439	59,956
- Supplementary retirement benefits	1,629	466
- Other long-term staff welfares	3,909	14,703
- Others	<u>48,318</u>	<u>37,680</u>
Sub-total	<u>1,680,269</u>	<u>1,308,208</u>
Premises and equipment expenses		
- Depreciation of property and equipment	313,165	297,543
- Rental and property management expenses	95,507	82,395
- Amortization of other long-term assets	58,667	59,013
- Amortization of intangible assets	<u>31,361</u>	<u>24,702</u>
Sub-total	<u>498,700</u>	<u>463,653</u>
Tax and surcharges	169,969	328,405
Other general and administrative expenses (Note)	<u>959,200</u>	<u>657,773</u>
Total	<u><u>3,308,138</u></u>	<u><u>2,758,039</u></u>

Note: Auditors' remuneration for the year ended 31 December 2017 was RMB5.00 million (2016: RMB4.50 million).

8 Impairment losses on assets

	Years ended 31 December	
	2017	2016
Debt securities classified as receivables	1,685,216	1,583,849
Loans and advances to customers	1,623,208	1,153,424
Financial lease receivables	132,748	47,154
Others	<u>3,351</u>	<u>468</u>
Total	<u>3,444,523</u>	<u>2,784,895</u>

9 Income tax expense

(a) *Income tax expense:*

	Years ended 31 December	
	2017	2016
Current tax expense	3,646,817	3,263,781
Deferred tax expense	<u>(683,544)</u>	<u>(592,312)</u>
Total	<u>2,963,273</u>	<u>2,671,469</u>

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

	Years ended 31 December	
	2017	2016
Profit before tax	<u>12,053,331</u>	<u>10,870,915</u>
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	<u>3,013,333</u>	<u>2,717,729</u>
Non-deductible expenses		
- Staff costs	1,613	581
- Others	<u>1,531</u>	<u>3,444</u>
	<u>3,144</u>	<u>4,025</u>
Non-taxable income		
- Interest income from the PRC government bonds	(37,558)	(36,374)
- Others	<u>(15,646)</u>	<u>(13,911)</u>
Income tax expense	<u>2,963,273</u>	<u>2,671,469</u>

10 Basic and diluted earnings per share

	For the year ended	
	31 December	
	2017	2016
Weighted average number of ordinary shares (in thousands)	6,781,616	5,789,835
Net profit attributable to equity shareholders of the Bank	<u>8,976,990</u>	<u>8,129,590</u>
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	<u>1.32</u>	<u>1.40</u>

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

	For the year ended 31 December	
	2017	2016
Number of ordinary shares as at 1 January (in thousands)	6,781,676	5,781,616
New added weighted average number of ordinary shares (in thousands)	<u>—</u>	<u>8,219</u>
Weighted average number of ordinary shares (in thousands)	<u><u>6,781,676</u></u>	<u><u>5,789,835</u></u>

11 Available-for-sale financial assets

		As at 31 December	
	<i>Note</i>	2017	2016
Available-for-sale debt investments	(a)	50,638,949	34,664,662
Available-for-sale equity investments	(b)	<u>58,250</u>	<u>58,250</u>
Total		<u><u>50,697,199</u></u>	<u><u>34,722,912</u></u>
Listed		41,009,388	32,783,584
Unlisted		<u>9,687,811</u>	<u>1,939,328</u>
Total		<u><u>50,697,199</u></u>	<u><u>34,722,912</u></u>

(a) Available-for-sale debt investments

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

	As at 31 December	
	2017	2016
In mainland China		
- Government	2,324,942	998,188
- Banks and other financial institutions	47,215,613	30,749,630
- Corporations	<u>900,506</u>	<u>2,916,844</u>
Sub-total	<u>50,441,061</u>	<u>34,664,662</u>
Outside mainland China		
- Banks and other financial institutions	197,888	—
Sub-total	<u>197,888</u>	<u>—</u>
Total	<u>50,638,949</u>	<u>34,664,662</u>

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

(b) Available-for-sale equity investments

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

12 Held-to-maturity investments

Analyzed by type and location of issuers

		As at 31 December	
	<i>Note</i>	2017	2016
Debt securities issued by the following institutions in:			
- Government		3,832,750	4,331,042
- Banks and other financial institutions		3,926,073	6,085,197
- Corporations		<u>19,841</u>	<u>19,788</u>
Total carrying value	(a)	<u>7,778,664</u>	<u>10,436,027</u>
Listed		<u>7,778,664</u>	<u>10,436,027</u>
Fair value		<u>7,617,355</u>	<u>10,189,621</u>

Notes:

- (a) As at the end of each of the reporting period, part of the held-to-maturity investments was pledged as security for repurchase agreements.
- (b) The Group has not disposed of any held-to-maturity debt investments prior to their maturity dates during the reporting period.

13 Debt securities classified as receivables

		As at 31 December	
	<i>Note</i>	2017	2016
Wealth management products issued by financial institutions	(a)	200,088	200,088
Beneficial interest transfer plans	(b)	<u>346,673,345</u>	<u>283,571,571</u>
Gross balance		<u>346,873,433</u>	<u>283,771,659</u>
Less: Provision for impairment losses		<u>(3,503,866)</u>	<u>(2,091,118)</u>
Net balance		<u>343,369,567</u>	<u>281,680,541</u>

Notes:

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

14 Appropriation of profits

(a) In accordance with the resolution of the Bank's Board of directors meeting on 29 March 2018, the proposed profit appropriations for the year ended 31 December 2017 is listed as follows:

- Appropriate statutory surplus reserve amounted to RMB893.57 million, based on 10% of the net profit of the Bank.
- Appropriate general reserve amounted to RMB2,592.79 million.
- Declaration of cash dividend of RMB0.16 per share before tax and in aggregation amount of RMB1,085.06 million to all shareholders.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders at the general meeting.

(b) In accordance with the resolution of the Bank's Annual General Meeting on 25 May 2017, the proposed profit appropriations for the year ended 31 December 2016 is listed as follow:

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

15 Segment reporting

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

Corporate banking

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

Retail banking

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

Treasury business

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

Others

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

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

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

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

Segment results, assets and liabilities

	Year ended 31 December 2017				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income / (expense)	5,674,718	(4,483,138)	17,341,344	—	18,532,924
Internal net interest income / (expense)	48,976	5,751,527	(5,800,503)	—	—
Net interest income	5,723,694	1,268,389	11,540,841	—	18,532,924
Net fee and commission income	538,370	135,627	62,677	—	736,674
Net trading losses	—	—	(278,264)	—	(278,264)
Dividend income	—	—	640	—	640
Net gains arising from investment securities	—	—	30,796	—	30,796
Foreign exchange losses	(54,332)	(446)	(184,519)	(340)	(239,637)
Other net operating income	—	—	—	22,859	22,859
Operating income	6,207,732	1,403,570	11,172,171	22,519	18,805,992
Operating expenses	(1,601,011)	(795,359)	(726,812)	(184,956)	(3,308,138)
Operating profit/(losses) before impairment	4,606,721	608,211	10,445,359	(162,437)	15,497,854
Impairment losses on assets	(1,688,908)	(67,049)	(1,685,215)	(3,351)	(3,444,523)
Profit/(losses) before tax	<u>2,917,813</u>	<u>541,162</u>	<u>8,760,144</u>	<u>(165,788)</u>	<u>12,053,331</u>
Segment assets	207,210,217	10,676,142	494,839,182	8,312,264	721,037,805
Deferred tax assets	—	—	—	2,379,845	2,379,845
Total assets	<u>207,210,217</u>	<u>10,676,142</u>	<u>494,839,182</u>	<u>10,692,109</u>	<u>723,417,650</u>
Segment liabilities	198,695,911	170,395,089	285,754,251	8,128,666	662,973,917
Dividend payable	—	—	—	279,005	279,005
Total liabilities	<u>198,695,911</u>	<u>170,395,089</u>	<u>285,754,251</u>	<u>8,407,671</u>	<u>663,252,922</u>
Other segment information					
- Depreciation and amortization	<u>(194,936)</u>	<u>(96,938)</u>	<u>(88,583)</u>	<u>(22,736)</u>	<u>(403,193)</u>
- Capital expenditure	<u>341,189</u>	<u>169,665</u>	<u>155,043</u>	<u>39,793</u>	<u>705,690</u>

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

16 Commitments and contingent liabilities

(a) *Credit commitments*

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

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

	As at 31 December	
	2017	2016
Loan commitments		
- Original contractual maturity within one year	203,848	506,456
- Original contractual maturity more than one year (inclusive)	3,666,368	3,030,740
Credit card commitments	<u>929,182</u>	<u>667,338</u>
Sub-total	<u>4,799,398</u>	<u>4,204,534</u>
Acceptances	105,422,308	78,222,618
Letters of credit	21,070,234	18,272,197
Letters of guarantees	<u>3,284,999</u>	<u>9,446,624</u>
Total	<u>134,576,939</u>	<u>110,145,973</u>

The Group may be exposed to credit risk in all the above credit businesses. The 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.

(b) *Operating lease commitments*

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

	As at 31 December	
	2017	2016
Within one year (inclusive)	106,568	71,125
After one year but within two years (inclusive)	95,314	94,521
After two years but within three years (inclusive)	90,771	93,888
After three years but within five years (inclusive)	78,608	144,832
After five years	<u>68,659</u>	<u>104,186</u>
Total	<u>439,920</u>	<u>508,552</u>

(c) *Capital commitments*

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

	As at 31 December	
	2017	2016
Contracted but not paid for		
- Purchase of property and equipment	901,773	167,127
Authorized but not contracted for		
- Purchase of property and equipment	<u>120,797</u>	<u>448,000</u>
Total	<u>1,022,570</u>	<u>615,127</u>

(d) *Outstanding litigations and disputes*

As at 31 December 2017, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB103.73 million (2016: RMB95.07 million)

The Bank was also involved in a shareholding dispute litigation with a former shareholder since July 2012. On 31 August 2017, the former shareholder applied

to the Court for the claims and requested the Court to (i) order it entitled to purchase 9.16% of the Bank's total domestic shares, which was a total of 4,402,233,866 shares, at an exercise price of RMB1.00 per share with a 12-year term, and (ii) together with 2 other defendants jointly indemnify it with an amount of RMB121.35 million. If the court judgment is unfavorable to the Bank and, in such event, shareholders' shareholdings in the Bank may be diluted, which would represent approximately 5.61% of the Bank's total share capital as of 31 December 2017 after the hypothetical issue and full exercise of the warrants, rendering the former shareholder become the Bank's single largest shareholder. The Bank's directors and its legal advisor in this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this shareholding dispute litigation is low.

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

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2017

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2017 and which have not been adopted in the preparation of these financial statements by the Group. These include the following which may be relevant to the Group.

		<i>Effective for accounting period beginning on or after</i>
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	January 1, 2018

		<i>Effective for accounting period beginning on or after</i>
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IFRS 1 and IAS 28	Annual Improvements to IFRSs 2015—2017 Cycle —various standards	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

Further information about those changes that are expected to affect the Group is as follows:

(1) IFRS 9 “Financial Instruments”

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

(i) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as FVOCI then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows.

- Discounted bills and forfeiting in Loans and advances to customers under IAS 39 will be measured at FVOCI under IFRS 9.
- Tier-two capital bonds in Held-to-maturity investment securities under IAS 39 will be measured at FVTPL under IFRS 9.
- The equity investment securities that are classified as available-for-sale under IAS 39 will be designated at FVOCI under IFRS 9.
- Debt investment securities that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.

- Investment securities that are classified as loans and receivables and measured at amortised cost under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). Based on its assessment, the Group does not believe that the requirements will have a material impact on its financial liabilities.

(ii) Impairment

The new impairment model in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

Based on a preliminary assessment, if the Group were to adopt IFRS 9 at 31 December 2017, the Group's total equity would decrease by around 2% as a result of the new requirements on classification and measurement, and impairment as compared with that recognised under IAS39.

(2) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases, which replaces the current guidance in IAS 17. The new standard requires the companies to bring leases on-balance sheet for lessees. The new standard also makes changes in accounting over the life of the lease, and introduces a stark dividing line between leases and service contracts.

Under IFRS 16 there is no longer a distinction between finance leases and operating leases so far as lessees are concerned. Instead, subject to practical expedients, a lessee recognises all leases on-balance sheet by recognising a right-of-use (ROU) asset and lease liability.

Lessor accounting is substantially unchanged — i.e. lessors continue to classify leases as finance and operating leases. However, there are a number of changes in the details of lessor accounting. For example, lessors apply the new definition of a lease, sale-and-leaseback guidance, sub-lease guidance and disclosure requirements.

The Group is currently assessing the impact of the standard on its financial position and performance.

18 Non-adjusting events after the reporting period

On March 26, 2018, the Bank issued Fixed rate Tier Two debts of 4,000 million with term of ten years, the coupon rate is 4.90%. The Bank has an option to redeem the debts on March 27, 2023 at the nominal amount.

7. RELEASE OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com). The 2017 annual report prepared in accordance with the IFRSs will be released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com), and will be dispatched to the holders of H shares of the Bank in due course.

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

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

Jinzhou, the PRC
29 March 2018

As at the date of this announcement, the Board comprises Mr. Zhang Wei, Mr. Huo Lingbo, Ms. Liu Hong, Mr. Wang Jing, Mr. Sun Jing and Ms. Wang Xiaoyu, as executive directors; Mr. Zhang Caiguang, Ms. Gu Jie, Mr. Wang Jinsong and Ms. Meng Xiao, as non-executive directors; Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying as independent non-executive directors.

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