



Shengjing Bank Co., Ltd.*

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

Stock Code: 02066

2016

Environmental, Social
and Governance Report





CONTENTS

About This Report	2
Message from the Board of Directors	4
I. About Us	6
1.1 Company Profile	6
1.2 Honours and Awards	8
1.3 KPIs	11
II. Social Responsibility Concepts and Management	12
2.1 Social Responsibility Concepts	12
2.2 Social Responsibility Management and Practices	12
2.3 Social Responsibility Communication	13
2.4 Analysis of Material Issues	15
III. Governance Enhancement and Risk Prevention	16
3.1 Corporate Governance Improvement	16
3.2 Risk Management Enhancement	18
3.3 Sound and Compliance-based Operation	20
IV. Serving the Economy and Benefiting People's Livelihoods	24
4.1 Supporting Economic Revitalisation of Northeast China	24
4.2 Serving Beijing-Tianjin-Hebei Integration	25
4.3 Supporting small and micro businesses	26
4.4 Enhancing Agriculture-related Development	27
4.5 Promoting the Development of Livelihood-related Finance	29
V. Green Development and Environmental Protection	32
5.1 Implementing Green Credit	32
5.2 Promoting Green Services	33
5.3 Advocating Green Operation	35
VI. Reciprocating the Society and Achieving a Harmonious and Win-win Result	37
6.1 Improve the Service Quality	37
6.2 Safeguarding Customers' Rights and Interests	41
6.3 Contributing to Staff's Development	44
6.4 Commitment to Social Benefits	55
Prospect for 2017	57
Independent Limited Assurance Report	59
ESG Indicator Index	62
Feedback from Readers	65

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

ABOUT THIS REPORT

This report describes the performance and achievements of Shengjing Bank Co., Ltd. (hereinafter referred to as “Shengjing Bank”, “the Bank”, “our Bank” and “we”) in fulfilling its social responsibility in economic, social and environmental areas.

Reporting period

The reporting period is from 1 January 2016 to 31 December 2016

Reporting cycle

This report is prepared annually.

Reporting scope

Unless otherwise stated, this report focuses on Shengjing Bank as its main reporting entity, covering its subsidiaries, branches, sub-branches and special institutions.

Basis of preparation

This report has been prepared in accordance the disclosure recommendations of The Stock Exchange of Hong Kong Limited’s Guidelines for Environmental, Social and Governance Reporting

And refer to: The Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI4.0)

Opinions of the General Office of the China Banking Regulatory Commission on Strengthening the Social Responsibility of Banking Financial Institutions

Guidelines of the Shanghai Stock Exchange on Environmental Information Disclosure of Listed Companies

Guidelines of the China Banking Association on the Corporate Social Responsibility of Banking Institutions of China

Collection of information

Financial information in this report is partly based on 2016 financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and audited by KPMG. Other information is sourced from statistical data of the Bank’s internal systems and branches. Cases cited are real cases in the Bank’s operations. Unless otherwise stated, renminbi is the functional currency throughout the report.

Assurance approach of the report

The Board of Directors of Shengjing Bank Co., Ltd. undertakes that the information in this report contains no false record, misleading statement or material omission, and assume the liabilities to the authenticity, accuracy and completeness of the information in this report.

KPMG Huazhen LLP was appointed to perform independent limited assurance on the report in accordance with the International Standards on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and issued an assurance report.

ABOUT THIS REPORT (Continued)

Issuance form

This report is issued in the form of printed version and published on the websites at <http://www.shengjingbank.com.cn> and <http://www.hkexnews.hk>.

This report is available in Chinese and English. If there is any conflict between the Chinese version and its English translation, the Chinese version will prevail.

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MESSAGE FROM THE BOARD OF DIRECTORS

Despite increasing macro-economic downward pressure, deepened supply-side structural reform and intensified market competition in 2016, the Bank was able to maintain stable growth, shoulder its due responsibility and rise up to challenges. It undertook to improve the quality of its development and deliver an efficiency-centred strategy; relentlessly enhance corporate governance and strengthen its risk control and prevention capabilities; adjust operating strategies in a proactive manner and advance business innovation and transformation in a manner that innovation and development were driven by each other. As a result, the Bank harvested improved profitability.

Increasing returns on equity. As of the end of 2016, the Bank's total assets amounted to RMB905.483 billion, a year-on-year increase of 29.1%. Its operating income was RMB16.114 billion, up 13.6% year on year. Its net profit was RMB6.878 billion, up 10.5% year on year. Earnings per share reached RMB1.18. Net assets per share stood at RMB8.00. The average returns on equity amounted to 15.62%, with the cost-to-income ratio at 19.31%. The Bank continued to lead other urban commercial banks in terms of key operating indicators, with improved returns on investment for shareholders.

Building a good market image. In 2016, attributes to good economic performance, improved business functions, excellent brand reputation and rigorous cost control measures, the Bank ranked 364th in the Fortune China 500 in 2016. It ranked 23rd in 2016 Top 100 Chinese Banks, a list issued by the China Banking Association, and was rated by China Business Journal as one of Top 10 Urban Commercial Banks for Excellent Competitiveness and the Top 5 Urban Commercial Banks for Excellent Competitiveness and Risk Management in 2016. The Bank claimed the Best Listed Company in the 2016 China Financial Market Listed Company Award hosted by China Financial Market, a well-known financial magazine in Hong Kong. The honours and awards demonstrate that the Bank has been recognised by communities across various sectors and the capital market, and greatly improved the Bank's brand image.

Delivering customers-centred services. The Bank went all out to serve the general public, enrich its bank card products and provide innovative financial services around the concept of the personal growth chain. As of 31 December 2016, the Bank issued a total of 9.9269 million debit cards. Building on a zero-distance, all-encompassing and customers-centred smart financial system, the Bank continued to advance its "Community Finance" service model with over 2,100 service platforms for Community Finance. The Bank was moving towards its goal of becoming an agent for all matters relating to public utilities and as of now, was able to help people pay bills for medical services, social security, real estate administrative services and other public utilities through its services. This has resulted in a continuous enhancement of its brand image among the public.

MESSAGE FROM THE BOARD OF DIRECTORS (Continued)

Committing to inclusive finance. The Bank has an unfaltering commitment to corporate social responsibility and inclusive growth. In recent years, the Bank remained adamant in providing more relevant services in a wider range of areas relating to people's livelihoods. It strengthened its credit support for projects that provided living necessities for people, such as water, power, gas, heat, public transportation and medical care, made financial services more accessible for individuals and businesses and responded to issues relating to people's wellbeing that shared most people's concern. In order to meet the liquidity needs of small and micro businesses, the Bank launched "Fast Credit" products as one of its proprietary offerings and tailored special contracts for such purposes, built "Green Channels" to facilitate small businesses' access to credit and streamlined to the greatest extent possible credit approval procedures for small and micro businesses to provide them with diverse credit options and meet their expectations of customised financing.

Building a responsible bank. In 2016, the Bank strived to actively protect consumers' rights and interests, strengthen organisational management, expand bank-wide training and carry out activities to popularise financial knowledge. It was awarded the Best Performer by the China Banking Association in 2016 Promotion Activities of Financial Knowledge in China's Banking Industry. During the reporting period, the Bank continued to improve its internal control system and execute enhanced compliance reviews on newly-established offices and new businesses to ensure institutional coverage of businesses and risk exposures and internal control enhancement in terms of its maturity and efficiency. It strengthened overall risk management, adhered to prudent risk control strategies and built a risk control system that best served the development strategies, business scale and risk characteristics of the Bank to ensure sound business operations.

Devoting to public service and charity activities. The Bank has always been committed to a development concept centred on "Sharing" and a corporate culture represented by "Dedication". It were actively engaged in activities to alleviate poverty and help the disabled, and made charitable contributions on many occasions. In 2016, it was awarded Poverty Alleviation Model Institution in Shenyang. The Bank carried out precision poverty alleviation activities based on the specific situations and development conditions of its targets, formulated location-specific poverty alleviation plans and separated the special fund for poverty alleviation from other purposes. Such efforts enhanced the self-development capabilities of the targets. The Bank continued to offer financial aid and internship opportunities to students under its "Sunshine Students" programme. It set up a special charitable fund that has supported many outstanding college students from poor families.

In 2017, as a fervent practitioner of the development concepts of Innovation, Harmonisation, Green, Openness and Sharing, the Bank will seek progress without sacrificing stability, keep adapting to the New Normal and continue to improve its corporate governance structure and operating mechanisms, deepen system and institutional reform, deliver an innovation-driven development model, expand into new investment and financing frontiers, and enhance overall risk management and internal audits and supervision. It will improve the quality and effectiveness of business management, build an outstanding brand and elevate its core competitiveness to deliver desirable returns for shareholders, investors and all stakeholders.

Board of Directors of Shengjing Bank

I. ABOUT US

1.1 COMPANY PROFILE

Shengjing Bank is the first and largest bank based in Northeast China. It was founded in September 1997. In February 2007, Shenyang Commercial Bank, its predecessor, was approved by the China Banking Regulatory Commission (CBRC) to change its name to Shengjing Bank and carry out cross-regional business operations. Shengjing Bank was successfully listed on the Hong Kong Stock Exchange on 29 December 2014.

As of 31 December 2016, Shengjing Bank established 17 branches outside Northeast China, as well as three branch-level special institutions which were the Fund Business Centre, the Small Business Financial Service Centre and the Credit Card Centre, with as many as 190 business establishments. In addition, it initiated and sponsored the founding of Shengjing Bank Consumer Finance Co., Ltd., the first company dedicated to consumer finance in Northeast China, as well as six village banks that aim to bring prosperity to people living in villages and towns. This has helped the Bank form a strategic operating structure characterised by a focus on its base operations in Shenyang and an expansion beyond Liaoning Province and Northeast China to the whole country, with enhanced market competitiveness and regional influence.

Shengjing Bank is committed to the core values of Integrity, Affinity, Entrepreneurship, Professionalism and Dedication. It carries out business activities in compliance with laws and regulations, pursues sustainable business development and effects standardised management. With continuous reform, innovation and progress, it achieved a balanced development in that it is growing rapidly while preserving quality and efficiency. As of 31 December 2016, its total assets amounted to RMB905.483 billion with a total deposit balance at RMB415.246 billion. It was awarded the Best Listed Company for two consecutive years in 2015 and 2016 by China Financial Market, a financial magazine in Hong Kong. It ranked 186th in Top 1000 Global Banks in 2016 rated by the Banker, a British magazine, and 24th among Chinese banks included in the list. It ranked 6th in 21st Century Business Herald's 2016 Competitiveness List of Urban Commercial Banks in China, and was rated by China Business Journal as among Top 10 Urban Commercial Banks for Excellent Competitiveness and Top 5 Urban Commercial Banks for Excellent Competitiveness and Risk Management in 2016. It claimed the Best Quality Award of System Operation of the Year in China Unionpay's Quality Assessment on the Operation of Bank Card Interbank Information Exchange System in Liaoning Province, and was awarded the Best Performer by the China Banking Association in the 2016 China Banking Sector Financial Knowledge Popularisation Campaign. It was awarded the 2016 Excellent Dealer by the National Interbank Funding Centre, and claimed the Best Membership Award, the Best Spot Membership Award, and the Best Foreign Currency Pair Membership Award in 2016 by the China Foreign Exchange Trading System. It was awarded the Satisfactory Enterprise of Users in Liaoning Province by the Liaoning Association of Quality and the Liaoning Committee of Users. It ranked 23rd in 2016 Top 100 Chinese Banks rated by the China

I. ABOUT US (Continued)

Banking Association, 29th in Top 500 Chinese Financial Institutions rated by money.163.com., and 364th in the Fortune China 500 in 2016. It was awarded the 2014–2016 Advanced Group by CPC Shenyang Municipal Committee and the People's Government of Shenyang. In 2015, the Bank was rated AAA by China Lianhe Credit Rating Co., Ltd. In a listed compiled by the Banker, Shengjing Bank claimed the Best Brand Urban Commercial Bank in 2015 and ranked 3rd in the Competitiveness Assessment of Urban Commercial Banks with Assets Valued More Than RMB300 Billion in 2015 and 2nd in the list of People's Favourite Urban Commercial Banks. It received the 2015 Best Revenue Award of Financial Institutions in the China Banking Industry given by the China Banking Association. It was listed among Top 500 Chinese Credit Enterprises in 2015 by the China Cooperating Trade Enterprises Association and the China Enterprise Reform and Development Society. Shengjing Bank has grown into a joint stock commercial bank with good asset quality, strong profitability and sound growth potential. In 2016, it paid a total of RMB3.3 billion in taxes in Shenyang, becoming once again one of the three largest taxpayers and the No. 1 taxpayer in the financial service industry in Shenyang. It remained the largest taxpayer in the financial service industry in Liaoning Province for several consecutive years.

Shengjing Bank has rallied behind its market position to serve the local communities, serve small and medium-sized enterprises and serve the general public. It embraced its social responsibility and leveraged its institutional and decision-making advantages to give full play to the role of finance in setting directions and providing strategic support. It lent strong support to infrastructure development, pillar industries, key industries, engineering projects related to people's livelihoods and small and medium-sized enterprises, and provided strong credit support and financial security to facilitate strategic economic and structural adjustments and transformation and upgrade drives in the old industrial base in Northeast China. Such efforts have made it the driving force and catalyst for the development of regional economy, with marked contributions made to supporting the coordinated and reciprocal interactions between financial development and economic growth, as well as the improvement of people's livelihoods.

With its head office in a local market, Shengjing Bank adheres to business purpose of becoming a bank for city residents through dedicated services. It leveraged its geographical advantages and manpower to build itself into a convenient service bank for city residents, embarking on an unrelenting effort to expand and innovate financial products and service channels that bring it closer to residents' daily needs. It rigorously advanced the availability of community-level financial services, set up convenient service establishments, and built and improved a specialised service system. It has become a bank that provides the widest range of agent payment services and the richest selection of financial products in Shenyang, paving the way for it to live up to its unique market position and branding goal of becoming a bank that boasts the closest ties with people and provides the biggest benefits for them. Its image as a warm and reliable bank is increasingly taking root in people's mind.

I. ABOUT US (Continued)

In the future, by leveraging the advantageous location and resources of Shenyang for its move to build itself into a financial centre in Northeast China and establish a national pilot area for the ecosystem of optimised finance, Shengjing Bank will seize the opportunity of deepening financial reform and opening up and the implementation of the strategies to revitalise the old industrial base in Northeast China to pursue strategic transformation and innovation-driven development, accelerate the transformation of its development mode, and build a nationwide outstanding joint stock commercial bank that is driven by the strategic “driving the strategic development of regional economy”, “cultivating emerging industries”, “supporting small and medium-size enterprises” and “providing accommodating services to residents”.

1.2 HONOURS AND AWARDS

Honours and Awards	Awarders
2016 Top China 500	Fortune Magazine
Ranked 186th in Top 1000 Global Banks in 2016 and 24th among Chinese banks included in the list	The Banker
Ranked 23rd in Top 100 Chinese Banks in 2016	China Banking Association
2016 Best Innovation Project Award in the China Finance Industry	International Data Corporation (IDC)
Top 10 Urban Commercial Banks for Excellent Competitiveness and Top 5 Urban Commercial Banks for Excellent Competitiveness and Risk Management in 2016	China Business Journal
Quality Assessment on the Operation of the Bank Card Interbank Information Exchange System in Liaoning Province – Best Quality Award of System Operation of the Year	China Unionpay
2016 Most Satisfactory Bank for Customers	Shenyang Evening News Liaoning Financial Planner Association

I. ABOUT US (Continued)

Honours and Awards	Awarders
Ranked 6th in Top 10 Urban Commercial Banks for Competitiveness in 2016	21st Century Business Herald
Excellent Dealer in 2016	National Interbank Funding Centre
The Best Membership Award, the Best Spot Membership Award, and the Best Foreign Currency Pair Membership Award in 2016	China Foreign Exchange Trading System
2016 Satisfactory Enterprise of Users in Liaoning Province	Liaoning Association of Quality Liaoning Committee of Users
China Financial Market Listed Company Award in 2016 – Best Listed Company	China Financial Market, a financial magazine in Hong Kong
2016 Promotion Activities of Financial Knowledge in China's Banking Industry	China Banking Association
2016 Excellent Self-operating Institution Prize, Excellent Issuer Prize and Progress Award in the Bond Business	China Central Depository & Clearing Co., Ltd.
Ranked 29th in Top 500 Chinese Financial Institutions	NetEase Finance
Liaoning Sub-list under the 2016 China Financial Review List – Excellent Contribution Award in the Financial Industry in Liaoning Province for Ten Years, Financial Contribution Award of the Year for Supporting the Development of Local Economy, Best Urban Commercial Bank of the Year, and Best Bank Card of Urban Commercial Bank of the Year	Liaoshen Evening NEWS
2014–2016 Advanced Group	CPC Shenyang Municipal Committee People's Government of Shenyang

I. ABOUT US (Continued)

Honours and Awards	Awarders
Tenth Anniversary of the Creation of the Concept of Excellent Service in the Banking Sector in Liaoning Province – Best Organiser Award and Individual Contribution Award	Liaoning China Banking Association
Model Institution for the Work of Poverty Alleviation through Development	Shenyang Leading Group for Poverty Alleviation through Development
Green Alliance – Council Member	China Green Finance Development and Strategy Alliance
Most Influential Bank in Liaoning Province	In.qq.com
Best Revenue Award of Financial Institutions in the China Banking Industry in 2015	China Banking Association
Top 500 Chinese Credit Enterprises in 2015	China Cooperating Trade Enterprises Association China Enterprise Reform and Development Society
Best Brand Urban Commercial Bank in 2015; Ranked 3rd in the Competitiveness Assessment of Urban Commercial Banks with Assets Valued More Than RMB300 Billion in 2015; Ranked 2nd in the list of People's Favourite Urban Commercial Banks	The Banker

1.3 KPIS

Type of KPI	Name of KPI	Unit	2016
Economic KPIs	Operating income	RMB100 million	161.14
	Net profit	RMB100 million	68.78
	Basic earnings per share	RMB	1.18
	Total assets	RMB100 million	9,054.83
	Total deposits	RMB100 million	4,152.46
	Total loans	RMB100 million	2,354.17
	Return on average assets	%	0.86
	Return on equity	%	15.62
	Non-performing loan ratio	%	1.74
	Allowance to non-performing loan	%	159.17
	Capital adequacy ratio	%	11.99
Social KPIs	Total taxes paid	RMB100 million	39.80
	Total charitable fund	RMB10,000	325.50
	Balance of loans to small and micro businesses	RMB100 million	932.00
	Social contribution per share*	RMB	6.14
	Total number of employees	Person	4,824
	Proportion of female employees	%	55.89
	Number of trainings per person per year	Number of times	59
Environmental KPIs	Balance of green credit	RMB100 million	67.60
	E-banking replacement ratio	%	60
	Head office power consumption	10,000 kWhs	296
	Head office water consumption	Ton	42,920
	Head office gas consumption	M ³	19,596.50

- * Social contribution per share = (annual tax paid + staff salaries paid + loan interest paid to creditors + total outbound donations – other social cost arising from environmental pollution) ÷ total share capital + basic earnings per share.

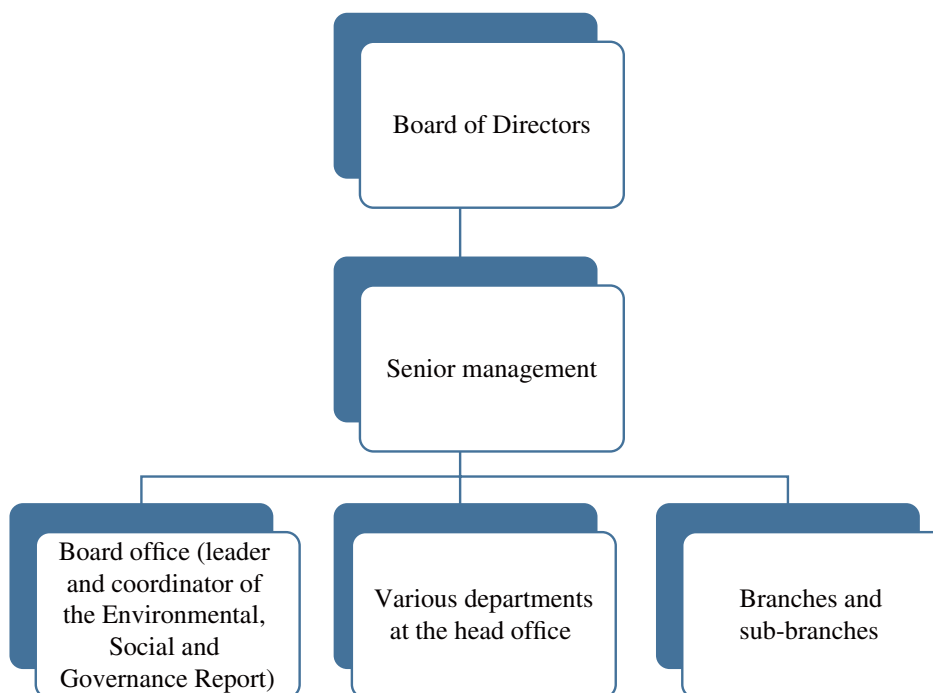
II. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT

2.1 SOCIAL RESPONSIBILITY CONCEPTS

- **Market position:** Serve the local communities, serve small and medium-sized enterprises and serve the general public
- **Vision:** Building a first-class bank and sustaining a centennial presence; forging a modern joint stock commercial bank with the strongest competitive advantage in the domestic market and the best service quality in Asia
- **Mission:** Creating more value for customers through quality and efficient financial services;
Promoting harmonious economic and social development through actively fulfilling corporate social responsibilities;
Creating more returns on investment for shareholders through excellent business performance;
Providing career development for employees through fostering a fair and orderly growth platform.
- **Core values:** Integrity, Affinity, Entrepreneurship, Professionalism and Dedication

2.2 SOCIAL RESPONSIBILITY MANAGEMENT AND PRACTICES

Social responsibility work is guided by the Board of Directors, supervised by senior management, led by the Board office and executed by departments at the head office and branches. Inter-departmental collaboration and coordination is exercised to carry out the work. In addition to achieving sustained, stable and rapid development, the Bank actively fulfils its social responsibility and includes the social responsibility concept in every aspect of its business operation.



Social Responsibility Management Structure

II. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)

2.3 SOCIAL RESPONSIBILITY COMMUNICATION

The Bank has put in place various means of communication to enhance its communication and exchanges with stakeholders, and adopted a series of measures to meet stakeholders' expectations and requirements.

Stakeholders	Expectations and requirements	Means of communication	Responses and measures
Governments	<ul style="list-style-type: none"> • Deliver state policies • Serve real economy • Expand financial inclusion 	<ul style="list-style-type: none"> • Policy documentation and guidelines • Specific topic reports • Information distribution • Work meetings 	<ul style="list-style-type: none"> • Support the revitalisation of the economy of Northeast China • Serve small and micro businesses and agriculture-related businesses • Establish a consumer finance company
Regulators	<ul style="list-style-type: none"> • Comply with regulatory requirements • Prevent financial risk • Promote industry development 	<ul style="list-style-type: none"> • Regulatory policies • Surveys and on-site visits • Data reporting 	<ul style="list-style-type: none"> • Strengthen internal control • Improve the risk management system • Strengthen daily inspections
Shareholders	<ul style="list-style-type: none"> • Ensure sustained business operation • Increase corporate value • Improve returns on investment 	<ul style="list-style-type: none"> • General meetings of shareholders • Announcements • Performance roadshows 	<ul style="list-style-type: none"> • Improve the corporate governance structure • Execute development strategies • Improve profitability • Disclose information in a timely manner
Customers	<ul style="list-style-type: none"> • Improve service quality • Provide a richer selection of financial products • Protect consumer rights and interests 	<ul style="list-style-type: none"> • Marketing activities • Customer hotline • Surveys 	<ul style="list-style-type: none"> • Optimise business procedures • Strengthen product innovation • Improve service quality • Popularise financial knowledge

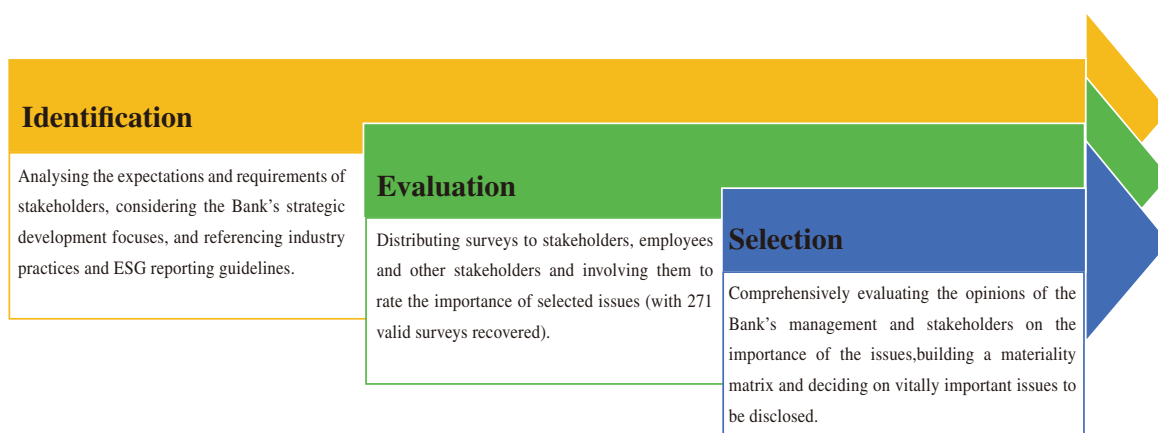
II. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)

Stakeholders	Expectations and requirements	Means of communication	Responses and measures
Employees	<ul style="list-style-type: none"> • Improve employee benefits • Protect the rights and interests of employees • Provide professional training and career development • Enrich free-time activities 	<ul style="list-style-type: none"> • Trade union • General meetings of employee representatives • Visits and interviews • Professional training 	<ul style="list-style-type: none"> • Improve the compensation and welfare system • Enhance employee training • Offer care to employees • Organise recreational and sports activities
Vendors	<ul style="list-style-type: none"> • Fair procurement • Honesty and integrity • Cooperation for win-win outcomes 	<ul style="list-style-type: none"> • Negotiations • Cooperation agreements • Tendering and bidding 	<ul style="list-style-type: none"> • Build a procurement management system • Enhance business cooperation
Cooperation Partners	<ul style="list-style-type: none"> • Mutually beneficial cooperation • Communication and exchanges of ideas with industry peers 	<ul style="list-style-type: none"> • Seminars • Project cooperation 	<ul style="list-style-type: none"> • Surveys and on-site visits • Enhanced exchanges with industry peers
Communities	<ul style="list-style-type: none"> • Organise community activities • Help vulnerable groups 	<ul style="list-style-type: none"> • Visits and interviews • Community service activities 	<ul style="list-style-type: none"> • Financial aid to students • Organise community activities • Organise volunteer activities supported by employees
Environment	<ul style="list-style-type: none"> • Support low-carbon economy • Sustainable development 	<ul style="list-style-type: none"> • Energy conservation and emission reduction • Green finance 	<ul style="list-style-type: none"> • Green credit • Green office • E-banking

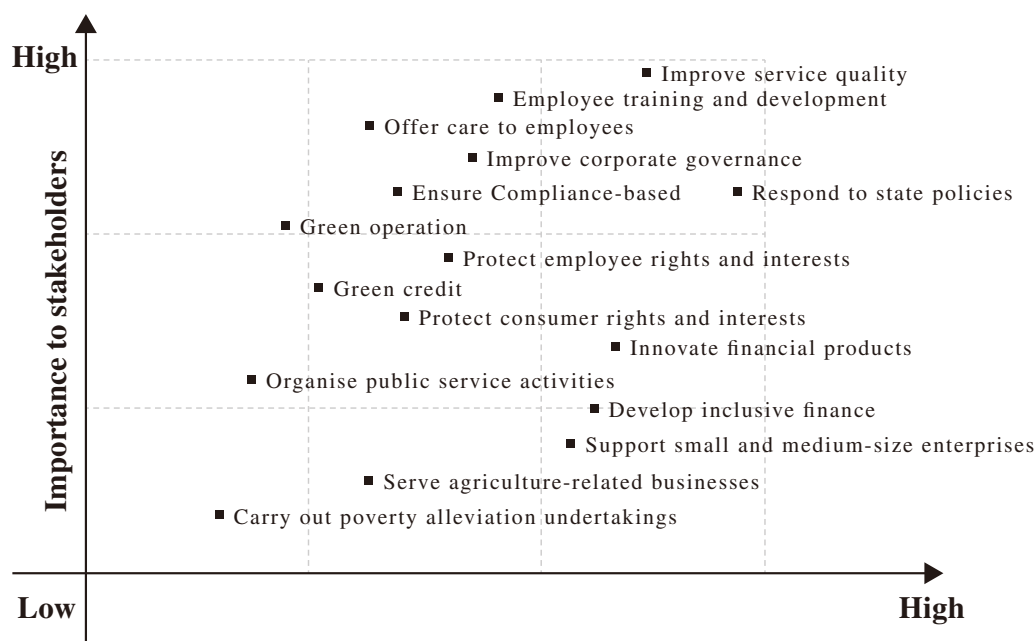
II. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)

2.4 ANALYSIS OF MATERIAL ISSUES

The Bank selects social responsibility issues based on the expectations of stakeholders and its strategic focuses. It performs a materiality test on such issues with reference to the opinions of the Bank's management and stakeholders before determining material issues.



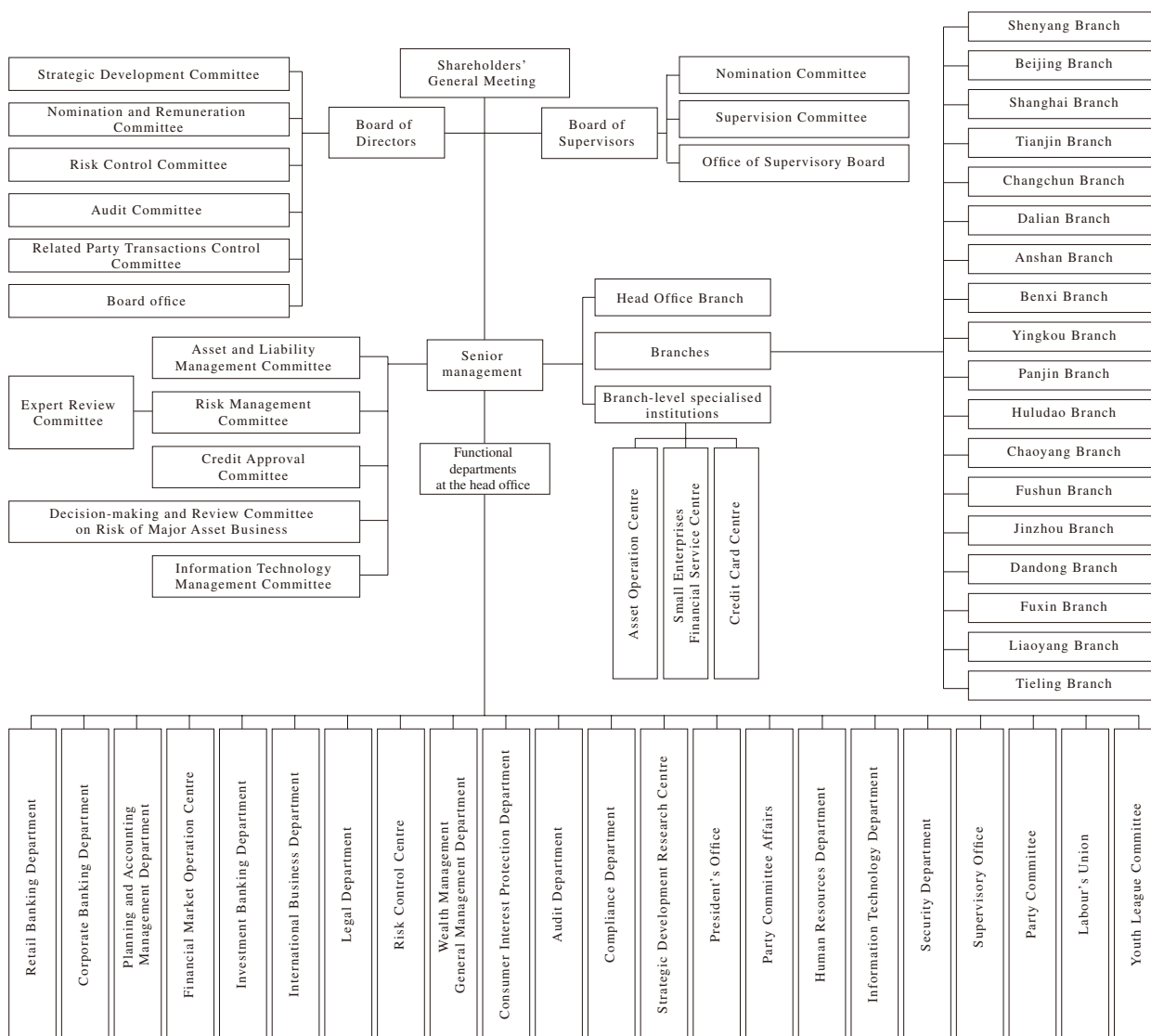
Materiality Matrix



Importance to the sustainable development of Shengjing bank

III. GOVERNANCE ENHANCEMENT AND RISK PREVENTION

3.1 CORPORATE GOVERNANCE IMPROVEMENT



Organisational Structure of Shengjing Bank

III. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

The Bank strengthened legal person governance and continued to improve a corporate governance structure with the General Meeting of Shareholders as the supreme authority, the Board of Directors as the decision-making organ, the Board of Supervisors as the supervisory organ and senior management as the executive body. It formulated rules of order, decision-making procedures and work regulations for the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, senior management and their subsidiary authorities, and formed a sound governance structure with a clear assignment of authority and responsibility and effective checks and balances.

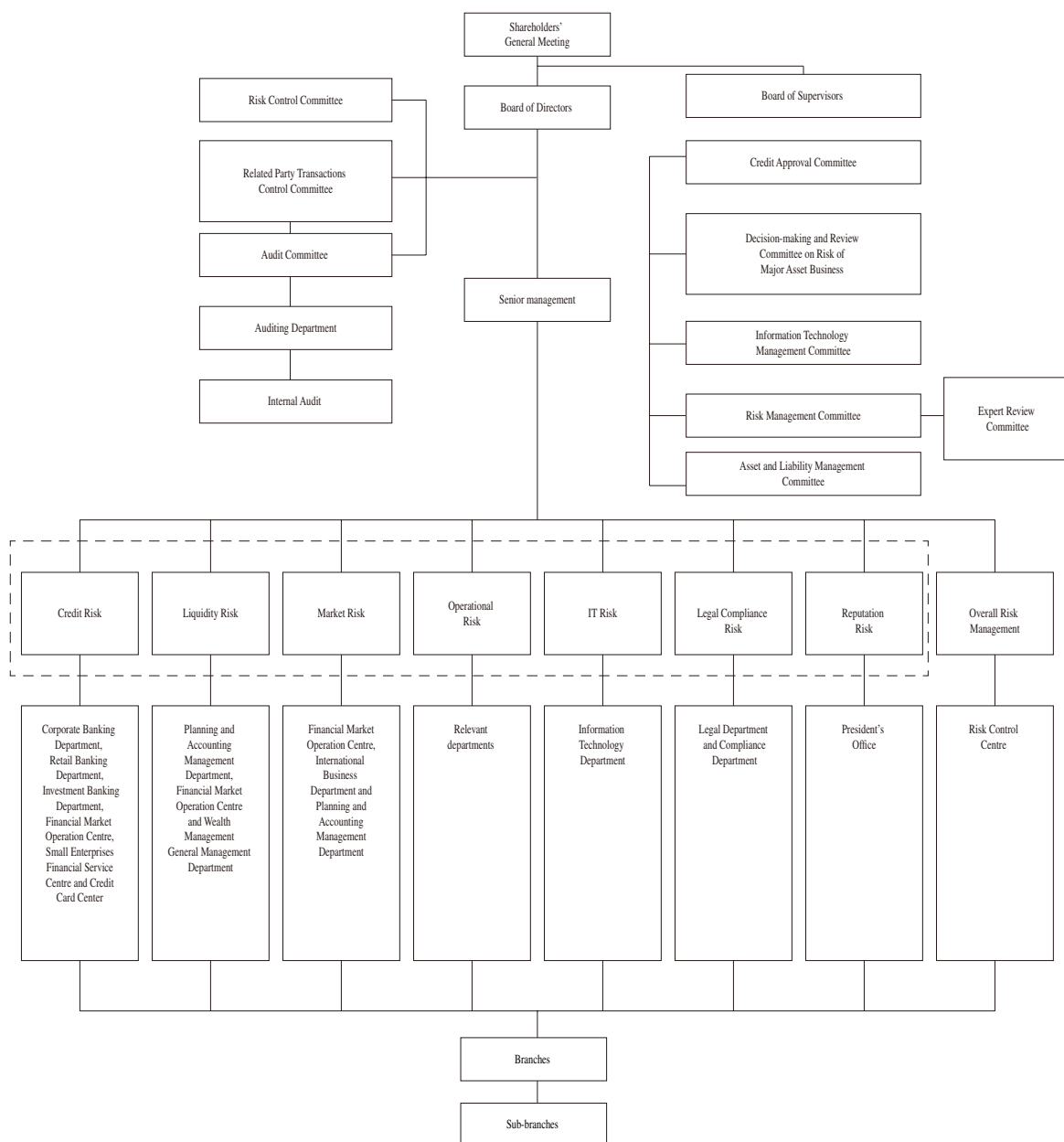
During the reporting period, the Bank held one General Meeting of Shareholders and one Extraordinary General Meeting, which endorsed nine resolutions and heard two proceedings. The meetings were held in accordance with relevant legal procedures.

During the reporting period, the Bank held six board meetings (including written resolutions), which approved 36 proposals and heard three proceedings. As of the disclosure date of this report, the Board of Directors of the Bank consisted of 15 directors, among whom five were executive directors, five were non-executive directors and five were independent non-executive directors. Independent non-executive directors accounted for no less than one third of total directors in the Board. The Board of Directors has five special committees, i.e. the Strategic Development Committee, the Risk Control Committee, the Audit Committee, the Related Party Transaction Control Committee and the Nomination and Remuneration Committee.

During the reporting period, the Board of Supervisors held four meetings and endorsed 23 proposals. As of the end of the reporting period, the Board of Supervisors consisted of nine supervisors, among whom three were shareholder representatives, three were employee representatives and three were external supervisors.

III. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

3.2 RISK MANAGEMENT ENHANCEMENT



Organisational Structure of the Risk Management System

III. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

The Bank has always given priority to risk management and attached great importance to risk control and prevention. It kept improving the organisational system for risk management and built an effective risk control system as a sentinel mechanism that safeguards the bottom line of preventing the ultimate loss of assets and focuses on the improvement of a mechanism for incentives and restrictions. This effectively prevented risks of various kinds. In addition, the Bank initiated a bank-wide campaign to advocate and foster a risk management concept that is comprehensive in scope, covers full processes and mobilises all employees. With a commitment to the risk management culture characterised by honesty, dedication and compliance, the Bank managed to not only institutionalise risk prevention in its systems and procedures, but also make it take root in every single employee to the extent that conscious awareness was formed among employees and has given rise to a collective mental power that advanced legal compliance and sound operation.

Risk management measures:

➤ Enhancing prospective studies on risk control strategies and tactics

The Bank conducted forward-looking research on and judgement of macroeconomic situations and market changes, initiated proactive risk management in accordance with regulatory focuses and directions and adjusted its risk control strategies in a dynamic manner. It formulated and issued risk management guidelines every six months to guide bank-wide risk management practices. It built an internal risk management platform for exchanges of ideas to communicate risk management experience and shared information by other banks to improve risk management capabilities of the whole bank. It issued risk warnings and performed evaluations on a quarterly basis in respect of key customers and projects, sent out alarms against risk signals in a timely manner and put in place timely and additional risk mitigation measures to prevent ultimate risks.

➤ Strengthening differentiated risk control in key areas and industries

– New business risk management

- Enhancing support for customers in public utilities
- Deepening cooperation with strategic customers in a wider range of areas
- Implementing differentiated risk management for real estate and industries with excess capacity

III. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

- Existing business risk management
 - Stressing the need to focus on changes in three areas in interbank financing: (1) financing limits; (2) guarantee conditions; and (3) pricing
 - Stressing the need to monitor changes in the financial position in three areas: (1) contract performance and principal and interest repayment situations; (2) cash flows; and (3) key financial indicators
 - Stressing the need to keep track of changes in non-financial factors in three areas: (1) shareholders; (2) operating strategies; and (3) industry policies

➤ Enhancing collateral risk management

The Bank abides by a five-fold principle that opts for a collateral that is easy to be evaluated, controlled, managed, split and liquidated. It introduced third party appraisers to determine the value of collaterals in a fair and prudent manner and performed stress tests to prevent the risk of asset depreciation.

3.3 SOUND AND COMPLIANCE-BASED OPERATION

The Bank built an internal control system that is in line with its development strategies, business scale, business scope and risk appetite, established an efficient internal control organisational structure with checks and balances, and put in place an all-encompassing and effective multi-level internal control system and its procedures, which are continuously improved and enhanced in business practices to ensure that internal control is sound and effective and that risk management and internal control capabilities are strengthened. These efforts led to sound and sustained business operation on top of effectively preventing operating risk.

III. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

Compliance checks

The Bank executed compliance checks in accordance with regulatory requirements. Pursuant to the Guidelines on Compliance Risk Management in Commercial Banking, the Bank formulated and implemented the Administrative Measures of Shengjing Bank for Compliance Checks (Trial Implementation) and the Detailed Rules of Shengjing Bank on On-site Compliance Checks (Trial Implementation) to regularly perform compliance inspections and assessments on operating management behaviours of branch-level institutions. In 2016, guided by regulatory risk alerts such as the bill business, sales of wealth management products, interbank account management, international trade and financing and post-lending and post-investment management, and with an inspection focus on interbank risk exposures and other areas, the Bank carried out on-site risk investigations on the compliance management of the branches. Pursuant to the Rules of Shengjing Bank on Risk Control Appraisal and Evaluation, it formulated a plan for risk appraisal and evaluation on a quarterly basis, and through self-examination and mutual checks, on-site and off-site checks, as well as qualitative and quantitative approaches, performed a comprehensive evaluation on the formulation and execution of risk management systems of risk management departments at the head office and branches, their placement of risk management positions and risk management status quo.

In addition, the Bank executed ad hoc checks in strict compliance with regulatory requirements. In 2016, pursuant to the requirements set out in the Notice of the CBRC Liaoning Office on Forwarding the Notice of the General Office of the China Banking Regulatory Commission on Launching a Special Inspection of “Two Reinforces and Two Containments” and a “Looking Back” Self-Examination Project (Notice of the CBRC Liaoning Office No. [2016] 381), the Bank sought accountability and corrective actions for violations, risk incidents, events that resulted in losses and issues exposed by internal and external checks. Each business line carried out comprehensive ad hoc checks on compliance risk, internal management and operational violations. Pursuant to the requirements set out in the Notice of the China Banking Regulatory Commission on Further Strengthening Credit Risk Management, the Bank sorted through credit risk systems, conducted a comprehensive risk scrutiny covering the scope of unified credit management as required by regulators, and placed all businesses that were subject to credit risk under unified credit management. Such initiatives have strengthened credit risk control under current circumstances and resulted in an overall improvement of the Bank’s asset quality.

III. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

Internal audit

The Bank has put in place clear systems governing the responsibility, authority and escalating line of internal audits and relevant risk management, and forged an audit mechanism that combines vertical auditing with daily supervision and caters to the needs of its internal control system. During the reporting period, the Bank revised the Internal Audit Charter of Shengjing Bank and remained responsive to changes in business development, regulatory policies and risk management requirements in its effort to update and improve business audit systems. In the course of its daily operation, the Bank actively performed routine and special audits that covered all systems and businesses of the Bank, as well as all internal control and risk management procedures of various positions. It provided audit opinions on and recommendations for internal control deficiencies identified in the course of an audit. In 2016, the Bank carried out a total of 30 audit undertakings and 379 audit reviews, resulting increasing effectiveness of its internal control and supervision.

Employee behaviour standardisation

In order to specify employee code of conduct and place a constraint on employee behaviour, the Bank prepared an employee handbook by which to set out specific requirements for employee code of conduct and professional behaviour, and issued supervisory and management systems to, for instance, screen employee behaviour. In addition, the Bank formulated the Rules of Shengjing Bank on Employee Incentives and Punishment, the Punitive Rules of Shengjing Bank for Employees in Violation of Financial Rules and Regulations, the Administrative Measures of Shengjing Bank for Information Disclosure of Senior and Middle Executive Management Personnel and other internal rules as binding institutional establishments to ensure that internal standards are effectively executed and that ethical and external risks are prevented.

III. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

Anti-corruption policies

The Bank has set up a special anti-commercial-bribery leading group and issued the Opinions on the Implementation of the Special Campaign to Combat Commercial Bribery, which provided guidelines to facilitate the anti-commercial-bribery work, identified key focuses and specific arrangements for the special campaign, and set out the requirement for building and advancing a long-term mechanism to prevent and treat acts of commercial bribery. By adopting a self-examination and self-correction approach, the Bank educated a wide audience of management personnel, increased their awareness of compliance-based operation and further improved internal control systems, all of which laid a solid foundation for the establishment and improvement of a long-term mechanism.

Anti-money laundering management

The Bank is in strict compliance with the Anti-money Laundering Law of the People's Republic of China and the Provisions on Anti-money Laundering through Financial Institutions, and formulated the Administrative Anti-money Laundering Measures of Shengjing Bank for the Reporting and Case Studies of Key Suspicious Transactions and released three issues of the Anti-money Laundering Risk Alerts. It optimised anti-money laundering monitory systems, update the blacklist database and further implemented the trace management of high-risk customer due diligence. In addition, the Bank used electronic rolling screens, banners, leaflets and other means to popularise anti-money laundering knowledge, held large outdoors educational activities in squares, business streets, communities and other locations, and prepared the E-Journal for the 2016 Anti-money Laundering Awareness Month with the People's Bank of China. Through those activities to popularise anti-money laundering knowledge, the Bank increased people's awareness of the dangers of money laundering and terrorist financing and strengthened their social responsibility consciousness.

IV. SERVING THE ECONOMY AND BENEFITING PEOPLE'S LIVELIHOODS

4.1 SUPPORTING ECONOMIC REVITALISATION OF NORTHEAST CHINA

The Bank remained adaptive to the economic new normal and actively responded to state strategies for revitalising Northeast China. Guided by policies on revitalisation of Northeast China, the Bank served regional key projects and customers, and supported major infrastructure projects that were listed in the special scheme under the 13th Five-Year Plan and a three-year implementation plan for the revitalisation of Northeast China. It supported quality key projects such as railways, airports and ports and their supporting facilities, as well as quality enterprises in the Shenyang-Dalian National Independent Innovation Demonstration Zone, the Liaoning Free Trade Area and other major industrial parks in the province. It provided continuous funding to support economic structural adjustments and the upgrade and optimisation of industrial structures in Northeast China. Following the requirements of advancing reform, pursuing development, ensuring quality, adjusting structures and seeking innovation, the Bank gave full play to the role of finance in setting directions and providing strategic support, and further improved its concepts and means to better serve real economy, with the purpose of achieving a mutually beneficial and win-win situation where the Bank and the regional economy grow in support of each other in a coordinated fashion.

Case:

In 2008, two manufacturers of large equipment were undergoing asset restructuring. In 2008 and 2009, the Bank provided them with RMB380 million and RMB500 million in credit support, ensuring the completion of asset restructuring and a new manufacturing area following the restructuring. After the manufacturing area was put into use, the Bank lent stronger support to the enterprise formed following the restructuring. In July 2016, with the prerequisite of controllable credit risk, the Bank granted RMB1.3 billion of credit to it with a term of three years and at an interest rate equal to the prevailing benchmark interest rate. This helped it secure strong funding for its new product R&D. It is currently a national demonstration enterprise for technological innovation.

IV. SERVING THE ECONOMY AND BENEFITING PEOPLE'S LIVELIHOODS (Continued)

4.2 SERVING BEIJING-TIANJIN-HEBEI INTEGRATION

Focusing on the integrated and coordinated development of Beijing, Tianjin and Hebei, the Bank was closely following up key engineering projects that were vital for Beijing-Tianjin-Hebei integration and went all out to seize business opportunities from such undertakings as industrial upgrade and business logistics. It actively provided financial support for national key projects, such as the Beijing-rim Highway Corridor for the Beijing-Tianjin-Hebei region, Beijing's new airport, Tianjin Port and the Zhongguancun Technology Park. The Bank will continue to specify its credit policies for the region to support Beijing-Tianjin-Hebei integration, combine financial innovation with risk prevention, improve the efficiency in allocating funds, and provide credit support in such key areas as Beijing-Tianjin-Hebei transportation integration, industrial upgrade and transfer, ecological environmental protection and the optimisation of city functions to promote coordinated development in the region.

Case 1:

With environmental protection and new energy as its strategic focuses, a Tianjin-based enterprise specialising in environmental protection is dedicated to utilising waste to generate power, and has undertaken an increasing number of projects around water, residues, gas and other sources, giving rise to an expanding industrial landscape focused on environmental protection. Through investment, acquisition, BOT tendering and other means, it increased its market share in waste power generation and waste treatment, and built a presence in waste water treatment, power generation from wheat straw and other areas relating to environmental protection. It has become a leader in China's environmental protection industry. As of now, the Bank provided the enterprise with RMB300 million in credit support, facilitating its business expansion and optimisation of business structures, and increasing its waste treatment capacity and power generated from residual heat from waste burning.

Case 2:

A Tianjin-based enterprise in the business of semiconductor manufacturing and operation is a state-owned high-tech enterprise engaged in R&D, manufacturing, marketing and venture capital investment. With a focus on the semiconductor energy conservation and new energy industries, it now runs five high-tech enterprises, one key high-tech enterprise under the National Torch Plan, four provincial/ministerial-level R&D centres and one post-doctoral research centre. In addition, it has two industrial chains centred on a unique semiconductor material – energy-saving semiconductor devices and a new energy material – high-efficiency photovoltaic power stations. The Bank provided it with a loan of RMB150 million, which benefited its rapid growth.

IV. SERVING THE ECONOMY AND BENEFITING PEOPLE'S LIVELIHOODS (Continued)

4.3 SUPPORTING SMALL AND MICRO BUSINESSES

The Bank gave full play to its advantage in providing professional financial services for small and micro businesses, expanded its service areas and lent full support to boost the development of small and micro businesses. As of the end of December 2016, the Bank's balance of loans to small and micro businesses amounted to RMB93.2 billion.

Adopting a market-oriented and customer-centred approach, the Bank launched “Fast Credit” products to meet small and micro businesses' needs for small-value loans that can be provided rapidly and frequently. The products consist of nine sub-categories, i.e. Fast Loans, Business Loans, Property Loans, Portfolio Loans, Retail Loans, Start-Up Loans, Procurement Loans, Mortgage Loans and Tax Loans. They provided a diverse range of credit services for small and micro businesses that, for instance, run into temporary liquidity difficulties, lack funds to purchase business venues, or engage in government procurement.

In order to improve service efficiency and quality for small and micro businesses, the Bank effected standardised management of loans to small and micro businesses, strengthens risk control for small and micro enterprises, filters and assesses clients on a multidimensional basis, streamlines application, approval, contracting, post-lending management and other procedures for small and micro loans to the maximum extent. This facilitated processing practices on the part of customers as well as business operators. In addition, the Bank built a “Green Channel” to facilitate the provision of loans for small and micro businesses, and delivered its service commitment to “giving feedback in three days and distributing loans in ten days following counter processing”. It made use of its network of business establishments and community-level financial service stations to fully implement its counter processing systems for small and micro businesses.

IV. SERVING THE ECONOMY AND BENEFITING PEOPLE'S LIVELIHOODS (Continued)

Case:

A Liaoning based testing company is an independent third party inspection and testing institution with a good standing in Northeast China, with its principal business activities involving the provision of inspection and testing services in food safety and environmental areas. Having understood the business model and development potential of it, the Bank recommended its “Tax Loans” financing products to it. Under Tax loans, the company used its equity as pledges to replace traditional collaterals and the Bank provided a loan of RMB9.5 million. Under the strong support of the Bank, the company is currently working with the Shenyang Food and Drug Administration under strategic cooperation to popularise and develop rapid inspection projects for food safety.



4.4 ENHANCING AGRICULTURE-RELATED DEVELOPMENT

The Bank continued to lend stronger financial support to agriculture-related needs, and focused on supporting the development of small and medium-sized agriculture-related enterprises as part of its mission of providing enhanced financial services for agribusinesses. It innovated its businesses and products and improved risk control measures based on the status quo of the county-level economy in an effort to promote agriculture-related undertakings. It gave priority to the credit needs of agribusinesses, fully supported economic restructuring and upgrade and offered the most favourable interest rates within its power to reduce their financing cost. The Bank took an active stance in adapting to and riding the new normal of rapidly advancing urbanisation and agricultural transformation, strongly supported leading agribusinesses in the local market and assisted such enterprises in shifting to industrial management.

IV. SERVING THE ECONOMY AND BENEFITING PEOPLE'S LIVELIHOODS (Continued)

As of the end of the reporting period, the Bank invested in building six village banks, among which the Shenyang Faku Fumin Village Bank Co., Ltd. had a balance of RMB51.4863 million in loans relating to agricultural undertakings as at the end of the reporting period. Guided by the policies on strengthening agriculture, benefiting farmers and bringing prosperity to villages, the village banks improved their financial service networks in rural areas, innovated service modes based on their advantageous geographic locations and provided enhanced rural financial services.

In order to further enhance the capabilities of the village banks in servicing agriculture-related undertakings and supporting the sound and stable development of rural finance, the village banks further innovated their financial services and products for rural markets, created low-cost, replication-competent and marketable financial products and service modes that are suited for the characteristics of rural economy and improved the quality and efficiency of rural financial services. In addition, they also strengthened their risk control and prevention capabilities that served as the basis for them to continue to provide a diverse range of multi-level financial services to meet rural demand and facilitate the expansion of agricultural output, increases in farmers' incomes and the development of rural finance.

Case:

In recent years, Shenyang Liaozhong Fumin Village Bank Co., Ltd. has initiated a new business model that is suited for its own development needs and the actual situations of the county in which it operates to support the development of the agricultural economy. Under the model, it was able to rationally allocated funds to support agricultural development and lent focused support to cattle farmers and private businesses in Xiaozhaimen, a town in Liaozhong County, helping local people shake off poverty and become prosperous.



IV. SERVING THE ECONOMY AND BENEFITING PEOPLE'S LIVELIHOODS (Continued)

4.5 PROMOTING THE DEVELOPMENT OF LIVELIHOOD-RELATED FINANCE

The Bank is committed to improving people's livelihoods, providing financial support for basic industries, urban public utilities and other areas that have close ties with people's well-being. It continued to lend strong credit support for life's basic necessities such as public transportation, medical and healthcare services, and affordable housing, and solve issues that shared the biggest concern of the public.

One-stop payment

The Bank was among the first banks in Shenyang to act as an agency to provide payment services for the convenience of the public. Through telephone banking, self-service equipment, mobile banking, WeChat Banking, self-service service terminals and other e-channels, it provided customers with "One-stop Payment" services that enabled residents in Shenyang to pay almost all public utilities fees, including coal, water and electricity fees, telecommunication fees and traffic fines, without stepping out of their homes. As of 31 December 2016, the Bank accepted a total of 5.0921 million requests for such services, with a transaction volume of approximately RMB1.578 billion.



IV. SERVING THE ECONOMY AND BENEFITING PEOPLE'S LIVELIHOODS (Continued)

Service platform for Community Finance

The Bank actively partnered with communities, supermarkets, medical institutions and other establishments that are closely related to people's livelihoods to build a service platform for Community Finance that integrates multiple functions, including popularisation of financial knowledge, financial service reservation and electronic self-services, with the purpose of providing a large number of customers with multi-functional, location-specific and zero-distance services. In order to serve senior citizens, teenagers, small and medium-sized enterprises and other groups of customers, the Bank regularly held educational activities to popularise financial knowledge and the protection of consumers' rights and interests, and achieved an effective popularisation of financial knowledge through its undertakings in integrating the work of promoting rich financial knowledge, providing diversified and convenient services and protecting consumers' rights and interests. This also helped customers gain a better understanding of e-banking services and how to use them, reduce customers' blind spots in financial knowledge and know more about bank products. Regionally, in order to serve key areas, poverty-stricken areas and areas with large populations of senior citizens, the Bank deployed smart terminals that can perform more than 20 services and functions, including searches, transfers, payment of traffic fines, payment of utilities fees and purchases of tickets. It also provided convenient, differentiated and zero-distance outreach services in areas closest to customers' needs to eliminate the problems that frustrated customers' fee payment needs and banks' processing capabilities, ensuring a reliable supply of services that benefited people's livelihoods. As of the end of 2016, the Bank has set up 2,141 service platforms for Community Finance in various locations.



IV. SERVING THE ECONOMY AND BENEFITING PEOPLE'S LIVELIHOODS (Continued)

Founding of a consumer finance company

On 25 February 2016, the Bank initiated and founded Shengjing Bank Consumer Finance Co., Ltd. As the first consumer finance company in Northeast China, the company provides loans covering all consumer areas except for automobile loans and home mortgages. Such areas involve all consumer industries and include medical services, tourism, education, overseas study, weddings, decoration, cosmetology, nursing, training, household appliances, home furnishing and 3C products. Customers can obtain a loan of up to RMB200,000 without the need for placing any pledges. With a unique and differentiated business model, the company provided financial services for customers that were denied services by traditional banks. This allowed for disentangled development of a consumer finance company from traditional banking to meet the consumption demand of a wider range of customers. As of the end of 2016, Shengjing Bank Consumer Finance Co., Ltd. provided 588 consumer loans with a balance of RMB82.08 million.

Shengjing Bank Consumer Finance Co., Ltd. developed and launched 14 types of consumer finance products under three categories, i.e. Zu Loans, Pu Loans and Zhu Loans.

Categories	Product names	Targets	Main purposes	Maximum limit	Term
Zu Loans	Fang Zu Loans	Customers with home mortgages	Home decoration, etc.	RMB200,000	60 months
	Che Zu Loans	Customers with automobile mortgages	Purchases of parking space, automobile accessories, repairs, etc.	RMB200,000	36 months
	Ka Zu Loans	Credit card holders	Various consumer needs	RMB200,000	36 months
	Xin Zu Loans	Customers for whom the Bank provides payroll services	Various consumer needs	RMB200,000	36 months
	You Zu Loans	High-end quality customers	Various consumer needs	RMB200,000	60 months
Pu Loans	Puji Loans	Students, students studying in higher education institutions	Various consumer needs	RMB10,000	12 months
	Puhui Loans	General low-income wage earners	Various consumer needs	RMB30,000	24 months
	Putong Loans	General low- and middle-income wage earners	Various consumer needs	RMB50,000	36 months
	Puke Loans	General middle-income wage earners	Various consumer needs	RMB200,000	60 months
Zhu Loans	Zhu Ye Loans	Self-employed individuals and private owners	Various consumer needs	RMB200,000	60 months
	Zhu Nong Loans	Farmers	Various consumer needs	RMB200,000	18 months
	Zhu Ju Loans	New property buyers	Purchases of household appliances, furniture, etc.	RMB200,000	24 months
	Zhu Xue Loans	Participants of fee-based trainings	Payment of training fees, etc.	RMB50,000	24 months
	Zhu You Loans	Tourists who join a tour group or travel independently	Travelling expenses	RMB200,000	12 months

V. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION

5.1 IMPLEMENTING GREEN CREDIT

The Bank has actively implemented national development strategies on green credit. In accordance with Overall Plan for the Reform of Eco-civilisation System issued by the State Council, Guidelines of Energy-efficient Credit jointly issued by the CBRC and the National Development and Reform Commission (NDRC), and Guidelines for Green Credit issued by the CBRC, the Bank has formulated the relevant systems, such as Guiding Opinions of Shengjing Bank on Work of Green Credit (for Trial Implementation) and Interim Measures of Shengjing Bank on Environmental and Social Risks Management (for Trial Implementation). The systems specify the connotation and working objectives of green credit, and put forward the direction and working requirements on construction of the green credit system from the aspects of classification management, policy system, process management, product and service innovation, assessment mechanism and capacity building, thus achieving full coverage of green credit management over the entire credit process. As of the end of the reporting period, the Bank's balance of green credit was RMB6.76 billion.

The Bank has supported the development of low-carbon economy, strengthened its support to enterprises and projects that meet the national requirements of energy saving and emission reduction and environmental protection in accordance with the principle of green credit, and invested credit funds in green industries such as environmental protection, energy saving, clean energy and clean transportation. Meanwhile, the Bank has imposed stricter requirements on energy-intensive, pollution-intensive and resource-intensive enterprises and projects and strengthened the tracking, research and judgement of the market changes and the production and operation of industries with excess production capacity. For those enterprises which met the standards of environmental protection, energy consumption, equality, security technology and other aspects and which played active roles in solving the problem of excess production capacity and operated with efficiency, the Bank helped them overcome difficulties and stabilise their operation.

Case 1:

As the largest resource recycling company in China, a leading company in resource recycling, has built seven regional recycling network in 23 Provinces (autonomous regions or municipalities) nationwide, including Bohai Rim, Northeast China, Eastern China, South central China, Southern China, Southwest and Northwest China with more than 50 branches or subsidiary companies. The company has established 11 national level recycling demonstration bases, three regional distributing and trading markets, over 70 sorting centres as well as more than 5,000 recycling stations. The Bank granted RMB1 billion of credit to it, facilitating its business growth and driving there source recycling industry in China towards standardisation, harmlessness and industrialization with its business goal of energy saving and emission reduction.

V. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (CONTINUED)



Case 2:

In April 2016, an automotive group company kicked off alternative energy projects of hybrid electric vehicles and pure electric vehicles. After learning about the financial needs of the company for these projects, the Bank communicated with it actively, tailored a financial plan for it and granted RMB200 million to the group to meet its daily needs of cash flows.

5.2 PROMOTING GREEN SERVICES

The Bank actively promoted innovation in electronic banking business and brand building, constructed remote video banking, direct banking and other systems and implement a nationwide service hotline of 95337. Focusing on the needs of customers and catering to their use habits, the Bank optimised its functions and services. During the year, more than 120 functions and services were optimised, 320 thousand accounts of electronic banking were established, the total amount of transactions of electronic banking business of the Bank amounted to 20.46 million and the replacement rate of electronic banking reached 60%.

The Bank actively promoted the construction of intelligent services in its outlets. By adding electronic intelligent service facilities, the Bank increased the proportion of customer's self-service and improved the efficiency of its channel services. In 2016, the Bank launched 107 ATM, CRS and other electronic self-service facilities in the outlets, which enriched the types of the devices and the functions of services, expanded the channels of offline services and improved the customers' service experience.

V. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (CONTINUED)

Self-service banking

The Bank's self-service equipment includes ATM, CRS, Inquiring and Payment Machine and Intelligent Terminals in Communities. In 2016, the Bank launched more self-service equipment, adjusted the proportion of the equipment reasonably and enhanced the shunting effect of the self-service, to provide convenient and secure services for customers around the clock. As of 31 December 2016, the Bank had 2,141 self-service terminals and performed 7.14 million self-service banking transactions with the total transaction amount of RMB12.9 billion.

Online banking

The Bank continued to develop its electronic capital services for enterprises, actively improve the settlement efficiency and the overall services related to capitals. Meanwhile, the Bank kept improving experience of individual online banking, optimising such functions as quick login, asset profile and real-time transfer. As of 31 December 2016, the corporate online banking customers amounted to 13,253 accumulatively, up by 28% compared with that in the end of the previous year; the accumulative transaction amount reached RMB1,162.97 billion during the year, up by 1% year on year and the number of the transaction was 665 thousand, up by 31% compared with that of the previous year. For individual online banking, the number of the customers amounted to 185.1 thousand, up by 61% compared with that of the end of the previous year, and the number of transactions reached 464.2 thousand, up by 16% year on year, with the accumulative transaction amount of RMB13.225 billion, up by 26% year on year.

Mobile banking

The Bank continued to promote the upgrading of the services and functions of mobile banking, added new functions such as Shengjingbao and real-time transfer, simplified the operating process, and boost growth of the number of customers by improving customer experience. As of 31 December 2016, the mobile banking customers reached 353.4 thousand accumulatively and the number of transactions is 1,472.4 thousand with the total transaction amount for the year of RMB8.388 billion.

TV Bank

The Bank put forward a concept of home banking. With application of TV Bank, people could get access to their accounts, transfer capitals, make investment and financing, pay for daily expenses and perform other financial services at the same time when they enjoy TV programs at home. As of 31 December 2016, the Bank has launched TV Bank services for over 30 thousand households in Shenyang and Anshan.

V. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (CONTINUED)



5.3 ADVOCATING GREEN OPERATION

The Bank regards the protection of the environment and resources as an important responsibility. Therefore, the Bank has strictly abided by Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Water Law of the People's Republic of China and other relevant laws and regulations.

To further improve the level of energy management and promote a concept of green office, the Bank has attached importance on promotion of environment protection. The Bank established systems including Management Measure of Shengjing Bank for Green Offices and Implementation Regulations of Shengjing Bank for Energy Conservation in Offices, carried out promotion and education activities in various forms and delivered the documents from the government, China Banking Regulatory Commission and the head office regarding energy saving and emission deduction. With documents, electronic boards and meetings, the Bank played an active role in cultivating the staff's awareness of energy saving, promoting the recycling of resources and reducing the resource consumption.

In 2016, the Bank started to promote the construction of an electronic office system. The extensive use of the system makes it possible to deliver and review documents, download the templates, deliver mails, review and approve contracts electronically, which greatly reduces the usage of paper.

Measures of energy saving and emission deduction:

- Sprinkler irrigation, micro-irrigation and other water-saving irrigations were adopted for green fields and landscapes, while flood irrigation was forbidden.
- Energy-saving water supply system and equipment were adopted. Updating and reforming of aged pipelines of the underground network for water supply were carried out and water-saving faucets and sanitary appliances were installed to replace the old ones.

V. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (CONTINUED)

- The data centre of the Bank utilized virtualisation technologies to reduce the energy consumption, improve the usage of resources, and reduced the number of physical servers by choosing plans of high density.

Disposal of wastes:

- **Obsolete toner cartridges:** Selenium, a photosensitive material in laser printer cartridges which is included in the hazardous article list, is harmful to human health as well as the environment. Therefore, it is forbidden to discard selenium at will. However, obsolete toner cartridges can be recycled and reused, so the Property Management Department called on all departments to submit the toner cartridges to related units for unified recycling instead of disposing them arbitrarily.
- **Used batteries:** Mercury, lead and cadmium in the batteries could do great harm to human health and the environment, so the Property Management Department required all staff not to discard used batteries but to put them into recycling bins for recollection and management.
- **Obsolete fluorescent tubes:** since the fluorescent powder in fluorescent tubes contains mercury which would be hazardous to the ecological environment if not been preserved and dealt with appropriately. Therefore, the obsolete fluorescent tubes should be transported to related units and then to the units engaging in recollecting, preserving and disposing hazardous wastes. It is banned to provide or entrust the hazardous wastes to the units which do not have any licenses to recollect, preserve and dispose the wastes.

Procurement management:

In order to standardise and manage office supplies and choose suppliers reasonably, the Bank has established such systems as Management Measures of Shengjing Bank for Centralised Procurement (Revised) and Implementation Rules of Shengjing Bank for Management of Non-outsourcing Suppliers of Information Technologies. The Bank controlled the total quantities of office supplies, performed centralised management and storage of them, and distributed them on demand. When choosing suppliers, the Bank took their standards of environmental protection as a significant factor for inspection, with the aim of reducing energy consumption and protecting the environment.

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT

6.1 IMPROVE THE SERVICE QUALITY

The Bank optimised its service environment and improved service facilities, with the aim of providing high quality financial services to customers. In accordance with the requirements of Guidelines of Shengjing Bank on Civilised and Standardised Services, the Bank carried out service etiquette rating activities as its routines. Through innovation of financial products, the Bank provided a wide range of financial products to meet the diversified demands of the customers. Also, the Bank expanded the channel of customer service and the geographic scope of the financial services, further developed the outlet distribution and increased the financial support for counties, in order to offer more convenient and effective financial services to customers.

- Improving the service experience of customers. Taking consideration of the needs of customers, the Bank regularly optimised the procedures of the counters and electronic channel business, increased the efficiency of business processing and improved the service experience of customers. In 2016, targeted at the needs of individual customers, the Bank optimised over 200 transactions of the counters and electronic channels, offering convenience to customers on account management, transfer, payment, electronic channel, and investment and financing.
- Developing supervision management of customer services. Through establishing service quality evaluation and monitoring mechanism, implementing activities to improve services and conducting more inspections of services in outlets, the Bank strove for improving the customer service quality. We laid more importance on tracking and urging the progress of dealing with customers' complaints and ascertaining the accountability. A customer complaint platform with 95337 as a main channel was launched. As of the end of 2016, 56 customer service staff dealt with 4,795.8 thousand calls. The response and call-back rate reached 100% and the customers' satisfaction degree achieved 100%.
- Satisfying customers' diversified needs for investment and financing. To meet the customers' demands for investment, the Bank not only launched a Caifutong series of smart saving products for customers who lay stress on saving and a Red Rose series of financial management products, such as Zhiying, Wenying and Shengying, for customers who put emphasis on financial management, but also launched Shengjingbao, precious metal consignment and fund consignment, in order to provide various choices of financial products for customers.
- Caring for special customer group. For the special customer group, the Bank opened an easy access, established new service facilities and continuously innovated and improved service methods to meet their needs.

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

- The Bank participated actively in the appraisal of high-quality civilised services held by the China Baking Association. In 2016, the Bank was awarded the Best Organisation for High-quality Service in the workshop of high-quality and civilised services of ten-year banking in Liaoning province. The outlet of Shengjing Bank and that of Yingkou branch were awarded as One of Thousand Excellent Role Model Units of Civilised and Standardised Services in Chinese Banking Industry, while six units in Fushun, Jinzhou and other districts were awarded as Golden Unit of Civilised and Standardised Services in the Banking Industry of Liaoning province.

Shengjingbao

In 2016, the Bank launched Shengjingbao, an inclusive product oriented to customers from various levels. Its greatest characteristic was that it had a low investment threshold of RMB100. The gains of Shengjingbao were calculated at daily compound interest and carried forward to next investment date. The capital can be withdrawn quickly via quick withdrawal transaction and it was free of transaction charge. The customers who wish to control their needs for long-term or short-term investment could optimise their gains. In addition, Shengjingbao has not only counter sale channels, but also online transactional channels, namely mobile banking and internet banking, which makes it more convenient for customers to purchase. As of the end of 2016, the number of customers of Shengjingbao amounted to 3,381 with the purchase amount of RMB273.44 million in the trial period and the constant deposit balance of RMB50.27 million.



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Etiquette training

To improve the overall serving image of the Bank and strengthen the quality and service ability of the Staff, the Bank had carried out special etiquette training with a theme of focusing on services and setting role models. The senior management personnel and the staff excellent in providing services acted as speakers and over 2,000 staff took part in the training.

Based on the fierce competition environment of the Bank, the main speakers gave profound lectures in simple terms on knowledge and skills of professional image, physical etiquettes, facial expressions, conversation and reception, helping trainees improve their service quality and personal charisma. To achieve better training effect, the speakers interacted with the trainees with quizzes and games, which not only enhanced the passion and enthusiasm of the trainees, but also showed them the true meaning of service etiquettes in a more direct and vivid way.



User-friendly facilities in the outlets

The Bank attached high importance to the construction of user-friendly facilities, taking the actual needs of special customer groups, including the elderly, the weak, the sick, the disabled and the pregnant women, into consideration when making the master plan of outlet construction. Now, we have established 103 ramp ways, 39 parking spaces for the disabled, 152 braille guidebooks, 149 cards for aiding the blind, 146 voice queuing machines, 151 braille keypads, 155 voice currency detectors, 103 voice ATMs, 144 voice displays, 123 seats for the special group, 122 counters for the special group and 19 pet stations. In additions, each outlet is equipped with first-aid kit and presbyopic glasses. Some outlets has child seat, charging equipment for phones and other facilities. Also, customers with visual disturbance are allowed to bring their guide dogs which have been registered, certificated with identification marks and in working state into the outlets.

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Expanding service channels

Following the national development strategies, such as integration of Beijing, Tianjing and Hebei province, Yangtze River Economic Zone, revitalisation of northeast China and the innovation-driven Liaoning province, the Bank optimised its outlet distribution and expanded the channels of customer services. In 2016, the Bank established 13 traditional outlets in Beijing, Shanghai, Tianjin, Changchun and Liaoning provinces. Meanwhile, the Bank established 3 sub-branches for small and middle enterprises to further support the start-ups and public innovation and provided convenient financial services for small and middle enterprises.

As of the end of 2016, the Bank had 190 outlets, 18 of which were branches, 161 of which were traditional sub-branches, 7 of which were sub-branches for small and middle enterprises and 3 of which were branch-level specialised institutions.

6.2 SAFEGUARDING CUSTOMERS' RIGHTS AND INTERESTS

The Bank had established regulations and systems, including Working Guidelines of Shengjing Bank for Protecting Customers' Rights and Interests, Working Regulations of Shengjing Bank for the Committee for Protecting Customers' Rights and Interests and Measures of Shengjing Bank on Assessment for Protection Work of Customers' Rights and Interests. The Bank also established a department for protecting customers' rights and interests, launched a magazine with a theme of Shengjing Bank's protection of customers' rights and interests and set up a quick treatment procedure to deal with complaints, which enabled the customers make complaints via phones, emails, notices and other methods. In additions, the Bank enhanced the protection of individual information, included the basic individual information, financial information, transactions and other information into the protection scope, and improve the management and control of such procedures as collection, preservation, delivery and retrieval. Also, we enhanced the education on the staff's awareness of risks and confidentiality to ensure they could complies with confidentiality systems and keep their confidentiality commitments.

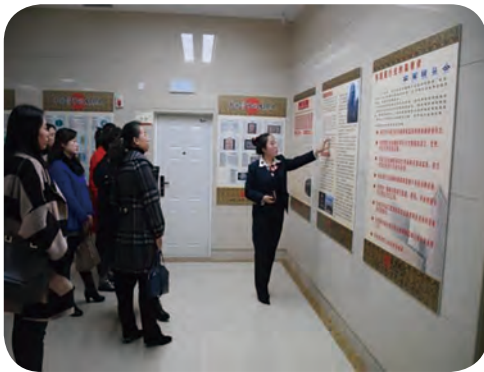
The Bank carried out campaigns actively to spread financial knowledge. We established annual plan each year and carried out a one-month special campaign for spreading financial knowledge on each 3•15 International Day for Protecting Consumers' Rights as well as a campaign for spreading financial knowledge from June to August. In September, the Bank cooperated with regulators in carrying out an activity of delivering financial knowledge to thousands of families and a one-month campaign for spreading financial knowledge. The Bank always persisted in field promotion in its outlets, encouraged all branches to initiatively spread financial knowledge via WeChat official accounts, Weibo and other social media.

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

3•15 Campaign for further protecting consumers' rights and interests

The Bank carried out a one-month campaign for further protecting consumers' rights and interests from 15 February to 15 March 2016 which sees 3•15 International Day for Protecting Consumers' Rights coming.

By building a model base platform for financial knowledge covering all branches, setting up a youth volunteer team involving all outlets of the Bank, organising a special interview campaign regarding consumers across the Bank and carrying out a one-month in-depth and all-around campaign, the Bank laid the foundation for further pushing forward the financial knowledge education for the public, improved the popularity of the banking products and the public's awareness and put the inclusive finance into practice.



Campaign for spreading financial knowledge

To comprehensively improve the consumers' financial abilities and enhance their awareness of risk prevention, construct a harmonious financial order and earnestly perform the social responsibilities and duties of spreading financial knowledge, under the requirements of the China Banking Association, the Bank carried out a campaign of spreading financial knowledge from June to August. On the basis of regular publicity, promotion in communities, campuses, enterprises and public institutions and trading area and promotion during holidays and through the internet were carried out in addition to the common field promotion, which motivated the initiatives of people in learning financial knowledge. The campaign spread the financial knowledge, normalised and standardised the work of financial risk promotion and protection of financial consumers' rights and interests, and created an atmosphere for the public to learn, understand and use finance knowledge.

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



Campaign for delivering financial knowledge to thousands of families

In September 2016, the Bank organised the branches in Liaoning province to carry out a one-month promotion and service campaign of delivering financial knowledge to thousands of families. In the campaign, a strategy of promotion with all channels, coverage of all hot issues, engagement of all staff and improvement of all qualities gave full play to the effects of the youth volunteer team, financial knowledge educational base and full participation of staff. The campaign spread financial knowledge in an in-depth and constant way, and thus comprehensively improved the public's awareness of risk prevention and usage of formal financial service channels.



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Square dancing competition

Cooperating with Shenyang television station, the Bank held a one-month competition of square dancing in 2016. The competition started from the Mid-autumn Festival, extended over the National Day and welcomed its final on the Double Ninth Festival. Three excellent teams won the first three places.



6.3 CONTRIBUTING TO STAFF'S DEVELOPMENT

Category		As of 31 December 2016	
		Number	Percentage (%)
Total		4,824	100
By gender	Male	2,128	44.11
	Female	2,696	55.89
By type of employment	Contract-based employee	4,824	100
By age group	Below 30 years old (inclusive)	2,109	43.72
	From 31 to 40 years old (inclusive)	1,340	27.78
	From 41 to 50 years old (inclusive)	1,265	26.22
	Over 50 years old	110	2.28
By region	Within Liaoning province	3,891	80.66
	Beyond Liaoning province	933	19.34
New entrants		359	7.44
Employees from ethnic minorities		440	9.12

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

For recruitment, the Bank established Management Measures of Shengjing Bank for Recruitment, to emphasise the recruiting principle of being open, fair and impartial. The Bank also established a system to guarantee supervision and maintained object and fair attitude in the recruitment to provide equal employment opportunity for employees. The Bank follows requirements of the labor laws and related laws and regulators and won't allow operating activities involving child laborer, forced and compulsory labor.

For labour relationship management, the Bank launched Implementation Guidelines of Shengjing Bank of Labour Contract System for All Staff and Management Measure of Shengjing Bank for Employment, which attach emphasis the management of contract system for all staff, establish an employment mechanism with labour contract management system as its core, enhance the main responsibilities of the Bank and boost the development of both the Bank and the staff's careers. In additions, the Bank established Management System of Shengjing Bank for Attendance, putting forward payment standards for work time – five days a week and eight hours a day – and for overtime payment and specifying the rights of statutory leave, such as sick leave, personal leave, maternity leave and wedding leave. Management Measures of Shengjing Bank for Leaves and Holidays were established, which standardised the management and approval procedures of paid annual leaves in details and adequately guarantee the implementation of staff's rights and interests. During the report period, the Bank had no employee who was injured or dead due to work.

For remuneration management, the Bank formulated Management Measures of Shengjing Bank for Remuneration, Plan of Shengjing Bank for Enterprise Annuity, Plan of Shengjing Bank for Supplementary Medical Insurance, Management Measures of Shengjing Bank for Staff Level Assessment of Professional Skills and Management Measures of Shengjing Bank for the Levels of Risks and Responsibilities of Posts. These documents specify the components of the staff's remuneration, add the enterprises annuity and supplementary medical insurance in addition to the basic welfare guarantee, and further enrich the types and content of the staff's welfare.

For career development, the Bank built an extensive platform for career development of the staff, made a breakthrough from the single promotion way of appointment to different promotion channels for personnel from operation and management and for professional talents. The staff could choose development directions for future career, taking into consideration of their own capacities and characteristics, which realised the mutual development of the company and the staff.

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

For employee training, the Bank continued to pay attention to the development of the staff and help them make progress. The Bank set up a three-level training systems for the head office, the branches and the sub-branches and carried out training based on different types of the staff, to ensure them receive multi-disciplinary training ranging from on-boarding training to on-job training. Through training specially oriented to new entrants, employees from professional posts, junior operation and management personnel and middle and senior operation and management personnel, the Bank helped them improve their value. During the report period, the Bank had organised various training for 280 thousand person/time with video courses for 21 courses in 9 categories, covering 100% of the staff. The satisfaction degree of the staff of key training programs reached 98%.

Indicator	Unit	2016
Average credit hours (operating and management personnel of mid and senior levels)	Hour	46
Average credit hours (operating and management personnel of junior levels)	Hour	81
Average credit hours (Employees)	Hour	153

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Professional Skill Competitions

Professional Skill Competitions were held in the Bank in 2016. More than 300 employees fought their way to a final which covered 4 business lines and six competition events. Eight branches were awarded the prize of Outstanding Organisation while 64 employees harvested the title of Role Models and Excellent Performers.



Television Competition of professional skill named “Super Skilled Man” in Shenyang

The Bank selected ten excellent tellers in Shenyang branch and formed the Shengjing team. After competing with 169 personnel from 25 banks and institutions in Shenyang district, nine players of the Bank entered the top 70 list and were qualified for the semi-final. Four of them harvested the top 31 as well as the recognition from the Municipal Federation of Trade Unions. Ma Rui from Dadonglu sub-branch of Shenyang branch entered the final and won the fifth prize of the competition.



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Nationwide business skill competition

In 2016, two employees of the Bank took part in a nationwide business skill competition. Liu Dawei from Beijing branch won the Top Ten of China in a note counting competition in the second season of China Hotshot held by CCTV. In the competition, as they practise their skills and improved their business knowledge, they demonstrated positive spirits in overcoming difficulties and striving for progress. Taking the head office as an example, the branches carried out various competitions in the branches and among banks and thus created an atmosphere that everyone devotes themselves to learning business and becoming proficient.

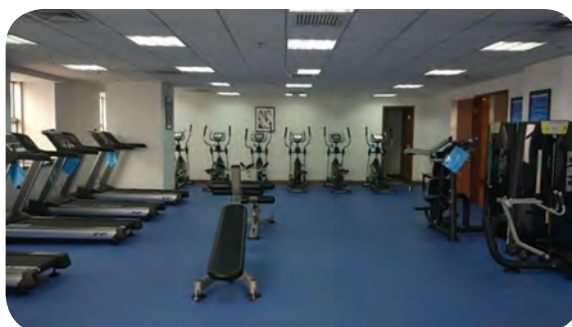


The Bank took the philosophy of caring for the staff and forming a happy and harmonious family as its standpoint and arouse the enthusiasm and initiative of the staff. Also, by taking the Staff's Home as construction vehicle, the Bank promoted a philosophy of taking the staff as families, satisfying their needs in a way of dealing with family business and taking the work of Labour Union as family responsibilities, to improve the happiness of the staff and create an atmosphere of promoting vigour and boosting development with love and care.

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Construction of staff's home

The fitness centre in the head office was established by the Bank, which offered a place for the staff to exercise, release their pressure and refresh themselves. With the aim of solving real problems for the staff, the Labour Union of the head office solicited opinions and suggestions from them, and resolved the problems raised by them, such as the problem that they could not take showers after workout.



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

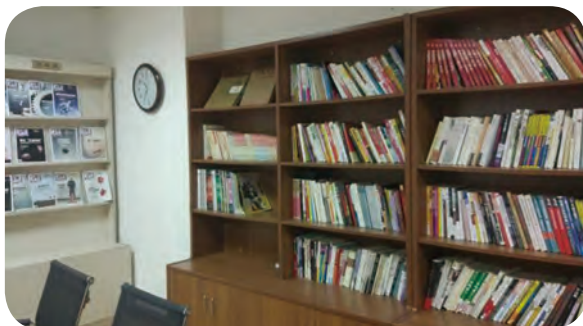
Walking activity

The Bank held a walking activity with a theme of public welfare and health in Shenshuiwan Park, Dingxianghu Park, Aoti Park, Beiling Park and Youth Park. With the aim of encouraging people to improve their health through exercising and advocating environmental protection, the Bank invited nearly a thousand people to participate in the aerobic walking activity, including its customers, residents in the communities, walking enthusiasts and visitors in the parks. The stream of walking people not only attracted the attention of the passers-by, but also encouraged them to join the activity. In addition, the participants were asked to pick up the rubbish in the parks and clean the environment along the road. The activity spread a concept of health and happiness, enhanced people's awareness of fitness and improved their health.



Staff libraries

To further constructing a learning organisation, cultivating an atmosphere of studying and promoting corporate development, the Bank established staff libraries to create a good cultural atmosphere. All branches carried out reading activities based on the willingness of the Staff and encouraged them to join the activities.



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Badminton competitions

The Labour Union organised the excellent badminton players in the Bank to participate in two badminton competitions, namely the China Merchants Bank Cup Badminton Competition for Staff held by the financial system of Liaoning province and the Shengjing Bank Cup Badminton Competition for Staff held by the Labour Union of Service Industry in Shenyang city. The players of the Bank won the prizes of “Dauntless Players” and Group Champion respectively in the competitions. These activities not only enriched the staff’s life after work, but also demonstrated their endeavour, solidarity and enterprising spirit.



Helping the employee

On 8 September 2016, a gas explosion occurred in a residential building in Fushun. The parents of an employee in Huludao branch were killed in the accident. Members from the labour’s unions of the head office and the branch visited the employee in Fushun as soon as they learned about the news, with faith in people orientation and concern for the employee. They delivered consolation money to her, as well as warmth and concern as if they were her family. She, who just stepped into society, was comforted by the goodwill and kindness from the Bank and appreciated that the Bank served as a reliable supporter for her.



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Delivering warmth

To solve the problem of helping staff with great or unexpected difficulties in time, the Bank, supported by the staff relief fund, continuously carried out activities to deliver warmth across the Bank. We issued notices to collect the information about the number of staff with difficulties and update their profiles. Also, we developed and improved the mechanism for helping them, performing both temporary and regular relief. During 2016, we visited many employees in dire straits sent out relief fund and relief supplies worth RMB296 thousand.



Caring room for female staff

Tianhe sub-branch of Shenyang branch established a Mother's Group to provide a private, clean, warm and comfortable environment for pregnant female staff and those who were in lactation period, as well as various caring services to meet the special needs of female staff. The 25 square-metre Mother's Room of Tianhe sub-branch had warm and private environment and reasonable layout, equipped with a premium fabric sofa, a tea table, a crib, a refrigerator, a water disperser, music player, a disinfectant and drying machine, toys and children's books, etc. The walls were decorated with cartoons and animals to give prominence to the theme of warmth. There were cleaners cleaning and maintaining the room every day. They would sterilise the indoor equipment to ensure the room was tidy and clean. We work hard

VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

to make the Mother's Room into a warm and cosy place for exchanging ideas and enriching life for the female staff.



Activities for Women's day

All branches carried out activities in various forms based on their own reality, in order to deliver special wishes to the female staff who had made great contribution to the development of Shengjing Bank on ordinary positions for years, and to speak highly of their hard work. The Bank encouraged the female staff to actively devote themselves to the development of Shengjing Bank, through cooperating with each other, coagulating their wisdom, contributing their passion and taking responsibilities.



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

6.4 COMMITMENT TO SOCIAL BENEFITS

As the Bank strove for corporate sustainable development, it organised its staff to take part in public benefit activities, supported social benefit undertakings and charity and carried out activities to help the impoverished and the disabled. In recent years, Shengjing Bank took active part in various donation activities with the charitable capital of RMB3.255 million in 2016. In additions, the Bank's play an active role in other social benefit activities, in order to truly reciprocate the social development with financial resources and operational achievements and achieve a win-win result for economic and social effects. The Bank was awarded with many titles of honour, including "the Advanced Group of Helping the Disabled People in Shenyang City", "the Outstanding Charitable Group for Helping People with Difficulties of Shenyang City", "the Top Ten Advanced Unit for Helping the Disabled People" and "Role Model Unit of Development Work for Helping the Impoverished in Shenyang City".

Charitable activity for helping the disabled

On 5 February 2016, a donation ceremony for helping the disabled was held by the Bank in Shenyang Disabled Persons' Federation. It was the second year that the Bank donated RMB500 thousand to 500 families of disabled people in the city, bringing warmth and peace to them in the Spring Festival.

Fixed-point poverty alleviation

The Bank continued to take the fixed-point poverty alleviation as a politic assignment for supporting the local economic construction and performing social responsibilities. The Bank carried out poverty alleviation daily as well as in important festivals. Designated staff were responsible for the fixed-pint poverty alleviation and for helping those with difficulties. They conducted throughout researches and investigations in the poverty alleviation units regularly to ensure that the poverty alleviation work was proceeding in an orderly manner and the precise poverty alleviation was fully implemented. Before the Spring Festival, members from the Labour Union of the head office, together with staff from Shenyang branch and its sub-branches, visited Zhoutuozi Town, Xinmin City. They brought 10 computers to Zhoutuozi Town for the Construction of Distance Learning Centre for Rural People, visited 20 impoverished rural families and distributed rice, flour and oil as well as RMB500 as consolation money to them. The capital invested in poverty alleviation during year was RMB255 thousand.



VI. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Project of Sunshine Students

The Bank carried out the third charitable project of Sunshine Students constantly, and carried out an internship activity for students, together with the Municipal Charity Federation. 110 undergraduates took interviews and exams and those with good performance were employed. The employed undergraduates went through training related to basic banking knowledge and business skills. After passing the training test, they would be assigned to the community financial service stations of Shenyang District for internship. This project provided not only human resources for the community banks but also a practice platform of vocational training for the students. In 2016, RMB500 thousand was invested by the Bank in the Sunshine Students project and was used as the internship expenses for the students, which enabled more outstanding but poor students to give consideration to study as well as social practice. The Sunshine Students project had played an exemplary role.



In 2017, the banking industry still faces complicated and changing operational environment, as global challenges arise, domestic economic growth slows down and the economic structure is undertaking a profound adjustment. Shengjing Bank continues to focus on the market positioning of “driving the strategic development of regional economy”, “cultivating emerging industries”, “supporting small and medium-size enterprises” and “providing accommodating services to residents”, and the Bank sticks to the strategic goal of integration, diversification, high quality and industry leader. The Bank also continues to promote the profound integration of social responsibilities and its own development, and to enable the company to develop harmoniously and sustainably with the economy, the society and the environment.

Support supply-side reform and serve substantial economy. The Bank will actively align with the national supply-side reform and support the three great strategies, namely the Belt and Road, the synergetic development of Beijing, Tianjin and Hebei province, and Yangtze River Economic Zone, and other key areas and significant projects; enhance the financial support to Shenyang Free Trade Zone, the experimental area of innovation reform and the national demonstration zone of independent innovation; innovate the business model of the enterprises which make scientific innovation in research and development and the finance plus internet business model; increase financial support to key industries and pillar industries which can drive economic and social development as well as upgrading of industrial structure, including advanced equipment manufacturing, biomedicine and aerospace industries; optimise the regional economic structure and promote the transformation and upgrading of industrial structure. The Bank will also implement the green credit policy, push forward the environmentally friendly transformation of traditional industries and the development of green industries with low carbon cycle and improve the effect of serving the substantial economy.

Implement comprehensive operation and promote transformation and upgrading. The Bank will adapt itself to the new normality of economic development, stick to the overall key note of making progress while ensuring stability and promote the flexible, intelligent and refined transform and upgrading in an orderly manner with a vision of building a first-class bank and sustaining a centennial presence and in light of a main line of promoting reform, striving for development, maintaining quality, adjusting structure and pursuing innovation. In additions, the Bank will carry out profound integration of the areas including trust, security, insurance and fund through capital combination, business cooperation and other methods, and thus promote the coordinated growth of traditional and innovative business. The Bank will provide consumers with satisfactory financial products and services catering to the market demands and improve diversified and comprehensive financial service ability.

PROSPECT FOR 2017 (Continued)

Put inclusive finance into practice and help improve people's livelihood. In accordance with the national strategy of Development Plan for Promoting Inclusive Finance (2016–2020), the Bank will keep improving the arrangement of small and middle enterprises' system and innovate their credit models; build a full-featured agent-based bank for regional public utilities and strengthen the support in the fundamental industries for livelihood, urban public utility and other areas; promote the construction of smart bank, construct multi-level, omni-channel financial service platforms, such as mobile banking, TV banking, online banking and weChat banking, build an intelligent financial system which is inclusive, close to consumers, and all-featured, improve the service quality and optimise the customers' experience; play a role as consumer company, advocate a green and healthy financial consumption concept, and build a financial service platform integrating consumption, wealth management, financing and investment, to meet the demands of service consumption, information consumption, green consumption and other areas.

Commit to social benefit and precise financial poverty alleviation. The Bank will concern about people's livelihood and welfare continuously, advocate a concept of share development and put the corporate culture of devotion into practice; continue to build an ethical bank which attaches importance on integrity, compliance with regulation, contribution and charity and which bears awareness on the responsibilities of concerning about charity and of appreciating and dedicating to the society; implement development-based poverty alleviation based on the actual needs and build a specialised and precise poverty alleviation mode; actively carry out charitable campaigns to help students and voluntary activities of staff, participate in promotion of environmental protection, education and financial knowledge and public welfare undertakings, to offer support and contribution to the communities; constantly implement projects which boasts the closest ties with people and provides the biggest benefits for them, reciprocate the society with financial resources and development achievements, and strive for perform corporate social responsibilities.

Optimise career platform and develop together with the staff. The Bank will always care for the career development of the staff, carry out professional training, develop a good career platform and career planning and create an environment suitable to cultivate talents; further improve the promotion system for the staff, build a promotion channel for them and provide a development platform for them; continue to optimise the performance and remuneration systems for the staff with beneficial welfare to share the corporate development achievements with them; constantly concern for the staff's health, enrich their life, carry out various cultural and sports activities for them, enhance the construction of the staff caring projects, cultivate positive corporate culture and create good working environment and cultural atmosphere for them; attach importance to and protect the lawful rights of the staff, keep improving systems for protecting their rights and interests, improve their satisfaction and loyalty and realise comprehensive and mutual development of the bank and the staff.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Board of Directors of Shengjing Bank Co., Ltd.

We were engaged by the Board of Directors of Shengjing Bank Co., Ltd. (“the Bank”) to provide limited assurance on the 2016 Environmental, Social and Governance Report of the Bank for the year ended 31 December 2016 (“the ESG Report”).

Responsibilities of the Board of Directors

The Board of Directors of the Bank is solely responsible for the preparation and presentation of the 2016 ESG Report, including the information and assertions contained within it, in accordance with the disclosure recommendations of The Stock Exchange of Hong Kong Limited’s Guidelines for Environmental, Social and Governance Reporting (“SEHK’s Guidelines”).

The Board of Directors is also responsible for designing, implementing and maintaining internal control that enables the preparation and presentation of the ESG report that is free from material misstatement, whether due to fraud or error.

Responsibilities of KPMG

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our work in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and complied with the applicable requirements of International Standard on Quality Control 1 to maintain a comprehensive system of quality control.

Our independent limited assurance report is made solely to the Bank in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors of the Bank those matters we have been engaged to state in this independent limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than the Bank for our work, for this independent limited assurance report, or for the conclusions we have reached.

INDEPENDENT LIMITED ASSURANCE REPORT (Continued)

Summary of work performed

A limited assurance engagement on an ESG report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the ESG report, and applying analytical and other procedures, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of the Bank's processes for determining the material issues for the Bank's key stakeholders;
- Interviews with management and relevant staff at the Bank implementation of these across the business;
- Interviews with relevant staff at the Bank responsible for providing the information in the ESG Report;
- A media analysis and an internet search for references to the Bank during the reporting period;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the ESG Report;
- Comparing the information presented in the ESG Report to corresponding information in the relevant underlying sources by limited testing to determine whether key information contained in such underlying sources has been included in the ESG Report;
- Reconcile key financial data and figures with the audited financial statements;
- Reading the information presented in the ESG Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Bank.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore, a lower level of assurance is provided. In addition, our work was not undertaken for the purpose of opining on the effectiveness of the Bank's systems and procedures.

INDEPENDENT LIMITED ASSURANCE REPORT (Continued)

Conclusions

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the ESG Report of the Bank for the year ended 31 December 2016 is not prepared, in all material respects, in accordance with the SEHK's Guidelines.

KPMG Huazhen LLP

Beijing

28th June, 2017

ESG INDICATOR INDEX

ESG REPORT INDICATOR INDEX

Subject Areas and Aspects		Disclosure location		Disclosure location		
General Disclosures		KPIs				
A. Environmental						
A1	Emissions	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	35–36 Page	A1.1	The types of emissions and respective emissions data.	Note 1
				A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 1
				A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Applicable
				A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 1
				A1.5	Description of measures to mitigate emissions and results achieved.	35–36 Page
				A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	36 Page
A2	Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	35–36 Page	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	11 Page
				A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	11 Page
				A2.3	Description of energy use efficiency initiatives and results achieved.	35–36 Page
				A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	35 Page
				A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable

ESG INDICATOR INDEX (Continued)

Subject Areas and Aspects	General Disclosures	Disclosure		Disclosure location
		location	KPIs	
A3 Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	32–36 Page	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	32–36 Page
B. Social				
B1 Employment	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours,	45 Page	B1.1 Total workforce by gender, employment type, age group and geographical region. B1.2 Employee turnover rate by gender, age group and geographical region.	44 Page Note 2
B2 Health and Safety	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	45, 50–51 Page, 53–54 Page	B2.1 Number and rate of work-related fatalities. B2.2 Lost days due to work injury. B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	45 Page 45 Page 45, 50–51 Page, 53–54 Page
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	46 Page	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). B3.2 The average training hours completed per employee by gender and employee category.	46 Page 46 Page
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	45 Page	B4.1 Description of measures to review employment practices to avoid child and forced labour. B4.2 Description of steps taken to eliminate such practices when discovered.	45 Page Not Applicable
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	36 Page	B5.1 Number of suppliers by geographical region. B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Note 2 36 Page

ESG INDICATOR INDEX (Continued)

Subject Areas and Aspects	General Disclosures	Disclosure		Disclosure location	
		location	KPIs		
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	37, 41–43 Page	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable
			B6.2	Number of products and service related complaints received and how they are dealt with.	37 Page
			B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not Applicable
			B6.4	Description of quality assurance process and recall procedures.	Not Applicable
			B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	41 Page
B7 Anti- corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	23 Page	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Not Applicable
			B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	23 Page
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	55–56 Page	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	55–56 Page
			B8.2	Resources contributed (e.g. money or time) to the focus area.	55–56 Page

Note 1: The Bank has not yet established the statistical system of this KPI and plans to establish gradually in the future.

Note 2: The Bank plans to gradually disclose in the future

FEEDBACK FROM READERS

Thank you for reading the Environmental, Social and Governance Report of Shengjing Bank. With the aim of enhancing communication and exchanges with stakeholders and improving the Bank's capability for performing social responsibilities, we hope that you can evaluate this report and provide us with your valuable comments and suggestions. You can fill out the below feedback form and choose any of the following ways to send us your opinions.

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1. Which kind of stakeholder are you:

- ☐ Government ☐ Regulator ☐ Shareholder ☐ Customer ☐ Employees ☐ Vendor
☐ Vendor ☐ Cooperation partner ☐ Community ☐ Environment ☐ Others

2. Your general evaluation on this report:

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

3. Your evaluation of Shengjing Bank in performing social responsibilities for economic development:

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

4. Your evaluation of Shengjing Bank in performing social responsibilities for environment:

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

5. Your evaluation of Shengjing Bank in performing social responsibilities for social progress:

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

6. Do you think the information disclosed in this report is complete?

- ☐ No ☐ Average ☐ Yes

7. Do you think the content and typography is suitable for reading?

- ☐ No ☐ Average ☐ Yes

8. Do you have any other comments or suggestions on the report and on the improvement and development of Shengjing Bank for performing social responsibilities?

Thank you for your caring and support for Shengjing Bank!

