



盛京銀行  
SHENGJING BANK

Shengjing Bank Co., Ltd.\*

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

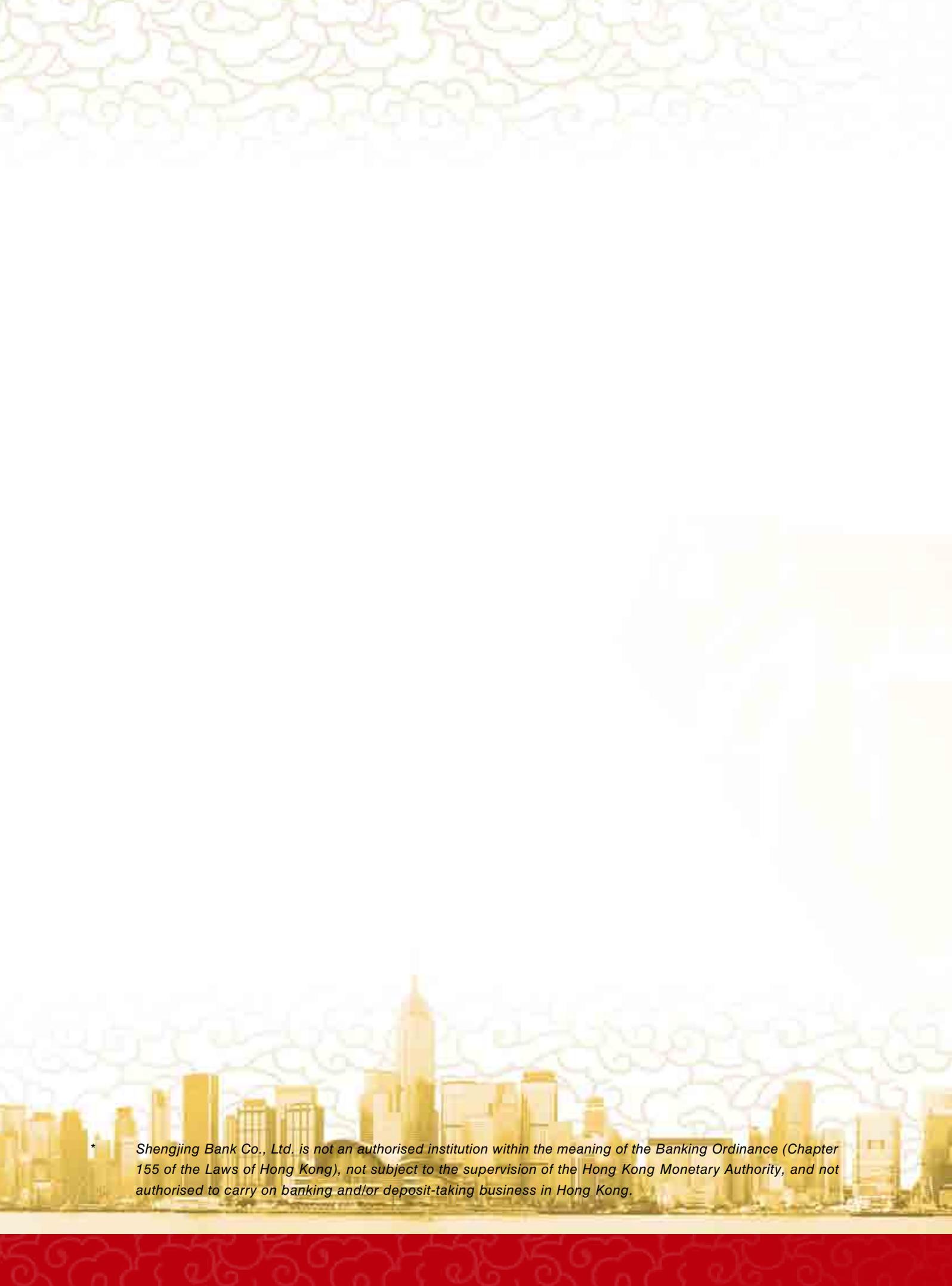
Stock Code:02066

盛京

2014

Annual Report





\* *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.*

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## COMPANY INFORMATION

<b>Legal Name in Chinese</b>	盛京銀行股份有限公司
<b>Abbreviation in Chinese</b>	盛京銀行
<b>Legal Name in English</b>	Shengjing Bank Co., Ltd.
<b>Abbreviation in English</b>	SHENGJING BANK
<b>Legal Representative</b>	ZHANG Yukun
<b>Authorised Representatives</b>	ZHANG Yukun and ZHOU Zhi
<b>Secretary to the Board of Directors</b>	ZHOU Zhi
<b>Joint Company Secretaries</b>	ZHOU Zhi and KWONG Yin Ping Yvonne
<b>Registered and Business Address</b>	No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
<b>Contact Number</b>	86-24-22535633
<b>Website</b>	<a href="http://www.shengjingbank.com.cn">www.shengjingbank.com.cn</a>
<b>Principal Place of Business in Hong Kong</b>	Units 08–09, 18/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
<b>Website of the Hong Kong Stock Exchange on which the H Share Annual Report is Published</b>	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
<b>Place of Maintenance of the Annual Report</b>	Office of the Board of Directors of the Bank

## COMPANY INFORMATION (Continued)

<b>Stock Name</b>	Shengjing Bank
<b>Stock Code</b>	02066
<b>H Share Registrar and its Business Address</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
<b>Legal Advisor as to PRC Laws and its Business Address</b>	Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing, the PRC
<b>Legal Advisor as to Hong Kong Law and its Business Address</b>	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square Central Hong Kong
<b>Auditor and its Business Address</b>	KPMG 8th Floor Prince's Building 10 Chater Road Hong Kong
<b>Compliance Advisor and its Business Address</b>	CMB International Capital Limited Room 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong

# FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December				
	2014	2013	Year-on-year change	2012	2011
			between 2014 and 2013		
			Rate of change (%)		
<b>Operating Results</b>					
Interest income	25,415,004	18,038,013	40.9	13,835,459	10,176,750
Interest expense	(15,513,832)	(10,193,830)	52.2	(7,050,533)	(4,832,439)
Net interest income	9,901,172	7,844,183	26.2	6,784,926	5,344,311
Net fee and commission income	1,368,431	770,141	77.7	112,246	65,079
Net trading gains/(losses), net gains/(losses) arising from financial investments, other operating income	(64,840)	291,470	(122.2)	11,119	3,920
Operating income	11,204,763	8,905,794	25.8	6,908,291	5,413,310
Operating expenses	(3,211,887)	(2,445,727)	31.3	(2,017,380)	(1,726,605)
Impairment losses on assets	(934,151)	(171,860)	443.6	(431,714)	(445,643)
Operating profit	7,058,725	6,288,207	12.3	4,459,197	3,241,062
Share of profits of associates	2,338	19,719	(88.1)	23,795	34,411
Profit before taxation	7,061,063	6,307,926	11.9	4,482,992	3,275,473
Income tax expense	(1,637,225)	(1,419,125)	15.4	(973,653)	(663,147)
Net profit	5,423,838	4,888,801	10.9	3,509,339	2,612,326
Net profit attributable to equity shareholders of the Bank	5,404,933	4,865,531	11.1	3,496,626	2,612,326

## FINANCIAL HIGHLIGHTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December				
	Year-on-year change between 2014 and 2013			2012	2011
	2014	2013	and 2013		
			<b>Change</b>		
<b>Calculated on a per share basis (RMB)</b>					
Basic earnings per share	1.25	1.31	(0.06)	0.95	0.77
Dividend per share	0.275	0.10	0.175	—	0.10
<b>Major indicators of assets/ liabilities</b>			<b>Rate of change (%)</b>		
Total assets	503,370,514	355,432,167	41.6	313,241,579	221,206,792
Of which: loans and advances to customers	155,946,864	131,557,892	18.5	112,271,202	96,762,453
Total liabilities	467,237,029	333,961,729	39.9	298,583,755	209,849,112
Of which: deposits from customers	315,943,789	262,912,728	20.2	207,987,227	171,474,491
Share capital	5,646,005	4,096,005	37.8	3,696,005	3,696,005
Equity attributable to equity shareholders of the Bank	35,699,553	21,055,411	69.6	14,266,067	11,357,680
Total equity	36,133,485	21,470,438	68.3	14,657,824	11,357,680

## FINANCIAL HIGHLIGHTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December				
	2014	2013	Year-on-year change between 2014 and 2013	2012	2011
			<b>Change</b>		
<b>Profitability Indicators (%)</b>					
Return on average total assets <sup>(1)</sup>	1.26	1.46	(0.20)	1.31	1.24
Return on average equity <sup>(2)</sup>	18.83	27.06	(8.23)	26.98	23.00
Net interest spread <sup>(3)</sup>	2.07	2.17	(0.10)	2.51	2.58
Net interest margin <sup>(4)</sup>	2.32	2.39	(0.07)	2.68	2.70
Net fee and commission income to operating income	12.21	8.65	3.56	1.62	1.20
Cost-to-income ratio <sup>(5)</sup>	19.06	19.01	0.05	20.80	23.97

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December				
	2014	2013	Year-on-year change between 2014 and 2013	2012	2011
			<b>Change</b>		
<b>Asset quality indicators (%)</b>					
Non-performing loan ratio <sup>(6)</sup>	0.44	0.46	(0.02)	0.54	0.63
Allowance to non-performing loans <sup>(7)</sup>	387.42	306.12	81.30	302.58	260.78
Allowance to total loans <sup>(8)</sup>	1.70	1.41	0.29	1.63	1.64
			<b>Change</b>		
<b>Capital adequacy ratio indicators (%)</b>					
Calculated based on Capital Adequacy Ratio					
Core capital adequacy ratio <sup>(9)</sup>	N/A	N/A	N/A	9.39	8.92
Capital adequacy ratio <sup>(9)</sup>	N/A	N/A	N/A	11.92	12.02
<b>Capital adequacy indicators (%)</b>					
Calculated based on Capital Administrative Measures					
Core Tier-one capital adequacy ratio <sup>(9)</sup>	11.04	10.07	0.97	N/A	N/A

## FINANCIAL HIGHLIGHTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December				
	2014	2013	Year-on-year change	2012	2011
			and 2013		
			<b>Change</b>		
Tier-one capital adequacy ratio <sup>(9)</sup>	11.04	10.07	0.97	N/A	N/A
Capital adequacy ratio <sup>(9)</sup>	12.65	11.17	1.48	N/A	N/A
Total equity to total assets ratio	<u>7.18</u>	<u>6.04</u>	<u>1.14</u>	<u>4.68</u>	<u>5.13</u>
			<b>Change</b>		
<b>Other indicators (%)</b>					
Loan-to-deposit ratio <sup>(10)</sup>	<u>50.21</u>	<u>50.75</u>	<u>(0.54)</u>	<u>54.87</u>	<u>57.37</u>

- (1) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (2) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (3) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (4) Calculated by dividing net interest income by the average interest-earning assets.
- (5) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.
- (6) Calculated by dividing the balance of non-performing loans by total balance of loans and advances to customers.
- (7) Calculated by dividing the balance of provision for impairment on loans by the balance of non-performing loans.
- (8) Calculated by dividing the balance of the provision for impairment on loans by the total balance of loans and advances to customers.
- (9) Core Tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio for 2014 and 2013 were calculated in accordance with the latest guidance promulgated by China Banking Regulatory Commission (the "CBRC") (effective from 1 January 2013), while the core capital adequacy ratio and capital adequacy ratio for 2012 and 2011 were calculated in accordance with the Measures for the Management of Capital Adequacy Ratios of Commercial Banks (amended in 2007) (invalid from 1 January 2013).
- (10) The loan-to-deposit ratio is calculated by dividing the total balance of loans and advances to customers by total deposits from customers.

## CHAIRMAN'S STATEMENT

### Chairperson



The past year 2014 was a remarkable year in the development history of Shengjing Bank. Against the complex and changeable macro economy and financial conditions, gradually deepening financial market reforms and increasingly fierce competitive landscape, Shengjing Bank, under the meticulous guidance and great support from the respective governmental and regulatory authorities, not only has successfully completed the listing on the Main Board of the Hong Kong Stock Exchange, but also has achieved a breakthrough in terms of its operations and development, which has delivered impressive results to the leaders, shareholders, customers, staff and all friends who pay attention to and care for Shengjing Bank.

During the year, the Bank further enhanced the construction of its corporate governance and various mechanisms, continued to carry out financial reforms and innovations, strongly promoted business transformation and structural adjustment, consistently reinforced risk management and internal control, and achieved record high performance in terms of the major indicators. As at 31 December 2014, the Bank's total assets was RMB503,371 million, representing an increase of RMB147,938 million compared to the beginning of the year; the balance of deposits was RMB315,944 million, representing an increase of RMB53,031 million compared to the beginning of the year; the balance of loans was RMB158,644 million, representing an increase of RMB25,208 million compared to the beginning of the year; non-performing loan ratio was 0.44%, representing a decrease of 0.02 percentage point compared to the beginning of the year. In 2014, the net profit for the year amounted to RMB5,424 million, representing a year-on-year increase of RMB535 million; non-performing loan ratio was reduced to 0.44%; and the cost-to-income ratio of the Bank remained at a leading level compared to its peers. The number of branches of the Bank in Beijing, Shanghai, Tianjin, Changchun and Liaoning Province had reached 16, with its banking network focusing on Northeast China and spreading towards the major cities along the Bohai Economic Rim and within the Yangtze River Delta Economic Zone. In the 2014 Evaluation Report on the Competitiveness



of Chinese Commercial Banks published by The Chinese Banker magazine, the Bank ranked the first among other city commercial banks with assets over RMB200 billion for 2013 and was awarded the “Top City Commercial Bank”. As the local headquarter bank, Shengjing Bank has become the important financial fresh troops for the adjustment of the economic structure of, and the industrial transformation and upgrading of, the old industrial base in Liaoning Province. The Bank has actively made contributions to the regional economic and social development and the objective of steady growth.

2015 is an opening year for the development of Shengjing Bank after the listing. The Bank will proactively seize the historic opportunities arising from the globalisation of world economy and internationalisation of Shengjing Bank and actively explore an integrated, diversified and characteristic road of development with international thinking, international vision and international strategy, leveraging the favourable opportunities arising from the comprehensively deepening finance reform. The Bank will continue to adhere to the operation principles of promoting the development of emerging industries and strategic development of regional economies, supporting small and medium enterprises and providing caring services to citizens. The Bank will proactively adapt itself to the “new normal” of economic development, fully utilise its comparative advantages and continue to write a new chapter of future development of Shengjing Bank with more distinctive development strategies, more effective risk management capabilities and more superior profitability.

**ZHANG Yukun**  
*Chairperson*

## PRESIDENT'S STATEMENT

The year of 2014 was a year in which Shengjing Bank accomplished significant achievements and a year which marked a milestone for Shengjing Bank. As at 31 December 2014, the total assets of the Bank amounted to RMB503,371 million, representing an increase of RMB147,938 million compared to the beginning of the year; balance of total deposits from customers amounted to RMB315,944 million, representing an increase of RMB53,031 million compared to the beginning of the year; balance of total loans and advances to customers amounted to RMB158,644 million, representing an increase of RMB25,208 million compared to the beginning of the year; non-performing loan ratio was 0.44%, representing a decrease of 0.02 percentage point compared to the beginning of the year; net profit was RMB5,424 million, representing an increase of RMB535 million.

In the previous year, Shengjing Bank deepened the integrated promotion designed for strategic customers, while the traditional businesses were developing continuously. The Bank continuously strengthened the customer-centred integrated promotion strategies, focused on the implementation of customer strategies and cultivation of functional strategies, and actively provided support to the development of urbanisation construction, modern services and projects for people's well-being. The Bank fully implemented the list-based management and menu-type marketing for public utility customers and made efforts to establish the Bank as an agency bank for public utilities with all-round functions and comprehensive coverage. The Bank obtained 67 project agency qualifications for public utilities under 14 categories during the year. The Bank also vigorously promoted the development of small and miniature businesses, adopted an innovative service mode for annual review of, as well as a fast approval track for, the small and miniature enterprise loans. As a result, the balance and growth rate of small and miniature enterprise loans were higher than the overall average balance and overall average growth rate of the total loans, respectively. The Bank maintained the traditional advantages in retail banking by strengthening the collection and payment agency services and bank card business, proactively carried forward the construction of electronic banking channels, and realised the operation of systems such as television banking, mobile banking, payment platform, cash management and text message platform. The Bank further promoted the implementation of the "popularising financial and business services (金融商業服務進萬家)" project, expanded the customer base for retail business. While the traditional businesses grew steadily, innovative businesses also achieved a rapid development. Meanwhile, the Bank actively established the inter-bank business and investment banking business which are distinctive, risk-controllable, in compliance with regulations and developing with high efficiency, sped up the pace of asset investment and business innovation in financial market, expanded the scope of cooperation with transaction counterparties, and accelerated the structural adjustment of the Bank's business and transformation of its operating mode.

In 2015, Shengjing Bank will, based on the reality of development as a listed bank, insist on adapting to the "new normal" by regarding transformational development as a focus and creating a new advantage by regarding reform and innovation as the driving force, promote and deepen the transformation of operating mode and reconstruction of the system and mechanism, continuously advance the implementation of the "four wheels" development strategies, namely, corporate banking, retail banking, inter-bank business and investment banking business, and continuously strengthen the establishment of "five constructions", namely, talents, technologies, risk control, channels and branding, further enhance the standard of sophisticated management and improve the quality and efficiency of the Bank's operations.

**WANG Chunsheng**  
*President*

# HONOURS AND AWARDS

Honours and Awards	Awarding Department
Ranked the first in the financial evaluation of city commercial banks (with assets over RMB200 billion) in the Ranking of Competitiveness of Chinese Commercial Banks	The Chinese Banker magazine
The Top City Commercial Bank in the Ranking of Competitiveness of Chinese Commercial Banks “Honouring Contracts and Maintaining Integrity” Enterprise	The Chinese Banker magazine
Users Satisfaction Enterprise of Liaoning Province	Administration for Industry and Commerce of Liaoning Province Quality Association of Liaoning Province Users Commission of Liaoning Province
Outstanding Financial Institution in the Banking Industry in terms of Financial Services to Small and Miniature Enterprises for 2013	Liaoning Banking Association and Liaoning Labour Union of Trade, Textile and Finance
The Prize of Best System Performance in the Appraisal on the Performance of the Inter-bank Information Exchange System for Bank Cards of Liaoning Province	China UnionPay Co., Ltd. Liaoning Branch
Outstanding Dealer in China’s Bond Market for 2014	China Central Depository & Clearing Co. Ltd.
Outstanding Member of Inter-bank Foreign Exchange Market for 2014 (Award for the Best G7 Currency Pairs Market Member)	China Foreign Exchange Trade System
Top 100 in terms of Transaction Volume in Inter-bank Domestic Currency Market for 2014	The National Inter-bank Funding Centre

# MANAGEMENT DISCUSSION AND ANALYSIS

## 6.1 ENVIRONMENT AND PROSPECTS

In 2015, the international situation will remain complicated and changeable while the domestic economic development has entered into the “new normal”. Changing development mode and adjustment of structure will become the main theme of economic development. However, factors such as excessive production capacity, adjustment of property market and high debt rate will continue to affect economic growth. Along with gradually accelerated liberalisation of interest rate, robust development of internet finance, continuous introduction of new regulatory tools, commercial banks will face the pressure of diversion of customers, capital and channels and significant changes to the operating environment of commercial banks, which will bring unprecedented pressure and challenges to the operation and development of commercial banks.

Nevertheless, under the “new normal” of economy development, the quality of economic development will be gradually enhanced, and the internationalisation of economic development, enhancement of rule of law and improvement on transparency will create a more regulated operating environment for commercial banks and bring favourable strategic opportunities for deepened transformation of banks. Leveraging the “new normal” of domestic economy and great development opportunities brought by the successful listing in the international capital market, the Bank will further specify its development strategies, optimise the corporate governance structure, continuously expand diversified fund-raising channels, introduce internationally advanced operational principles, management systems and operating mechanisms, enhance its own growth momentum, broaden the space for strategic development and enhance the regional competitiveness and brand recognition, thereby establishing an operation and management model which is compatible with its own resources and capabilities and proactively exploring an integrated, diversified, differentiated and characteristic development road.

## 6.2 DEVELOPMENT STRATEGIES

The strategic objective of the Bank in the next two to three years is to become a leading commercial bank with satisfactory assets quality and return on value as well as sustainable growth, on the basis of maintaining the competitive advantages in the Northeast region. Based on the positioning as a bank that “elevates regional strategic economic development”, “nurtures emerging industry”, “supports small and medium enterprises” and “provides accessible services to residents”, as well as the development of traditional commercial banking businesses, the Bank will continue to expand commercial banking businesses, comprehensively implement strategic transformation and innovation of profit model, broaden cross-region operations, strengthen risk management and human resources management, and fully improve the capabilities and competitiveness.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In order to achieve the above-mentioned plans, the Bank will adopt the following measures: first, the Bank will further optimise the capital structure, governance structure and organisational structure, enhance capability of financial management and resource allocation, and improve the capabilities of technological integration and standard of informationalisation; second, the Bank will integrate the competitive advantages in the Liaosheng region, and steadily advance cross-region operations, continue to expand the leading advantages of corporate banking business, actively promote the development of retail banking business, vigorously develop the treasury business leveraging the financial market, and expand intermediary businesses in addition to the principal lines of professional and diversified financial services; third, the Bank will further enhance the construction of risk management and internal control systems, continue to optimise the comprehensive risk management and all relevant procedures, continuously deepen the prevention and control of various risks, including credit risk, liquidity risk, market risk, operation risk and reputation risk, optimise the procedures of internal control, adequately utilise the monitoring and evaluation duties of internal audit so as to improve the soundness, effectiveness and promptness of internal control; and fourth, the Bank will attract, encourage and train talents, continuously optimise and expand the diversified hiring and selection mechanism in line with market practice, construct a scientific and comprehensive performance evaluation system, further improve the management's remuneration system and employees' incentive scheme, continue to strengthen the construction of human resources management and corporate culture, promote the construction of employees' career planning and its implementation, and establish a staff team with fine techniques and learning abilities.

### 6.3 BUSINESS REVIEW

The year of 2014 was a year of historical significance which marked a milestone to the development of Shengjing Bank. Against the backdrop of the complex and severe macro-economic environment and the accelerated reform process of interest rate liberalisation, the Bank strived to seize the trend of policy changes, orchestrated the innovative development strategies, promoted the transformation of customer-oriented marketing strategies, proactively developed the financial reform and comprehensive innovation, continuously strengthened the establishment of an all-round risk control system, and maintained a rapid and healthy development trend of the operations. The successful listing of its H Shares in Hong Kong brought a new breakthrough in the history of the Bank and laid a solid foundation for the strategic transformation and innovative development of the Bank in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2014, the Bank had total assets of RMB503,371 million, representing an increase of RMB147,938 million compared to the beginning of the year; balance of total deposits from customers amounted to RMB315,944 million, representing an increase of RMB53,031 million compared to the beginning of the year; balance of total loans and advances to customers amounted to RMB158,644 million, representing an increase of RMB25,208 million compared to the beginning of the year; non-performing loan ratio was 0.44%, representing a decrease of 0.02 percentage point compared to the beginning of the year; and net profit for 2014 was RMB5,424 million, representing a year-on-year increase of RMB535 million.

The Bank actively promoted the innovation of an integrated marketing system, and established such a system which focuses on the corporate banking business of the Bank, with integration of other segments, such as retail banking, investment banking, inter-bank business and international business. The Bank also continued to deepen the comprehensive customer-oriented marketing strategies to strengthen the multi-dimensional cooperation with strategic customers, consistently maintained the traditional advantages in retail banking by strengthening the collection and payment agency services and bank card business, and reinforced the function improvement, product innovation and channel integration. Moreover, the Bank proactively developed the inter-bank and investment banking businesses which featured the Bank's own characteristics and were risk manageable, operating in compliance with the regulations and developing with high efficiency. The Bank accelerated the pace of innovation in the asset investment and financial market businesses and the optimisation of business structure as well as transformation of operating model.

The Bank persistently upheld prudent risk management strategies, actively implemented robust and effective risk management plans, continuously strengthened the development of a proper and effective risk management and operating system, optimised the risk management and compliance measures, gradually implemented the differentiated credit authorisation management, improved the relevance and effectiveness of risk management, insisted on differentiated risk management strategies for key areas and industries, adjusted and optimised the structure of risk assets, and uplifted the standard of risk management.

The Bank promoted and deepened the institutional mechanism reform, continuously optimised the three-level operation and management system comprising the head office, branches and sub-branches, reinforced the financial management and reasonably allocated operational resources, implemented the establishment of specialised departments, promoted intensive growth and sustainable development of the business, continuously optimised and expanded the network coverage, steadily promoted the financial establishment in communities. As a result, the capabilities of business expansion and market share of the Bank experienced continuous growth.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 6.4 FINANCIAL REVIEW

As at 31 December 2014, the total assets of the Bank reached RMB503,371 million by a year-on-year increase of 41.6%; balance of loans and advances to customers amounted to RMB158,644 million, representing a year-on-year increase of 18.9%; and the non-performing loan ratio remained low at 0.44%. The balance of deposits from customers of the Bank reached RMB315,944 million by a year-on-year increase of 20.2%. The operating income of the Bank reached RMB 11,205 million, representing a year-on-year increase of 25.8%; and the net profit amounted to RMB5,424 million, representing a year-on-year increase of 10.9%.

The scale of the global offering of H Shares of the Bank on 29 December 2014 was 1,375 million Shares (comprising 1,250 million H Shares offered by the Bank and 125 million sale Shares offered by the selling Shareholders, excluding the partial exercise of the over-allotment option), all the proceeds of which were used to replenish the capital base of the Bank. As at 31 December 2014, the capital adequacy ratio, Tier-one adequacy ratio and core Tier-one capital adequacy ratio of the Bank increased to 12.65%, 11.04% and 11.04%, respectively.

#### I. Analysis of the Income Statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014	2013	Change in amount	Rate of change (%)
Interest income	25,415,004	18,038,013	7,376,991	40.9
Interest expense	(15,513,832)	(10,193,830)	(5,320,002)	52.2
<b>Net interest income</b>	<b>9,901,172</b>	<b>7,844,183</b>	<b>2,056,989</b>	<b>26.2</b>
Net fee and commission income	1,368,431	770,141	598,290	77.7
Net trading losses	(1,845)	(2,000)	155	(7.8)
Net (losses)/gains arising from financial investments	(112,267)	208,213	(320,480)	(153.9)
Other operating income	49,272	85,257	(35,985)	(42.2)
Operating income	11,204,763	8,905,794	2,298,969	25.8
Operating expenses	(3,211,887)	(2,445,727)	(766,160)	31.3
Impairment losses on assets	(934,151)	(171,860)	(762,291)	443.6
Share of profits of associate(s)	2,338	19,719	(17,381)	(88.1)
<b>Profit before taxation</b>	<b>7,061,063</b>	<b>6,307,926</b>	<b>753,137</b>	<b>11.9</b>
Income tax expense	(1,637,225)	(1,419,125)	(218,100)	15.4
<b>Net profit</b>	<b>5,423,838</b>	<b>4,888,801</b>	<b>535,037</b>	<b>10.9</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In 2014, the Bank's profit before taxation was RMB7,061 million, representing a year-on-year increase of 11.9%; net profit was RMB5,424 million, representing a year-on-year increase of 10.9%, mainly attributable to the stable growth of interest-earning assets. Net interest income achieved a year-on-year increase of RMB2,057 million or 26.2%.

### 1. Net Interest Income

Net interest income constitutes the largest component of the operating income of the Bank, accounting for 88.4% and 88.1% of the operating income of the year of 2014 and 2013, respectively. The following table sets forth the interest income, interest expense and net interest income of the Bank for the years indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014	2013	Change in amount	Rate of change (%)
Interest income	25,415,004	18,038,013	7,376,991	40.9
Interest expense	(15,513,832)	(10,193,830)	(5,320,002)	52.2
Net interest income	<u>9,901,172</u>	<u>7,844,183</u>	<u>2,056,989</u>	<u>26.2</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on interest-earning assets or the related average costs of interest-bearing liabilities for the years indicated. The average balances of the interest-earning assets and interest-bearing liabilities for the year of 2014 and 2013 are the average balances derived from the Bank's management accounts and have not been audited:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	151,305,750	12,043,903	7.96	131,038,752	9,472,539	7.23
Financial investments	110,176,248	6,105,788	5.54	74,963,977	4,184,510	5.58
Deposits with central bank	57,329,727	871,495	1.52	49,332,293	745,667	1.51
Deposits with banks and other financial institutions	94,740,752	5,690,458	6.01	64,851,477	3,269,573	5.04
Financial assets held under resale agreements	12,349,645	686,238	5.56	7,525,530	354,193	4.71
Placements with banks and other financial institutions	307,965	10,600	3.44	214,560	10,191	4.75
Financial assets at fair value through profit or loss	144,747	6,522	4.51	33,402	1,340	4.01
<b>Total interest-earning assets</b>	<b>426,354,834</b>	<b>25,415,004</b>	<b>5.96</b>	<b>327,959,991</b>	<b>18,038,013</b>	<b>5.50</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	280,392,650	9,314,634	3.32	231,895,926	6,703,313	2.89
Deposits from banks and other financial institutions	78,326,805	4,502,720	5.75	47,820,598	2,395,043	5.01
Financial assets sold under repurchase agreements	34,867,298	1,464,986	4.20	22,216,542	923,434	4.16
Placements from banks and other financial institutions	3,401,695	92,171	2.71	2,100,356	53,040	2.53
Debt securities issued	2,201,918	139,321	6.33	1,991,507	119,000	5.98
<b>Total interest-bearing liabilities</b>	<b>399,190,366</b>	<b>15,513,832</b>	<b>3.89</b>	<b>306,024,929</b>	<b>10,193,830</b>	<b>3.33</b>

*Notes:*

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by average balance of total interest-earning assets on annualised basis.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and rates for the years indicated. Volume and rate variances have been measured based on movements in average balances over these periods and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to interest rate.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2014 vs. 2013		
	Increase/ (decrease) Volume <sup>(1)</sup>	Due to Rate <sup>(2)</sup>	Net increase/ (decrease) <sup>(3)</sup>
<b>Interest-earning assets</b>			
Loans and advances to customers	1,465,304	1,106,060	2,571,364
Financial investments	1,964,845	(43,567)	1,921,278
Deposits with central bank	120,761	5,067	125,828
Deposits with banks and other financial institutions	1,506,419	914,466	2,420,885
Financial assets held under resale agreements	227,216	104,829	332,045
Placements with banks and other financial institutions	4,437	(4,028)	409
Financial assets at fair value through profit or loss for the period	4,465	717	5,182
<b>Changes in interest income</b>	<b>5,293,447</b>	<b>2,083,544</b>	<b>7,376,991</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2014 vs. 2013		
	Increase/ (decrease) Volume <sup>(1)</sup>	Due to Rate <sup>(2)</sup>	Net increase/ (decrease) <sup>(3)</sup>
<b>Interest-bearing liabilities</b>			
Deposits from customers	1,401,555	1,209,766	2,611,321
Deposits from banks and other financial institutions	1,528,361	579,316	2,107,677
Financial assets sold under repurchase agreements	526,271	15,281	541,552
Placements from banks and other financial institutions	32,924	6,207	39,131
Debt securities issued	12,583	7,738	20,321
<b>Changes in interest expense</b>	<u>3,501,694</u>	<u>1,818,308</u>	<u>5,320,002</u>
<b>Changes in net interest income</b>	<u>1,791,753</u>	<u>265,236</u>	<u>2,056,989</u>

<sup>(1)</sup> Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period.

<sup>(2)</sup> Represents the average yield or cost for the period minus the average yield or cost for the previous period, multiplied by the average balance for the period

<sup>(3)</sup> Represents interest income or expense for the period minus interest income or expense for the previous period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2. Interest Income

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014		2013	
	Amount	% of the total	Amount	% of the total
Loans and advances to customers				
Corporate loans (including discounted bills)	11,775,525	46.3	9,275,457	51.4
Personal loans	268,378	1.1	197,082	1.1
Subtotal	<u>12,043,903</u>	<u>47.4</u>	<u>9,472,539</u>	<u>52.5</u>
Financial investments	6,105,788	24.0	4,184,510	23.2
Deposits with central bank	871,495	3.4	745,667	4.1
Deposits with banks and other financial institutions	5,690,458	22.4	3,269,573	18.1
Financial assets held under resale agreements	686,238	2.7	354,193	2.0
Placements with banks and other financial institutions	10,600	0.1	10,191	0.1
Financial assets at fair value through profit or loss for the period	<u>6,522</u>	<u>0.0</u>	<u>1,340</u>	<u>0.0</u>
<b>Total</b>	<u><b>25,415,004</b></u>	<u><b>100.0</b></u>	<u><b>18,038,013</b></u>	<u><b>100.0</b></u>

The Bank's interest income increased by 40.9% from RMB18,038 million for the year of 2013 to RMB25,415 million for the year of 2014, primarily due to (i) an increase in the volume and interest rates of deposits with banks and other financial institutions, (ii) an increase in the volume and interest rate of loans and advances to customers, and (iii) an increase in the volume of financial investments.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2.1 Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers is the largest component of the Bank's interest income, accounting for 47.4% and 52.5% of the interest income for the years of 2014 and 2013, respectively. The following table sets forth the average balances of the loans and advances to customers and the average yields of related interests income and loans and advances to customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2014			2013		
	Average balance	Interest income	Average yield %	Average balance	Interest income	Average yield %
Corporate loans (including discounted bills)	146,785,993	11,775,525	8.02	127,712,522	9,275,457	7.26
Personal loans	4,519,757	268,378	5.94	3,326,230	197,082	5.93
<b>Total</b>	<b>151,305,750</b>	<b>12,043,903</b>	<b>7.96</b>	<b>131,038,752</b>	<b>9,472,539</b>	<b>7.23</b>

### 2.2 Interest Income from Financial Investments

Interest income from financial investments increased by 45.9% from RMB4,185 million for the year of 2013 to RMB6,106 million for the year of 2014, mainly due to an increase in the average balance of our financial investments as a result of the increase in the scale of our asset management plans and investments in bonds.

### 2.3 Interest Income from Deposits with Central Bank

Interest income from deposits with central bank increased by 16.9% from RMB746 million for the year of 2013 to RMB871 million for the year of 2014, primarily due to the growth in deposits of the Bank, which in turn resulted in an increase in the amount of the Bank's statutory deposit reserves with central bank.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2.4 Interest Income from Deposits with Banks and Other Financial Institutions

Interest income from deposits with banks and other financial institutions significantly increased from RMB3,270 million for the year of 2013 to RMB5,690 million for the year of 2014, mainly due to the significant increase in the amount of average balance and average yield of the deposits with banks and other financial institutions.

### 2.5 Interest Income from Financial Assets Held under Resale Agreements

Interest income from financial assets held under resale agreements increased significantly from RMB354 million for the year of 2013 to RMB686 million for the year of 2014, mainly because (i) the Bank increased its investment in financial assets held under resale agreements in accordance with the general financial position and market interest rates, resulting in the increase in its average balance of 64.1% from RMB7,526 million for the year of 2013 to RMB12,350 million for the year of 2014; and (ii) the Bank had a larger proportion of medium- and long-term financial assets held under resale agreements with higher yields in 2014, thereby increasing the average yield on the financial assets from 4.71% for the year of 2013 to 5.56% for the year of 2014.

## 3. Interest Expense

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014		2013	
	Amount	% of the total	Amount	% of the total
Deposits from customers	9,314,634	60.1	6,703,313	65.7
Deposits from banks and other financial institutions	4,502,720	29.0	2,395,043	23.5
Financial assets sold under repurchase agreements	1,464,986	9.4	923,434	9.1
Placements from banks and other financial institutions	92,171	0.6	53,040	0.5
Debt securities issued	139,321	0.9	119,000	1.2
<b>Total</b>	<b>15,513,832</b>	<b>100.0</b>	<b>10,193,830</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.1 Interest Expense on Deposits from Customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Average	Interest	Average	Average	Interest	Average
	balance	expense	cost	balance	expense	cost
			%			%
<b>Corporate deposits</b>						
Demand	69,171,075	605,465	0.88	68,406,227	519,975	0.76
Time	130,087,287	5,899,237	4.53	94,349,326	3,942,940	4.18
Subtotal	199,258,362	6,504,702	3.26	162,755,553	4,462,915	2.74
<b>Personal deposits</b>						
Demand	10,543,724	43,861	0.42	10,352,751	41,655	0.40
Time	70,590,564	2,766,071	3.92	58,787,622	2,198,743	3.74
Subtotal	81,134,288	2,809,932	3.46	69,140,373	2,240,398	3.24
<b>Total deposits from customers</b>	<b>280,392,650</b>	<b>9,314,634</b>	<b>3.32</b>	<b>231,895,926</b>	<b>6,703,313</b>	<b>2.89</b>

Interest expense on deposits from customers increased by 39.0% from RMB6,703 million for the year of 2013 to RMB9,315 million for the year of 2014, primarily due to the growth of the deposit business of the Bank and the increase in the proportion of time deposits with a higher interest rate.

### 3.2 Interest Expense on Deposits from Banks and Other Financial Institutions

Interest expense on deposits from banks and other financial institutions increased significantly from RMB2,395 million for the year of 2013 to RMB4,503 million for the year of 2014, primarily due to the increase in the average balance of deposits from banks and other financial institutions of RMB30,506 million and the increase in average cost from 5.01% to 5.75%.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.3 *Interest Expense on Financial Assets Sold under Repurchase Agreements*

Interest expense on financial assets sold under repurchase agreements increased by 58.6% from RMB923 million for the year of 2013 to RMB1,465 million for the year of 2014, primarily due to (i) an increase in the average balance of financial assets sold under repurchase agreements by 56.9 % from RMB22,217 million for the year of 2013 to RMB34,867 million for the year of 2014 as a result of the Bank's liquidity management exercise in accordance with our general financial position and market interest rates; and (ii) the rise of the inter-bank market interest rate.

### 3.4 *Interest Expense on Placements from Banks and Other Financial Institutions*

Interest expense on placements from banks and other financial institutions increased by 73.8% from RMB53.04 million for the year of 2013 to RMB92.17 million for the year of 2014, mainly due to the increase in the average balance and average cost of placements from banks and other financial institutions.

### 3.5 *Interest Expense on Debt Securities Issued*

During the year of 2014, the interest expense of the debt securities issued of the Bank amounted to RMB139 million, representing an increase of RMB20 million as compared to the preceding year, which was mainly due to the new issuance of Tier 2 capital bonds of the Bank during the period.

## 4. ***Net Interest Spread and Net Interest Margin***

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

Net interest spread of the Bank decreased from 2.17% for the year of 2013 to 2.07% for the year of 2014, and the net interest margin of the Bank decreased from 2.39% for the year of 2013 to 2.32% for the year of 2014, primarily because the average cost of liabilities grew at a higher rate than the average yield on assets as (i) the proportion of loans and advances to customers (which have a higher yield than other interest-earning assets) to the total interest-earning assets decreased; (ii) the proportion of deposits from banks and other financial institutions to total interest-bearing liabilities increased; and (iii) the proportion of time deposits of higher average cost to total deposits from customer increased and the interest rate on deposits from banks and other financial institutions in 2014 rose, which resulted in an increase in the average cost of interest-bearing liabilities in 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 5. Non-interest Income

#### 5.1 Net Fee and Commission Income

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014	2013	Change in amount	Rate of Change (%)
Fee and commission income				
Agency and custody service fees	1,320,467	726,940	593,527	81.6
Settlement and clearing service fees	114,776	63,541	51,235	80.6
Bank card service fees	36,451	37,278	(827)	(2.2)
Fee and commission expenses	(103,263)	(57,618)	(45,645)	79.2
<b>Total</b>	<b>1,368,431</b>	<b>770,141</b>	<b>598,290</b>	<b>77.7</b>

The Bank's net fee and commission income increased significantly from RMB770 million for the year of 2013 to RMB1,368 million for the year of 2014, primarily due to the significant increase in the income from the agency and custody service in order to increase the proportion of the income from the intermediary business in the Bank's operating income.

The principal sources of the Bank's fee and commission income are (i) agency and custody service, (ii) settlement and clearing service and (iii) bank card service. Fee and commission income increased significantly from RMB828 million for the year of 2013 to RMB1,472 million for the year of 2014, primarily due to the significant increase in the income from the agency and custody service in order to increase the proportion of the income from the intermediary business in the Bank's operating income.

Fee and commission expenses primarily include fees paid to third parties for the provision of intermediary services that can be directly classified as expenses related to the provision of such services. Fee and commission expenses of the Bank increased by 79.2% from RMB57.62 million for the year of 2013 to RMB103 million for the year of 2014. Fee and commission expenses increased, primarily due to an increase in the expenses of the bank card service and agency and custody service.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 5.2 Net Trading Losses

Net trading losses include net losses from debt securities and net foreign exchange losses. Net trading losses amounted to RMB1.85 million in 2014, representing a decrease of 7.8% or RMB0.16 million as compared to the same period in 2013.

### 5.3 Net (Losses)/Gains Arising from Investments

In 2014, net losses arising from investments amounted to RMB112 million, representing a decrease of 153.9% as compared to the same period in 2013, which was mainly due to losses from the cessation of significant influence over investment in an associate, Benxi Bank, of RMB127 million.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014	2013	Change in amount	Rate of Change (%)
Dividends from available-for-sale equity investments	10,510	6,623	3,887	58.7
Net gains on disposal of available-for-sale financial assets	4,211	201,590	(197,379)	(97.9)
Losses from cessation of significant influence over investment in an associate	(126,988)	—	(126,988)	—
<b>Total</b>	<b>(112,267)</b>	<b>208,213</b>	<b>(320,480)</b>	<b>(153.9)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 6. Operating Expense

In 2014, the operating expense of the Bank amounted to RMB3,212 million, representing a year-on-year increase of RMB766 million or 31.3%.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014	2013	Change in amount	Rate of Change (%)
Staff costs	1,289,613	878,737	410,876	46.8
Business taxes and surcharges	1,076,697	753,009	323,688	43.0
Depreciation and amortisation	252,723	225,410	27,313	12.1
Rental and property management expenses	182,690	135,418	47,272	34.9
Office expenses	209,387	271,217	(61,830)	(22.8)
Other general and administrative expenses	200,777	181,936	18,841	10.4
<b>Total operating expense</b>	<b>3,211,887</b>	<b>2,445,727</b>	<b>766,160</b>	<b>31.3</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 6.1 Staff Costs

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014	2013	Change in amount	Rate of Change (%)
— Salaries, bonuses and allowances	952,670	650,585	302,085	46.4
— Pension and annuity	136,545	89,543	47,002	52.5
— Other social insurance	73,983	43,012	30,971	72.0
— Housing allowances	53,632	42,890	10,742	25.0
— Supplementary retirement benefits	11,010	1,047	9,963	951.6
— Others	61,773	51,660	10,113	19.6
<b>Total staff costs</b>	<b>1,289,613</b>	<b>878,737</b>	<b>410,876</b>	<b>46.8</b>

In 2014, total staff costs of the Bank amounted to RMB1,290 million, representing a year-on-year increase of RMB411 million or 46.8%, primarily due to (i) an increase in the number of staff of the Bank; and (ii) an increase in salaries as the Bank raised the salary level of its staff in early 2014.

### 6.2 Business Taxes and Surcharges

The business taxes and surcharges increased by 43.0% from RMB753 million for the year of 2013 to RMB1,077 million for the year of 2014, which was in line with the increase in interest income and fee and commission income.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 6.3 Office Expenses, Rent and Property Management Expenses

Office expenses, rent and property management expenses mainly include office supplies, property rents, maintenance fees for electronic devices and security fees, conference fees and postal, telecom and printing fees. Office expenses, rent and property management expenses for the year of 2014 and 2013 were RMB392 million and RMB407 million, respectively.

### 6.4 Depreciation and Amortisation

Depreciation and amortisation increased by 12.1% from RMB225 million for the year of 2013 to RMB253 million for the year of 2014. The increase in depreciation and amortisation was primarily due to the increase in the depreciation of fixed assets resulting from expanded properties and equipment and the increase in long-term prepaid expenses of the Bank, in particular the renovation costs of leased properties and the expenses for opening operation outlets.

### 6.5 Other General and Administrative Expense

Other general and administrative expense increased by 10.4% from RMB182 million in 2013 to RMB201 million in 2014.

## 7. Impairment Losses on Assets

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014	2013	Change in amount	Rate of Change (%)
Loans and advances to customers	860,942	186,390	674,552	361.9
Loans and receivables	90,000	—	90,000	—
Others	(16,791)	(14,530)	(2,261)	15.6
<b>Total</b>	<b>934,151</b>	<b>171,860</b>	<b>762,291</b>	<b>443.6</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### **8. Share of Profits of Associates**

The cessation of significant influence over investment in Benxi Bank, an associate of the Bank, in January 2014 resulted in a significant decrease of 88.1% in share of profits of associates for the period.

### **9. Income Tax Expenses**

During the year of 2014, income tax expenses of the Bank amounted to RMB1,637 million, representing an increase of 15.4% or RMB218 million as compared to the previous year. The effective tax rates of the Bank was 23.19%, representing an increase of 0.69% as compared to the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### II. Analysis of the Statement of Financial Position

#### 1. Assets

Total assets of the Bank as at 31 December 2014 and 2013 were RMB503,371 million and RMB355,432 million, respectively. The principal components of our assets are (i) loans and advances to customers, (ii) financial investments, (iii) deposits with banks and other financial institutions, and (iv) cash and deposits with central bank, which accounted for 31.0%, 30.2%, 17.0% and 14.3%, respectively, of the total assets of the Bank as at 31 December 2014. The following table sets forth the balances of principal components of the total assets of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of the total	Amount	% of the total
<b>Assets</b>				
Gross loans and advances to customers	158,644,499	31.5	133,436,810	37.5
Provision for impairment losses	(2,697,635)	(0.5)	(1,878,918)	(0.5)
Net loans and advances to customers	155,946,864	31.0	131,557,892	37.0
Financial investments <sup>(1)</sup>	152,186,804	30.2	73,782,025	20.8
Deposits with banks and other financial institutions	85,560,982	17.0	62,233,233	17.5
Cash and deposits with central bank	72,079,244	14.3	65,238,089	18.4
Financial assets held under resale agreements	25,941,589	5.2	15,706,256	4.4
Placements with banks and other financial Institutions	1,513,868	0.3	61,024	0.0
Other assets <sup>(2)</sup>	10,141,163	2.0	6,853,648	1.9
<b>Total assets</b>	<b>503,370,514</b>	<b>100.0</b>	<b>355,432,167</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

*Notes:*

- (1) Includes held-to-maturity investments, loans and receivables and available-for-sale financial assets, but excludes financial assets at fair value through profit or loss.
- (2) Includes interest receivables, property and equipment, other receivables, investments in associates, deferred income tax assets and other assets.

Total assets of the Bank increased by 41.6% from RMB355,432 million as at 31 December 2013, to RMB503,371 million as at 31 December 2014. The growth in total assets of the Bank from 31 December 2013 to 31 December 2014 was largely the result of an increase in our loans and advances to customers, financial investments and deposits with banks and other financial institutions, which is attributable to the rapid development of our customer base and various businesses due to economic growth in Liaoning Province stimulated by the Strategy of Revitalisation of the Old Industrial Bases in Northeast China as well as implementation of cross-region operations.

### *1.1 Loans and Advances to Customers*

Loans and advances to customers are the largest component of the assets of the Bank. The total loans and advances to customers made by the Bank as at 31 December 2014 amounted to RMB158.644 billion, representing an increase of 18.9% when compared to that at the end of the previous year. The total loans and advances to customers accounted for 31.5% of the total assets, representing decrease of 6% when compared to that at the end of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2014		31 December 2013	
	Amount	% of the total	Amount	% of the total
Corporate loans				
— Corporate loans	152,782,561	96.3	129,178,530	96.8
— Discounted bills	586,296	0.4	398,591	0.3
Personal loans				
— Residential mortgage	3,478,119	2.2	2,920,696	2.2
— Personal consumption loans	695,358	0.4	236,537	0.2
— Credit cards	586,871	0.4	433,584	0.3
— Personal business loans	449,424	0.3	247,091	0.2
— Others	65,870	0.0	21,781	0.0
<b>Total loans and advances to customers</b>	<b>158,644,499</b>	<b>100.0</b>	<b>133,436,810</b>	<b>100.0</b>

The loans and advances to customers made by the Bank consist mainly of corporate loans (including discounted bills) and personal loans. Corporate loans constitute the largest component of the Bank's loan portfolio. The Bank's corporate loans as at 31 December 2014 and 31 December 2013 amounted to RMB153.369 billion and RMB129.577 billion, respectively, and accounted for 96.7% and 97.1%, respectively, of the total loans and advances to customers made by the Bank.

The corporate loans of the Bank increased by 18.4% from RMB129.577 billion as at 31 December 2013 to RMB153.369 billion as at 31 December 2014, mainly attributable to (i) the Bank's continuous focus to extend loans to enterprises in key industries, such as the wholesale and retail industry and manufacturing industry; and (ii) increases in related loan balance as a result of the Bank's continuous efforts to strengthen the business cooperation with key quality corporate clients.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Personal loans offered by the Bank mainly include residential mortgage, personal consumption loans, credit cards, personal business loans and other personal loans. The balance of personal loans amounted to RMB5.276 billion, representing an increase of 36.7% or RMB1.416 billion when compared to that at the end of the previous year, and accounted for 3.3% of the total loans and advances to customers with a 0.4 percentage point rise when compared to that at the end of the previous year. Among personal loans, residential mortgage increased by RMB557 million or 19.1% when compared to that at the end of the previous year, mainly driven by the demand from the personal residential mortgage loan market; personal consumption loans increased by RMB459 million or 194.0% when compared to that at the end of the previous year. The Bank increased its efforts to promote personal consumption loans as both income and spending of residents increased as a result of the national economic development, and by increasing the number of the Bank's distribution outlets, the number of customers increased and the growth of personal consumption loans was promoted.

### 1.1.1 Loans by collateral

As at 31 December 2014 and 31 December 2013, loans secured by mortgages, pledges or guarantees, in aggregate, represented 89.1% and 87.2% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by collateral type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of the total	Amount	% of the total
Loans secured by mortgages	79,391,566	50.0	68,243,738	51.1
Loans secured by pledges	11,572,043	7.3	9,325,296	7.0
Guaranteed loans	50,458,245	31.8	38,779,770	29.1
Unsecured loans	17,222,645	10.9	17,088,006	12.8
<b>Total loans and advances to customers</b>	<b>158,644,499</b>	<b>100.0</b>	<b>133,436,810</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The structure of collaterals of the Bank's loans and advances to customers is stable and the Bank's capability of mitigating risks is solid. As at 31 December 2014, the balance of loans secured by mortgages and pledges amounted to RMB90.964 billion, representing an increase of RMB13.395 billion or 17.3% when compared to that at the end of the previous year, accounting for 57.3% of the total loans and advances to customers which was basically at the same level as that at the end of the previous year; the balance of unsecured and guaranteed loans was RMB67.681 billion, representing an increase of RMB11.813 billion when compared to that at the end of the previous year, accounting for 42.7% of the total loans and advances to customers which was at the same level as that at the end of the previous year.

### 1.1.2 Changes in provision for the impairment losses on loans and advances to customers

The following table sets forth the changes in the allowance for the impairment losses on loans and advances to customers for the years indicated:

	As at 31 December 2014				As at 31 December 2013			
	Provision for impairment on loans and advances which are collectively assessed	Provision for impaired loans and advances - which are collectively assessed	Provision for impaired loans and advances - which are individually assessed	Total	Provision for impairment on loans and advances which are collectively assessed	Provision for impaired loans and advances - which are collectively assessed	Provision for impaired loans and advances - which are individually assessed	Total
(Expressed in thousands of Renminbi, unless otherwise stated)								
Balance as at the beginning of the year	1,614,987	35,435	228,496	1,878,918	1,460,731	23,461	375,424	1,859,616
Provision for the year	777,661	17,565	79,040	874,266	294,612	11,974	26,049	332,635
Release for the year	(12,604)	—	(720)	(13,324)	(140,356)	—	(5,889)	(146,245)
Unwinding of discount	—	—	(12,402)	(12,402)	—	—	(10,499)	(10,499)
Write-offs	—	—	(31,389)	(31,389)	—	—	(157,196)	(157,196)
Recoveries	—	—	1,566	1,566	—	—	607	607
<b>Balance as at the end of the year</b>	<b>2,380,044</b>	<b>53,000</b>	<b>264,591</b>	<b>2,697,635</b>	<b>1,614,987</b>	<b>35,435</b>	<b>228,496</b>	<b>1,878,918</b>

Provision for impairment losses on loans and advances to customers increased by 43.6% from RMB1.879 billion as at 31 December 2013 to RMB2.698 billion as at 31 December 2014, mainly because the Bank increased the loan provision ratio in appropriate manner as a result of changes in the macroeconomic climate and the relevant requirements of the regulatory authorities.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 1.2 Financial Investments

As at 31 December 2014 and 31 December 2013, the respective financial investments (including loans and receivables, available-for-sale financial assets and held-to-maturity investments, but excluding financial assets at fair value through profit or loss) of the Bank amounted to RMB152.187 billion and RMB73.782 billion, respectively, representing 30.2% and 20.8% of the total assets of the Bank, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of the total	Amount	% of the total
<b>Available-for-sale investments</b>	25,437,142	16.7	13,069,779	17.7
— Bonds issued by policy banks	17,400,409	11.4	7,779,643	10.5
— Government bonds	5,290,437	3.5	4,884,066	6.6
— Bonds issued by other banks and financial institutions	2,165,870	1.4	290,670	0.4
— Corporate bonds	304,501	0.2	—	0.0
— Equity investment	275,925	0.2	115,400	0.2
<b>Held-to-maturity investments</b>	40,627,467	26.7	35,399,657	48.0
— Bonds issued by policy banks	25,867,731	17.0	20,802,677	28.2
— Government bonds	12,812,548	8.4	12,580,780	17.1
— Bonds issued by other banks and financial institutions	1,027,218	0.7	1,096,232	1.5
— Corporate bonds	919,970	0.6	919,968	1.2
<b>Loans and receivables</b>	86,122,195	56.6	25,312,589	34.3
— Investment management products managed by securities companies	60,179,090	39.5	12,639,819	17.1
— Investment management products under trust scheme	24,603,105	16.2	11,742,770	15.9
— Debt securities	600,000	0.4	600,000	0.8
— Wealth management products issued by financial institutions	830,000	0.5	330,000	0.4
less: provision for loans and receivables	(90,000)	(0.1)	—	0.0
<b>Total</b>	<b>152,186,804</b>	<b>100.0</b>	<b>73,782,025</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The total financial investments of the Bank increased by 106.3% from RMB73.782 billion as at 31 December 2013 to RMB152.187 billion as at 31 December 2014. Available-for-sale investments increased by RMB12.367 billion compared to the number recorded at the end of the previous year. One major objective behind this move was to increase the liquidity reserves of the Bank by increasing the Bank's holding of bonds issued by policy banks which are of high liquidity and low risks. Financial investments in relation to loans and receivables rose by RMB60.810 billion compared with that at the end of the previous year, mainly attributable to the increase in the Bank's continuous holding of asset management plans and investments in trust beneficiary rights.

### 1.2.1 Changes in the provision for loans and receivables

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014	As at 31 December 2013
Balance at the beginning of the year	—	—
Provision for the year	(90,000)	—
Write-offs for the year	—	—
<b>Balance as at the end of the year</b>	<b>(90,000)</b>	<b>—</b>

## 2. *Liabilities*

As at 31 December 2014 and 31 December 2013, the total liabilities of the Bank were RMB467.237 billion and RMB333.962 billion, respectively. The Bank's liabilities mainly consist of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) financial assets sold under repurchase agreement, accounting for 67.6%, 19.7% and 9.0%, respectively, with respect to the Bank's total liabilities as of 31 December 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the components of the Bank's total liabilities for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	% accounted for with respect to the total	Amount	% accounted for with respect to the total
Deposits from customers	315,943,789	67.6	262,912,728	78.6
Deposits from banks and other financial institutions	92,072,923	19.7	41,327,497	12.4
Financial assets sold under repurchase agreements	42,089,973	9.0	20,919,468	6.3
Debt securities issued	3,100,000	0.7	900,000	0.3
Placements from banks and other financial institutions	3,667,715	0.8	1,189,968	0.4
Other liabilities <sup>(1)</sup>	10,362,629	2.2	6,712,068	2.0
<b>Total</b>	<b>467,237,029</b>	<b>100.0</b>	<b>333,961,729</b>	<b>100.0</b>

Note:

- (1) Including interest payable, amounts in settlement accounts, staff's remuneration payable, deferred income, tax payable, amounts in dormant accounts and other liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2.1 Deposits from Customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	% accounted for with respect to the total	Amount	% accounted for with respect to the total
<b>Corporate deposits</b>				
Demand deposits	73,249,527	23.2	76,536,370	29.1
Fixed deposits	117,297,799	37.1	91,620,903	34.9
<b>Sub-total</b>	<b>190,547,326</b>	<b>60.3</b>	<b>168,157,273</b>	<b>64.0</b>
<b>Personal deposits</b>				
Demand deposits	11,499,217	3.6	11,233,720	4.3
Fixed deposits	75,193,690	23.8	64,487,813	24.5
<b>Sub-total</b>	<b>86,692,907</b>	<b>27.4</b>	<b>75,721,533</b>	<b>28.8</b>
Other deposits <sup>(1)</sup>	38,703,556	12.3	19,033,922	7.2
<b>Total</b>	<b>315,943,789</b>	<b>100.0</b>	<b>262,912,728</b>	<b>100.0</b>

Note:

(1) Margin deposits were mainly included.

As at 31 December 2014, the Bank's total deposits from customers amounted to RMB315.944 billion, representing an increase of RMB53.031 billion as compared with that at the end of the previous year and a growth by 20.2%. Such total deposits from customers accounted for 67.6% with respect to the total liabilities, representing a decrease of 11% as compared with that at the end of the previous year.

In 2014, the Bank's deposits from customers experienced an increase in time deposits percentage, reflecting the change in customers' preference regarding deposits. Moreover, the Bank moderately increased the proportion of time deposits to optimise the maturity profile of the Bank's deposits and improve the stability of the Bank's deposit portfolio.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2.2 Debt Securities Issued

The following table sets forth the components of the Bank's debt securities issued for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014 Amount	As at 31 December 2013 Amount
Subordinated fixed rate debts maturing in November 2021	900,000	900,000
Tier 2 capital bond with fixed rate maturing in May 2024	2,200,000	—
<b>Total</b>	<b>3,100,000</b>	<b>900,000</b>

The Bank issued subordinated bonds of commercial banks in the aggregate of RMB900 million in the national inter-bank bond market on 3 November 2011. The term of maturity of such bonds is 10 years. The interest rate was calculated based on fixed interest rate per annum. The coupon rate was interest-bearing fixed rate of 6.5%. Interest on such bonds shall be paid once per year. Upon approved by the CBRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

The Bank issued Tier 2 capital bonds of commercial banks in the aggregate of RMB2.2 billion in the national inter-bank bond market on 28 May 2014. The term of maturity of such bonds is 10 years. The interest rate was calculated based on fixed interest rate per annum. The coupon rate was interest-bearing fixed rate of 6.18%. Interest on such bonds shall be paid once per year. Upon approved by the CBRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3. Equity

The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	% accounted for with respect to the total	Amount	% accounted for with respect to the total
Share capital	5,646,005	15.6	4,096,005	19.1
Capital reserve	11,106,917	30.7	3,822,383	17.8
Surplus reserve	2,733,397	7.6	1,709,163	8.0
General reserve	3,545,733	9.8	3,317,751	15.5
Investment revaluation reserve	567,881	1.6	(251,534)	(1.2)
(Deficit)/surplus on remeasurement of net defined benefit liability	(2,309)	0.0	2,830	0.0
Retained earnings	12,101,929	33.5	8,358,813	38.9
Non-controlling interests	433,932	1.2	415,027	1.9
<b>Total equity</b>	<b>36,133,485</b>	<b>100.0</b>	<b>21,470,438</b>	<b>100.0</b>

In accordance with the resolutions of the Shareholders' meeting of the Bank dated 26 April 2014 and the Approval by the China Securities Regulatory Commission on the Issuance of Overseas Listed Foreign Shares by Shengjing Bank Co., Ltd. issued on 26 November 2014, the Bank completed the global offering of 1,375,000,000 H Shares (including 1,250,000,000 H Shares offered by the Bank and 125,000,000 Shares offered by the selling shareholders, excluding the partial exercise of the over-allotment option) on 29 December 2014. The nominal value of the Shares is RMB1.00 and the offer price was HK\$7.56 per Share.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 4. Loan Quality Analysis

#### 4.1 Breakdown of Loans by the Five-Category Classification

The following table sets forth the distribution of the Bank's loans and advances to customer by the five-category loan classification as of the dates indicated. For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at 31 December 2014, the non-performing loans recorded by the Bank amounted to RMB696 million and the total amount of the Bank's provision for impairment losses on loans and advances to customers was RMB2.698 billion. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	% accounted for with respect to the total	Amount	% accounted for with respect to the total
Normal	156,970,166	99.0	131,399,375	98.5
Special mention	978,027	0.6	1,423,659	1.1
Substandard	583,985	0.4	333,103	0.2
Doubtful	68,938	0.0	217,257	0.2
Loss	43,383	0.0	63,416	0.0
<b>Total loans and advance to customers</b>	<b>158,644,499</b>	<b>100.0</b>	<b>133,436,810</b>	<b>100.0</b>
<b>Non-performing loan</b>	<b>696,306</b>	<b>0.44</b>	<b>613,776</b>	<b>0.46</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2014 and 31 December 2013, the non-performing loan ratios of the Bank's total loan portfolio were 0.44% and 0.46%, respectively. The decrease of the Bank's non-performing loan ratios was mainly due to the following reasons:

1. The Bank enhanced its credit risk management capabilities based on national policies and market conditions, including formulating guidelines for credit extension and timely adjusting credit extension policies;
2. The Bank continued to optimise selection requirements of industries, regions and customers, adjusted the Bank's asset portfolios and credit structure, conducted stringent pre-loan investigations, carefully selected the collateral, and carried out intensified analysis and assessment of borrower financial indicators;
3. The Bank gradually strengthened post-loan inspections and continued to monitor the business conditions and cash flow of customers, and raised early warnings for loans which were about to mature or loans extended to borrowers with major changes in their operations, income or expenditure; and
4. The Bank gradually strengthened the collection of non-performing loans of the Bank's branches and sub-branches, and assigned dedicated personnel to collect the loans, which demanded extraordinary efforts.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 4.2 Concentration of Loans

#### 4.2.1 Concentration by industry and distribution of non-performing loans

Corporate loans consist of loans and advances to customers in a broad range of industries. The following table sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014				As at 31 December 2013			
	Loan amount	% accounted for with respect to the total	Non-performing Loan amount	Non-performing Loan ratio%	Loan amount	% accounted for with respect to the total	Non-performing Loan amount	Non-performing Loan ratio%
Wholesale and retail	34,341,961	21.6	20,529	0.06	27,389,628	20.5	42,381	0.15
Real estate	27,654,699	17.4	228,522	0.83	25,216,935	18.9	191,581	0.76
Manufacturing	30,069,918	19.0	278,716	0.93	24,894,038	18.7	294,341	1.18
Renting and business activities	19,311,391	12.2	—	—	14,370,203	10.8	—	—
Construction	10,093,958	6.4	24,000	0.24	10,068,072	7.5	28,965	0.29
Public administration and social organisation	4,198,260	2.6	—	—	4,148,000	3.1	—	—
Transportation, storage and postal service	4,847,454	3.1	—	—	2,858,673	2.1	—	—
Production and supply of electric power, gas and water	4,461,550	2.8	—	—	3,254,716	2.4	—	—
Mining	3,539,000	2.2	—	—	2,959,170	2.2	170	0.01
Culture, sports and entertainment	3,155,900	2.0	—	—	2,886,892	2.2	992	0.03
Accommodation and catering	2,360,380	1.5	43,900	1.86	1,880,252	1.4	10,700	0.57
Agriculture, forestry, animal husbandry and fishery	1,493,140	0.9	15,000	1.00	1,954,777	1.5	—	—
Household and other services	883,350	0.6	30,000	3.40	2,143,890	1.6	790	0.04
Others	6,371,600	4.0	2,400	0.04	5,153,284	3.9	2,700	0.05
Discounted bills	586,296	0.4	—	—	398,591	0.3	—	—
Personal loans	5,275,642	3.3	53,239	1.01	3,859,689	2.9	41,156	1.07
<b>Total</b>	<b>158,644,499</b>	<b>100.0</b>	<b>696,306</b>	<b>0.44</b>	<b>133,436,810</b>	<b>100.0</b>	<b>613,776</b>	<b>0.46</b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2014, loans provided to customers of (i) wholesale and retail, (ii) manufacturing, (iii) real estate and (iv) renting and business activities industries represented the largest components of the Bank's corporate loans. As at 31 December 2014 and 31 December 2013, the balance of loans provided to the corporate customers in the four industries mentioned in the above were RMB111.378 billion and RMB91.871 billion, respectively, accounting for 72.6% and 70.9%, respectively, with respect to the Bank's total corporate loans. From the perspective of the structure of increased quantity, the four industries mentioned in the above experienced the largest increment. The increased quantity and increment were respectively as follows: RMB6.952 billion, 25.4%; RMB5.176 billion, 20.8%; RMB2.438 billion, 9.7%; and RMB4.941 billion, 34.4%. The Bank concerned about the relevant loan portfolio of the industry and gradually optimised the industry structure of loans.

### 4.2.2 Concentration of borrowers

#### (1) Indicators of concentration

		As at 31 December 2014	As at 31 December 2013
Loan concentration ratio for the largest single customer (%)	≤10	6.09	6.99
Loan concentration ratio for the top ten customers (%)	≤50	44.1	59.21

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(2) Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as at 31 December 2014. As of the same date, all such loans were classified as pass loans.

As at 31 December 2014			
(Expressed in thousands of Renminbi, unless otherwise stated)	Industry involved	Amount	% accounted for with respect to the total
<b>Customer</b>			
Customer A	Manufacturing	2,200,000	1.4
Customer B	Real estate	2,200,000	1.4
Customer C	Manufacturing	1,705,000	1.1
Customer D	Wholesale and retail	1,570,000	1.0
Customer E	Mining	1,500,000	0.9
Customer F	Construction	1,490,000	0.9
Customer G	Manufacturing	1,468,560	0.9
Customer H	Manufacturing	1,300,000	0.8
Customer I	Public administration and social organisation	1,300,000	0.8
Customer J	Manufacturing	<u>1,200,000</u>	<u>0.8</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 4.3 Distribution of Non-Performing Loans by Product Type

The following table sets forth the loans and non-performing loans by product type as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014			As at 31 December 2013		
	Loan amount	Non-performing Loan amount	Non-performing Loan ratio %	Loan amount	Non-performing Loan amount	Non-performing Loan ratio %
Corporate loans	153,368,857	643,067	0.42	129,577,121	572,620	0.44
Short-term loans	64,327,098	339,467	0.53	48,519,756	339,048	0.70
Medium and long term loans	88,455,463	303,600	0.34	80,658,774	233,572	0.29
Discounted bills	586,296	—	0.00	398,591	—	0.00
Personal loans	5,275,642	53,239	1.01	3,859,689	41,156	1.07
Residential mortgage	3,478,119	24,796	0.71	2,920,696	19,962	0.68
Personal business loans	449,424	—	0.00	247,091	—	0.00
Personal consumption loans	695,358	—	0.00	236,537	—	0.00
Credit cards	586,871	28,443	4.85	433,584	21,194	4.89
Others	65,870	—	0.00	21,781	—	0.00
<b>Total</b>	<b>158,644,499</b>	<b>696,306</b>	<b>0.44</b>	<b>133,436,810</b>	<b>613,776</b>	<b>0.46</b>

The non-performing loan ratios, defined as non-performing loans divided by the Bank's total loans and advances to customers, were 0.44% as at 31 December 2014 and 0.46% as at 31 December 2013.

As at 31 December 2014 and 31 December 2013, the non-performing loan ratios of the Bank's corporate loans (including discounted bills) were 0.42% and 0.44%, respectively.

As at 31 December 2014 and 31 December 2013, the non-performing loan ratios of the Bank's personal loans were 1.01% and 1.07%, respectively.

The gradual decrease of the non-performing loan ratio of the Bank was mainly due to the Bank's sound, prudent and comprehensive management and strict and effective implementation of the protective measures against non-performing loans.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 4.4 Overdue Loans and Advances to Customers

The following table sets forth the overdue analysis of the Bank's overdue loans and advances to customers for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	% accounted for with respect to the total	Amount	% accounted for with respect to the total
Overdue within 3 months (inclusive)	26,898	5.4	345,399	36.9
Overdue more than 3 months to 1 year (inclusive)	250,757	50.8	105,299	11.3
Overdue more than 1 year and within 3 years (inclusive)	96,093	19.5	351,642	37.6
Overdue more than 3 years	120,187	24.3	132,931	14.2
<b>Total overdue loans and advances to customers</b>	<b>493,935</b>	<b>100.0</b>	<b>935,271</b>	<b>100.0</b>

Note: Overdue loans and advances to customers include credit card advances.

## 5. Segment Information

### 5.1 Summary of Geographical Segment

The Bank is mainly operating in China. Its 16 branches are distributed over five provinces and municipalities directly under the central government. It also established six subsidiaries in Liaoning Province, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating Revenue				Non-current Assets			
	For the year ended 31 December				As at 31 December 2014			
	2014		2013		As at 31 December 2014		As at 31 December 2013	
	Amount	% accounted for	Amount	% accounted for	Amount	% accounted for	Amount	% accounted for
Northeast China	9,182,174	81.9	7,536,762	84.6	3,305,505	88.8	2,134,378	82.7
North China	1,723,882	15.4	1,253,255	14.1	390,082	10.5	420,124	16.3
Others	298,707	2.7	115,777	1.3	28,314	0.7	25,348	1.0
<b>Total</b>	<b>11,204,763</b>	<b>100.0</b>	<b>8,905,794</b>	<b>100.0</b>	<b>3,723,901</b>	<b>100.0</b>	<b>2,579,850</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 5.2 Summary of Business Segment

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2014		2013	
	Amount	% accounted for with respect to the total	Amount	% accounted for with respect to the total
<b>Operating Revenue</b>				
Corporate banking	8,434,913	75.3	6,710,672	75.4
Retail banking	507,345	4.5	424,262	4.8
Treasury business	2,347,205	20.9	1,594,557	17.9
Others	(84,700)	(0.7)	176,303	1.9
<b>Total</b>	<b>11,204,763</b>	<b>100.0</b>	<b>8,905,794</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 6. Analysis of Off-Balance Sheet Items

Credit commitments and other off-balance sheet items of the Bank mainly include commitments and contingent liabilities, such as bank acceptances, issued letters of credit, issued letters of guarantee, unused credit card commitments, operating lease commitments and capital commitments. Credit commitments constitute the major component of off-balance sheet items, and consist of bank acceptances, issued letters of credit, issued letters of guarantees, and unused credit card commitments. Bank acceptances are commitments made to the payment for a bank draft issued by the Bank's customers. The letters of guarantees and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. The following table sets forth the Bank's credit commitments and other off-balance sheet items for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014	As at 31 December 2013
Unused credit card commitments	1,975,783	1,634,388
Guarantees, acceptances and letters of credit	93,408,152	52,426,799
Operating lease commitments	567,078	488,264
Capital commitments	2,296,705	164,377
Pledged assets	54,139,628	29,198,211
<b>Total</b>	<b>152,387,346</b>	<b>83,912,039</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 6.5 BUSINESS OVERVIEW

#### I. Corporate Banking Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2014	2013	Rate of change (%)
External net interest income	5,270,709	4,812,024	9.5
Internal net interest income	1,765,409	1,114,366	58.4
<b>Net interest income</b>	<b>7,036,118</b>	<b>5,926,390</b>	<b>18.7</b>
<b>Net fee and commission income</b>	<b>1,373,068</b>	<b>765,259</b>	<b>79.4</b>
Other operating income	25,727	19,023	35.2
Impairment losses on assets	(841,857)	(155,284)	442.1
Operating expenses	(2,150,644)	(1,680,586)	28.0
— Depreciation and amortisation	(192,760)	(170,456)	13.1
— Others	(1,957,884)	(1,510,130)	29.7
<b>Profit before tax</b>	<b>5,442,412</b>	<b>4,874,802</b>	<b>11.6</b>
<b>Capital expenditure</b>	<b>1,085,190</b>	<b>323,088</b>	<b>235.9</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at	As at	Rate of change (%)
	31 December 2014	31 December 2013	
<b>Segment assets</b>	<b>195,816,879</b>	<b>166,124,494</b>	<b>17.9</b>
<b>Segment liabilities</b>	<b>233,986,039</b>	<b>190,323,235</b>	<b>22.9</b>

#### 1. Corporate Deposits

Corporate deposits maintained a rapid and steady growth. The Bank made steady efforts in implementing customer-centred marketing strategies, and continued to strengthen the list-based customer management and menu-style marketing. As at 31 December 2014, the balance of our corporate deposits (excluding security deposits) amounted to RMB190.547 billion, accounting for 60.3% of the balance of total deposits and representing an increase of RMB22.39 billion or 13.3% compared to the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In order to strengthen and expand the customer base and promote the synergised development of assets, liabilities and intermediary businesses, the Bank made a major strategic decision to establish the Bank as a bank that offers payment agency services to all kinds of public utilities. As at the end of 2014, the payment agency services of the Bank covered 110 enterprises in 14 major sectors ranging from gas, water, electricity, communications, cable television, medical insurance, transportation, healthcare, environmental protection, urban construction, education to financial agency services. Meanwhile, the Department of Finance of Liaoning Province invited tenders for the provision of financial services in November 2014 and, in such a fierce competition that involved 16 banks, the Bank, with its operational competence and years of experience in financial agency services, won the bid for providing financial agency services directly to the provincial government. As such, the Bank further strengthened its customer base.

According to the operation management department of the PBOC, Shenyang Branch, as at 31 December 2014, the balance of our Renminbi corporate deposits (including security deposits) in Shenyang amounted to RMB93.473 billion, which ranked the first for three consecutive years. Our Renminbi corporate deposits in Shenyang accounted for a market share of 13.6%, representing an increase of 1.6 percentage points compared to the market share (12.0%) as at the end of the previous year. Our Renminbi corporate deposits in Shenyang increased by RMB16.698 billion compared to the beginning of the year, which ranked the first in the city.

### **2. Corporate Loans**

Our corporate loans were extended in a prudent and appropriate manner. Our corporate loans were extended in a prudent, and appropriate manner in line with the economic conditions and industry trend of the regions where our customers operate and with reference to the national macro control policies. As at 31 December 2014, the balance of our corporate loans (excluding discounted bills) amounted to RMB152.783 billion, representing a year-on-year growth of RMB23.604 billion or 18.3%.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

First, the Bank continued to increase credit support for strategic emerging industries, high-quality service industries and projects for people's well-being and optimise the credit structure. Second, the Bank persisted in providing "green credit" to satisfy the credit demand from major energy-saving and emission-reduction projects and the technological upgrade for the purpose of saving energy and environmental protection. Third, the Bank proactively provided effective support to the financial needs arising from the upgrade of industrial structure and consumption in the process of the new urbanisation. Fourth, the Bank strictly implemented its prudent housing credit policies and persisted in implementing a list-based management and maintaining valid mortgages in order to effectively prevent systematic risks. Fifth, the Bank further strengthened the risk management for industries with high consumption and pollution and excessive capacity, and rejected to grant any credit to obsolete projects and projects with excessive capacity which were expected to be eliminated.

### 3. *Bill Discounting*

On the basis of its focus on marketing to corporate customers and an overall balance among the asset scale, liquidity, returns and risks, the Bank established a flexible pricing mechanism, dynamically adjusted the guidance price for bill discounting, created pricing advantages for bill discounting business and increased the volume and profitability of such business in 2014. As at 31 December 2014, the balance of discounted bills was RMB586 million, representing an increase of RMB188 million as compared to the end of the previous year.

## II. **Small and Miniature Enterprise Banking Business**

### 1. *Overview of Small and Miniature Enterprise Banking Business in 2014*

According to governmental statistics, as at 31 December 2014, the balance of our small and miniature enterprise loans amounted to RMB48.436 billion, representing an increase of RMB11.46 billion or 31.4% compared to the beginning of the year and a year-on-year growth of RMB5.578 billion, which was 12 percentage points higher than the average increase of our loans. We had met the regulatory requirements that (i) the growth rate of loans made to small and miniature enterprises is not lower than the average growth rate for any other type of loans, and (ii) the volume of growth of loans made to small and miniature enterprises is not lower than the corresponding growth rate of the previous year (兩個不低於) for six consecutive years.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

While developing the scale of the small and miniature enterprise banking business, the Bank focused more on the expansion of the small and miniature enterprise customer base. As at 31 December 2014, we had extended loans to 1,941 small and miniature enterprise clients, accounting for 68.6% of the total number of clients receiving our corporate loans.

### **2. Measures to Develop Small and Miniature Enterprise Customers**

First, in respect of business marketing, we persisted in the bulk marketing approach targeting customers clustered in business districts, suppliers and distributors of core businesses, specialised markets and industrial parks (一圈、一鏈、一場、一園). Meanwhile, we conducted surveys on regional business districts and specialised markets to better align our loans with the regional economy in terms of geographical structure, industrial structure and key projects. We extended loans in a scientific manner to fully support the development of real economy. In close collaboration with the industrial parks with concentrated industrial clusters and in line with regional economic plans, we endeavoured to support small and miniature enterprises which enjoyed strong innovation capability, high technology, favourable market, good profitability and reputation, and gave priority to small and miniature enterprises which operate in promising modern manufacturing industries (including machinery, electronics and equipment manufacturing) and industries encouraged by the state and local governments, such as high-tech, new energy, energy conservation, emission reduction and low-carbon.

Second, in respect of business management mode, in line with the policy requirements of “Six Mechanisms (六項機制)” and “Four-Separate Principles (四單原則)” of the CBRC, we fully utilised the strengths as a local bank to rationally allocate our credit resources and to improve our management system for providing financial services to small and miniature enterprises on the basis that the credit risks were under effective control. As such, we were able to provide professional, sophisticated, specialised, differentiated and customer-centred financial services to small and miniature enterprises, thereby improving the financing resources available to them. Through “clustered (集群式)” marketing, we could enlarge our market share and provide comprehensive, rapid and convenient financial services for the development of regional economy, thereby effectively promoting the growth of small and miniature enterprises. Leveraging the traditional operation strengths and the geographical locations of our outlets, we strengthened our efforts in developing specialised branches and established a number of specialised branches mainly targeting small and miniature enterprises operating in the fields of technological innovation, integrated business and trade, modern logistics and distribution and supporting services for trading chains.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Third, in respect of credit approval process, we put in place a fast track for loan application by small and miniature enterprises. Based on the business philosophy of prioritising customers, premium service, prudent operations and optimising management, we set up a fast track for loan application by small and miniature enterprises to meet their urgent and frequent financing needs for small amount of loans in a short timeframe. In this respect, we streamlined the approval process and implemented a “one-stop and standardised” (一站式、標準化) service process. On the basis that the risks are under control, we simplified the approval and operation procedures and enhanced the timeliness of our approval procedures. The applicants could receive a reply within three days and, with duly completed documents and procedures, the loans within seven days, from the date on which applications are accepted over the counter. In respect of the transactions involving a third party such as a guarantee company, we put in place a joint examination mechanism to enhance the efficiency. In addition, in an effort to maximise the efficiency for approving applications from small and miniature enterprises which have a long business history with us and good reputation, we adopted, on a trial basis, a credit approval approach. Specifically, the applications would be initially examined by our sub-branches and approved by our head office, loans could be subsequently extended on a revolving basis subject to examination of our sub-branches only.

Fourth, in respect of financing products, the Bank launched the featured products — “Fast Loans (快貸通)” for small and miniature enterprises, including over 10 financing products such as “Revolving Loans (循環貸)”, “Procurement Loans (採購貸)”, “Start-up Business Loans (創業貸)” and “Financing Loans (融資貸)”. Through combination of products and innovation of business, we were able to satisfy the different capital demands of various small and miniature enterprises during their start-up, growth and mature stages.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### III. Retail Banking Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2014	2013	Rate of change (%)
External net interest expense	(2,541,554)	(2,043,305)	24.4
Internal net interest income	3,036,472	2,461,676	23.3
<b>Net interest income</b>	<b>494,918</b>	<b>418,371</b>	<b>18.3</b>
<b>Net fee and commission income/(expense)</b>	<b>7,303</b>	<b>(106)</b>	<b>(6,989.6)</b>
Other operating income	5,124	5,997	(14.6)
Impairment losses on assets	(2,294)	(16,576)	(86.2)
Operating expenses	(432,132)	(331,567)	30.3
— Depreciation and amortisation	(50,121)	(43,187)	16.1
— Others	(382,011)	(288,380)	32.5
<b>Profit before tax</b>	<b>72,919</b>	<b>76,119</b>	<b>(4.2)</b>
<b>Capital expenditure</b>	<b>282,171</b>	<b>81,857</b>	<b>244.7</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at	As at	Rate of change (%)
	31 December 2014	31 December 2013	
<b>Segment assets</b>	<b>18,561,091</b>	<b>15,698,037</b>	<b>18.2</b>
<b>Segment liabilities</b>	<b>90,106,019</b>	<b>78,019,573</b>	<b>15.5</b>

#### 1. Personal Deposits

The Bank adhered to integrating its brand value services and key account sales. The Bank fully utilised its regional brand advantages to carry out services and marketing activities mainly towards mid- to high-end customer groups. As at 31 December 2014, the balance of personal deposits amounted to RMB86.693 billion, representing an increase of RMB10.971 billion or 14.5% compared to the end of the previous year. The volume of increase ranked the first in Shenyang for four consecutive years, and the personal deposits maintained a relatively high growth rate.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2. *Personal Loans*

Personal loans grew steadily with a rapid growth in residential mortgage loans and personal consumption loans. The Bank continuously optimised its loan structure, introduced innovative personal loan products, refined customer structure and product structure, and increased personal business loans. Personal loans (including mortgage loans, personal consumption loans, credit card overdrafts and personal business loans) increased by RMB1,416 million or 36.7% to RMB5,276 million as compared to the end of the previous year, of which personal mortgage loans increased by RMB557 million to RMB3,478 million compared to the end of the previous year, personal consumption loans increased by RMB459 million to RMB695 million compared to the end of the previous year, and personal business loans increased by RMB202 million to RMB449 million compared to the end of the previous year.

### 3. *Bank Cards*

As at 31 December 2014, the Bank issued 7,553.6 thousand debit cards in total, representing an increase of 888 thousand compared to the beginning of the year, with total spending amounts of RMB16.739 billion, representing an increase of 12.3%. The Bank has been constantly committed to broadening the functions of bank cards, such as consumption and settlement, and to enhancing the security level of bank cards. In December 2012, the Bank issued to the public financial integrated circuit (IC) cards and social security cards, becoming one of the early movers among the city commercial banks which issued financial IC cards.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### IV. Treasury Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2014	2013	Rate of change (%)
External net interest income	7,172,017	5,075,464	41.3
Internal net interest expense	(4,801,881)	(3,576,042)	34.3
<b>Net interest income</b>	<b>2,370,136</b>	<b>1,499,422</b>	<b>58.1</b>
<b>Net fee and commission income/(expense)</b>	<b>(11,940)</b>	<b>4,988</b>	<b>(339.4)</b>
Net trading losses	(1,845)	(2,000)	(7.8)
Net losses arising from financial investments	(9,146)	92,147	(109.9)
Share of profits of associates	—	—	N/A
Other operating income	—	—	N/A
Impairment losses on assets	(90,000)	—	N/A
Operating expenses	(618,838)	(430,473)	43.8
— Depreciation and amortisation	(9,842)	(11,767)	(16.4)
— Others	(608,996)	(418,706)	45.4
<b>Profit before tax</b>	<b>1,638,367</b>	<b>1,164,084</b>	<b>40.7</b>
<b>Capital expenditure</b>	<b>55,409</b>	<b>22,301</b>	<b>148.5</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December	31 December	Rate of change (%)
	2014	2013	
<b>Segment assets</b>	<b>288,575,532</b>	<b>172,968,578</b>	<b>66.8</b>
<b>Segment liabilities</b>	<b>143,088,713</b>	<b>65,581,273</b>	<b>118.2</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 1. *Treasury Business*

In 2014, the Bank strengthened the study of macroeconomic situations, judgment on market dynamics and analysis of regulatory policy impact. The Bank timely adjusted its operation strategy for treasury business, enhanced business guidance and management, and minimised the unfavourable impact under the market risks, thereby ensuring a steady growth in return of the Bank's treasury business. As at 31 December 2014, the operating income from the Bank's treasury business was RMB2,347 million, accounting for 21.0% of the Bank's operating income and representing a year-on-year increase of 47.2%.

#### 1.1 *Money Market Transactions*

In 2014, the Central Bank launched a series of policies for targeted reduction of deposit-reserve ratio, and released the liquidity in the market several times by way of SLF, PSL and MLF. Diversified monetary policies effectively induced a downward trend of the interest rates in money market and reduced the volatility of interest rates. By fully studying the trend of interest rates and prioritising the liquidity safety, the Bank adopted a flexible financing structure allocation, reduced the financing costs and enhanced our profitability. As at 31 December 2014, the balances of our deposits and placements with banks and other financial institutions and financial assets held under resale agreements were RMB113,016 million, representing 22.5% of the total assets of the Bank; the balances of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements were RMB137,831 million, representing 29.5% of the total liabilities of the Bank. In 2014, the Bank was listed as one of the "Top 100 Enterprises in terms of Transaction Volume (交易量前100強)" by the National Inter-bank Funding Centre, which was the 12th consecutive year winning such title. The Bank was also awarded as an "Outstanding Dealer (優秀自營商)" by China Central Depository & Clearing Co. Ltd.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 1.2 Investments in Securities and Other Financial Assets

In 2014, the Bank paid close attention to the changes in policy environment, further strengthened the analysis and research of financial market, and timely adjusted the operation strategies. In 2014, under the impact of changes in liquidity, the bond yield was in a downward trend and the Bank optimised its investment portfolio when the interest rate was at a high level to improve returns on assets.

In 2014, with the continuous expansion of marketing with customers, the Bank increased efforts in customer deposit inducement, resulting in an increase in the funds available for investment by the Bank. The Bank timely increased investment in debt instruments issued by financial institutions and effectively enhanced the level of return from investment. The Bank's asset structure was gradually diversified.

#### 1.2.1 Securities investment by holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	Proportion (%)	Amount	Proportion (%)
Available-for-sale financial assets	25,437,142	16.7	13,069,779	17.7
Held-to-maturity investments	40,627,467	26.7	35,399,657	48.0
Loans and receivables	86,122,195	56.6	25,312,589	34.3
<b>Total</b>	<b>152,186,804</b>	<b>100</b>	<b>73,782,025</b>	<b>100</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2014, available-for-sale financial assets held by the Bank increased by RMB12.367 billion compared to the end of the previous year, representing a decrease of 1% in the proportion to the total securities investment. Held-to-maturity investments increased by RMB5.228 billion compared to the end of the previous year, representing a decrease of 21.3% in the proportion to the total securities investment. Loans and receivables increased by RMB60.81 billion compared to the end of the previous year, representing an increase of 22.3% in the proportion to the total securities investment.

### 1.2.2 Securities investment by remaining maturity

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014		As at 31 December 2013	
	Amount	Proportion (%)	Amount	Proportion (%)
Less than three months	32,087,149	21.1	5,028,350	6.8
Between three months and twelve months	41,084,584	27.0	15,966,938	21.6
Between one year and five years	54,056,821	35.5	26,242,126	35.6
More than five years	24,958,250	16.4	26,544,611	36.0
Total	152,186,804	100.0	73,782,025	100.0

As at 31 December 2014, the Bank's securities investment with a remaining maturity of less than 12 months increased by RMB52.176 billion compared to the end of the previous year, representing an increase of 19.7% in the proportion to the total securities investment.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 1.2.3 Holding of state bonds

As at 31 December 2014, the balance of nominal value of the state bonds held by the Bank amounted to RMB17.4 billion. The table below sets out the top ten state bonds with the highest nominal value held by the Bank as at 31 December 2014.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
2013 State Bonds	3,415,000	4.08	22 August 2023
2009 State Bonds	3,050,000	3.44	17 September 2019
2010 State Bonds	1,990,000	3.41	24 June 2020
2009 State Bonds	1,130,000	4.00	27 August 2029
2008 State Bonds	850,000	3.62	27 November 2023
2008 State Bonds	805,000	4.07	20 March 2018
2009 State Bonds	640,000	3.69	11 June 2024
2008 State Bonds	570,000	3.68	22 September 2018
2013 State Bonds	540,000	4.07	17 October 2020
2007 State Bonds	530,000	4.49	5 November 2017

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 1.2.4 Holding of financial bonds

As at 31 December 2014, the balance of nominal value of the financial bonds (mainly the financial bonds issued by policy banks) held by the Bank amounted to RMB42.82 billion. The table below sets out the top ten financial bonds with the highest nominal value held by the Bank as at 31 December 2014.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
2014 Policy Financial Bonds	2,620,000	4.50	26 June 2017
2010 Policy Financial Bonds	2,440,000	4.00	4 November 2020
2014 Policy Financial Bonds	1,740,000	4.83	14 May 2017
2014 Policy Financial Bonds	1,721,000	4.69	7 August 2017
2013 Policy Financial Bonds	1,650,000	3.95	1 February 2018
2014 Policy Financial Bonds	1,390,000	4.77	15 May 2017
2014 Policy Financial Bonds	1,310,000	4.94	24 April 2016
2010 Policy Financial Bonds	1,290,000	3.59	25 February 2020
2010 Policy Financial Bonds	1,270,000	3.60	27 September 2020
2014 Policy Financial Bonds	1,120,000	5.79	14 January 2021

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### V. Distribution Channels

#### 1. *Physical Outlets*

As at 31 December 2014, we operated businesses in 16 cities, including Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian and other cities in Liaoning Province, through our head office in Shenyang and 149 branches and sub-branches. Most of these 16 cities are located in economically developed regions such as Northeast China and the Bohai Economic Rim which enjoy special policy advantages and huge market opportunities.

#### 2. *Self-service Banking*

The Bank's self-service banking facilities include ATMs, cash recycling machines, inquiry and payment machines and community smart terminals, which provide customers with convenient and safe services around the clock to increase the Bank's income. As at 31 December 2014, the Bank owned 778 self-service terminals, including 264 ATMs, 122 cash recycling machines, 96 inquiry and payment machines, and 296 community smart terminals, to provide customers with cash withdrawal, account inquiry, cash deposit, change of password, fund transfer and other services. In 2014, approximately 6.16 million banking transactions were processed through our self-service banking facilities with a total transaction volume of RMB10 billion.

#### 3. *Electronic Banking*

In 2014, focusing on customers' demand for electronic banking, the Bank continuously improved user experience and application environment, proactively increased the number of electronic banking customers and enriched product sales channels. The Bank maintained a good trend with respect to operation and management of electronic banking business. The number of customers, transaction volume and other indicators continued to grow rapidly. The comprehensive income from electronic banking business increased day by day, forming a new advantage of the Bank in the era of internet finance.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.1 *Online Banking*

#### 3.1.1 Corporate online banking

Based on customers' needs, the Bank further enriched the electronic corporate fund management services and introduced centralised fund management, fund pool management and other services for conglomerate customers. As at 31 December 2014, we had 7,057 corporate online banking customers in aggregate, representing an increase of 60% compared to the end of the previous year. The total transaction volume amounted to RMB809.979 billion, representing a decrease of 1% compared to the previous year, and the number of transactions increased by 38% to 392,300 compared to the previous year.

#### 3.1.2 Personal online banking

In 2014, the Bank continued to expand the online banking services and improve user experience of personal online banking through optimising customer login interface and the procedures for sale of wealth management products as well as introducing new functions such as text message verification of transactions. As at the end of 2014, we had 68,169 personal online banking customers in aggregate, representing an increase of 52% compared to the end of the previous year. The total number of transactions for the year increased by 44% on a year-on-year basis to 333,100, and the total transaction volume for the year increased by 104% to RMB7.422 billion compared to the previous year. For the customer-centred online banking, the Bank continuously improved user experience and satisfaction by continuously optimising and upgrading services through innovation.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.2 Mobile Banking

In 2014, the Bank officially introduced mobile banking to the public to provide account inquiry, money transfer and remittance, credit card repayment and other services. In addition, our mobile banking also offers various product functions, including but not limited to, comprehensive utility payment, sales of wealth management products and preferential merchant services so as to provide value-added and effective mobile financial services to customers. As at 31 December 2014, we had 41,127 mobile banking customers in aggregate. The total transaction volume for the year amounted to RMB259 million, and the number of transactions was 91,200.

### 3.3 Television Banking

The Bank was the first to provide television banking services in Liaosheng region. Leveraging the cooperation agreement between the Bank and North United Cable Network Inc. (北方聯合廣播電視網絡股份有限公司) with a ten-year term and an exclusive cooperation for the first five years, the Bank expects to provide its customers with professional financial services at home.

## VI. Subsidiaries and Associates

### 1. Investment in Subsidiaries

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014	As at 31 December 2013
Shenyang Shenbei Fumin Village Bank Co., Ltd. (“Shenyang Shenbei”)	35,321	35,321
Shenyang Xinmin Fumin Village Bank Co., Ltd. (“Shenyang Xinmin”)	6,230	6,230
Shenyang Faku Fumin Village Bank Co., Ltd. (“Shenyang Faku”)	6,262	6,262
Shenyang Liaozhong Fumin Village Bank Co., Ltd. (“Shenyang Liaozhong”)	6,097	6,097
Ningbo Jiangbei Fumin Rural Bank Co., Ltd. (“Ningbo Jiangbei”)	30,039	30,039
Shanghai Baoshan Fumin Rural Bank Co., Ltd. (“Shanghai Baoshan”)	62,208	62,208
<b>Total</b>	<b>146,157</b>	<b>146,157</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2014, the background of the subsidiaries is as follows:

	Date of incorporation	Place of incorporation, registration and operations	Registered capital (Expressed in thousands of Renminbi)	Percentage owned by the Bank	Business sector
Shenyang Shenbei	09/02/2009	Liaoning, China	150,000	20%	Banking
Shenyang Xinmin	25/06/2010	Liaoning, China	30,000	20%	Banking
Shenyang Faku	26/10/2010	Liaoning, China	30,000	20%	Banking
Shenyang Liaozhong	26/11/2010	Liaoning, China	30,000	20%	Banking
Ningbo Jiangbei	17/08/2011	Zhejiang, China	100,000	30%	Banking
Shanghai Baoshan	09/09/2011	Shanghai, China	150,000	40%	Banking

### 2. Interest in Associates

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014	As at 31 December 2013
Interest in associates	—	287,175
<b>Total</b>	<b>—</b>	<b>287,175</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The table below sets out the Bank's associate which is individually immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	Percentages of equity/voting rights		Place of incorporation/ registration	Business sector
	31 December 2014	31 December 2013		
	%	%		
Benxi City Commercial Bank Co., Ltd.	Note 1	39.02	Liaoning, China	Banking

*Note 1:* In January 2014, Benxi City Commercial Bank Co., Ltd. ("Benxi Bank") increased its registered capital and thus the Bank's equity interest in Benxi Bank was diluted from 39.02% to 11.88%. Benxi Bank also restructured its board of directors and appointed certain new management. As a result of the above, the Bank lost its significant influence over Benxi Bank. A loss resulted from the above changes amounting to RMB127 million was recognised as net (losses)/gains arising from investments during the Reporting Period. The Bank reclassified its investment in Benxi Bank to available-to-sale financial assets in January 2014 accordingly.

### 6.6 RISK MANAGEMENT

Major risks to which the Bank is exposed mainly include: credit risk, operational risk, market risk and liquidity risk. In 2014, the Bank continued to implement the prudent and stable risk management strategy, continue to facilitate the comprehensive construction of the risk management system which is compatible to the Bank's development strategy, operating scale, business scope and characteristics of risk, insist to safeguard the principle of the ultimate asset loss, intensify the comprehensive risk management that involves all members of the Bank, with full process, and coordinate the balance between the Bank's risk and earnings.

#### I. Credit Risk

Credit risk refers to the risk that customers or counterparties are unable or unwilling to perform their obligations to the Bank. The Bank's credit risk mainly comes from the corporate loan business, personal loan business and treasury business.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Bank rely on the “Three Lines of Defense for Risk Management”, which consists of the business departments, the Risk Control Centre in the headquarters and the independent Audit Department, to implement a risk accountability system for an employee during the term of employment so as to manage and control risks throughout the entire credit business and treasury operation segment. Business departments, as the first line of defense, shall screen and rate customers carefully and ensure successful implementation of the risk management measures under the principle of preventing ultimate loss of assets. The Risk Control Centre, being the Bank’s second line of defense, which is independent from the business departments, is responsible for establishing the risk identification, monitoring, measurement, early warning and reporting processes and standards, and consolidating the Bank’s risk management measures pursuant to actual needs. The Audit Department, as the third line of defense, shall oversee the effectiveness and adequacy of the risk management measures.

The Risk Control Centre in the head office has, in cooperation with the business departments, developed a set of regular procedures and standards for credit business, and has been regularly reviewing and revising the credit policies and regulations in consideration of the business development objectives and capital management needs. In addition, the Bank adopted differentiated credit risk management strategies for different borrowers through a differentiated authorisation system, based on the differences in region, industry, customer and product type, so as to cope with the evolving business environment.

### **II. Operational Risk**

Operational risk refers to the risk of loss that may be incurred due to inadequate or problematic internal procedures, personnel and information technology systems, and external events, including internal and external frauds, business interruption and failure of information technology system.

The Bank established “Three Lines of Defense for Risk Management” on the basis of the main prevention and control organisations consisting of each business department, the Risk Control Centre, compliance department and internal audit departments and also set up operational risk reporting mechanism between risk control centre and business units, the head office and branches.

The Bank has formulated operational risk management policies and procedures, aiming to effectively identify, assess, monitor, control and mitigate the Bank’s operational risk, and reduce losses associated with the operational risk.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### III. Market Risk

Market risk refers to the risk of losses that may be suffered by the Bank in its on/off-balance sheet business as a result of unfavourable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices. It mainly includes interest rate risk and currency risk. The senior management of the Bank is principally responsible for formulating, periodically reviewing and monitoring the implementation of the market risk management policies. The Financial Market Operation Centre and the International Business Department of the Bank are responsible for identifying, measuring, monitoring and reporting the market risk of the Bank's various business lines. The Planning and Accounting Management Department provides various data on market risks and other technical support to the International Business Department and the Financial Market Operation Centre. The Bank's Risk Control Centre is responsible for the overall market risk management.

#### 1. Market Risk of Trading Accounts

##### 1.1 Interest Rate Risk

The interest rate risk of the banking book arises primarily from the mismatch of the maturity and repricing dates of the Bank's interest rate-sensitive assets and liabilities. The Bank manages the interest rate risk of the trading book primarily through optimising the maturity portfolio of the Bank's assets and liabilities. The Bank also uses interest rate exposure analysis, duration analysis and other analysis tools to enhance quota management, continuously monitors market risk, conducts stress testing under the simulated interest rate scenarios and formulates appropriate emergency plans so as to improve market risk management capabilities.

##### 1.2 Currency Risk

Currency risk refers to the risk arising from mismatches of the currency denominations of assets and liabilities. The Bank's exposure to the currency risk arises from the Bank's loans and deposits denominated in currencies other than Renminbi.

The Bank carries out risk control mainly by closing out market positions, regularly reevaluating the market value of the Bank's own foreign exchange capital, timely adjusting the profit and loss from foreign exchange exposures, and conducting sensitivity analysis on foreign exchange exposures and stress testing on currency risk on a regular basis, thus effectively prevents the currency risk and protects the Bank's foreign exchange assets.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2. *Market risk of trading accounts*

The market risk of transaction accounts of the Bank arises primarily from change of asset value of financial products in transaction accounts, which are affected by market interest rates and exchange rates. The Bank sets the market risk limit indicators for the Bank's trading accounts, including the sensitivity limit and the stop-loss limit for exchange rates and interest rates, reevaluate the market value of positions in the Bank's Renminbi trading accounts on a daily basis, and measure the market risk of foreign currency trading accounts regularly through the sensitivity analysis, stress testing and other measures.

## IV. **Liquidity Risk Management**

Liquidity risk refers to the risk of failure to obtain adequate funds to repay debts in time or at reasonable cost. Such risk exists even in banks with high solvency.

The Bank has implemented the centralised management of the bank-wide liquidity risk by the Bank's head office, and established the liquidity risk management framework which mainly comprises the Assets and Liabilities Management Committee, the Risk Control Centre and the Planning and Accounting Management Department at the head office. Responsibilities of these departments are as follows:

The Assets and Liabilities Management Committee is the decision-making body for liquidity risk management and is responsible for formulating the guidelines and policies for liquidity risk management;

The Risk Control Centre is the liquidity risk management department and is responsible for formulating, implementing and evaluating relevant systems, setting the bank-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis;

The Planning and Accounting Management Department is the implementation department for liquidity risk management and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, regularly carrying out risk analysis and reporting to the Risk Control Centre and the Assets and Liabilities Management Committee.

The Bank formulated a liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 1. Liquidity Risk Analysis

Facing the changes in macroscopic environment, currency policy and regulatory policy, the Bank consistently insists on its prudent strategy of liquidity risk management and continuously enhances the level of liquidity risk management. By managing the liquidity risk through monitoring the maturity of assets and liabilities, the Bank is simultaneously monitoring several liquidity indicators. The Bank also makes an estimate of the capital liquidity for all branches and conducts an analysis on the liquidity situation on a monthly basis. The Bank develops stress tests for liquidity risk on a quarterly basis. In such regard, it can ensure that the Bank has sufficient liquidity. In 2014, the Bank met all the requirements set out by the regulator in terms of primary regulatory liquidity indicators, and was not exposed to liquidity risk.

The analysis on the Bank's assets and liabilities as at 31 December 2014 and 31 December 2013 based on the relevant remaining due date for repayment is as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014							
	Indefinite	Repayable on demand	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Total assets	57,381,612	28,974,832	29,639,596	46,178,394	168,171,950	140,248,138	32,775,992	503,370,514
Total liabilities	—	(95,569,631)	(74,362,214)	(49,990,792)	(150,714,457)	(91,862,962)	(4,736,973)	(467,237,029)
Net Position	57,381,612	(66,594,799)	(44,722,618)	(3,812,398)	17,457,493	48,385,176	28,039,019	36,133,485

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2013							
	Indefinite	Repayable on demand	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Total assets	51,112,966	19,920,755	23,804,321	21,635,734	95,266,185	112,084,462	31,607,744	355,432,167
Total liabilities	—	(98,853,939)	(27,730,485)	(35,141,833)	(113,360,145)	(57,338,328)	(1,536,999)	(333,961,729)
Net position	51,112,966	(78,933,184)	(3,926,164)	(13,506,099)	(18,093,960)	54,746,134	30,070,745	21,470,438

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### V. Market Risk Management

The Bank's market risk management aims at maximising the revenue upon realising risk adjustment. The market risk to which the Bank is exposed mainly comes from the assets and liabilities in the balance sheet, as well as the off-balance sheet commitment and guarantee. The Bank strives to have the potential losses arising from market risk under the Bank's control by taking market risk management measures including authorisation, credit facility, risk exposure limits and the monitoring and reporting mechanism.

#### 1. Interest Rate Risk

Management of interest rate risk mainly aims at reducing the potential adverse impact on the net interest income and market value due to the change in the interest rate.

The Bank's interest rate risk mainly includes the re-pricing risk and risk of capital trading position in commercial banking business. Re-pricing risk is also called the risk of maturity mismatching and is also the most important and the most common form of interest rate risk, originating from the difference in the maturity (as for fixed interest rate) of bank's assets, liabilities and off-balance sheet business or maturity of re-pricing (as for floating interest rate). The asymmetry of re-pricing facilitates leads to the change of a bank's revenue or market value, following the change in the interest rate.

The Bank regularly conducts sensitivity analysis on asset-liability gap and interest rate, timely adjusts the price of internal capital transfer and ensures that the Bank's revenue and market value will continue to rise.

The following table shows the distribution of assets and liabilities at the end of the Reporting Period pursuant to the next re-pricing date (or the maturity date, whichever is earlier):

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Total assets	503,370,514	11,038,833	286,634,119	101,200,971	79,874,110	24,622,481
Total liabilities	(467,237,029)	(10,362,629)	(218,191,067)	(146,638,453)	(87,460,822)	(4,584,058)
Asset-liability gap	36,133,485	676,204	68,443,052	(45,437,482)	(7,586,712)	20,038,423

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2013					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Total assets	355,432,167	7,487,479	235,303,990	39,911,355	50,395,834	22,333,509
Total liabilities	(333,961,729)	(6,712,068)	(167,805,628)	(109,835,143)	(48,208,869)	(1,400,021)
Asset-liability gap	21,470,438	775,411	67,498,362	(69,923,788)	2,186,965	20,933,488

### 2. Interest Rate Sensitivity Analysis

The Bank adopts the sensitivity analysis to measure the potential impact on its net profits and other comprehensive income by the changes in the interest rate. The dates shown in the following table are the days on which the Bank conducted the sensitivity analysis based on such assets and liabilities as of the same dates:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014	As at 31 December 2013
	Increase/ (decrease)	Increase/ (decrease)
Change in profit after taxation		
Up 100 basis points parallel shift in yield curves	295,372	243,092
Down 100 basis points parallel shift in yield curves	(295,372)	(243,092)

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

	As at 31 December 2014	As at 31 December 2013
(Expressed in thousands of Renminbi, unless otherwise stated)	Increase/ (decrease)	Increase/ (decrease)
Change in equity		
Up 100 basis points parallel shift in yield curves	(315,622)	(178,461)
Down 100 basis points parallel shift in yield curves	358,558	211,572

### 3. **Currency Risk**

The Bank adopts the sensitivity analysis to measure the potential impact produced on our net profits by the changes in the exchange rate. The dates shown in the following table are the days on which we conducted the sensitivity analysis result based on such assets and liabilities as of the same dates:

	As at 31 December 2014	As at 31 December 2013
(Expressed in thousands of Renminbi, unless otherwise stated)	Increase/ (decrease)	Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 basis points change of foreign exchange rate	8,994	60
Down 100 basis points change of foreign exchange rate	(8,994)	(60)

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 6.7 ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the CBRC. As at 31 December 2014, the Bank's capital adequacy ratios at all tiers met, on average, the regulatory requirements under such new regulation. As at 31 December 2014, the Bank's Core Tier-one capital adequacy ratio and Tier-one capital adequacy ratio were both 11.04%, 0.97 percentage point higher than those at the end of the previous year; the capital adequacy ratio was 12.65%, 1.48 percentage points higher than that at the end of the previous year.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014	As at 31 December 2013
<b>Core capital</b>		
— Share capital	5,646,005	4,096,005
— Qualifying portion of capital reserve	11,106,917	3,822,383
— Surplus reserve	2,733,397	1,709,163
— General reserve	3,545,733	3,317,751
— Investment revaluation reserve	567,881	(251,534)
— Retained earnings	12,101,929	8,358,813
— Qualifying portions of non-controlling interests	351,811	412,750
— Others	(2,309)	2,830
<b>Core Tier-one Capital</b>	36,051,364	21,468,161
Core Tier-one Capital deductions	(55,966)	(53,033)
<b>Net Core Tier-one Capital</b>	35,995,398	21,415,128
Other Tier-one Capital	—	—
<b>Net Tier-one Capital</b>	35,995,398	21,415,128
Tier-two Capital		
— Qualifying portions of tier-two capital instruments issued	2,920,000	810,000
— Surplus provision for loan impairment	2,318,931	1,529,072
— Core Tier-two Capital deductions	—	—
<b>Net Tier-two Capital</b>	5,238,931	2,339,072
<b>Net Capital base</b>	41,234,329	23,754,200
Total risk weighted assets	325,922,846	212,674,655
Core Tier-one Capital adequacy ratio	11.04%	10.07%
Tier-one Capital adequacy ratio	11.04%	10.07%
Capital adequacy ratio	12.65%	11.17%

# **SIGNIFICANT EVENTS**

## **RELATED PARTY TRANSACTIONS**

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

## **MATERIAL LITIGATION AND ARBITRATION**

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

## **PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the China Securities Regulatory Commission (the "CSRC") or the CBRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

## **ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER**

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

## SIGNIFICANT EVENTS (Continued)

### APPOINTMENTS OF EXTERNAL AUDITORS

The Board proposed to re-appoint Pan-China Certified Public Accountants as the Bank's domestic auditors for the year 2014 and such re-appointment was approved at the 2013 annual general meeting of the Bank held on 30 May 2014 (the "2013 AGM") with a service term of one year.

The Board further proposed to appoint KPMG as the Bank's international auditors for the initial public offering and the listing of H Shares and such appointment was approved at the 2013 AGM.

As resolved at the Board meeting held on 25 March 2015, in order to maintain consistency between domestic and international auditors of the Bank, an ordinary resolution will be proposed at the Bank's forthcoming 2014 annual general meeting on 26 May 2015 (the "2014 AGM") that, KPMG Huazhen (Special General Partnership) and KPMG would be engaged as the domestic and international auditors of the Bank, respectively, for the year of 2015 with a term expiring upon the conclusion of the 2015 annual general meeting of the Bank, the Board be authorised to determine their remunerations, and Pan-China Certified Public Accountants would not be re-engaged as the domestic auditors of the Bank for the year of 2015 with effect from the date of passing the relevant resolution. Please refer to the announcement published by the Bank on 25 March 2015 for further details.

### SUBSEQUENT EVENTS

#### Partial Exercise of Over-Allotment Option

Reference is made to the announcement published by the Bank on 16 January 2015 in respect of partial exercise of the over-allotment option. The over-allotment option was partially exercised in respect of an aggregate of 165,742,500 H Shares.

#### Acquisition of 20% of the Entire Issued and Paid-Up Share Capital of Huaxin Trust Co., Ltd.

On 1 April 2015, the Bank and Huaxin Huiton Group Limited ("Huaxin Huiton Group") entered into a sale and purchase agreement, pursuant to which the Bank has agreed to acquire, and Huaxin Huiton Group has agreed to sell, 20% of the entire issued and paid-up share capital of Huaxin Trust Co., Ltd. (the "Acquisition").

## **SIGNIFICANT EVENTS (Continued)**

The consideration for the Acquisition is RMB3,168 million (equivalent to approximately HK\$3,960 million), which was negotiated on an arm's length basis between the Bank and Huaxin Huiton Group. The consideration will be settled by internal funds of the Bank.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Bank under the Listing Rules and will be subject to the reporting and announcement requirements, but are exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Please refer to the announcement published by the Bank regarding the Acquisition on 1 April 2015 for further details.

Completion of the Acquisition is on the condition that all the necessary governmental approvals or filings in relation to the Acquisition have been obtained or made.

### **Withdrawal of A-share Listing Application**

Reference is made to the announcement published by the Bank on 27 March 2015. As the Bank's H Shares have been successfully listed on the Main Board of the Hong Kong Stock Exchange, the Bank and the sponsor to the Bank's A-share listing application submitted an application to the CSRC for withdrawal of the Bank's A-share listing application in March 2015, and the CSRC has approved the application for withdrawal on 18 March 2015.

## **PUBLICATION OF ANNUAL REPORT**

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

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

	31 December 2013		Changes during the Reporting Period			31 December 2014	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares legal persons	3,974,256,639	97.03	300,000,000	(125,000,000)	175,000,000	4,149,256,639	73.49
Of which:							
1. Shareholding of state-owned legal persons	855,810,600	20.89		(125,000,000) <sup>(2)</sup>	(125,000,000)	730,810,600	12.94
2. Shareholding of private legal persons	3,118,446,039	76.14	300,000,000 <sup>(1)</sup>		300,000,000	3,418,446,039	60.55
2. Shareholding of Domestic Shares natural persons	121,748,561	2.97				121,748,561	2.16
3. H Shares			1,250,000,000	125,000,000	1,375,000,000	1,375,000,000	24.35
<b>Total</b>	<b>4,096,005,200</b>	<b>100.00</b>	<b>1,550,000,000</b>		<b>1,550,000,000</b>	<b>5,646,005,200</b>	<b>100.00</b>

Note: (1) Following the capital injection by Beijing Zhaotai, the Bank's share capital was increased from RMB4,096,005,200 to RMB4,396,005,200 divided into 4,396,005,200 Domestic Shares of nominal value of RMB1.00 each, which was credited as fully paid up.

(2) In accordance with the relevant PRC rules regarding disposal of state-owned shares, 37 state-owned Shareholders, including Shenyang Hengxin, Shenyang Wuai Industry Company Limited (瀋陽五愛實業有限公司) and Shenyang Hengxin Investment Management Company Limited (瀋陽恒信投資管理有限公司) transferred 125,000,000 Shares to the National Council for Social Security Fund of the PRC upon the listing.

(3) On 16 January 2015, the over-allotment option was partially exercised in respect of 165,742,500 H Shares, which was not taken into account as at the end of the Reporting Period.

## ISSUANCE AND LISTING OF SECURITIES

The Bank's H Shares have been listed and traded on the Main Board of the Hong Kong Stock Exchange since the Listing Date. The Bank issued and the Shareholders of state-owned shares of the Bank sold an aggregate of 1,540,742,500 H Shares (including 165,742,500 H Shares issued and sold pursuant to the over-allotment option partially exercised on 16 January 2015) in the initial public offering of the Bank at an offer price of HK\$7.56 per Share.

The Bank raised approximately HK\$11,648.01 million from the initial public offering, which, after deduction of the net proceeds from the sale of Shares by the Shareholders of state-owned shares of the Bank and the fees and expenses relating to the offering, has been used to replenish its capital base. Immediately following the completion of the initial public offering and the partial exercise of the over-allotment option, the share capital of the Bank was 5,796,680,200, comprising 4,255,937,700 Domestic Shares and 1,540,742,500 H Shares, and the paid-in capital of the Bank amounted to RMB5,796,680,200.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

### ISSUANCE OF DEBT SECURITIES

#### 1. Debt Securities Issued

The Bank issued ten-year subordinated bonds in 2011 with an aggregate principal amount of RMB900 million and an interest rate of 6.50% per annum. Such subordinated bonds will be due on 4 November 2021.

In 2014, the Bank issued ten-year Tier 2 capital bonds, with an aggregate principal amount of RMB2.2 billion and an annual interest rate of 6.18%. The Tier 2 capital bonds will be due on 30 May 2024.

#### 2. Proposed Issuance of Debt Securities

The Board has resolved that, subject to obtaining shareholders' approval at the 2014 annual general meeting of the Bank and obtaining necessary approvals from the CBRC and other regulatory authorities, the Bank will issue the following debt securities to the members of the inter-bank bond market in China:

- (i) financial bonds in an aggregate principal amount of up to RMB7 billion, with a term of maturity of less than five years (inclusive) and a fixed interest rate to be determined through a public tender process.

The proceeds from the issuance of such bonds will be used for loans to small and miniature enterprises. An announcement regarding such proposed issuance of financial bonds was published by the Bank on 24 January 2015; and

- (ii) financial bonds in an aggregate principal amount of up to RMB10 billion, with a term of maturity of less than five years (inclusive) and an interest rate to be determined by the senior management of the Bank, subject to the authorisation by the Board and based on the investors' demand, the market environment and the operation of the Bank at the time of issuance of such bonds. The proceeds from the issuance of such bonds will be used to replenish the Bank's medium-and long-term liquidity. An announcement regarding such proposed issuance of financial bonds has been published by the Bank on 25 March 2015.

The Board has further resolved that, subject to obtaining shareholders' approval at the 2014 annual general meeting of the Bank and obtaining necessary governmental approvals, the Bank will issue Renminbi-denominated bonds in an aggregate principal amount of up to RMB1.5 billion to overseas investors, with a term of maturity of less than five years (inclusive) and an interest rate to be determined by the senior management of the Bank, subject to the authorisation by the Board and based on the investors' demand, the market environment and the operation of the Bank at the time of issuance of such bonds. The proceeds from the issuance of such bonds will be used to replenish the Bank's medium-and long-term liquidity. An announcement regarding such proposed issuance of Renminbi-denominated bonds has been published by the Bank on 25 March 2015.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

### PARTICULARS OF SHAREHOLDINGS

At the end of the Reporting Period, the Bank had a total of 5,646,005,200 Shares, comprising 4,271,005,200 Domestic Shares and 1,375,000,000 H Shares.

Particulars of Shareholdings of the Top Ten Shareholders of Domestic Shares on 31 December 2014

No.	Name of Shareholder	Nature of Shareholder	Total number of Shares held	Shareholding percentage (%)	Number of Shares pledged
1	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. ("Shenyang Hengxin")	State-owned	479,853,940	8.50	0
2	Liaoning Huibao International Investment Group Co., Ltd. ("Huibao International")	Private	400,000,000	7.08	0
3	Xinhu Zhongbao Co., Ltd. ("Xinhu Zhongbao")	Private	300,000,000	5.31	0
4	Founder Securities Co., Ltd. ("Founder Securities")	Private	300,000,000	5.31	0
5	Beijing Zhaotai Group Co., Ltd. ("Beijing Zhaotai")	Private	300,000,000	5.31	0
6	Shenyang Zhongyou Tianbao (Group) Materials and Equipment Co., Ltd. ("Zhongyou Tianbao")	Private	230,000,000	4.07	0
7	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	3.54	0
8	Luenmei Group Co., Ltd. (聯美集團有限公司)	Private	200,000,000	3.54	0
9	Jilin Huahai Energy Group Co., Ltd. (吉林華海能源集團有限公司)	Private	200,000,000	3.54	0
10	Shenyang Tonglian Group Co., Ltd. (瀋陽同聯集團有限公司)	Private	150,000,000	2.66	0
11	Beijing Aojitong Investment (Group) Co., Ltd. (北京奧吉通投資(集團)有限公司)	Private	150,000,000	2.66	0
	Total		<u>2,909,853,940</u>	51.52	

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2014, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the H Shares and underlying Shares of the Bank as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Bondic International Holdings Limited	Beneficial owner	205,153,000 (Long position)	14.92	3.63
Cheung Chung Kiu <sup>(1)</sup>	Interest of a controlled corporation	205,153,000 (Long position)	14.92	3.63
Global High Growth Industries Fund Series SPC	Interest of a trustee	203,106,500 (Long position)	14.77	3.60
Suen Cho Hung, Paul	Beneficial owner	182,796,000 (Long position)	13.29	3.24
Shanghai International Trust Corp., Ltd.	Interest of a trustee	103,000,000 (Long position)	7.49	1.82
Chow Tai Fook Nominee Limited	Beneficial owner	102,576,500 (Long position)	7.46	1.82
Cheng Yu Tung <sup>(2)</sup>	Interest of a controlled corporation	102,576,500 (Long position)	7.46	1.82
Zhang Xingmei	Beneficial owner	101,550,000 (Long position)	7.39	1.80
Shunyi International Trade Co., Ltd.	Beneficial owner	92,785,000 (Long position)	6.75	1.64
Hwabao Trust Co., Ltd.	Interest of a trustee	90,000,000 (Long position)	6.55	1.59
HNA Group (International) Company Limited	Beneficial owner	81,240,000 (Long position)	5.91	1.44
Chinese Meng Group Co., Limited	Beneficial owner	68,934,500 (Long position)	5.01	1.22
Meng Guangbao <sup>(3)</sup>	Interest of a controlled corporation	68,934,500 (Long position)	5.01	1.22

Notes: (1) Bondic International Holdings Limited held 205,153,000 H Shares of the Bank. Bondic International Holdings Limited was wholly owned by Cheung Chung Kiu. By virtue of the SFO, Cheung Chung Kiu is deemed to be interested in the Shares held by Bondic International Holdings Limited.

(2) Chow Tai Fook Nominee Limited held 102,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was wholly owned by Cheng Yu Tung. By virtue of the SFO, Cheng Yu Tung is deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

(3) Chinese Meng Group Co., Limited held 68,934,500 H Shares of the Bank. Chinese Meng Group Co., Limited was wholly owned by Meng Guangbao. By virtue of the SFO, Meng Guangbao is deemed to be interested in the Shares held by Chinese Meng Group Co., Limited.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

As at 31 December 2014, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the Domestic Shares and underlying Shares of the Bank as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares (%)	Percentage of the total share capital of the Bank (%)
Shenyang Hengxin	Beneficial owner	479,853,940 (Long position)	11.24	8.50
Shenyang Industrial Investment Development Group Co., Ltd. <sup>(1)</sup>	Interest of a controlled corporation	479,853,940 (Long position)	11.24	8.50
Huibao International	Beneficial owner	400,000,000 (Long position)	9.37	7.08
Beijing Jiutai Group Co., Ltd. <sup>(2)</sup>	Interest of a controlled corporation	400,000,000 (Long position)	9.37	7.08
Li Yuguo <sup>(2)</sup>	Interest of a controlled corporation	400,000,000 (Long position)	9.37	7.08
Xinhu Zhongbao	Beneficial owner	300,000,000 (Long position)	7.02	5.31
Zhejiang Xinhu Group Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.02	5.31
Huang Wei <sup>(3)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.02	5.31
Founder Securities	Beneficial owner	300,000,000 (Long position)	7.02	5.31
Peking University Founder Group Co., Ltd. <sup>(4)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.02	5.31
Peking University Asset Management Company Limited <sup>(4)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.02	5.31
Beijing Zhaotai	Beneficial owner	300,000,000 (Long position)	7.02	5.31
Beijing Zhaotai Holding Co., Ltd. <sup>(5)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.02	5.31
Mu Qiru <sup>(5)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.02	5.31
Zhongyou Tianbao	Beneficial owner	230,000,000 (Long position)	5.39	4.07
Liu Xinfu <sup>(6)</sup>	Interest of a controlled corporation	230,000,000 (Long position)	5.39	4.07

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

### Notes:

- (1) Shenyang Hengxin was wholly owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. is deemed to be interested in the Shares held by Shenyang Hengxin.
- (2) Huibao International was wholly owned by Beijing Jiutai Group Co., Ltd. (北京九台集團有限公司), which was in turn owned as to 70% by Li Yuguo (李玉國). By virtue of the SFO, each of Beijing Jiutai Group Co., Ltd. and Li Yuguo is deemed to be interested in the Shares held by Huibao International.
- (3) Xinhua Zhongbao was owned as to 55.76% by Zhejiang Xinhua Group Co., Ltd. (浙江新湖集團股份有限公司), which was in turn owned as to 67.22% by Huang Wei (黃偉). By virtue of the SFO, each of Zhejiang Xinhua Group Co., Ltd. and Huang Wei is deemed to be interested in the Shares held by Xinhua Zhongbao.
- (4) Founder Securities was owned as to 30.55% by Peking University Founder Group Co., Ltd. (北大方正集團有限公司), which was in turn owned as to 70% by Peking University Asset Management Company Limited (北大資產經營有限公司). By virtue of the SFO, each of Peking University Founder Group Co., Ltd. and Peking University Asset Management Company Limited is deemed to be interested in the Shares held by Founder Securities.
- (5) Beijing Zhaotai was owned as to 41.60% and 38.50% by Mu Qiru (穆麒麟) and Beijing Zhaotai Holding Co., Ltd. (北京兆泰控股有限公司), which was in turn owned as to 70% by Mu Qiru (穆麒麟). By virtue of the SFO, each of Beijing Zhaotai Holding Co., Ltd. and Mu Qiru is deemed to be interested in the Shares held by Beijing Zhaotai.
- (6) Zhongyou Tianbao was owned as to 80% by Liu Xinfu (劉新發). By virtue of the SFO, Liu Xinfu is deemed to be interested in the Shares held by Zhongyou Tianbao.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2014 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

## SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Shenyang Hengxin, Huibao International, Xinhua Zhongbao, Founder Securities and Beijing Zhaotai held 479,853,940 Shares, 400,000,000 Shares, 300,000,000 Shares, 300,000,000 Shares and 300,000,000 Shares of the Bank, respectively, representing 8.50%, 7.08%, 5.31%, 5.31% and 5.31% of the Bank's total share capital, respectively.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Basic Information of Directors, Supervisors and Senior Management as at the Latest Practicable Date

Name	Age	Position
Ms. ZHANG Yukun (張玉坤)	59	Executive Director, Chairperson of the Board
Mr. WANG Chunsheng (王春生)	54	Executive Director, President
Mr. ZHAO Guangwei (趙光偉)	51	Executive Director, Vice president
Mr. WANG Yigong (王亦工)	49	Executive Director, Vice president and chief risk officer
Mr. WU Gang (吳剛)	45	Executive Director, Vice president
Mr. LI Jianwei (李建偉)	55	Non-executive Director
Mr. LI Yuguo (李玉國)	61	Non-executive Director, Vice Chairman of the Board
Mr. ZHAO Weiqing (趙偉卿)	56	Non-executive Director
Ms. YANG Yuhua (楊玉華)	52	Non-executive Director
Mr. LIU Xinfa (劉新發)	56	Non-executive Director
Mr. YU Yongshun (于永順)	65	Independent Non-executive Director
Mr. LAU Chi Pang (劉智鵬)	55	Independent Non-executive Director
Mr. BA Junyu (巴俊宇)	60	Independent Non-executive Director
Mr. SUN Hang (孫航)	49	Independent Non-executive Director
Mr. DING Jiming (丁繼明)	51	Independent Non-executive Director
Mr. YANG Lin (楊林)	54	Employee Representative Supervisor, Chairman of the Board of Supervisors
Mr. HAN Xuefeng (韓學豐)	45	Employee Representative Supervisor, Vice Chairman of the Board of Supervisors
Mr. SHI Yang (石陽)	50	Employee Representative Supervisor
Mr. CHEN Zhaogui (陳招貴)	58	Shareholder Representative Supervisor
Mr. PAN Wenge (潘文戈)	49	Shareholder Representative Supervisor
Ms. SUN Yi (孫奕)	61	Shareholder Representative Supervisor
Mr. HUANG Liangkuai (黃良快)	73	External Supervisor
Mr. ZHOU Zheren (周喆人)	38	External Supervisor
Mr. WEN Zhaoye (溫兆曄)	41	External Supervisor
Mr. HU Guang (胡光)	56	Chief internal auditor
Mr. SUN Yongsheng (孫永生)	55	Vice president
Mr. ZHANG Yi (張翼)	45	Chief information officer
Mr. LIU Zhiyan (劉志岩)	55	Chief financial officer
Mr. ZHOU Zhi (周峙)	47	Secretary of the Board

## CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Changes in Directors

Upon election at the 2013 annual general meeting of the Bank, Ms. ZHANG Yukun, Mr. WANG Chunsheng, Mr. ZHAO Guangwei and Mr. WANG Yigong were re-elected as executive Directors of the Bank; Mr. LI Jianwei, Mr. LI Yuguo and Mr. LIU Xinfa were re-elected as non-executive Directors of the Bank; Mr. BA Junyu was re-elected as an independent non-executive Director of the Bank.

Upon election at the 2013 annual general meeting of the Bank and the approval by the CBRC Liaoning Bureau, Mr. WU Gang commenced his position as an executive Director of the Bank from 20 June 2014; Mr. ZHAO Weiqing and Ms. YANG Yuhua commenced their positions as non-executive Directors of the Bank from 20 June 2014; Mr. YU Yongshun, Mr. SUN Hang and Mr. DING Jiming commenced their positions as independent non-executive Directors of the Bank from 20 June 2014; Mr. LAU Chi Pang commenced his position as an independent non-executive Director of the Bank from 10 July 2014.

Upon the conclusion of the 2013 annual general meeting of the Bank, Mr. HU Guang, Mr. JIANG Baisan, Mr. SU Zhuangqiang, Mr. CHEN Zhaogui, Ms. SUN Yi, Mr. LV Yihuan, Mr. BAO Zhendong, Mr. LIU Xue, Mr. SUN Ping and Mr. CUI Wantian ceased to serve as Directors of the Bank.

### 2. Changes in Supervisors

At the employee representative conference of the Bank dated 7 May 2014, Mr. YANG Lin and Mr. HAN Xuefeng were re-elected as employee representative Supervisors of the Bank.

At the employee representative conference of the Bank dated 7 May 2014, Mr. SUN Yongsheng was elected as an employee representative Supervisor of the Bank. Upon election at the 2013 annual general meeting of the Bank, Mr. CHEN Zhaogui, Mr. PAN Wenge and Ms. SUN Yi were elected as shareholder representative Supervisors of the Bank; Mr. HUANG Liangkuai, Mr. ZHOU Zheren and Mr. WEN Zhaoye were elected as external Supervisors of the Bank.

Upon the conclusion of the 2013 annual general meeting of the Bank, Mr. HUANG Yongjiu, Mr. LIU Zhiyan, Mr. ZHAO Weiqing, Mr. YU Haobo, Ms. MA Huili, Mr. BAO Lijun, Mr. ZHANG Dianhua, Mr. WANG Guanglin and Mr. LI Shouhuai ceased to serve as Supervisors of the Bank.

Due to the then expected appointment as a vice president of the Bank, Mr. SUN Yongsheng would not be qualified and thus resigned as an employee representative Supervisor of the Bank on 11 June 2014. At the employee representative conference of the Bank dated 11 June 2014, Mr. SHI Yang was elected as an employee representative Supervisor of the Bank.

### 3. Changes in Senior Management

Upon re-appointments at the Board meeting dated 20 June 2014, Mr. WANG Chunsheng was re-appointed as the president of the Bank; Mr. ZHAO Guangwei, Mr. WANG Yigong and Mr. WU Gang were re-appointed as vice presidents of the Bank; Mr. HU Guang was re-appointed as the chief internal auditor of the Bank; Mr. WANG Yigong was re-appointed as the chief risk officer of the Bank; Mr. ZHANG Yi was re-appointed as the chief information officer of the Bank.

Upon appointments at the Board Meeting dated 20 June 2014 and the approval by the CBRC Liaoning Bureau, Mr. SUN Yongsheng commenced his position as a vice president of the Bank from 18 September 2014; Mr. LIU Zhiyan commenced his position as the chief financial officer of the Bank from 18 September 2014.

### 4. Change in Secretary of the Board

Mr. BAO Hong resigned as the secretary of the Board, a joint company secretary and an authorised representative of the Bank with effect from 2 February 2015, and Mr. ZHOU Zhi was appointed as the secretary of the Board, a joint company secretary and an authorised representative of the Bank with effect from 2 February 2015. An announcement was published by the Bank regarding such changes on 3 February 2015.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Biographies of Directors

#### *Executive Directors*

**Ms. ZHANG Yukun (張玉坤)**, aged 59, has been appointed as an executive Director and secretary to the party committee of the Bank since August 2002, and chairperson of the Board since March 2008. She is primarily responsible for the overall operations and strategies of the Bank. In addition, Ms. Previously served as president of the Bank during the periods from August 2002 to March 2008 and from August 2009 to August 2013. She is also currently a deputy to the 12th National People's Congress, and has been a member of the Standing Committee of the Political Consultative Conference of Liaoning Province since 2013.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Ms. Zhang has over 25 years of experience in banking business operation and management. She joined the Bank in April 1999. From April 1999 to August 2002, she held a number of management positions in the Bank, including vice president, (managing) vice president, deputy secretary to the party committee and president. Prior to joining the Bank, she held various positions in the Liaoning branch of Industrial and Commercial Bank of China, one of the largest commercial banks in China, including secretary to the policy research office, assistant to general manager, deputy general manager and general manager of the business division, as well as the chief of the Peony Card business division from September 1989 to April 1999. She was an assistant researcher at the Economics Research Institute of Liaoning Academy of Social Sciences (遼寧社會科學院經濟研究所) from August 1982 to September 1989. In addition, she has also served as a council member of the Clearing Centre for City Commercial Banks since 2002, the chairman of the sixth council and deputy chairman of the seventh council of the Liaoning Banking Association since 2011, and a member of the Fifth Advisory Committee for Policy Decision of the People's Government of Liaoning Province since 2012.

Ms. Zhang graduated from the department of economics of Liaoning University (遼寧大學) (Liaoning, PRC) in July 1982, majoring in political economics. She has been a senior economist as accredited by the Senior Economist Evaluation Committee of the Industrial and Commercial Bank of China since March 1999. In addition, Ms. Zhang has also obtained various awards including "2008 Chinese Banking Industry Figure" (2008年度中國銀行業人物) granted by China Finance Research Institute and China Finance Net, "Top 10 Figures for the Revitalisation of Liaoning Province" (遼寧省十大振興人物) by Development and Research Centre of the People's Government of Liaoning Province, Liaoning Academy of Social Sciences and Liaoning Daily Newspaper Media Group, and Provincial Labor Model (省勞動模範) by the People's Government of Liaoning Province.

**Mr. WANG Chunsheng (王春生)**, aged 54, has been appointed as an executive Director of our Bank since November 2009 and president of our Bank since August 2013. He is primarily responsible for the daily operations and management of our Bank.

Mr. Wang has over 30 years of experience in banking business operation and management. He joined our Bank in September 1997. From September 1997 to May 1998, he worked as deputy chief of the planning office of our Zhongshan Sub-branch. From May 1998 to January 2002, he served as (managing) vice president of our Beizhan Sub-branch. From January 2002 to July 2005, he became president of our Huashan Sub-branch. He worked as general manager of the integrated funds planning department of our Bank from July 2005 to March 2008, and served as vice president of our Bank from March 2008 to August 2013. Prior to joining our Bank, he successively held various positions at Tieling Branch of China Construction Bank Corporation, one of the largest commercial banks in China, from August 1983 to September 1997, including staff member at the integrated office, deputy chief of the integrated office and deputy director of the credit and loan department.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. Wang graduated from Dongbei University of Finance and Economics (Liaoning, PRC) in July 1989, majoring in infrastructure finance (correspondence course), and received a master's degree in business administration from Jilin University of Technology (Jilin, PRC) in November 2000. He has been a senior economist as accredited by the Personnel Office of Liaoning Province since October 2006.

**Mr. ZHAO Guangwei (趙光偉)**, aged 51, has been appointed as an executive Director of our Bank since November 2009 and a vice president of our Bank since March 2008. He also concurrently worked as president and secretary to the party committee of our Shenyang Branch from January 2009 to January 2013. He is primarily in charge of our financial market operation centre, compliance department and the business department of our headquarter, as well as matters relating to our county banks.

Mr. Zhao has over 25 years of experience in banking business operation and management. He joined the Huangsi Credit Cooperative of Shenyang Cooperative Bank (瀋陽合作銀行), our predecessor, in October 1987. From October 1987 to January 1999, he worked as a staff member, head of office and vice president of the Huangsi Sub-branch of our Bank (including its predecessor, the Huangsi Credit Cooperative of Shenyang Cooperative Bank). After that, he worked as assistant to president, (managing) vice president and president of our Yaming Sub-branch from January 1999 to January 2005, during which he also worked as president of our Xianggong Sub-branch from January 2002 to January 2005. He then served as general manager of the business department of our Bank from January 2005 to July 2006, during which he also served as president of our Faku Sub-branch from September 2005 to July 2006. From July 2006 to March 2008, he worked as general manager of the sales department of our Bank.

Mr. Zhao received a master's degree in economic management from Liaoning University (Liaoning, PRC) in March 1999, and a master's degree in business administration from California American University (California, U.S.) (distance learning) in November 2002. He has been a senior economist as accredited by the Department of Human Resources and Social Security of Liaoning Province since September 2010.

**Mr. WANG Yigong (王亦工)**, aged 49, has been appointed as an executive Director of our Bank since August 2013 and vice president and chief risk officer of our Bank since January 2013. He is primarily in charge of our risk control centre, international banking department, legal department and development strategies research centre and take charge of the risk control management of our Bank.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. Wang has over 30 years of experience in banking business operation and management. He joined our Bank in June 1998 and served as deputy general manager of the asset security department of our Bank from June 1998 to January 2001. From January 2001 to February 2002, he worked as (managing) vice president of our Liaoshen Sub-branch. He then served as president of our Zhenghao Sub-branch from February 2002 to January 2006, during which he also worked as president of our Liaoshen Sub-branch from February 2002 to February 2003. He held the position of general manager of the credit and loan management department of our Bank from January 2006 to January 2013, during which he also served as head of the development strategies research centre of our Bank from January 2009 to January 2013. Prior to joining our Bank, he successively worked as a cashier, a credit clerk and deputy head of credit office at the Tiexi Office of Industrial and Commercial Bank of China in Shenyang from December 1984 to June 1998.

Mr. Wang graduated from The Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in November 2002, majoring in finance. He has been an economist as accredited by the PRC Ministry of Personnel since June 1995.

**Mr. WU Gang (吳剛)**, aged 45, has been appointed as an executive Director of our Bank since May 2014 and a vice president of our Bank since January 2013. He has been president of our Beijing Branch since August 2009. He is assisting in the management of the corporate business and responsible for the daily operation and management of our Beijing Branch.

Mr. Wu has over 25 years of experience in banking business operation and management. He joined the Shenhe City Credit Cooperative of Shenyang Cooperative Bank, our predecessor, in June 1989. From June 1989 to May 1998, he served as a staff member at the Shenhe City Credit Cooperative of Shenyang Cooperative Bank and the Nanhu Sub-branch of our Bank (including its predecessor). From May 1998 to February 2001, he worked as assistant to president of our Nanhu Sub-branch. From February 2001 to February 2003, he successively worked as assistant to general manager and deputy general manager of the asset security department of our Bank. From February 2003 to January 2007, he successively served as (managing) vice president and president of our Taishan Sub-branch. From January 2007 to January 2009, he successively held the positions of president of our Yaming Sub-branch and president of our Shenhe Sub-branch. After that, he worked as deputy director of the preparatory office of Shenyang business operation department of our Bank from January 2009 to August 2009.

Mr. Wu graduated from the Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in June 2003, majoring in finance. He has been an economist as accredited by the Personnel Office of Liaoning Province since November 1997.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

### **Non-executive Directors**

**Mr. LI Jianwei (李建偉)**, aged 55, has been appointed as a non-executive Director of our Bank since June 2006. He has been the chairman of the board and general manager of Shenyang Hengxin since July 2004, and deputy general manager of Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司) since July 2013. Prior to that, he successively worked as chief of the asset revenues (property rights) division at Shenyang Finance Bureau from December 2001 to July 2004, deputy chief of the administrative affairs and resources division and chief of capital operation division at Shenyang State-owned Assets Supervision and Administration Commission from March 1994 to December 2001, and principal staff and deputy chief of the accounting division at Shenyang Finance Bureau from March 1985 to March 1994.

Mr. Li graduated from Liaoning University (Liaoning, PRC) in December 1991, majoring in industrial enterprise management, and received a master's degree in philosophy of Marxism from Liaoning University (Liaoning, PRC) in June 2000. He has been a non-practicing member of Liaoning Public Certified Accountants Association since December 2009.

**Mr. LI Yuguo (李玉國)**, aged 61, has been appointed as a non-executive Director of our Bank since July 2013 and the vice chairman of the Board since June 2014. He has been the chairman of Huibao International since June 2013 and the chairman of Beijing Jiutai Group Co., Ltd. (北京九台集團有限公司) since May 1993. Prior to that, he successively worked at the planning bureau of the China Association for Science and Technology (中國科學技術協會) as principal staff, deputy chief and chief of the accounting division from August 1983 to October 1992.

Mr. Li graduated from Jiangxi University of Finance and Economics (formerly known as Jiangxi Institute of Finance and Economics (江西財經學院)) (Jiangxi, PRC) in July 1983, majoring in industrial accounting.

**Mr. ZHAO Weiqing (趙偉卿)**, aged 56, has been appointed as a non-executive Director of our Bank since May 2014. He has also served as our shareholders representative Supervisor from March 2008 to May 2014. He has been the vice chairman of the board and president of Xihu Zhongbao since October 2009 and was the vice president of Xihu Zhongbao from May 2007 to October 2009. He has been the general manager of Shenyang Xihu Real Estate Development Co., Ltd. (瀋陽新湖房地產開發有限公司) since September 2002 and served as the executive deputy manager of Zhejiang Xihu Real Estate Group Co., Ltd. (浙江新湖房地產集團有限公司) from October 1998 to September 2002. He worked as a teacher and director of the training department at Zhejiang Provincial Government School of the Chinese Communist Party (中共浙江省省級機關黨校) from July 1986 to October 1998.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. Zhao graduated from Hangzhou Normal University (formerly known as Hangzhou Normal College (杭州師範學院)) (Zhejiang, PRC) in August 1980, majoring in physics, and graduated from the Party School of the Zhejiang Committee of the Chinese Communist Party (中共浙江省委黨校) (Zhejiang, PRC), majoring in political economics in July 1986. He has been accredited as a lecturer by the Teachers' Qualification Accreditation Committee of Chinese Communist Party Zhejiang Provincial Committee (中共浙江省委教師職務評審委員會) since March 1991.

**Ms. YANG Yuhua (楊玉華)**, aged 52, has been appointed as a non-executive Director of our Bank since May 2014. She has been deputy manager of the financial department of Beijing Zhaotai since January 2013. Prior to that, she served as the chief financial officer at Saizhi (Tianjin) Properties Co., Ltd. (賽智(天津)置業有限公司) from June 2006 to January 2013. From December 2001 to June 2006, she served as deputy manager of the inter-bank market department and senior investment manager of the Investment Management Centre of New China Life Insurance Co., Ltd. (新華人壽保險股份有限公司投資管理中心). She successively served as deputy head, head and deputy chief of the funds division and the international business division of Inner Mongolia branch of Industrial and Commercial Bank of China from August 1983 to December 2001.

Ms. Yang obtained a master's degree in finance from Shaanxi Institute of Finance and Economics (陝西財經學院) (Shaanxi, PRC) in July 1999. She has been a senior economist as accredited by the PRC Ministry of Land and Resources since May 2003.

**Mr. LIU Xinfu (劉新發)**, aged 56, has been appointed as a non-executive Director of our Bank since June 2006 and was the vice chairman of our Bank from June 2006 to May 2014. He has been the chairman of the board at Zhongyou Tianbao since December 2000, and was the general manager of Zhongyou Tianbao from October 1996 to December 1998. Prior to that, He served as the general manager of the Multi-Operation Company of Northeast Oil Pipeline Administrative Bureau (東北輸油管理局多種經營公司) from August 1983 to October 1996. He currently is a director of a number of companies, including Tieling TIPO Petroleum Steel Pipe Co., Ltd. (鐵嶺天寶石油鋼管有限公司), Tieling Machinery & Equipment Manufacturing Co., Ltd. of CNPC (鐵嶺中油機械設備製造有限公司), Shanghai Xinfu International Terminal Co., Ltd. (上海新發國際碼頭有限公司), Beijing Baoshan Venture Commercial Trade Co., Ltd. (北京寶山創業商貿有限公司), and Grand Dynasty Hotel (北京新大宗飯店).

Mr. Liu graduated from the department of economy of Liaoning University (Liaoning, PRC) in July 1984, majoring in enterprise management and obtained a diploma of the Advanced Workshop on Leadership Skills (領導韜略高級研修班) from the school of continuing education of Tsinghua University in October 2008.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. Liu has served as vice chairman of Shenyang Rural Commercial Bank Co., Ltd. (瀋陽農村商業銀行股份有限公司) (“Shenyang Rural Commercial Bank”) since January 2012. Shenyang Rural Commercial Bank is a financial institution primarily engaging in commercial banking business in Shenyang. Shenyang Rural Commercial Bank engages in banking business in Shenyang, which competes with certain aspects of our business. On the basis that (i) Mr. Liu, as a non-executive director of Shenyang Rural Commercial Bank, does not participate in the daily operation and management of Shenyang Rural Commercial Bank, (ii) Shenyang Rural Commercial Bank has a management team independent of our Bank, and (iii) Mr. Liu is our non-executive Director and does not participate in our day-to-day management, we and our Directors consider that the roles of Mr. Liu acting as the vice chairman of Shenyang Rural Commercial Bank and a non-executive Director of our Bank at the same time do not have an impact on the business operation of our Bank.

### ***Independent Non-executive Directors***

**Mr. YU Yongshun (于永順)**, aged 65, has been appointed as an independent non-executive Director of our Bank since May 2014. Mr. Yu has been an independent director of Cinda Securities Co., Ltd. (信達證券股份有限公司) and chairman of the supervisory board of Huaxin Trust Co., Ltd. (華信信託股份有限公司) since November 2011, and an independent non-executive director of Bank of Communications Co., Ltd. (交通銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 3328; listed on the Shanghai Stock Exchange, stock code: 601328) since August 2013.

Mr. Yu has over 35 years of experience in banking business management and auditing. From April 1999 to December 2010, he successively held positions of general manager of the audit department, deputy director of the risk and internal control management committee, and chief internal auditor at China Construction Bank Corporation. Prior to that, he held various positions at China Construction Bank Corporation from September 1977 to April 1999, including chief of the integrated planning department, deputy chief of the funds planning department, chief of the real estate credit department, president and general manager of the second business department of the Xinjiang Autonomous Region branch.

Mr. Yu graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) (Liaoning, PRC) in August 1977, majoring in infrastructure finance, and obtained a master’s degree from the Graduate School of Chinese Academy of Social Sciences (Beijing, PRC), in March 1998, majoring in monetary banking. He has been a senior economist as accredited by China Construction Bank Corporation since May 1993.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

**Mr. LAU Chi Pang (劉智鵬)**, aged 55, has been appointed as an independent non-executive Director of our Bank since May 2014. He has lectured at Lingnan University since September 1993 and his current position is associate professor in the history department of Lingnan University. He has also been a member of the board committee of Lingnan University since May 2014, secretary general of Hong Kong Local Records Foundations and director of Hong Kong Local Records Office (香港地方誌辦公室) since June 2009, director of the history of Hong Kong and southern China research department of Lingnan University since September 2005 and a council member of Lingnan University since October 1999. He also served as the vice chairman of the Tuen Mun District Council (屯門區議會) of Hong Kong from July 2011 to December 2011, a member of the Tuen Mun District Council from January 2004 to December 2011, during which he served as chairman of the Finance, Administration and Publicity Committee of Tuen Mun District Council from January 2008 to December 2011.

Mr. Lau received a bachelor's degree in literature from the department of Chinese studies of The University of Hong Kong (Hong Kong) in November 1984, a master's degree in philosophy from the department of Chinese studies of The University of Hong Kong (Hong Kong) in November 1987, and a doctoral degree in philosophy from the history department of University of Washington (Washington, U.S.) in August 2000.

**Mr. BA Junyu (巴俊宇)**, aged 60, has been appointed as an independent non-executive Director since June 2010. Mr. Ba has been a professor at Shenyang Ligong University (瀋陽理工大學) since September 2001, and served as principal, professor and researcher of the social economy research institute of Shenyang Ligong University from September 2001 to May 2009. He serves as a professor at the ideological and political theory teaching and research department of Shenyang Ligong University since May 2009. Prior to that, he served as an associate professor and the head of the economic research institute at Shenyang University from April 1996 to August 2003. From August 1985 to April 1996, he served as a vice dean, deputy principal and associate professor of the market economy research institute at Shenyang Institute of Finance and Economics. He used to work at the teaching and research office at Shenyang Accounting School (瀋陽市財會學校) as deputy director, director and lecturer from August 1982 to August 1985.

Mr. Ba graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) (Liaoning, PRC) in July 1982, majoring in commercial enterprise management. He has been a researcher as accredited by the Personnel Office of Liaoning Province since August 2008.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

**Mr. SUN Hang (孫航)**, aged 49, has been appointed as an independent non-executive Director of our Bank since May 2014. He has been the principal of the Human Resources Research Institute of Liaoning Academy of Social Sciences since April 2007. Prior to that, he served as the general manager at Shenyang Yuhuang Health Products Co., Ltd. (瀋陽玉皇保健品有限公司) from March 2002 to April 2007, worked as deputy principal of the Applied Technology Research Institute of Chinese Academy of Management Science (中國管理科學研究院) from March 1998 to March 2002, and was a deputy director staff at the enterprise department of Changchun Industry and Commerce Association and manager of Xunda Motorcycle Co., Ltd. (迅達摩托車公司) from October 1988 to March 1998.

Mr. Sun graduated from Anhui University of Finance & Economics (formerly known as Anhui Institute of Finance & Economics) (安徽財貿學院) (Anhui, PRC) in July 1988, majoring in merchandising. He has been a senior economist as accredited by the Personnel Office of Liaoning Province since December 2001, and a researcher as accredited by the Department of Human Resources and Social Security of Liaoning Province since September 2011.

**Mr. DING Jiming (丁繼明)**, aged 51, has been appointed as an independent non-executive Director of our Bank since May 2014. He has been general manager of Beijing Zhongrunda Engineering and Consulting Co., Ltd. (北京中潤達工程諮詢有限公司) since June 1999. Prior to that, he worked as a director staff at the Liaoning Office of the PRC Ministry of Finance from July 1986 to June 1999.

Mr. Ding graduated from Anshan University (Liaoning, PRC) in July 1986, majoring in industrial accounting, and received a master's degree in finance from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) (Beijing, PRC) in December 1997. He has been a certified public accountant as accredited by the PRC Ministry of Finance since October 1998, and an asset appraiser as accredited by the PRC Ministry of Finance since August 2006.

## 2. Biographies of Supervisors

### *Employee Representative Supervisors*

**Mr. YANG Lin (楊林)**, aged 54, has been appointed as an employee representative Supervisor of our Bank since February 2008 and chairman of our Board of Supervisors since March 2008.

Mr. Yang joined the Shenhe Credit Cooperative of Shenyang Cooperative Bank, our predecessor, in March 1987 and has held a number of positions in our Bank since then. From March 1987 to February 2002, he successively worked as a credit clerk of the Shenhe Credit Cooperative and vice president of the Baogong Credit Cooperative of Shenyang Cooperative Bank, deputy director of business department and deputy chief of the credit and loan division of Shenyang Cooperative Bank, (managing) deputy general manager and general manager of the asset security department of our Bank. From February 2002 to March 2008, he served as a vice president of our Bank.

Mr. Yang graduated from the Party School of the Shenyang Committee of the Chinese Communist Party (中共瀋陽市委黨校)(Liaoning, PRC) in May 1997, majoring in finance and accounting, and graduated from Jilin Polytechnical University (吉林工業大學) (Jilin, PRC) in November 2000, majoring in business administration. He has been a senior economist as accredited by the Personnel Office of Liaoning Province since September 2001.

**Mr. HAN Xuefeng (韓學豐)**, aged 45, has been appointed as an employee representative Supervisor of our Bank since May 2010, and vice chairman of our Board of Supervisors since June 2014. He has also been deputy secretary to the discipline committee and chief of the party committee department of our Bank since January 2012, and chief of our human resources department since April 2014. He is primarily responsible for management of human resources.

Mr. Han joined the Huashan Sub-branch of our Bank in September 1997 and has held a number of positions in our Bank since then. From September 1997 to January 1998, he successively worked as deputy director of the office and manager of the market development department of the Huashan Sub-branch of our Bank. From January 1998 to October 2009, he successively worked at our Bank as secretary to the president's office, chief of the secretarial section, assistant to director of the discipline supervision and inspection office, deputy director of the discipline supervision and inspection office, and deputy director of the president's office. From October 2009 to January 2012, he successively served as managing deputy director of the inspection office, director of the president's office and first deputy chief of the party committee department at our Bank.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. Han graduated from Liaoning University (Liaoning, PRC) in July 2004 (correspondence education), majoring in law. He has been a senior administrative officer (高級政工師) as accredited by the Leading Work Group Office of Appraisal for the Professionalism of Ideological and Political Officers of Enterprises in Liaoning Province (遼寧省企業思想政治工作人員專業職務評定工作領導小組辦公室) since July 2012.

**Mr. SHI Yang (石陽)**, aged 50, has been appointed as an employee representative Supervisor of our Bank since June 2014. He has also served as president of our Yuhong Sub-branch in Shenyang since July 2008 and served as director of the preparatory office of our Dandong Branch since January 2014. He joined the Huigong Credit Cooperative, one of our predecessors, in March 1987 and has held a number of positions in our Bank (including its predecessors) since then. From March 1987 to April 1992, he successively worked as a credit clerk of the Huigong Credit Cooperative and a credit clerk at the credit and loan division of the headquarters. From April 1992 to February 2000, he served as vice president of our Tiexi Sub-branch. From February 2000 to January 2003, he held the positions of assistant to the president and vice president of our Yuanlu Sub-branch. From January 2003 to July 2008, he served as vice president of our Yuhong Sub-branch.

Mr. Shi graduated from the Party School of the Liaoning Committee of the Chinese Communist Party (中共遼寧省委黨校) (Liaoning, PRC) in March 1997, majoring in economic management, and obtained a diploma of post-graduation study in political economics from Northeast Normal University (Liaoning, PRC) in December 2000. He has been a senior economist as accredited by the Department of Human Resources and Social Security of Liaoning Province since September 2009.

### **Shareholder Representative Supervisors**

**Mr. CHEN Zhaogui (陳招貴)**, aged 58, has been appointed as a shareholder representative Supervisor of our Bank since May 2014. He also served as a director of our Bank from June 2006 to May 2014. He has been chairman of Shanghai Changxin (Group) Co., Ltd. (上海昌鑫(集團)有限公司) since June 1994. Prior to joining Shanghai Changxin (Group) Co., Ltd., Mr. Chen worked as a project manager at the Shanghai branch office of Zhejiang Wenling Second Construction and Engineering Co., Ltd. (浙江溫嶺市第二建築工程公司) from January 1986 to June 1994.

Mr. Chen graduated from China University of Geosciences (中國地質大學)(Beijing, PRC) through online-based education in July 2007, majoring in civil engineering. He has been a senior engineer as accredited by Huanggang Professional Title Reform Office (黃岡職改辦) since July 2005.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

**Mr. PAN Wenge (潘文戈)**, aged 49, has been appointed as a shareholder representative Supervisor of our Bank since May 2014. Mr. Pan has been the chief financial officer of Luenmei Holding Co., Ltd. (聯美控股股份有限公司, listed on the Shanghai Stock Exchange, stock code: 600167) since November 2009. Prior to that, he held the position of deputy chief financial officer at Luenmei (China) Investment Co., Ltd. (聯美(中國)投資有限公司) from May 2007 to November 2009. From May 2000 to May 2007, he worked at Huaxia Bank, where he successively served as deputy general manager of the financing centre of Shenyang branch, general manager of the business department of Shenyang branch, president of Shenyang Beizhan sub-branch and Shenyang Zhongshan Square Sub-branch.

Mr. Pan graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) (Liaoning, PRC) in July 1988, majoring in finance and accounting, and a master's degree in applied psychology from Liaoning Normal University (Liaoning, PRC) in July 2002. He has been an accountant as accredited by the Personnel Office of Liaoning Province since October 1994.

**Ms. SUN Yi (孫奕)**, aged 61, has been appointed as a shareholder representative Supervisor of our Bank since May 2014 and served as a Director of our Bank from March 2013 to May 2014. She has been the vice president of Jilin Huahai Energy Group Co., Ltd. (吉林華海能源集團有限公司) since December 2013. Prior to that, she worked at Jilin Huahai Energy Group Co., Ltd. as deputy manager and manager of the accounting department successively from April 1999 to December 2013. She served as director of the accounting department of Jilin Petroleum and Natural Gas Development Co., Ltd. (吉林石油天然氣開發有限責任公司) from June 1996 to April 1999.

Ms. Sun graduated from Jilin University of Finance and Economics (formerly known as Changchun Institute of Taxation (長春稅務學院)) (Jilin, PRC) in June 1994, majoring in accounting. She has been a certified public accountant as accredited by the PRC Ministry of Finance since October 2003.

### **External Supervisors**

**Mr. HUANG Liangkuai (黃良快)**, aged 73, has been appointed as an external Supervisor of our Bank since May 2014. He has been the chief representative of the Shenzhen Research Institute of Xiamen University (廈門大學深圳研究院) and vice chairman of Xiamen University Alumni General Association since August 1999. Mr. Huang acted as the chairman of Beijing Kaixuan Investment Management Co., Ltd. (北京凱旋投資管理有限公司) from 6 February 2007 to 17 December 2010. From November 1984 to December 1998, he served as chief of the general affairs division, chief of the assets division and vice chairman of the alumni association at Xiamen University. He was the secretary to the party committee of the school of economics at Xiamen University from September 1979 to October 1984.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. Huang graduated from the department of economics of Xiamen University (Fujian, PRC) in August 1966, majoring in statistics.

**Mr. ZHOU Zheren (周喆人)**, aged 38, has been appointed as an external Supervisor of our Bank since May 2014. He has been a lawyer at Shanghai Kyodo Law Firm (上海共同綜合律師事務所) since April 2014.

Prior to that, he served as an executive director of both Shanghai Sky Fortune Hotel Co., Ltd. (上海天禧嘉福璞緹客酒店有限公司) and Shanghai Youyi Commerce Co., Ltd. (上海優怡商業有限公司) from July 2009 to March 2014. From January 2009 to June 2009, he served as a director and general manager of Shenyang Hejin Holding Co., Ltd. (瀋陽合金投資股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000633). Mr. Zhou previously work as a lawyer at Shanghai International Economic & Trade Law Office (上海市國茂律師事務所) from September 1999 to December 2008, where he was promoted to become a partner in January 2004. He served as an independent director of Kangxin (China) Design and Engineering Co., Ltd. (康新(中國)設計工程股份有限公司) from June 2010 to November 2014.

Mr. Zhou received a bachelor's degree in international economic laws from East China University of Politics and Law (華東政法大學, formerly known as East China College of Political Science and Law (華東政法學院)) (Shanghai, PRC) in July 1999 and a master's degree in laws from the University of Technology (Sydney, Australia) in September 2004. He has been a qualified PRC lawyer upon the approval from the Review Committee of Lawyer Qualification under the PRC Ministry of Justice (中華人民共和國司法部律師資格審查委員會) since February 2000. He is also qualified to act as an independent director in PRC-listed companies as recognised by Shanghai Stock Exchange in November 2010.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

**Mr. WEN Zhaoye (溫兆擘)**, aged 41, has been appointed as an external Supervisor of our Bank since May 2014. In addition, he has been chairman of Beijing Blue Pivot Advertising Co., Ltd. (北京藍色支點廣告有限公司) since May 2001, president of Sooxue (搜學網) since June 2004, chairman of Beijing Lingzhi Tongcheng Educational Technology Co., Ltd. (北京凌志通成教育科技有限公司) since April 2005, vice chairman and secretary general of the China Real Estate Designer Association (中國房地產策劃師聯誼會) since December 2008, and chairman of Beijing Zhongfang Zhiye Management Consulting Co., Ltd. (北京中房智業管理諮詢有限公司) since June 2010.

Mr. Wen graduated from China Science Technology Management University (中國科技經營管理大學) in July 2000, majoring in English.

### 3. Biographies of Senior Management

For the biography of Mr. WANG Chunsheng (王春生), please refer to “Directors, Supervisors, Senior Management and Employees — Biographies of Directors” in this annual report.

For the biography of Mr. ZHAO Guangwei (趙光偉), please refer to “Directors, Supervisors, Senior Management and Employees — Biographies of Directors” in this annual report.

**Mr. HU Guang (胡光)**, aged 56, has been appointed as the chief internal auditor of our Bank since September 2010, and is primarily in charge of our inspection office, internal audit department and security department and responsible for the internal audit of our Bank. He has also held the positions of secretary to discipline inspection committee since November 2011 and secretary to the party committee of our Shenyang Branch since January 2014. Besides, Mr. Hu worked as a Director of our Bank from June 2010 to May 2014, and concurrently served as president of our Shenyang Branch from January 2013 to January 2014.

Mr. Hu has over 30 years of experience in banking business operation and management. He joined Shenyang Cooperative Bank, our predecessor, in December 1987. From December 1987 to April 1991, he worked at the internal audit division of Shenyang Cooperative Bank. From April 1991 to April 1995, he became vice president of the Baogong City Credit Cooperative of Shenyang Cooperative Bank. From April 1995 to February 1999, he served as vice president of our Hongxia Sub-branch (including its predecessor, the Hongxia City Credit Cooperative of Shenyang Cooperative Bank). From February 1999 to January 2002, he served as vice president of our Xianggong Sub-branch. From January 2002 to January 2009, he successively worked as (managing) vice president and president of our Hemu Road Sub-branch. From January 2009 to March 2009, he concurrently worked as president of our Yaming Sub-branch and president of our Faku Sub-branch. From March 2009 to July 2010, he concurrently worked as deputy chief internal auditor and general manager of the internal audit department of our Bank. Prior to joining our Bank, he worked at the Shenyang Branch of the PBOC from October 1980 to December 1987.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. Hu graduated from Liaoning Finance Staff College (遼寧省金融職工大學) (Liaoning, PRC) in August 1991, majoring in finance (correspondence education), and received a master's degree in international trade from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) (Liaoning, PRC) in July 2004. He has been a senior economist as accredited by the Department of Human Resources and Social Security of Liaoning Province since September 2010.

For the biography of Mr. WANG Yigong (王亦工), please refer to “Directors, Supervisors, Senior Management and Employees — Biographies of Directors” in this annual report.

For the biography of Mr. WU Gang (吳剛), please refer to “Directors, Supervisors, Senior Management and Employees — Biographies of Directors” in this annual report.

**Mr. SUN Yongsheng (孫永生)**, aged 55, has been appointed as a vice president of our Bank since June 2014. He has also worked as the managing vice chairman of the labour union and the director of the president's office of our Bank since January 2014. He is primarily in charge of our retail business department and consumer interest protection department.

Mr. Sun has over 20 years of experience in banking business operation and management. He joined the Huashan Sub-branch of our Bank in September 1997. From September 1997 to July 2006, he successively served as president of the Huashan Sub-branch of our Bank and president of our Binhe Sub-branch. He held the positions of general manager of the business department and (managing) deputy general manager of Shenyang operation and administration department of our Bank from July 2006 to February 2012, during which he also worked as president of our Shenhe Sub-branch from January 2010 to February 2012. From February 2012 to January 2013, he served as director of the president's office and director of the board's office at our Bank. From January 2013 to January 2014, he worked as president of our Shanghai Branch. From January 2014 to July 2014, he served as general manager of the retail business department of our Bank. Prior to joining our Bank, he worked successively as an administrative accountant, deputy chief of the general affairs division, chief of the accounting division at Liaoning Financial Vocational College (遼寧金融職業學院, formerly known as 遼寧省金融職工大學) and general manager of Shenyang Huashan Credit Cooperative from August 1983 to August 1997.

Mr. Sun graduated from Liaoning University (Liaoning, PRC) in June 2000, majoring in administrative management, and obtained a diploma of post-graduate study in political economics from Dongbei Normal University (Jilin, PRC) in July 2002. He has been a senior accountant as accredited by the Personnel Office of Liaoning Province since September 2002.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

**Mr. ZHANG Yi (張翼)**, aged 45, has been appointed as the chief information officer of our Bank since August 2013 and the general manager of our information technology department since April 2000. He is in charge of our information technology department.

Mr. Zhang has over 25 years of experience and extensive knowledge in information technology industry and financial industry. He joined Shenyang Cooperative Bank, our predecessor, in September 1988, and has held a number of positions at our Bank (including Shenyang Cooperative Bank) since then. From September 1988 to May 1991, he was an office staff member at Shenyang Cooperative Bank. From June 1991 to July 1997, he worked as a staff member and chief of the accounting and computer department at Shenyang Cooperative Bank. From August 1997 to March 2000, he served as deputy (managing) general manager of the information and technology department at our Bank.

Mr. Zhang graduated from Shenyang Ligong University (Liaoning, PRC) in July 2004, majoring in business management, and received a master's degree in software engineering from Dalian University of Technology (Liaoning, PRC) in July 2008. He has been an engineer as accredited by the Personnel Office of Liaoning Province since September 2003.

**Mr. LIU Zhiyan (劉志岩)**, aged 55, has been appointed as the chief financial officer of our Bank since June 2014, and the general manager of the planning and accounting management department of our Bank since April 2009. He is primarily in charge of our planning and accounting management department. He also served as our Supervisor from September 2010 to May 2014.

Mr. Liu has over 30 years of experience in banking business operation and management. He joined the Heping Credit Cooperative of Shenyang Cooperative Bank, our predecessor, in May 1987. From May 1987 to October 1998, he successively served as deputy director and (managing) deputy chief of the accounting department of our Bank (including the Heping Credit Cooperative of Shenyang Cooperative Bank). From November 1998 to March 2009, he successively held the positions of chief of the accounting department of our Bank, president of our Yinhe Sub-branch, general manager of the credit card centre and general manager of the audit department of our Bank. Before joining our Bank, he used to work at Industrial and Commercial Bank of China and served as deputy director of the Beishi local branch, deputy director of the Zhongshan Square local branch and deputy director of Hongxia Credit Cooperative from June 1984 to April 1987.

Mr. Liu graduated from the Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in June 2003, majoring in finance. He has been an accountant as accredited by the Personnel Office of Liaoning Province since November 1993.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

**Mr. ZHOU Zhi (周峙)**, aged 47, has been appointed as the secretary of the Board of our Bank since February 2015. He is primarily in charge of matters relating to our Bank's information disclosure, coordinating investors relationship, and preparing for shareholders' general meetings and board meetings in accordance with statutory procedures.

Mr. Zhou has over 20 years of experience in banking business operation and management. He joined the Nanhu Sub-branch of Shenyang Cooperative Bank, our Bank's predecessor, in August 1991. From August 1991 to May 2005, Mr. Zhou successively worked as a staff of the business department and the securities department, assistant to the general manager, deputy general manager of the market development department, and deputy director of the development and research centre at our Bank (including its predecessor). From May 2005 to June 2006, Mr. Zhou served as the deputy director in the president's office of our Bank. Mr. Zhou has served as the director of the supervisors' office and the deputy director of the development strategy research centre of our Bank since June 2006.

Mr. Zhou obtained a master's degree in business administration from Liaoning University in December 2008. Mr. Zhou has been a senior economist as accredited by Human Resources Department of Liaoning since 2003.

All our Directors, Supervisors and members of senior management meet the relevant CBRC qualification requirements for their respective positions. For those whose appointments require approval by the CBRC, the approvals have been duly obtained.

#### 4. Biographies of Joint Company Secretaries

**Mr. ZHOU Zhi (周峙)**, aged 47, is one of the joint company secretaries of our Bank and was appointed in February 2015. For the biography of Mr. Zhou, please refer to "Directors, Supervisors, Senior Management and Employees — Biographies of Senior Management" in this annual report.

**Ms. KWONG Yin Ping Yvonne (鄺燕萍)**, aged 60, is one of the joint company secretaries of our Bank and was appointed in June 2014 with her appointment taking effect on the Listing Date.

Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a vice president of SW Corporate Services Group Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)**

Ms. Kwong received a bachelor's degree in accounting from Hong Kong Polytechnic University in November 1997. She has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators since 2012.

### **EMOLUMENT OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE BANK**

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see notes 9 and 10 to the financial statements in this annual report.

### **EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES**

As of 31 December 2014, the Bank had 4,036 employees in total.

The Bank has established a performance-based compensation system whereby an employee's compensation is determined based on position and performance review. The Bank contributes to its employees' social insurance and provides housing funds and certain other employee benefits in accordance with the applicable PRC laws, rules and regulations.

According to our development strategies and training plans, the Bank developed and implemented the annual training plan to support our training and enhance staff professionalism. During the Reporting Period, the Bank integrated the training resources of the head office, branches and sub-branches, arranged various special training programmes such as centralised trainings for new business, new system and new products, trainings for middle- to senior-level management, trainings for specialists, trainings for foundation-level staff and trainings for new joiners. The Bank also strengthened knowledge management and construction of internal lecturer team. The Bank conducted 11 business line assembly training sessions, with total enrolments of 32,293.

# CORPORATE GOVERNANCE REPORT

The Bank strives to improve the transparency and accountability of corporate governance and ensure high standards of corporate governance to safeguard shareholders' interests and enhance its enterprise value and commitment.

In 2014, the Bank complied with the relevant laws and regulations. The Bank also conducted performance appraisals on the Board, senior management and their members, further upgraded its standards of information disclosure and standardised its work on management of investor relations, to enhance the transparency and corporate governance standards of the Bank.

During the period from the Listing Date to 31 December 2014, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of insider information.

Nothing has come to the attention of the Directors to suggest that the Bank was not in compliance with the code provisions set out in the Code during the period from the Listing Date to 31 December 2014.

The Bank will continue to review and enhance its corporate governance in order to ensure compliance with the Code and meet the rising expectations of the Shareholders and investors.

## GENERAL MEETING

### Information of General Meetings

In 2014, the Bank held three general meetings, details of which are set out below:

At the 2014 first extraordinary general meeting of the Bank held on 26 March 2014, the proposals on, among others, initial public offering and the listing of A shares, were considered and approved.

At the 2014 second extraordinary general meeting of the Bank held on 26 April 2014, the proposals on, among others, initial public offering and the listing of H Shares and the authorisations in relation to the implementation of the initial public offering and listing as well as the increase of the Bank's registered share capital, were considered and approved.

## CORPORATE GOVERNANCE REPORT (Continued)

At the 2013 annual general meeting of the Bank held on 30 May 2014, 32 proposals were considered and approved on the matters mainly including the 2013 work report of the Board, the 2013 work report of the Board of Supervisors, the 2013 final accounts, the 2013 profit distribution plan, the 2014 financial budget report, the formulation of the Articles of Association (draft), the procedural rules of general meetings, the procedural rules of the Board and the procedural rules of the Board of Supervisors.

The above general meetings were convened in compliance with the procedures as required by the relevant laws and regulations.

### THE BOARD AND SPECIAL COMMITTEES

#### Implementation of Resolutions of General Meetings by the Board

In 2014, the Board implemented the resolutions passed at general meetings regarding, among other things, the initial public offering and listing of H Shares, the 2013 profit distribution plan, the 2014 financial budget, the engagement of auditors for the year of 2014, the proposed amendments to the Articles of Association, the proposed amendments to the procedural rules of general meetings, the proposed amendments to the procedural rules of the Board.

#### Composition of the Board

As at the end of the Reporting Period, the Board of the Bank comprised a total of 15 Directors, including five executive Directors, namely, Ms. ZHANG Yukun (Chairperson), Mr. WANG Chunsheng, Mr. ZHAO Guangwei, Mr. WANG Yigong and Mr. WU Gang; five non-executive Directors, namely, Mr. LI Yuguo, Mr. LI Jianwei, Mr. ZHAO Weiqing, Ms. YANG Yuhua and Mr. LIU Xinfu; and five independent non-executive Directors, namely, Mr. YU Yongshun, Mr. LAU Chi Pang, Mr. BA Junyu, Mr. SUN Hang and Mr. DING Jiming.

The list of Directors (by category of Directors) was disclosed in all corporate communications issued by the Bank in accordance with the Listing Rules.

The Board is responsible for developing the management system of the Bank and monitoring the decisions on business and financial strategies, results and other important matters of the Bank. The Board is accountable to the general meeting. The Board has delegated the powers and duties in relation to management of the Bank to the management. In addition, the Board has also defined respective terms of reference of the audit committee, the nomination and remuneration committee, the strategic development committee, the related party transactions control committee and the risk control committee. Details of such committees are set out in this report.

## CORPORATE GOVERNANCE REPORT (Continued)

The Board is also responsible for performing the corporate governance functions. During the period from the Listing Date to 31 December 2014, the Board performed the corporate governance functions as set out in code provision D.3.1 of the Code.

### **Financial, Business and Family Relationships between Directors, Supervisors and Senior Management**

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

### **Changes in Directors**

Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” of this annual report for details of changes in Directors of the Bank.

### **Operation of the Board**

The Board convenes meetings on a regular basis, including regular meetings at least four times a year and other meetings when necessary. Board meetings may be convened by way of on-site meetings or written resolutions. The agenda for a regular meeting of the Board is prepared after consulting the Directors, and the Board paper and relevant materials for such meeting are usually circulated to all Directors and Supervisors 14 days prior to the date of such meeting. All Directors maintain communication with the secretary to the Board to ensure compliance with the procedures of Board meetings and all applicable rules and regulations.

Detailed minutes of Board meetings are maintained and are available for all attending Directors for their review, comments and signature after the conclusion of such meetings. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The President reports regularly to and is overseen by the Board.

Relevant members of the senior management are invited to participate in Board meetings from time to time to provide explanations and answers to inquiries. Directors can express their opinions freely at Board meetings, and major decisions are made after detailed discussions. A Director must abstain from discussion and voting at a Board meeting on any proposal in which he is materially interested, and must not be counted in the quorum for such proposal.

## CORPORATE GOVERNANCE REPORT (Continued)

The Board has set up an office as its working body, which is responsible for the preparation of general meetings, Board meetings and meetings of the special committees under the Board, information disclosure and other routine matters.

### **Duties and Powers of the Board**

Duties and powers of the Board mainly include, but are not limited to, the following:

- (1) convene and report at general meetings;
- (2) implement resolutions adopted at general meetings;
- (3) make decisions on the Bank's business plans and investment plans and formulate the Bank's operational development strategies;
- (4) formulate the Bank's annual financial budgets and accounts;
- (5) formulate the Bank's proposals on profit distribution and loss recovery plans;
- (6) formulate proposals on the increase or reduction of the Bank's registered capital and the issue and listing of bonds and other securities;
- (7) formulate plans for significant acquisitions, purchase of the Bank's Shares, or merger, division or dissolution or other change to the form of the Bank;
- (8) decide on matters within the scope authorised at general meetings, including major external investments, asset acquisition and sales, pledge of assets, external guarantee, trust management and related transactions;
- (9) decide on the establishment of the Bank's internal management departments and overseas branch office which is not a legal person;
- (10) appoint or remove the Bank's president and secretary to the Board in accordance with the recommendations of the Chairperson of the Board; appoint or remove the members of the Bank's senior management, including the executive vice president and chief financial officer in accordance with the recommendations of the president, and determine their remunerations, rewards and punishment;

## CORPORATE GOVERNANCE REPORT (Continued)

- (11) formulate proposals on the remuneration and subsidies of the Directors of the Bank;
- (12) formulate the basic management systems, decide on the policies on risk management, internal control and compliance of the Bank;
- (13) formulate amendments to the Articles of Association;
- (14) formulate the information disclosure system of the Bank, incorporate the risk management work of the Bank's regulatory data into daily operation, implement responsibility of various aspects and manage the disclosure of information of the Bank;
- (15) propose at general meetings the engagement, replacement or dismissal of an accounting firm of the Bank;
- (16) supervise and evaluate the work performance of the Directors and senior management of the Bank, listen to the president's work report and inspect the president's work;
- (17) consider any major capital expenditure, contract and commitment which exceeds the expenditure limit set by the Board of Directors for senior management;
- (18) formulate proposals on the sale or transfer of all or substantially all of the Bank's business or assets;
- (19) draw up share incentive and equity repurchase plans of the Bank, and decide on the measures to link employees' salaries with the operational performance of the Bank; and
- (20) other rights conferred by the laws, administrative regulations, departmental rules or the Articles of Association.

Unless otherwise required by the laws, regulations, regulatory authorities and the Articles of Association, the resolutions of the above matters of the Board must be approved by a majority of all the Directors, but in respect of the matters mentioned in paragraphs (5), (6), (7), (8), (10), (13), (17) and (18), the resolutions must be approved by more than two-thirds of all the Directors.

### **Appointment of Directors**

The Directors (including non-executive Directors) are appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

## CORPORATE GOVERNANCE REPORT (Continued)

### Board Meetings

Pursuant to the Code, the Board is required to convene regular meetings at least four times a year and at least once in each quarter. Such regular meetings do not include obtaining Board consent through circulating written resolutions.

In 2014, the Board convened 10 meetings in total (including written resolutions), at which 87 proposals were considered and approved on the matters mainly including the initial public offering and listing of H Shares, adoption and/or amendments to various corporate governance measures, financial reports, profit distribution and nomination of Director candidates.

Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2014 are set out below:

Members of the Board	Attendance in person/by proxy/required attendance (times)					Related Party Transactions Control Committee	Risk Control Committee	General Meetings
	Board	Audit Committee	Nomination and Remuneration Committee	Strategic Development Committee				
<b>Executive Directors</b>								
ZHANG Yukun	10/0/10		6/0/6	4/0/4				3/0/3
WANG Chunsheng	10/0/10	2/0/2		2/0/2	5/0/5			3/0/3
ZHAO Guangwei	10/0/10					3/0/3		3/0/3
WANG Yigong	10/0/10					3/0/3		3/0/3
WU Gang	6/0/6			2/0/2				
<b>Non-executive Directors</b>								
LI Yuguo	9/1/10	3/0/3		4/0/4				3/0/3
LI Jianwei	10/0/10	5/0/5			5/0/5			0/0/3
ZHAO Weiqing	6/0/6			2/0/2		1/0/1		
YANG Yuhua	6/0/6		2/0/2	2/0/2				
LIU Xinfu	9/1/10			4/0/4				1/0/3
<b>Independent non-executive Directors</b>								
YU Yongshun	6/0/6	3/0/3				1/0/1		
LAU Chi Pang	5/0/5	2/0/2	1/0/1					
BA Junyu	10/0/10		6/0/6			3/0/3	3/0/3	2/0/3
SUN Hang	6/0/6		2/0/2			3/0/3		
DING Jiming	6/0/6	3/0/3				3/0/3		
<b>Former Directors</b>								
HU Guang	4/0/4	2/0/2	4/0/4			2/0/2		3/0/3
JIANG Baisan	4/0/4						2/0/2	3/0/3
SU Zhuangqiang	3/1/4			2/0/2				0/0/3
CHEN Zhaogui	3/1/4			2/0/2				1/0/3
SUN Yi	4/0/4		4/0/4					2/0/3
LV Yihuan	3/1/4	1/1/2	2/2/4			1/1/2		0/0/3
BAO Zhendong	4/0/4	2/0/2	3/1/4			2/0/2	2/0/2	1/0/3
LIU Xue	3/1/4			2/0/2			1/1/2	0/0/3
SUN Ping	3/1/4	1/1/2				1/1/2	2/0/2	0/0/3
CUI Wantian	3/1/4	2/0/2	4/0/4	2/0/2		2/0/2		2/0/3

## CORPORATE GOVERNANCE REPORT (Continued)

- Notes:*
1. Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present.
  2. Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” of this annual report for details of changes in Directors of the Bank.
  3. Attendance in person includes participation by way of on-site attendance as well as electronic means such as telephone and online video conference.
  4. On 20 June 2014, the Board established the audit committee and the related party transactions control committee to replace the former audit and related party transactions control committee.

### **Independent Non-executive Directors**

During the period from the Listing Date to 31 December 2014, the composition of the Board met the requirements under the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive Directors do not have any business or financial interests, nor hold any management positions, in the Bank. All the current independent non-executive Directors are elected and appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

The Bank has received the annual confirmation from each independent non-executive Director confirming his independence as required by the Listing Rules. The Bank considers that all independent non-executive Directors are independent.

During the Reporting Period, the Bank’s independent non-executive Directors duly attended the meetings of the Board of Directors and the special committees thereof and provided independent and objective advice on various material decisions at the meetings of the Board of Directors and relevant special committees by taking advantage of their professional capabilities and industrial experiences. The Bank’s independent non-executive Directors strengthened the communication with the senior management, specific departments and external auditors and thoroughly studied the operation and management of the Bank. They diligently fulfilled their obligations and performed their duties and provided strong support to the Board of Directors to make rational decisions and protected the interests of the Bank and its Shareholders as a whole.

## CORPORATE GOVERNANCE REPORT (Continued)

### **Director's Responsibilities for the Preparation of Financial Statements**

The Directors have acknowledged their responsibility for the preparation of the financial statements of the Bank for the year ended 31 December 2014.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operation results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2014, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

### **Continuous Professional Development Program for Directors**

Each newly appointed Director must receive a comprehensive, formal and tailored induction upon his/her first appointment, to ensure that he/she has a proper understanding of the operations and business of the Bank and that he/she is fully aware of his/her duties and responsibilities under the Listing Rules, applicable laws and regulatory rules.

Training for the Directors must be carried out on an ongoing basis. The Bank encourages all Directors to participate in continuous professional development, to develop and update their knowledge and skills. During the Reporting Period, all the Directors participated in training sessions provided by legal advisers engaged by the Bank on continuing obligations of the issuer and its Directors in Hong Kong, connected transactions under the Listing Rules, the newly revised Code, and the disclosure requirements of inside information effective from 1 January 2013.

The Bank also provides the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will make their contribution to the Board with informed and relevant information, abide by the Code and enhance their awareness of sound corporate governance practices.

In addition, the Directors attended a number of seminars and training courses provided by professional institutions engaged by the Bank. In 2014, the seminars and training courses attended by the Directors covered the following topics:

1. Duties and responsibilities of Directors;
2. Corporate governance;
3. The Listing Rules, compliance laws and regulations;

## CORPORATE GOVERNANCE REPORT (Continued)

4. Exchange, training and experience sharing on capital management; and
5. Implementation of internal control matters.

Directors	Topics of Trainings Attended
<b>Executive Directors</b>	
ZHANG Yukun	1, 2, 3, 4, 5
WANG Chunsheng	1, 3, 4
ZHAO Guangwei	1, 3, 4
WANG Yigong	1, 3, 4, 5
WU Gang	1, 3, 4
<b>Non-executive Directors</b>	
LI Yuguo	1, 2, 3, 4, 5
LI Jianwei	1, 3
ZHAO Weiqing	1, 3
YANG Yuhua	1, 3, 4
LIU Xinfu	1, 3
<b>Independent non-executive Directors</b>	
YU Yongshun	1, 3, 5
LAU Chi Pang	1, 3, 5
BA Junyu	1, 3, 5
SUN Hang	1, 3
DING Jiming	1, 2, 3, 4

### Corporate Governance Functions of the Board

The Board is responsible for establishing sound corporate governance practices and procedures within the Bank. During the Reporting Period, the Board has:

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
2. reviewed and monitored the training and continuous professional development of Directors and senior management members;
3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws and regulatory requirements;
4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and
5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.

## CORPORATE GOVERNANCE REPORT (Continued)

### Special Committees under the Board

Prior to its listing on the Hong Kong Stock Exchange, the Bank maintained the following Board committees: audit and related party transactions control committee, risk control committee, nomination and remuneration committee and strategic development committee. On 20 June 2014, the Board established the audit committee and the related party transactions control committee to replace the former audit and related party transactions control committee. The Board committees have been operated in accordance with their respective terms of reference defined by the Board.

Members of the special committees under the Board had changed session during the Reporting Period. On 20 June 2014, members of the special committees under the fifth session of the Board were elected in accordance with the resolutions of the first meeting of the fifth session of the Board.

The changes of the Board committee members during the Reporting Period are set out below:

Special committees under the Board	Members of the fourth session of the Board	Members of the fifth session of the Board
Audit Committee <sup>1</sup>	Chairman: BAO Zhendong Members: WANG Chunsheng, LV Yihuan, CUI Wantian, LI Jianwei, HU Guang and SUN Ping <sup>1</sup>	Chairman: DING Jiming Members: YU Yongshun, LAU Chi Pang, LI Jianwei and LI Yuguo <sup>1</sup>
Nomination and Remuneration Committee	Chairman: LV Yihuan Members: ZHANG Yukun, CUI Wantian, BAO Zhendong, BA Junyu, HU Guang and SUN Yi	Chairman: SUN Hang Members: ZHANG Yukun, LAU Chi Pang, BA Junyu and YANG Yuhua
Strategic Development Committee	Chairman: LIU Xue Members: ZHANG Yukun, CUI Wantian, LIU Xinfu, LI Yuguo, CHEN Zhaogui and SU Zhuangqiang	Chairman: ZHANG Yukun Members: LI Yuguo, ZHAO Weiqing, YANG Yuhua, LIU Xinfu, WANG Chunsheng and WU Gang
Related Party Transactions Control Committee <sup>1</sup>	Chairman: BAO Zhendong Members: WANG Chunsheng, LV Yihuan, CUI Wantian, LI Jianwei, HU Guang and SUN Ping <sup>1</sup>	Chairman: BA Junyu Members: WANG Chunsheng, SUN Hang, DING Jiming and LI Jianwei <sup>1</sup>
Risk Control Committee	Chairman: BA Junyu Members: ZHAO Guangwei, WANG Yigong, LIU Xue, BAO Zhendong, JIANG Baisan and SUN Ping	Chairman: YU Yongshun Members: WANG Yigong, BA Junyu, ZHAO Weiqing and ZHAO Guangwei

Note: 1. On 20 June 2014, the Board established the audit committee and the related party transactions control committee to replace the former audit and related party transactions control committee.

## CORPORATE GOVERNANCE REPORT (Continued)

### (I) **Audit Committee**

As at 31 December 2014, the Bank's audit committee consisted of five Directors, including Mr. DING Jiming as the chairman, and Mr. YU Yongshun, Mr. LAU Chi Pang, Mr. LI Jianwei and Mr. LI Yuguo as members. The composition of the audit committee complies with Rules 3.10(2) and 3.21 of the Listing Rules and paragraph C3 of the Code.

The primary duties of the audit committee include:

1. examine the Bank's risks and compliance status, accounting policies, financial reporting process and financial status, reviewing the integrity of the Bank's financial information, including financial statements and annual report and accounts, interim reports and quarterly reports (if any), and reviewing the major opinion related to financial reporting as disclosed in the statements and reports.

The audit committee must liaise with the Board and senior management with regard to the above matters and meet at least twice a year with the external auditors. The audit committee must consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer (if any) or external auditors;

2. With respect to external auditors:
  - (1) make recommendations to the Board on the appointment, reappointment or removal of the external auditors, reviewing the fees and terms of engagement of the external auditors, and handling any matters relating to the resignation or dismissal;
  - (2) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the external auditors the nature and scope of the audit and the related reporting obligations before the audit commences;
  - (3) develop and implement policy on engaging external auditors to provide non-audit services;

## CORPORATE GOVERNANCE REPORT (Continued)

- (4) review the audit results letter presented by external auditors to the management, as well as any material queries raised by the auditors to the management about accounting records, financial accounts or monitoring systems, and the management's response;
  - (5) ensure that the Board will timely respond to the matters raised in the audit results letter presented by external auditors to the management; and
  - (6) act as the key representative body for overseeing the Bank's relations with the external auditors and being responsible for the communications between internal and external auditors to ensure that internal and external audit work has been coordinated.
3. being responsible for the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations;
4. review and approve the Bank's internal audit system and supervise its implementation, review, evaluate and report to the Board on the internal audit on a regular basis, and ensure that the internal audit department has sufficient resources for operation and proper status;
5. examine the Bank's financial reporting system and internal control system and their implementation;
6. urge the senior management to develop and implement anti-money laundering policies, systems and procedures, supervise the work of the anti-money laundering, listen to senior management reports on major anti-money laundering matters and make decisions on the policy adjustments in a timely manner; and
7. other duties required by the laws and regulations, rules and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the audit committee (including its predecessor, the audit and related party transactions control committee, with respect to audit matters) held five meetings, at which 36 proposals were considered including the 2013 internal audit work report, the financial report for 2011 to 2013, the 2013 internal audit evaluation report, the 2013 final accounts and the 2014 financial budget report, the 2013 annual report and the proposed appointment of auditors for the year of 2014. In addition, the audit committee held two meetings with the auditors in accordance with the code provisions of the Code.

## CORPORATE GOVERNANCE REPORT (Continued)

### **(II) Nomination and Remuneration Committee**

As at 31 December 2014, the Bank's nomination and remuneration committee consisted of five Directors, including Mr. SUN Hang as the chairman, and Ms. ZHANG Yukun, Mr. LAU Chi Pang, Mr. BA Junyu and Ms. YANG Yuhua as members, with a majority of the members being independent non-executive Directors.

The primary duties of the nomination and remuneration committee include:

1. review, at least annually, the structure, size and composition (including the skills, knowledge and experience) of the Board, according to the Bank's operation, asset size and ownership structure, and make recommendations with regard to any contemplated changes made to the Board in line with the Bank's development strategy and operation strategy implementations;
2. research and formulate the procedures and standards for electing the Directors and senior management, identify individuals with suitable qualifications for Directors and senior management of the Bank, and make recommendations to the Board;
3. conduct preliminary reviews of the qualifications of potential Directors and senior management, and make recommendations to the Board;
4. assess the independence of the independent non-executive Directors;
5. make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular, the Chairperson and President of the Bank;
6. develop and review in appropriate cases the Bank's policy concerning diversity of the Board members, and make disclosure of the relevant policy or a summary of the policy in the corporate governance report of the Bank;
7. study and formulate the standards for appraising Directors and senior management and conduct appraisals and put forward proposals to the Bank;
8. review the remuneration management policies and systems of the Bank, formulate appraisal, compensation and incentive plans for the Directors and senior management, and make recommendations to the Board and supervise the implementation of the relevant policies, systems and plans. The nomination and remuneration committee must consult the Chairperson or the President of the Bank in respect of the remuneration suggestions of executive Directors and senior executives;

## CORPORATE GOVERNANCE REPORT (Continued)

9. review and approve remuneration suggestions by management based on the corporate goals and objectives formulated by the Board;
10. determine the remuneration packages of the executive Directors and senior management under authorisation of the Board, or make suggestions to the Board in respect of the remuneration packages of the executive Directors and senior management;
11. make suggestions to the Board in respect of the remuneration packages of the non-executive Directors;
12. consider the salaries paid by similar banks, time and responsibilities required for the posts and terms of employment of the Bank's other posts;
13. review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable but not excessive;
14. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable;
15. ensure that no Director or any of their associates is involved in deciding his or her own remuneration; and
16. other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the nomination and remuneration committee held six meetings, at which 10 proposals were considered on the matters including the appraisal report on the performance of duties by Directors for 2013, the report on the work of independent non-executive Directors for 2013 and the election of candidates for the fifth session of the Board.

## CORPORATE GOVERNANCE REPORT (Continued)

The diversity policy of the Board is summarised as follows:

The Board believes that a board of Directors with a diverse composition will enable the Bank to, in a more efficient manner, improve the work quality of the Board, understand and meet customer needs and enhance decision-making ability of the Board. In selecting candidates, the Board and the nomination and remuneration committee consider a large number of factors including but not limited to gender, age, cultural and educational background, race, professional experience, skills and knowledge and years of service, in order to achieve the diversity of members of the Board. The nomination and remuneration committee reports annually on the composition of the Board from the perspective of diversity, and monitors the implementation of this policy.

As at the date hereof, the Board comprises 15 Directors, including two females and one person who is ordinarily resident in Hong Kong. The Board is diverse in terms of gender, nationality, professional background and skills of its members.

### **(III) Strategic Development Committee**

As at 31 December 2014, the Bank's strategic development committee consisted of seven Directors, including Ms. ZHANG Yukun as the chairperson, and Mr. LI Yuguo, Mr. ZHAO Weiqing, Ms. YANG Yuhua, Mr. LIU Xinfu, Mr. WANG Chunsheng and Mr. WU Gang as members.

The primary duties of the strategic development committee include:

1. review and provide advice to the Board on the Bank's mid- and long-term development strategies;
2. supervise and assess the implementation of the Bank's development strategies;
3. review and provide advice to the Board on, the annual budget and final accounts;
4. supervise and inspect the implementation of annual operation plans and investment plans;
5. review the strategic capital allocation (such as capital structure, capital adequacy ratio) and the objectives of assets and liabilities management;
6. review the Bank's plans for establishment of branches and sub-branches, material investment and financing, disposal of assets, mergers and acquisitions;

## CORPORATE GOVERNANCE REPORT (Continued)

7. inspect and assess the integrity of the Bank's corporate governance structure; and
8. review the Bank's information technology strategic plan and annual business continuity management plan.

During the Reporting Period, the strategic development committee held four meetings, at which 15 proposals were considered on the matters including work review for the year of 2013 and work plan for the year of 2014, amendments to the Articles of Association, procedural rules of general meetings and procedural rules of the Board and establishment of a financial leasing company.

### **(IV) Related Party Transactions Control Committee**

As at 31 December 2014, the Bank's related party transactions control committee consisted of five Directors, including Mr. BA Junyu as the chairman, and Mr. WANG Chunsheng, Mr. SUN Hang, Mr. DING Jiming and Mr. LI Jianwei as members.

The primary duties of the related party transactions control committee include:

1. identify related parties of the Bank and report to the Board of Directors and the Board of Supervisors, and notify the relevant departments of the Bank of the related parties;
2. conduct review of related party transactions subject to review by the Board and submit such related party transactions to the Board for review, or review the related party transactions within its scope of authority;
3. supervise related party transactions conducted by the Bank; and
4. review the Bank's annual related party transactions and the plan for related party transactions control, and submit the findings to the Board for review.

During the Reporting Period, the related party transactions control committee (including its predecessor, the audit and related party transactions control committee, with respect to related party transactions) held five meetings, at which 21 proposals were considered on the matters including 2013 annual review of related party transactions and the 2014 control plan for related party transactions, 2013 special audit report on related party transactions and granting credit to related parties.

## CORPORATE GOVERNANCE REPORT (Continued)

### (V) Risk Control Committee

As at 31 December 2014, the Bank's risk control committee consisted of five Directors, including Mr. YU Yongshun as the chairman, and Mr. WANG Yigong, Mr. BA Junyu, Mr. ZHAO Weiqing and Mr. ZHAO Guangwei as members.

The primary duties of the risk control committee include:

1. ensure the effectiveness of the Bank's risk management system and that the risks faced by the Bank's business are under control;
2. review and amend the Bank's policies and reports of risk management; and conduct supervision and evaluation on its implementation in accordance with the Bank's general strategy;
3. conduct regular review of the risk report submitted by the senior management;
4. ensure that necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks;
5. review and approve the Bank's compliance policies, conduct regular review of the compliance risk report submitted by the senior management, and supervise the implementation of the compliance policies; and
6. conduct regular review of the Bank's information technology risk management report and the Bank's business continuity assessment report.

During the Reporting Period, the risk control committee held three meetings, at which 14 proposals were considered on the matters including the 2013 comprehensive risk management report and the 2013 compliance risk management report, 2013 information technology risk management report and 2014 work plan for incident prevention.

## BOARD OF SUPERVISORS

### Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors comprised nine Supervisors, including three shareholder representative Supervisors, namely, Mr. CHEN Zhaogui, Mr. PAN Wenge and Ms. SUN Yi, three external Supervisors, namely, Mr. HUANG Liangkuai, Mr. ZHOU Zheren and Mr. WEN Zhaoye; and three employee representative Supervisors, namely, Mr. YANG Lin, Mr. HAN Xuefeng and Mr. SHI Yang.

## CORPORATE GOVERNANCE REPORT (Continued)

### **Chairman of the Board of Supervisors**

Mr. YANG Lin serves as the chairman of the Board of Supervisors and is responsible for organisation and performance of duties of the Board of Supervisors.

### **Changes in Supervisors**

Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” of this annual report for details of changes in Supervisors of the Bank.

### **Meetings of the Board of Supervisors**

In 2014, the Board of Supervisors held a total of eight meetings, at which 38 proposals were considered and approved on matters including work report of the Board of Supervisors, supervision and inspection report, periodic report, comprehensive risk management report, compliance risk management report, final financial accounts, profit distribution plan and performance appraisal on the Directors, Supervisors and senior management of the Bank.

During the Reporting Period, the external Supervisors performed their duties in accordance with the laws, regulations, the Articles of Association of the Bank and the Rules of Procedures of the Board of Supervisors. They duly performed their supervisory duties, exercised their supervisory power according to the laws and effectively exerted their supervision and counter-balance functions in corporate governance.

## CORPORATE GOVERNANCE REPORT (Continued)

Attendance records of the Supervisors at the meetings of the Board of Supervisors and the committees under the Board of Supervisors during the Reporting Period are set out below:

<b>Attendance in person/by proxy/required attendance (times)</b>			
<b>Members of the Board of Supervisors</b>	<b>Board of Supervisors</b>	<b>Supervision Committee</b>	<b>Nomination Committee</b>
YANG Lin	8/0/8	2/0/2	
HAN Xuefeng	7/1/8	2/0/2	
SHI Yang	4/0/4		
CHEN Zhaogui	4/0/4		
PAN Wenge	4/0/4		
SUN Yi	4/0/4		
HUANG Liangkuai	4/0/4		
ZHOU Zheren	4/0/4		
WEN Zhaoye	4/0/4		
<b>Former Supervisors</b>		<b>Audit Committee</b>	<b>Nomination Committee</b>
HUANG Yongjiu	4/0/4		2/0/2
LIU Zhiyan	4/0/4		2/0/2
ZHAO Weiqing	3/1/4	1/1/2	
YU Haobo	4/0/4	2/0/2	
MA Huili	4/0/4		2/0/2
BAO Lijun	2/2/4		1/1/2
ZHANG Dianhua	4/0/4	2/0/2	
WANG Guanglin	4/0/4	2/0/2	
LI Shouhuai	3/1/4		2/0/2
SUN Yongsheng			

Notes: 1. Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” of this annual report for details of changes in Supervisors of the Bank.

2. Attendance in person includes participation by way of on-site attendance as well as electronic means such as telephone and online video conference.

3. According to the Guidelines on Corporate Governance of Commercial Banks《商業銀行公司治理指引》(Yin Jian Fa [2013] No. 34) issued by the CBRC in 2013, the audit committee was changed to the supervision committee.

## CORPORATE GOVERNANCE REPORT (Continued)

4. Due to the then expected appointment as a vice president of the Bank, Mr. SUN Yongsheng would not be qualified and thus resigned as an employee representative Supervisor of the Bank on 11 June 2014. At the employee representative conference of the Bank dated 11 June 2014, Mr. SHI Yang was elected as an employee representative Supervisor of the Bank. Therefore, Mr. SUN Yongsheng did not attend meetings of the Board of Supervisors.

### Committees under the Board of Supervisors

The Bank has also established two committees under the Board of Supervisors: a supervision committee and a nomination committee. The committees operate in accordance with terms of reference established by the Board of Supervisors.

#### **(I) Supervision Committee**

As at 31 December 2014, the Bank's supervision committee under the Board of Supervisors consisted of five Supervisors, including Mr. ZHOU Zheren as the chairman, and Mr. YANG Lin, Mr. SHI Yang, Ms. SUN Yi and Mr. PAN Wenge as members.

The primary duties of the supervision committee include:

1. draft specific plans on supervising and examining the Bank's financial activities, operating decisions, internal control and risk management with the authorisation of the Board of Supervisors and based on the needs, put forward them to the Board of Supervisors for consideration and implement such plans upon approval;
2. review and provide advice to the Board of Supervisors on the Bank's annual financial report, annual audit report, profit allocation plan formulated by the Board; and
3. when becoming aware of any unusual operating condition of the Bank, or upon the occurrence of significant contingencies or major risk events, formulate investigation plans according to the decision of the Board of Supervisors, and if necessary, organising relevant staff or engaging intermediaries, such as accounting firms and law firms, for assistance.

During the Reporting Period, the supervision committee (formerly, the audit committee) held two meetings, at which eight proposals were considered on the matters including evaluation of work review for the year of 2013 and work plan for the year of 2014, 2013 comprehensive risk management report, 2013 internal control evaluation report, the financial report for 2011 to 2013, 2013 supervision and appraisal report, the 2013 final accounts and 2014 financial budget report as well as the 2013 profit distribution plan.

## CORPORATE GOVERNANCE REPORT (Continued)

### (II) *Nomination Committee*

As at 31 December 2014, the Bank's nomination committee under the Board of Supervisors consisted of five Supervisors, including Mr. WEN Zhaoye as the chairman and Mr. YANG Lin, Mr. HAN Xuefeng, Mr. CHEN Zhaogui and Mr. HUANG Liangkuai as members.

The primary duties of the nomination committee include:

1. provide advice to the Board of Supervisors on the composition and members of the Board of Supervisors based on the Bank's operational and management status, total asset value and shareholding structure;
2. research the procedures and criteria for selecting Supervisors, conduct preliminary review on the qualifications of Supervisor candidates, and provide advice to the Board of Supervisors;
3. seek qualified supervisor candidates;
4. supervise the procedures for selection and appointment of Directors;
5. conduct comprehensive evaluation on the work performance of Directors, Supervisors and senior management and report to the Board of Supervisors; and
6. supervise the scientificity and reasonableness of the remuneration management system and policies of the Bank and the remuneration packages for the senior management.

During the Reporting Period, the nomination committee held two meetings, at which two proposals were considered on the matters including the appraisal report on the performance of duties by Directors, Supervisors and senior management for 2013 and candidates for Supervisors.

## SENIOR MANAGEMENT

The senior management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The division of authority between the senior management and the Board is in strict accordance with the Articles of Association and other corporate governance documents of the Bank.

## CORPORATE GOVERNANCE REPORT (Continued)

The President has the right to organise and develop business and management activities in accordance with the laws, regulations, rules, the Articles of Association and under the authorisation of the Board. The President has the following functions and powers:

1. take charge of the business operation and management of the Bank, organise the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors;
2. submit annual business plans and investment proposals to the Board of Directors on behalf of the senior management, and organise the implementation of Board resolutions, annual plans of the Bank and investment proposals upon approval by the Board of Directors;
3. draft proposals on the establishment of the Bank's internal management departments;
4. set up the Bank's basic management system;
5. formulate the Bank's specific regulations;
6. propose to the Board of Directors to engage or dismiss the vice presidents and chief financial officer;
7. decide to engage or dismiss management other than those to be engaged or dismissed by the Board of Directors;
8. authorise the senior management of the Bank and persons in charge of internal departments and branches to conduct operational activities;
9. formulate proposals on wages, benefits, rewards and punishment of the Bank's staff, and decide on their appointment and dismissal;
10. adopt emergency measures when any major emergency, such as bank run, arises and promptly report them to the banking regulatory authority of the State Council and the Board of Directors and the Board of Supervisors; and
11. other powers and rights conferred by the Articles of Association and by the Board of Directors.

## CORPORATE GOVERNANCE REPORT (Continued)

### DELEGATION OF POWER BY THE BOARD

The Board and the management led by the President exercise their respective powers in accordance with their responsibilities as set out in the Articles of Association. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank. Major capital expenditure projects must be approved by the Board through the annual budget proposal and then be implemented. Any projects that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the management with the authorisation by the Board.

Such other matters delegated by the Board to the management include loans and guarantees, related party transactions, mortgage financing and guarantees, inter-bank financing business, acquisition of fixed assets, disposal of assets, disposal of non-performing assets and mortgage assets, write-off of assets, donations to external bodies, and establishment, merger and relocation of non-independent accounting sub-branches, provided that the amount of such transaction does not exceed a certain limit. For details, please refer to “Corporate Governance Report — the Board and Special Committees” in this annual report.

### CHAIRMAN AND PRESIDENT

The roles and functions of the Chairman and the President of the Bank are carried out by different persons.

Ms. ZHANG Yukun as the Chairperson of the Board is responsible for overall strategic planning and presiding over the Board, to ensure that the Board works effectively and timely considers all significant matters. Mr. WANG Chunsheng as the President is responsible for business development and overall operation and management of the Bank. The President is appointed by and accountable to the Board, and must perform his duties in accordance with the Articles of Association and authorisation of the Board. The roles of the Chairman and the President are separated with a clear division of responsibilities. The management is responsible for the day-to-day operation and management.

### SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they complied with the Rules for Securities Transactions during the period from the Listing Date to 31 December 2014.

## CORPORATE GOVERNANCE REPORT (Continued)

### EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the Independent Auditor's Report in this annual report.

The Bank engaged KPMG and Pan-China Certified Public Accountants ("Pan-China") as the international and domestic auditors of the Bank for 2014, respectively. The fees as agreed to be paid by the Bank to KPMG and Pan-China for the audit of the financial statements for the year ended 31 December 2014 are RMB3.2 million and RMB1 million, respectively.

### INTERNAL CONTROL

The Board is responsible for establishing a sound internal control system and its effective implementation. The Board of Supervisors supervises the establishment and implementation of internal control by the Board and senior management. The senior management is responsible for day-to-day operation of internal control across the Bank. Meanwhile, the Board has established the audit committee, the risk control committee and the related party transactions control committee to fulfill their respective responsibilities for internal control management and evaluate the effectiveness of internal control.

The Board attaches great importance to the construction of its internal control. The Bank complies with the requirements on the establishment of enterprise internal control under, among others, the PRC Commercial Banking Law, the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》), the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and the guidelines issued by the Basel Committee on Banking Supervision. The Bank thereby developed an internal control system covering five aspects of internal environment, risk assessment, control activities, information and communication, and internal supervision, and established an internal control system that is in line with the Bank's development strategies, operating scale, scope of business and risk appetite.

The Board, the Board of Supervisors and senior management will continue to pay attention to and put emphasis on the effectiveness of internal control, actively carry forward remedies to optimise its framework, processes and IT system, and promote its functional departments and branches to strengthen risk prevention and control in order to improve business efficiency and results.

## CORPORATE GOVERNANCE REPORT (Continued)

During the year ended 31 December 2014, the Board conducted an annual review of the effectiveness of the Bank's internal control system. The review covered all material controls of the Bank, including financial, operational and compliance controls and risk management functions. The Board also believes that the resources, qualifications and experience of staff of the Bank's accounting and financial reporting function as well as their training programs and financial budgets are adequate and appropriate. There was no significant area of concern during the year.

### COMPANY SECRETARY

As at the end of the Reporting Period, Ms. KWONG Yin Ping Yvonne of SW Corporate Services Group Limited and Mr. BAO Hong, were the joint company secretaries of the Bank. Each of them has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training during the year ended 31 December 2014.

Mr. BAO Hong resigned as the secretary of the Board, a joint company secretary and an authorised representative of the Bank with effect from 2 February 2015, and Mr. ZHOU Zhi was appointed as the secretary of the Board, a joint company secretary and an authorised representative of the Bank with effect from 2 February 2015. Please refer to the announcement published by the Bank on 3 February 2015 regarding such changes for further details. Mr. Zhou is the primary contact person for Ms. Kwong at the Bank.

### INFORMATION DISCLOSURE

#### Effective Communication with Shareholders

The Bank places great emphasis on communication with the Shareholders, and strives to improve mutual understanding and communication with the Shareholders through various channels including general meeting, results presentation, roadshows, visit reception and telephone enquiries.

#### Amendments to the Articles of Association

On 18 September 2014, the Bank received the approval from the CBRC Liaoning Bureau (Liao Yin Jian Fu [2014] No. 291) in respect of the Articles of Association, which came into effect from the Listing Date.

## CORPORATE GOVERNANCE REPORT (Continued)

### SHAREHOLDERS' RIGHTS

#### Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects shareholders' rights in strict compliance with regulatory regulations and its corporate governance system.

Shareholders individually or in aggregate holding 10% or more of the Bank's voting shares have the right to request in writing the Board of Directors to convene an extraordinary Shareholders' general meeting or a class shareholder meeting. The Board of Directors shall grant feedback in writing of whether to convene the extraordinary shareholders' general meeting or class shareholder meeting within 10 days from the receiving date of such request in accordance with the laws, administrative regulations and the Articles of Association. The shareholding of the above shareholders is based on their shareholdings on the date such request is proposed in writing.

The Board of Directors shall give notice of a shareholders' general meeting or a class shareholder meeting within five days from adoption of the resolution of the Board upon agreeing to convene an extraordinary shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Directors decides against the convening of an extraordinary Shareholders' general meeting or a class shareholder meeting, or the Board of Directors fails to grant feedback within 10 days from receiving the proposal, shareholders individually or in aggregate holding 10% or more of the Bank's voting shares are entitled to propose for convening an extraordinary Shareholders' general meeting or a class shareholder meeting to the Board of Supervisors in writing.

The Board of Supervisors shall give notice of a Shareholders' general meeting or a class shareholder meeting within five days from adoption of the resolution upon agreeing to convening an extraordinary Shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Supervisors fails to issue notice of the Shareholders' general meeting or class shareholder meeting, the Board of Supervisors will be deemed not to convene or preside over the Shareholders' general meeting or class shareholder meeting and such a meeting may be convened and presided over by shareholders individually or in aggregate holding 10% or more of the Bank's voting shares for at least ninety consecutive days.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

## CORPORATE GOVERNANCE REPORT (Continued)

### Proposals at General Meetings

The Board and the Board of Supervisors as well as shareholders individually or collectively holding 3% or more voting shares of the Bank have the right to put forward proposals at a general meeting of the Bank. Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Shareholders may refer to Article 89 of the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details of the general methods and procedures for nominating Directors and Supervisors.

### INVESTOR RELATIONS

Shareholders and investors may send enquiries to the Board as follows:

Office of the Board, Shengjing Bank Co., Ltd.

No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC

Tel: +86 (24) 2253 5633

Fax: +86 (24) 2253 5930

E-mail: [dongshihui@shengjingbank.com.cn](mailto:dongshihui@shengjingbank.com.cn)

Principal place of business in Hong Kong of Shengjing Bank Co., Ltd.:

Units 08-09, 18/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong

This annual report is available on the websites of the Bank ([www.shengjingbank.com.cn](http://www.shengjingbank.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### SHAREHOLDERS' ENQUIRIES

Any enquiries related to your shareholding of H Shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following address:

Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

## CORPORATE GOVERNANCE REPORT (Continued)

Any enquiries related to your shareholding of Domestic Shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following address:

Office of the Board, Shengjing Bank Co., Ltd.

No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC

Tel: +86 (24) 2253 5633

Fax: +86 (24) 2253 5930

### ADDITIONAL INFORMATION

The Bank currently holds a Financial Institution License (institution number: B0264H221010001) issued by the CBRC Liaoning Bureau, and a Corporate Legal Person Business License (registration number: 210100000010442) issued by the Administration for Industry and Commerce of Shenyang. The Bank 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.

# REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present the Report of the Board of Directors together with the audited financial statements of the Bank for the year ended 31 December 2014.

## PRINCIPAL BUSINESS

The Bank is engaged in banking businesses and related financial services.

## PROFITS AND DIVIDEND

The Bank's revenue for the year ended 31 December 2014 and the Bank's financial position as at the same date are set out in the "Financial Statements" section of this annual report.

Pursuant to the resolutions passed at the 2013 annual general meeting of the Bank held on 30 May 2014, the Bank distributed a cash dividend of RMB1.00 for every ten Shares of the Bank (tax inclusive) in an aggregate amount of RMB409.6 million (tax inclusive) for the year ended 31 December 2013 to all the Shareholders of the Bank whose names appeared on the register of members on 31 December 2013. Such dividend was denominated in Renminbi.

The Board has proposed the payment of a cash dividend of RMB2.75 for every ten Shares of the Bank (tax inclusive) for the year ended 31 December 2014 in an aggregate amount of RMB1,594.09 million (tax inclusive) to all the Shareholders of the Bank. The dividend distribution plan will be submitted to the 2014 annual general meeting of the Bank for consideration and approval. If such proposal is approved at the 2014 annual general meeting of the Bank, the dividend will be distributed to holders of Domestic Shares of the Bank and holders of H Shares of the Bank whose names appear on the register of members on Friday, 12 June 2015. Such cash dividend is expected to be distributed to the Shareholders of the Bank on 15 July 2015.

Such proposed dividend will be denominated in Renminbi. Dividend payable to holders of Domestic Shares will be paid in Renminbi, whereas dividend payable to holders of H Shares will be paid in Hong Kong dollars. The exchange rate of Renminbi to Hong Kong dollars to be adopted will be the average middle rates of the five business days preceding the date of declaration of such dividend (inclusive) (being Tuesday, 26 May 2015, the date of the 2014 annual general meeting of the Bank) as announced by the PBOC.

The register of members of the Bank will be closed from Monday, 8 June 2015 to Friday, 12 June 2015 (both days inclusive). In order to be entitled to the final dividend, holders of H Shares of the Bank who have not registered the relevant transfer documents are required to lodge the transfer documents, accompanied by the relevant share certificates, with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 5 June 2015.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

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

	2013	2012	2011
	<i>RMB Million, except percentages</i>		
Cash dividend (tax inclusive)	409.6	0	369.60
As a percentage of profit for the year	8.4%	0%	14.1%

### CHANGES IN THE RESERVES

Details of the changes in the reserves of the Bank for the year ended 31 December 2014 are set out in the financial statements in this annual report.

### SUMMARY OF FINANCIAL INFORMATION

The summary of the operating results and assets and liabilities of the Bank for the four years ended 31 December 2014 is set out in the “Financial Highlights” of this annual report.

### DONATIONS

The charitable and other donations made by the Bank for the year ended 31 December 2014 amounted to approximately RMB3.24 million.

### PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended 31 December 2014 are set out in note 22 to the financial statements in this annual report.

### RETIREMENT BENEFITS

Details of the retirement benefits provided by the Bank to employees are set out in note 30 to the financial statements in this annual report.

### SUBSTANTIAL SHAREHOLDERS

Details of the Bank’s substantial shareholders as at 31 December 2014 are set out in “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” and the relevant parts of the notes to the financial statements, respectively, in this annual report.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### **PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE BANK**

From the Listing Date to the end of the Reporting Period, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

### **PRE-EMPTIVE RIGHTS**

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

### **MAJOR CUSTOMERS**

In 2014, the aggregate amount of operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total operating income of the Bank.

### **USE OF PROCEEDS**

The Bank applied the proceeds from the initial public offering in accordance with the usage as disclosed in the Prospectus – to strengthen our capital base so that we may continue to grow our business.

### **SHARE CAPITAL**

The details of the change in share capital of the Bank during the year are stated in note 32 to the financial statements in this annual report.

### **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The details of the Directors, Supervisors and senior management are stated in the “Directors, Supervisors, Senior Management and Employees” in this annual report.

### **CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests or short positions of the Directors, the chief executive and the Supervisors in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules were set out as follows:

#### Domestic Shares

Name	Positions held at the Bank	Nature of interests	Number of Domestic Shares held (share)	Representing percentage with respect to the total share capital of the Bank (%)
WANG CHUNSHENG (王春生)	Executive Director, President	Beneficial owner	6,500	0.0001
ZHAO GUANGWEI (趙光偉)	Executive Director, Vice President	Beneficial owner	84,423	0.0015
LI YUGUO (李玉國)	Non-executive Director, Vice Chairman of the Board	Interest of a controlled corporation	400,000,000 <sup>(1)</sup>	7.0847
LIU XINFA (劉新發)	Non-executive Director	Interest of a controlled corporation	230,000,000 <sup>(2)</sup>	4.0737
YANG LIN (楊林)	Employee Representative Supervisor, Chairman of the Board of Supervisors	Beneficial owner	36,274	0.0006
HAN XUEFENG (韓學豐)	Employee Representative Supervisor, Vice-Chairman of the Board of Supervisors	Beneficial owner	15,681	0.0003
SHI YANG (石陽)	Employee Representative Supervisor	Beneficial owner	107,684	0.0019
WU GANG (吳剛)	Executive Director, Vice President	Interest of spouse	5,722	0.0001
CHEN ZHAOGUI (陳招貴)	Shareholder Representative Supervisor	Beneficial owner	146,149	0.0026
		Interest of a controlled corporation	200,000,000	3.5423

Notes: (1) Please refer to "Change in Share Capital and Shareholders — Interests and Short Positions of Substantial Shareholders and Other Persons" in this annual report for details.

(2) Please refer to "Change in Share Capital and Shareholders — Interests and Short Positions of Substantial Shareholders and Other Persons" in this annual report for details.

Save as disclosed above, none of the Directors, the chief executive, or the Supervisors held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 31 December 2014.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Bank, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Saved for the continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at 31 December 2014 and at any time during the Reporting Period, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Bank's business to which the Bank, or its associated companies, is a party. None of the Directors and Supervisors have entered into a service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

### MANAGEMENT CONTRACT

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

### DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

Mr. LIU Xinfu has served as vice chairman of Shenyang Rural Commercial Bank Co., Ltd. (瀋陽農村商業銀行股份有限公司) ("Shenyang Rural Commercial Bank") since January 2012. Shenyang Rural Commercial Bank is a financial institution primarily engaging in commercial banking business in Shenyang. Shenyang Rural Commercial Bank engages in banking business in Shenyang, which competes with certain aspects of the Bank's business. On the basis that (i) Mr. Liu, as a non-executive director of Shenyang Rural Commercial Bank, does not participate in the daily operation and management of Shenyang Rural Commercial Bank, (ii) Shenyang Rural Commercial Bank has a management team independent of the Bank, and (iii) Mr. Liu is a non-executive Director of the Bank and does not participate in the Bank's day-to-day management, the Bank and the Directors consider that the roles of Mr. Liu acting as the vice chairman of Shenyang Rural Commercial Bank and a non-executive Director of the Bank at the same time do not have an impact on the business operation of the Bank.

Mr. Liu has undertaken to us that he will continue to comply with the requirements of Rule 8.10(2) of the Listing Rules to disclose the above-mentioned interest and any change thereof other than those disclosed in the Bank's prospectus in the Bank's annual report.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### CORPORATE GOVERNANCE

We are committed to maintaining high standards in corporate governance. Our approach to applying the principles and provisions of the corporate governance code are set out in the “Corporate Governance Report” in this annual report.

### CONNECTED TRANSACTIONS

Transactions between the Bank and the Bank’s connected persons (as defined under the Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, the relevant connected transactions can be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the IASB. Certain related party transactions set out in note 36 to the financial statements in this annual report also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none constitute any discloseable connected transaction as defined under the Listing Rules.

### REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Under the guidance of the relevant policies of the PRC, the Bank endeavours its efforts to improve its remuneration management measures and performance evaluation system for Directors, Supervisors and senior management.

The remuneration system for the Directors, Supervisors and senior management adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The structure of the remuneration system consists of basic salary, annual performance bonus, medium-to long-term incentives, allowances and benefits. The Bank makes contribution to various statutory pension plans organised by governments at all levels for its Directors, Supervisors and senior management.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Directors, as at the Latest Practicable Date, the Bank will have sufficient public float to comply with the minimum public float requirement by the Hong Kong Stock Exchange.

### TAX RELIEF (H SHAREHOLDERS)

According to the Enterprise Income Tax Law of the PRC and the related provisions of implementation, both effective on 1 January 2008, the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose names appear on the register of H shareholders on 12 June 2015.

Pursuant to the Notice of the Issues in Relation to the Collection of the Personal Income Tax upon the Abolition of Guo Shui Han [1993] No. 045 (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay personal income tax for the non-resident individual shareholders.

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

For those non-resident individual shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of less than 10%, the Bank shall withhold the personal income tax at the rate of 10% for such shareholders. Should such shareholders demand that amount in excess of the personal income tax payable under the taxation treaty be refunded, the Bank shall apply for the refund from the relevant inland revenue departments, provided however that such shareholders have submitted relevant documents in accordance with the requirements of Measures for Non-residents to Benefit from the Taxation Treaties (Tentative) (Guo Shui Han [2009] No. 124) within a stipulated time frame.

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

## **REPORT OF THE BOARD OF DIRECTORS (Continued)**

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

### **AUDITORS AND REVIEW OF ANNUAL RESULTS**

KPMG was appointed as the international auditors of the Bank for 2014.

KPMG has audited the Bank's financial report for 2014 prepared according to the International Financial Reporting Standards and issued an auditor's report with no qualified opinions. The audit committee of the Bank has reviewed the results of financial statements for the year ended 31 December 2014.

# REPORT OF THE BOARD OF SUPERVISORS

In 2014, the Board of Supervisors continuously strengthened self-reinforcement, continued to enhance its capability of performing its duties, proactively conducted supervision on performance of duties, finance, internal control and risk management, and facilitated the prudent operation of the corporate governance and promoted the healthy development of the Bank pursuant to the relevant provisions of the Company Law of the PRC, the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) and the Articles of Association.

## I. REPORT ON MAJOR WORK

**Completion of Election for the New Session:** During the Reporting Period, the Board of Supervisors smoothly completed the election for the new session pursuant to the statutory procedures, optimised and adjusted the organisational structure of the Board of Supervisors under which the supervision committee and the nomination committee were legally established. The Board of Supervisors consists of nine Supervisors, with three employee representative Supervisors, three shareholder representative Supervisors and three external Supervisors. Each Committees consists of five members. The chairman of each committee is an external Supervisor. The composition and proportion of members of the Board of Supervisors have satisfied the relevant regulatory requirements.

**Establishment of Systems:** During the Reporting Period, in accordance with the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Guidelines on the Work of the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) and the Listing Rules, the Board of Supervisors amended and improved the Rules for Composition of the Board of Supervisors and Election of Supervisors (《監事會組成及監事產生辦法》), the Rules of Procedure for the Board of Supervisors (《監事會議事規則》), the Working System for the Supervision Committee under the Board of Supervisors (《監事會監督委員會工作制度》), the Working System for the Nomination Committee under the Board of Supervisors (《監事會提名委員會工作制度》), the Rules for Appraisal on the Performance of Directors, Supervisors and Senior Management by the Board of Supervisors (《監事會對董事、監事和高級管理人員的履職評價辦法》), and the provisions in relation to the Board of Supervisors in the Articles of Association, which provided system support for the performance of duties and effective functioning of the Board of Supervisors.

## REPORT OF THE BOARD OF SUPERVISORS (Continued)

**Work of the Board of Supervisors:** During the Reporting Period, eight meetings were held by the Board of Supervisors, at which 38 resolutions were considered and approved, including the work report of the Board of Supervisors, the supervision assessment report, the report on comprehensive risk management, the report on compliance risk management, the report on financial budget and final accounts, the profit distribution plan, and the appraisal report on the performance of Directors, Supervisors and senior management. Four committee meetings were held, at which reports in relation to, among other things, performance of duties, financial management, risk management and internal control, were considered and discussed, and qualifications of candidates for Supervisors were examined and verified. In addition, Supervisors observed the meetings of the Shareholders and the Board of Directors, received the resolutions of the Shareholders' meetings and supervised the items to be considered and approved at the Board meetings and the relevant procedures.

**Supervision on Performance of Duties:** During the Reporting Period, the Board of Supervisors further enhanced the supervision system for performance of duties. The opinions and suggestions from the Directors and Supervisors were reflected in the supervision and feedback work system of the Board of Supervisors. The Board of Supervisors regularly collected and compiled relevant information and prepared information regarding performance of duties. Such information served as the important basis for performance of duties by Directors and Supervisors. During the appraisal on senior management of the Bank, Supervisors were appointed to attend and formed an appraisal group together with Shareholder representatives, Director representatives and staff representatives for carrying out the appraisal. Through appraisal on, among other things, the work performance, performance of duties and ethical risks, suggestions regarding improvement were made to the senior management. Moreover, based on the requirements of the work, audit of economic liabilities of senior management was conducted by receiving reports, reading relevant information and inquiring the relevant personnel, and audit opinions were made.

**Special Examination:** During the Reporting Period, the Board of Supervisors conducted special examination regarding the business continuity on information technology risks. By participating in the appraisal of internal control management and risk control appraisal, the Board of Supervisors had deepened understandings of the management of information technology, supervised particularly the management and organisational structure and allocation of responsibilities for business continuity of information technology, the planned scope and management goal for business continuity and contingency plans for interruption events and drills, and made suggestions for improvements based on the results of the drills and appraisals. The Board of Supervisors also urged the importance of strengthening the management of business continuity so as to effectively prevent the information technology risks.

## REPORT OF THE BOARD OF SUPERVISORS (Continued)

Self-reinforcement: According to the duties of the Board of Supervisors and the requirements for performance of duties after the listing, the Board of Supervisors organised and developed special training programs regarding the Supervisors' performance of duties, improved the understandings of the particulars of the Bank, learned the work system of the Board of Supervisors, enhanced Supervisors' capability of performing duties; organised and participated in the trainings on corporate governance of listed companies given by intermediary institutions for listing. The Supervisors had a better understanding and grasp of the requirements for corporate governance of listed companies, which facilitated the establishment of the Bank's corporate governance system.

## II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

### 1. Performance of Duties by the Board of Directors and Senior Management

During the Reporting Period, the Board of Directors and the senior management prudently performed their duties according to the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) and the Articles of Association. They were determined, visionary, cautious, prudent and steadfast in the listing as well as in making major business decisions and led the Bank to achieve new breakthroughs. The senior management continued to enhance their capabilities on the execution of strategic decisions and prudently formulated and implemented various measures, ensuring that all tasks for the year were fully completed.

### 2. Operations in Compliance with Laws and Regulations

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

### 3. True Status of Financial Reporting

KPMG has audited the 2014 financial report of the Bank according to the International Financial Reporting Standards and issued an auditor report with no qualified opinions. The financial report gave an objective, fair and true view of the financial position and operating results of the Bank in all material aspects.

## REPORT OF THE BOARD OF SUPERVISORS (Continued)

### **4. Use of Proceeds**

During the Reporting Period, the Bank issued 1,375,000,000 Shares. All the funds raised were used for replenishing the Bank's capital, which is consistent with the use of proceeds as described by the Bank in the prospectus.

### **5. Related-party Transactions**

During the Reporting Period, the prices of the Bank's related-party transactions were fair and reasonable, not detrimental to the interests of Shareholders or the benefits of the Bank.

### **6. Internal Control**

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

### **7. Implementation of the Resolutions of General Meetings**

During the Reporting Period, the Board of Supervisors had no objection to all such reports and resolutions submitted by the Board of Directors to the general meeting for consideration and approval in 2014. The Board of Supervisors supervised the implementation of the resolutions of the general meetings and considered that the Directors had prudently implemented the resolutions of the general meetings.

### **8. Performance of Social Responsibility**

During the Reporting Period, the Bank prudently performed its social responsibilities. The Board of Supervisors had no objection to the 2014 Social Responsibility Report of the Bank.

# SOCIAL RESPONSIBILITY REPORT

Persistently adhering to its core values of “integrity, amicability, ambition, enthusiasm and dedication”, the Bank is determined to operate its business pursuant to relevant laws and regulations with robust and solid growth. The Bank is also dedicated to standardising its management, constantly implementing reforms, stimulating innovations as well as actively exploring and developing new markets, hence achieving synergised growth in terms of scale and speed as well as quality and efficiency. Accordingly, the Bank has been gradually developing into a joint stock commercial bank with high asset quality, robust profitability and solid growth. Since the national government has implemented the strategy to vitalise the old industrial base in Northeast China, Shengjing Bank has adhered to the market position of serving the local community, small and medium enterprises and citizens, taken the initiative to undertake social responsibilities and, with the favourable mechanisms, systems and policies, vigorously acted as a leading company in the financial sector which offers strategic support so as to constantly optimise the concept behind and the means of serving the real economy. All such endeavours have been made to support the development of infrastructure, pillar and key industries, social welfare programs as well as miniature, small and medium enterprises, which have in turn provided robust credit support and financial security for fostering strategic adjustments and transformation, upgrading and development of the economic structure of the old industrial base in Northeast China and contributed to the complementary relationship between the financial development and economic growth of the region and the improvement of the lives of the citizens as well as the virtuous cycle thereof.

## **I. FULFILLMENT OF SOCIAL RESPONSIBILITIES WITH FOUR TYPES OF BUSINESSES**

As the only bank in Shenyang with its headquarters in the region, the Bank is a pioneer in creating banking services tailored to leading the strategic development of the local economy, to cultivating emerging industries, to supporting small and medium businesses and to the local citizens’ immediate needs. These are businesses that will utilise the distinctive features of a locally headquartered bank such as its sufficient financial capital, leverage and economic impacts on the region. The bank strives to integrate its support to the local economy with its development, actively take on social responsibilities and serve the local communities so as to facilitate the economic development of the region.

## SOCIAL RESPONSIBILITY REPORT (Continued)

### **(I) To Support the Strategic Economic Development of the Region**

Shengjing Bank actively carries out its mission and responsibilities as a locally headquartered bank and integrates its support to the local economic establishment and undertaking of social responsibilities with its development. Focusing on the regional economic development strategy and demand for funding, the Bank persistently revitalises the concept behind and means of serving the real economy, expedites the innovation of financial instruments and expands the fundraising channels. Having spared no efforts in supporting the establishment of key industrial bases and the upgrading of the traditional industries in the region, Shengjing Bank has provided robust funding support for the economic structural adjustments and the optimisation and enhancement of the industrial structure of the region. Through all this, the Bank has achieved the complementary and mutually beneficial relationship between its development and economic growth, industrial upgrading and improvement of the citizens' lives, in turn becoming a pioneer and a catalyst that drives economic development of the region.

### **(II) To Cultivate Emerging Industries for Healthy Development**

The Bank has fully utilised its capabilities to allocate financial resources, constantly optimised credit structure and the use of funds and strengthened its support to the strategic emerging industries including the high-end equipment manufacturing industry, new energy industry as well as new material industry with particular emphasis on the strategic development of such industries. To further foster and promote the development of green industries, the Bank has been actively implementing green credit policies. Through these policies, the Bank is aimed at establishing and carrying out various underlying ideas including energy saving, environmental protection and low carbon economy. Further, it has set targets for the annual and medium- to long-term development of the green credit policies, while increasing the support for the green economy, low carbon economy, circular economy and other aspects that fall within the scope of such green credit policies. Meanwhile, the Bank has continued to pay attention to and prevent excess capacity risks, stand firm at the bottom line for environmental protection, strictly control the scale of loans, facilitate the elimination of the excess capacity and enable the effective operation of improvement work.

### **(III) To Assist in the Sustainable Development of Small and Miniature Enterprises**

Positioned as and aimed at developing into a bank supporting the small and miniature enterprises, Shengjing Bank has adhered to its principle of three priorities, namely prioritising small and miniature enterprises over financial support, credit-granting approvals and the size of credit facilities to be granted. The Bank has also persistently optimised its system of professional services for small and miniature enterprises, set up centres that specialise in serving small and miniature enterprises and introduced the policy for accepting requests from the counter, reverting within three days and granting facilities within seven days after formalities have been completed. Further, the Bank has set up an annual facility grant system and, using innovative products as the focal point, created Fast Loan, a service brand with eight series, offering specialised products and services to small and miniature enterprises of different types and at different stages of development. Through all this, the Bank has become a booster for fostering the development of small and miniature enterprises.

### **(IV) To Establish a Bank Offering Services Tailored to Citizens' Immediate Needs**

The Bank is committed to the development of financial services for the ordinary people. Moving in line with the development plan and functional positioning of the city, the Bank has continued to strengthen the financial support in areas such as basic civil industries and public utilities, gradually becoming a bank that offers attentive services tailored to the immediate needs of the citizens, an image that have permeated through the people at large. Meanwhile, the Bank has established a service platform that offers a myriad of services in all areas and from multiple aspects ranging from online banking, telephone banking, mobile banking, television banking and self-service banking. The Bank has also provided its customers with community financial services by means of, among others, community financial service centres. With the launch of a series of products and services named the Nine-colour Rose, the Bank has set up a distinctive community bank financial service model and gradually presented its image as a financial institution that is the most convenient to the public with the highest degree of efficiency.

## SOCIAL RESPONSIBILITY REPORT (Continued)

### **II. DEDICATION TO THE LIVES OF ORDINARY PEOPLE AND PERSISTENCE IN CONTRIBUTING TO THE COMMUNITY**

The Bank has long been dedicated to the corporate philosophy of offering services that are attentive, convenient, beneficial and supportive to the public. It is also committed to the idea of financial inclusion, sparing no effort in offering the general public full-scale services with quality, efficacy and convenience.

#### **(I) To Provide Attentive Services Tailored to the Immediate Needs of the General Public**

The Bank offers a full spectrum of bill payment services covering more than 40 types of bills that are closely associated with the daily lives of the ordinary people, including gas, water, electricity, communications and heating. The Bank also even offers exclusive payment services for, among others, premiums for housing maintenance fund, subscription fees for cable televisions and traffic ticket fines, covering areas ranging from public utilities, communications, healthcare and education. Through all this, the payment services of the Bank have covered all public utility bills and its financial services will benefit tens of thousands of households. Meanwhile, the Bank has stepped up its efforts to make it even more convenient for citizens to pay bills by constantly expanding such payment channels as mobile and online banking. Besides, the Bank has put together teams of personnel providing door-to-door services with equipment specifically designed for such purposes which are deployed to schools, the local community, enterprises and institutions to carry out on-site services.

## SOCIAL RESPONSIBILITY REPORT (Continued)

### **(II) To Provide Convenient Services and Establishment of a Bank that Truly Serves the General Public**

Focusing on the goals behind the regional planning, the Bank has facilitated the integration of the resources of the outlets in the region and sped up the pace to keep up with the development of emerging industrial zones, business clusters and major established communities. The number of its service outlets in the urban and rural areas has almost reached 100. With this foundation, Shengjing Bank has made efforts to offer financial services to citizens at their front porch. To this end, the Bank has actively fostered the establishment of small and miniature branches and community branches and placed intelligent terminals throughout the community via specialised markets, high-end communities and merchants, thereby constantly extending the coverage of its financial services so as to shorten the distance between such services and the general public. In the meantime, in order to improve the banking experience of the general public, the Bank has established the policy of flexibility in three areas aimed at enhancing the efficiency of its counter services, namely flexible time, flexible personnel and flexible counters. The Bank has continued to enhance its business efficiency and seek improvements in order to satisfy the customers to a greater extent.

### **(III) To Benefit the General Public through Offering Benefits to the People**

Since the launch of the Rose Card, the Bank has maintained the lowest level of charges as compared with its counter parts in the industry, effectively keeping down the cost for the general public to enjoy the services. The PBOC adjusted the interest rate cap for several times, and the Bank was among the first to react every time and moved the interest rate up to the cap level, an act that truly benefited the general public. Meanwhile, in order to meet the ever-diversifying demand for wealth management businesses, the Bank has delicately designed several personal wealth management products with different options as portfolio items including Easy Interests, Salary Saving and Salary Growth. With these products, the Bank has offered many options of growth products for ordinary people and payroll agencies to choose from for their idle funds. Besides, the Bank has introduced a series of wealth management products named the Red Rose Collection tailored to the needs of the middle- and high-end customers. Since the launch of the first batch of the products, the Bank has recorded profit margins that have met the expectation from the financial products that became due. This has allowed the Bank to yield even more profits while enabling its customers to enjoy quality financial services.

## SOCIAL RESPONSIBILITY REPORT (Continued)

### (IV) To Support the General Public through Social Welfare Programs

The Bank has persistently supported the development of social security and has volunteered as the agent to distribute social security funds including medical allowance, unemployment benefits and the minimum social security benefits for over 10 years. Other than this, the Bank also invested a total of RMB400 million in succession to support the establishment of the “5 in 1” social security program, a collaborative project by the Employment and Social Security Service Hall in Shenyang and the city’s medical insurance centre, and invested an aggregate of RMB70 million to set up and develop the social security card system and program. Shengjing Bank is now the sole agent of “5 in 1” social security card for the workforce in Shenyang. During the promotion of Financial IC Cards, the Bank had replaced 1.60 million medical insurance cards for its customers for free. The magnetic stripe cards were replaced with Financial IC Cards, which have more functions, a higher level of security and a higher value. This is an action aimed at further enhancing the security level of the customers’ accounts.

### III. DEVOTION TO CHARITY AND CONTRIBUTION TO SOCIETY OUT OF GRATITUDE

Shengjing Bank persistently takes on social responsibilities and fully conveys the meaning underlying the corporate charity notion of “joining forces in charity work to ensure a thriving business”. Internally, by extending its concern to the well-being of the staff and giving them immediate assistance, the Bank has truly shown how to share the fruits of hard work; externally, the Bank has been devoted to supporting charity work, carrying out social responsibilities and providing assistance to the economic development of the local community. As such, the Bank has, to a certain degree, contributed to a harmonious community.

In 2014, Shengjing Bank had spent RMB1 million to set up the Shengjing Bank Education Fund, and the three major charity projects were namely the “Shining Students” community assistance for financial internships, the “Luster of Knowledge” study sites, and the “V Love Post” volunteer assistance program. For students of Northeastern University and Liaoning University who had good academic performance and conduct and were living in poverty, Shengjing Bank had provided financial aid to them to help them overcome the hardship they were faced with during their studies and daily lives. Moreover, for undergraduates of some universities in Shenyang who possessed a certain degree of professional knowledge, had good academic performance and conduct and were living in poverty, Shengjing Bank offered them internship and trainee opportunities that allowed them to integrate learning with working, which in turn helped them to bridge the gap between study and work.

### **IV. ESTABLISHMENT OF AN ETHICAL BANK AND ENHANCED PROTECTION OF CONSUMER RIGHTS**

Shengjing Bank is aimed at establishing an ethical bank known by its integrity, sense of obligation, safe growth, willingness to take responsibilities, philanthropy, civilised practices and convenient services. The Bank has also taken practical measures to protect the consumers' legal rights and to establish a harmonious relationship with its customers. The department for consumer rights protection was established in 2014 and this department is devoted to ensuring that the work for protecting consumer rights will be carried out in a compatible and orderly manner.

The Bank has strictly complied with the relevant requirements of the regulatory authorities and proactively established the organisation and structure for consumer rights protection work, in which the functions and responsibilities of each position within the department are depicted, ensuring a sound service management system. The Bank has also continued to optimise the internal systems and guidelines, refine operational procedures and formulate a systematic and standardised mechanism in order to ensure that its operations are carried out in a highly efficient and effective manner. Meanwhile, the Bank has constantly brainstormed new ideas for its services and accelerated the promotion of financial knowledge to the general public and the work needed to accomplish this goal. To this end, the Bank has taken the initiative to participate in the campaigns organised by the regulatory authorities to promote financial knowledge. With the access to the public enabled by such campaigns, the Bank has further held lectures and campaigns to promote financial knowledge for the benefits of the general public based on their demand. Also, the Bank has promoted sign language services by targeting groups with special needs, persistently making efforts to satisfy the customers to a greater extent with the Bank's services.

### **V. CONTINUOUS EFFORTS ON THE ESTABLISHMENT OF GREEN OFFICES**

The Bank has been promoting the idea of green offices, with a great emphasis placed on saving resources and energy and accomplishing the goal of integrated utilisation of resources. The Bank has implemented various measures to reduce emissions and save energies and strives to enhance the efficiency of resource utilisation. Further, leveraging on its widespread outlets, the Bank promoted the idea of environmental protection and organised activities to put such an idea into practice. Meanwhile, the Bank has integrated the idea of environmental protection into its corporate culture and cultivation programs for employees by promoting the philosophy of "let's take the initiative to save energy and maintain a green office". While adhering to the principles of fair, equal and transparent procurement, the Bank has also incorporated the idea of environmental protection into its procurement process by implementing green procurement and energy saving policies and using green materials for renovation of infrastructure and alteration of outlets in a view to minimising the pollution in an effective manner.

# INTERNAL CONTROL

## INTERNAL CONTROL SYSTEM AND CONTROLLING ACTIVITIES

The Board is responsible for ensuring the establishment and implementation of an adequate and effective internal control system, and the prudent operation of the commercial bank under the framework of laws and policies. The Board of Supervisors is responsible for supervising the Board and the senior management of the Bank to enhance the internal control system, and the fulfillment of internal control duties of the Board, the senior management and their members. The senior management is responsible for the execution of the decisions made by the Board, and ensuring the effective performance of internal control duties. Currently, the Bank has formulated the Basic Rules on Internal Control of Shengjing Bank (provisional) (《盛京銀行內部控制基本規定(暫行)》) in accordance with the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》) and the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制評價指引》), which specifies the purpose, principles and organisational structure of internal control, established the internal control system comprising the five fundamental factors, namely internal environment, risk assessment, control activities, information and communication, and internal supervision.

During the Reporting Period, the Bank strengthened the establishment of the internal control system, formulated comprehensive, systematic and standardised operation system and management system for operation and management activities, and established an audit mechanism regarding the compliance of such systems. During the Reporting Period, 108 rules and policies were issued, which further regulated the operation management and business development. Meanwhile, the Bank also provided compliance training and risk warning, of which the content included risk management in compliance with the regulation, study of the regulatory policies, analysis of financial cases and the latest regulation trend, so as to improve the sense and standard of compliance management of all the staff.

The Bank also further improved various risk management, strengthened comprehensive and specific risk management, as well as the identification, surveillance and assessment of each kind of risk such as credit risk, market risk, liquidity risk and operating risk, etc. The Bank also improved risk management regarding various businesses to make it more scientific and forward-looking, so as to ensure a stable performance of the Bank's business. In addition, when strengthening process management and enhancing the establishment of the internal control system, the Bank continued to carry out the examination of various business lines, internal audit and internal evaluation, and strived for the effectiveness of improving risk management and risk control.

The Bank established and improved the accounting and audit system and accounting working procedures in accordance with the relevant requirements under the China Accounting Standards for Business Enterprises (《企業會計準則》) and Basic Norms of Internal Audit Control (《內部會計控制規範》) and adhering to the principles of comprehensive management, promulgating policies ahead, attaching utmost importance to prevention and specifying duties of different positions. By means of position set-up, granting level-based authorisations, position rotation, reviewing accounts and supervision and inspection etc., the Bank realised the effective control of audit operation process, and ensured the truthfulness and completeness of the accounting information as well as the truthfulness and fairness of the preparation of the financial statements of the Bank. During the Reporting Period, the Bank was not aware of any significant deficiencies regarding the internal control in the financial report.

## INTERNAL CONTROL (Continued)

The Bank attached utmost importance to information disclosure management, insisted on the principles of timeliness, fairness, accuracy, truthfulness and completeness, established and improved a comprehensive system for internal communication and reporting, and clearly stated the requirements of internal information communication and reporting duties and procedures, so as to ensure the effective communication internally and externally. Thus, a more comprehensive system for information reporting and transfer had been formulated, with no significant mistakes in relation to information disclosure during the Reporting Period.

The Bank reinforced the compliance risk management, and hence established a compliance risk management framework with clearly separated levels, specific distribution of labour, clearly stated duties and collaborative cooperation. It also formulated and improved the compliance risk management policies and systems, promoted well-organised and well-planned education of compliance culture and professional ethics, enhanced the staff's mind-set of complying with the rules and regulations when involved in business operation, and optimised the environment for controlling compliance risk management. During the Reporting Period, the Bank published the Administrative Method on Compliance Evaluation of Shengjing Bank Co., Ltd. (amended) (《盛京銀行股份有限公司合規審查管理辦法(修訂)》), which safeguarded the timeliness of the internal control, and realised the effective identification, management and control of compliance risk.

The Bank continued to strengthen the establishment of the internal control system and innovate the audit management model. With the direct audit by the headquarters, the Bank constantly optimised the establishment of the internal audit system for its branches and setting up the internal audit departments within the branches gradually while constantly enhancing the capabilities of the internal auditors. The Bank persistently improved management and assessment system within the branches and formulated linear internal audit management standards. The efficiency and effectiveness of internal audit were thus elevated.

The Bank greatly values the implementation of the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》) and the complimentary guidelines thereof. First, the Bank established a sound management system and promoted as well as standardised the system, which involves the various aspects of the Bank's operations including corporate governance, risk management, credit-granting business, treasury business, billing business, intermediary business, investment business, financial accounting business, anti-money laundering management, connected transactions management, compliance management, internal audit and information system management. Second, the Bank rearranged the day-to-day responsibilities and coordinative work of the internal control bodies and identified the internal control functions of the compliance department, internal audit department and the functional departments of the headquarters and branches as well as outlets, further clarifying the organisational structure of the internal control management system and the functions and responsibilities thereof. Third, the Bank timely supervised and monitored the progress of tackling the internal control issues identified during the internal audit and business review in 2013, continuously improving the internal control management capabilities and standards. Fourth, the Bank organised and carried out the assessment of the internal control involving different bodies in the corporate and business levels and of the headquarters and branches. The assessment report has shown that the internal control of the Bank is well-designed and has been implemented in an orderly manner and that the internal control mechanisms are sound and the relevant measures are carried out effectively.

## INTERNAL CONTROL (Continued)

### INTERNAL AUDIT

The Board is responsible for supervising, assessing and monitoring the internal audit of the Bank, setting ground for the independence and objectiveness of the internal audit. The Bank has set up systems for internal audit, responsibilities in respect of relevant risk management, authority and information reporting, hence ensuring the independence and effectiveness of the internal audit; the Bank has integrated the vertical audit with day-to-day supervision and formulated an audit mechanism necessary for the establishment of the internal control system. The Bank also actively conducted regular and special audit work strictly pursuant to the internal control methods and procedures, and such audit work covered the internal control and risk management procedures of all systems, businesses and positions of the Bank. In addition, the Bank has also provided audit opinion and advice on the defects identified in the internal control system during the auditing and ensured the effective implementation of measures according to such opinion and advice during the successive audit.

During the Reporting Period, the internal control department continued to refine the internal control management system and, with the primary aim to supervise and assess the risk management and improve the internal control standards, constantly refined and expanded the coverage of the internal audit, enhanced the capabilities of internal audit to rectify errors, strengthened the application of internal audit results and effectively leverage on the supervisory functions of internal audit department so as to enable the stable operations of the Bank. First, the Bank persistently enhanced, optimised and standardised the internal control system, boosting the efficiency thereof. Second, the Bank optimised the organisational structure of the internal audit department, accelerated the setting up of internal audit departments within the branches and expanded the functions of the department, which had in turn expanded the coverage of the internal audit system and fostered the sustainable and stable operations of the businesses of different branches. Third, the Bank constantly innovated the audit model and methods, increased the audit frequency and improved audit efficiency while conducting regular audit. During the year, the Bank had performed regular audit on different areas and, at the same time, fully utilised the functions of the internal audit department in relation to risk supervision and management consultation. The Bank also actively assessed projects for new products, reviewed the establishment of systems, developed new systems and invited tenders for projects, moving gradually from successive audit to pre and concurrent audit. Fourth, the Bank regularly conducted internal control assessment and put forward certain audit opinions and advice on the optimisation of internal control management and risk management, which had in turn effectively improved the internal control system and constantly enhanced the internal control management performance.

# INDEPENDENT AUDITOR'S REPORT

## **Independent auditor's report to the shareholders of Shengjing Bank Co., Ltd.**

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

We have audited the consolidated financial statements of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 158 to 295, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Bank as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2014, and of the Group's consolidated results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

25 March 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2014	2013
Interest income		25,415,004	18,038,013
Interest expense		(15,513,832)	(10,193,830)
<b>Net interest income</b>	3	9,901,172	7,844,183
Fee and commission income		1,471,694	827,759
Fee and commission expense		(103,263)	(57,618)
<b>Net fee and commission income</b>	4	1,368,431	770,141
Net trading losses	5	(1,845)	(2,000)
Net (losses)/gains arising from investments	6	(112,267)	208,213
Other operating income	7	49,272	85,257
<b>Operating income</b>		11,204,763	8,905,794
Operating expenses	8	(3,211,887)	(2,445,727)
Impairment losses on assets	11	(934,151)	(171,860)
<b>Operating profit</b>		7,058,725	6,288,207
Share of profits of associates	21	2,338	19,719
<b>Profit before taxation</b>		7,061,063	6,307,926
Income tax expense	12	(1,637,225)	(1,419,125)
<b>Profit for the year</b>		5,423,838	4,888,801
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		5,404,933	4,865,531
Non-controlling interests		18,905	23,270
		5,423,838	4,888,801

The notes on pages 168 to 295 form part of these financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2014	2013
<b>Net profit</b>		5,423,838	4,888,801
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss			
— Remeasurement of net defined benefit liability		(5,139)	2,790
Items that may be reclassified subsequently to profit or loss			
— Available-for-sale financial assets:			
Net movement in the investment revaluation reserve	33(4)	819,415	(278,977)
<b>Other comprehensive income net of tax</b>		814,276	(276,187)
<b>Total comprehensive income</b>		6,238,114	4,612,614
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		6,219,209	4,589,344
Non-controlling interests		18,905	23,270
		6,238,114	4,612,614
Basic and diluted earnings per share (in RMB)	13	1.25	1.31

The notes on pages 168 to 295 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2014	31 December 2013
<b>Assets</b>			
Cash and deposits with central bank	14	72,079,244	65,238,089
Deposits with banks and other financial institutions	15	85,560,982	62,233,233
Placements with banks and other financial institutions	16	1,513,868	61,024
Financial assets held under resale agreements	17	25,941,589	15,706,256
Loans and advances to customers	18	155,946,864	131,557,892
Financial investments:			
Available-for-sale financial assets	19(1)	25,437,142	13,069,779
Held-to-maturity investments	19(2)	40,627,467	35,399,657
Loans and receivables	19(3)	86,122,195	25,312,589
Interest in associates	21	—	287,175
Property and equipment	22	3,598,178	2,522,461
Deferred tax assets	23	141,087	238,214
Other assets	24	6,401,898	3,805,798
<b>Total assets</b>		<b>503,370,514</b>	<b>355,432,167</b>
<b>Liabilities</b>			
Deposits from banks and other financial institutions	25	92,072,923	41,327,497
Placements from banks and other financial institutions	26	3,667,715	1,189,968
Financial assets sold under repurchase agreements	27	42,089,973	20,919,468
Deposits from customers	28	315,943,789	262,912,728
Income tax payable		678,804	423,565
Debt securities issued	29	3,100,000	900,000
Other liabilities	30	9,683,825	6,288,503
<b>Total liabilities</b>		<b>467,237,029</b>	<b>333,961,729</b>

The notes on pages 168 to 295 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2014	31 December 2013
<b>Equity</b>			
Share capital	32	5,646,005	4,096,005
Capital reserve	33	11,106,917	3,822,383
Surplus reserve	33	2,733,397	1,709,163
General reserve	33	3,545,733	3,317,751
Investment revaluation reserve	33	567,881	(251,534)
(Deficit)/surplus on remeasurement of net defined benefit liability	33	(2,309)	2,830
Retained earnings	33	12,101,929	8,358,813
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank		35,699,553	21,055,411
Non-controlling interests		433,932	415,027
		<hr/>	<hr/>
<b>Total equity</b>		36,133,485	21,470,438
		<hr/>	<hr/>
<b>Total liabilities and equity</b>		503,370,514	355,432,167
		<hr/>	<hr/>

Approved and authorised for issue by the board of directors on 25 March 2015.

**Zhang Yukun**

*Chairman of Board of Directors*

**Wang Yigong**

*Executive Director/Vice President/  
Chief Risk Officer*

**Liu Zhiyan**

*Chief Financial Officer/General Manager of  
Planning and Accounting Management  
Department*

**Company chop**

The notes on pages 168 to 295 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2014	31 December 2013
<b>Assets</b>			
Cash and deposits with central bank	14	71,983,075	65,177,508
Deposits with banks and other financial institutions	15	85,329,430	61,947,923
Placements with banks and other financial institutions	16	1,513,868	61,024
Financial assets held under resale agreements	17	25,941,589	15,706,256
Loans and advances to customers	18	155,461,140	131,059,899
Financial investments:			
Available-for-sale financial assets	19(1)	25,437,142	13,069,779
Held-to-maturity investments	19(2)	40,627,467	35,399,657
Loans and receivables	19(3)	86,122,195	25,312,589
Investments in subsidiaries	20	146,157	146,157
Interest in associates	21	—	287,175
Property and equipment	22	3,587,548	2,509,824
Deferred tax assets	23	138,747	236,294
Other assets	24	6,383,380	3,802,631
<b>Total assets</b>		<b>502,671,738</b>	<b>354,716,716</b>
<b>Liabilities</b>			
Deposits from banks and other financial institutions	25	92,173,141	41,370,100
Placements from banks and other financial institutions	26	3,667,715	1,189,968
Financial assets sold under repurchase agreements	27	42,089,973	20,919,468
Deposits from customers	28	315,604,578	262,587,962
Income tax payable		674,608	420,052
Debt securities issued	29	3,100,000	900,000
Other liabilities	30	9,681,582	6,286,556
<b>Total liabilities</b>		<b>466,991,597</b>	<b>333,674,106</b>

The notes on pages 168 to 295 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	31 December 2014	31 December 2013
<b>Equity</b>			
Share capital	32	5,646,005	4,096,005
Capital reserve	33	11,106,917	3,822,383
Surplus reserve	33	2,733,397	1,709,163
General reserve	33	3,542,926	3,317,751
Investment revaluation reserve	33	567,881	(251,534)
(Deficit)/surplus on remeasurement of net defined benefit liability	33	(2,309)	2,830
Retained earnings	33	12,085,324	8,346,012
<b>Total equity</b>		<u>35,680,141</u>	<u>21,042,610</u>
<b>Total liabilities and equity</b>		<u>502,671,738</u>	<u>354,716,716</u>

Approved and authorised for issue by the board of directors on 25 March 2015.

**Zhang Yukun**  
*Chairman of Board of Directors*

**Wang Yigong**  
*Executive Director/Vice President/  
Chief Risk Officer*

**Liu Zhiyan**  
*Chief Financial Officer/General Manager  
of Planning and Accounting Management  
Department*

**Company chop**

The notes on pages 168 to 295 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Surplus/ (Deficit) on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014		4,096,005	3,822,383	1,709,163	3,317,751	(251,534)	2,830	8,358,813	21,055,411	415,027	21,470,438
Profit for the year		—	—	—	—	—	—	5,404,933	5,404,933	18,905	5,423,838
Other comprehensive income		—	—	—	—	819,415	(5,139)	—	814,276	—	814,276
Total comprehensive income		—	—	—	—	819,415	(5,139)	5,404,933	6,219,209	18,905	6,238,114
Changes in share capital											
— Capital contributed by owners	32	300,000	1,350,000	—	—	—	—	—	1,650,000	—	1,650,000
— Issue of H-shares	32	1,250,000	5,934,534	—	—	—	—	—	7,184,534	—	7,184,534
Sub-total		1,550,000	7,284,534	—	—	—	—	—	8,834,534	—	8,834,534
Appropriation of profit:											
— Appropriation to surplus reserve	34	—	—	1,024,234	—	—	—	(1,024,234)	—	—	—
— Appropriation to general reserve (Note (i))	34	—	—	—	227,982	—	—	(227,982)	—	—	—
— Cash dividends	34	—	—	—	—	—	—	(409,601)	(409,601)	—	(409,601)
Sub-total		—	—	1,024,234	227,982	—	—	(1,661,817)	(409,601)	—	(409,601)
Balance at 31 December 2014		5,646,005	11,106,917	2,733,397	3,545,733	567,881	(2,309)	12,101,929	35,699,553	433,932	36,133,485

## Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB2.81 million.

The notes on pages 168 to 295 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Surplus on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2013		3,696,005	2,022,383	1,223,440	1,224,128	27,443	40	6,072,628	14,266,067	391,757	14,657,824
Profit for the year		—	—	—	—	—	—	4,865,531	4,865,531	23,270	4,888,801
Other comprehensive income		—	—	—	—	(278,977)	2,790	—	(276,187)	—	(276,187)
Total comprehensive income		—	—	—	—	(278,977)	2,790	4,865,531	4,589,344	23,270	4,612,614
Changes in share capital											
— Capital contributed by owners	32	400,000	1,800,000	—	—	—	—	—	2,200,000	—	2,200,000
Appropriation of profit:											
— Appropriation to surplus reserve	34	—	—	485,723	—	—	—	(485,723)	—	—	—
— Appropriation to general reserve	34	—	—	—	2,093,623	—	—	(2,093,623)	—	—	—
Sub-total		—	—	485,723	2,093,623	—	—	(2,579,346)	—	—	—
Balance at 31 December 2013		4,096,005	3,822,383	1,709,163	3,317,751	(251,534)	2,830	8,358,813	21,055,411	415,027	21,470,438

The notes on pages 168 to 295 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2014	2013
<b>Cash flows from operating activities</b>			
Profit before tax		7,061,063	6,307,926
<i>Adjustments for:</i>			
Impairment losses on assets		934,151	171,860
Depreciation and amortisation		252,723	225,410
Unwinding of discount		(12,402)	(10,499)
Unrealised foreign exchange gains		(177)	(1,035)
Net gains on disposal of long-term assets		(123)	(27,147)
Dividend income		(10,510)	(6,623)
Net trading losses of financial assets at fair value through profit or loss		1,461	1,086
Net losses/(gains) arising from investments		122,777	(201,590)
Share of profits of associates		(2,338)	(19,719)
Issuing cost of debt securities		6,600	—
Interest expense on debt securities issued		139,321	119,000
Interest income on financial investments and financial assets at fair value through profit or loss		(6,112,310)	(4,185,850)
		<u>2,380,236</u>	<u>2,372,819</u>
<i>Changes in operating assets</i>			
Net increase in deposits with central bank		(6,816,647)	(7,846,165)
Net increase in deposits and placements with bank and other financial institutions		(24,677,629)	(41,404,764)
Net increase in loans and advances to customers		(25,253,518)	(19,608,748)
Net increase in financial assets held under resale agreements		(11,631,072)	(841,225)
Net (increase)/decrease in other operating assets		(1,690,965)	32,528
		<u>(70,069,831)</u>	<u>(69,668,374)</u>
<i>Changes in operating liabilities</i>			
Net increase/(decrease) in deposits and placements from banks and other financial institutions		53,223,173	(1,656,284)
Net increase/(decrease) in financial assets sold under repurchase agreements		21,170,505	(19,853,982)
Net increase in deposits from customers		53,031,061	54,925,501
Income tax paid		(1,556,284)	(1,230,043)
Net increase in other operating liabilities		3,284,493	3,047,400
		<u>129,152,948</u>	<u>35,232,592</u>

The notes on pages 168 to 295 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2014	2013
<b>Net cash flows generated from/ (used in) operating activities</b>		61,463,353	(32,062,963)
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of investments		106,732,819	65,968,360
Proceeds from disposal of property and equipment and other assets		26,119	112,374
Payments on acquisition of investments		(178,735,524)	(69,186,967)
Payments on acquisition of property and equipment, intangible assets and other assets		(1,338,200)	(424,254)
<b>Net cash flows used in investing activities</b>		(73,314,786)	(3,530,487)
<b>Cash flows from financing activities</b>			
Proceeds from capital injection		8,834,534	2,200,000
Net proceeds from new debt securities issued		2,193,400	—
Repayment of debt securities issued		—	(1,200,000)
Interest paid on debt securities issued		(58,500)	(124,500)
Dividends paid		(369,129)	(1,063)
<b>Net cash flows generated from financing activities</b>		10,600,305	874,437
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		(17,139)	(33,031)
<b>Net decrease in cash and cash equivalents</b>		(1,268,267)	(34,752,044)
<b>Cash and cash equivalents as at 1 January</b>		40,026,768	74,778,812
<b>Cash and cash equivalents as at 31 December</b>	35	38,758,501	40,026,768
<b>Net cash flows generated from/(used in) operating activities include:</b>			
Interest received		16,971,065	13,480,370
Interest paid (excluding interest expense on debt securities issued)		(12,941,285)	(7,654,221)

The notes on pages 168 to 295 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 1 BACKGROUND INFORMATION

Shengjing Bank Co., Ltd. (the “Bank”), which was formerly known as Shenyang City Cooperative Bank Co., Ltd., is a joint-stock commercial bank established on 10 September 1997 with the approval of the People’s Bank of China (the “PBOC”) of the PRC according to the notices YinFu [1996] No. 362 “Approval upon the Preparing of Shenyang City Cooperative Bank” and YinFu [1997] No. 149 “Approval upon the Opening of Shenyang City Cooperative Bank”.

The Bank changed its name from Shenyang City Cooperative Bank Co., Ltd. to Shenyang Commercial Bank Co., Ltd. according to LiaoyinFuZi [1998] No. 78 issued by Liaoning Branch of the PBOC on 2 June 1998 and ShenYinFu [1998] No. 103 issued by Shenyang Branch of the PBOC on 29 June 1998. The Bank changed its name from Shenyang Commercial Bank Co., Ltd. to Shengjing Bank Co., Ltd. according to YinJianFu [2007] No. 68 issued by the China Banking Regulatory Commission (the “CBRC”) of the PRC on 13 February 2007.

The Bank obtained its financial institution licence No. B0264H221010001 from the CBRC Liaoning Branch. The Bank obtained its business license No. 210100000010442 from Shenyang Provincial Administration of Industry and Commerce. The registered office of the Bank is located at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC. In December 2014, the Bank’s H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 02066). As at 31 December 2014, the paid-in capital of the Bank is RMB5.646 billion.

The Bank has 16 branches in Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin and Dandong as at 31 December 2014. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the CBRC. The Bank mainly operated in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (1) Statement of compliance and basis of preparation

The Group has prepared the financial statements, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Bank as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes (the “financial statements”) in accordance with International Financial Reporting Standards (“IFRSs”) and related interpretations, issued by the International Accounting Standards Board (the “IASB”). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Statement of compliance and basis of preparation (Continued)

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgments on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 43.

The measurement basis used in the preparation of the financial statements is historical cost, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(5).

### (2) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(13)). The results of subsidiaries are accounted for by the Bank on the basis of dividends received and receivable.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (3) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates ruling at the dates the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognised in investment revaluation reserve.

### (4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

### (5) Financial instruments

#### (i) *Recognition and measurement of financial assets and liabilities*

A financial asset or financial liability is recognised in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (5) Financial instruments (Continued)

#### (i) Recognition and measurement of financial assets and liabilities (Continued)

Financial assets and financial liabilities are categorised as follows:

- *Financial assets and financial liabilities at fair value through profit or loss*

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, it is managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognised in profit or loss.

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

- (a) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or
- (b) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are stated at amortised cost using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (5) Financial instruments (Continued)

#### (i) Recognition and measurement of financial assets and liabilities (Continued)

- *Loans and receivables*

Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

- (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;
- (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or
- (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method.

- *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale, and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, are recognised directly in other comprehensive income. Investments in available-for-sale equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment losses, if any. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

- *Other financial liabilities*

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (5) Financial instruments (Continued)

##### (ii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised in profit or loss. Objective evidence of impairment in a financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

- significant financial difficulty of the issuer or borrower;
  - a breach of contract, such as a default or delinquency in interest or principal payments;
  - it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
  - disappearance of an active market for financial assets because of financial difficulties;
  - significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
  - a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- *Loans and receivables*

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

##### *Individual assessment*

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognised in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (5) Financial instruments (Continued)

#### (ii) *Impairment of financial assets (Continued)*

##### *Collective assessment*

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

##### *Homogeneous groups of loans not considered individually significant*

For homogeneous groups of loans that are not considered individually significant, the Group adopts a flow rate methodology to collectively assess impairment losses. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgment based on management's historical experience.

##### *Individually assessed loans with no objective evidence of impairment on an individual basis*

Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of the reporting period but which will not be individually identified as such until some time in the future.

The collective impairment loss is assessed after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics;
- the emergence period between a loss occurring and that loss being identified; and
- the current economic and credit environments and the judgment on inherent loss based on management's historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (5) Financial instruments (Continued)

#### (ii) Impairment of financial assets (Continued)

*Individually assessed loans with no objective evidence of impairment on an individual basis (Continued)*

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan or receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loan or receivable is written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loan written off is recovered, the amount recovered is recognised in profit or loss through impairment losses.

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

- *Held-to-maturity investments*

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (5) Financial instruments (Continued)

#### (ii) Impairment of financial assets (Continued)

- Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, after an impairment loss has been recognised on available-for-sale debt instruments, the fair value of the assets increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an equity instrument classified as available-for-sale measured at fair value is not reversed through profit or loss but recognised directly in other comprehensive income.

For investments in equity instruments carried at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset, and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss. Impairment losses for equity instruments carried at cost are not reversed.

#### (iii) Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are financial assets sale and repurchase transactions.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (5) Financial instruments (Continued)

#### (iii) Derecognition of financial assets and financial liabilities (Continued)

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

### (6) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

### (7) Fair value measurement

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (8) Associates

An associate is an entity in which the Group or Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(13)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence commences until the date that significant influence ends.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(5)).

### (9) Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(13)). Construction in progress ("CIP") is stated in the statements of financial position at cost less impairment loss (Note 2(13)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (9) Property and equipment (Continued)

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Depreciation rate
Premises	20-30 years	3%	3.23%-4.85%
Office equipment	5 years	3%	19.40%
Leasehold improvement	5-10 years	0%	20.00%-10.00%
Others	3-5 years	3%	32.33%-19.40%

#### (10) Lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

##### (i) Operating lease charges

Lease payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent lease payments are recognised as expenses in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

##### (ii) Assets acquired under finance lease

Where the Group is a lessee under finance leases, an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease, is included in property and equipment as a lease asset. An amount equal to the minimum lease payments is included in liability. The difference between the recorded amount of the leased asset and the recorded amount of the liability shall be accounted for as unrecognised finance charge. The Group recognises financial charge for the current period using the effective interest method. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(9). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(13). Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (11) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(13)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Software	5-10 years
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### (12) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

### (13) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- pre-paid interest in leasehold land classified as being held under an operating lease
- intangible assets
- investments in subsidiaries and associates

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A Cash-Generating Unit (the “CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the greater of its fair value less costs of disposal and value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset’s fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (13) Provision for impairment losses on non-financial assets (Continued)

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups and then, to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

### (14) Employee benefits

#### (i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes, unemployment insurance and an annuity plan.

#### *Social pension schemes*

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

#### *Annuity plan*

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (14) Employee benefits (Continued)

(i) **Short term employee benefits and contributions to defined contribution retirement plans**  
(Continued)

*Housing fund and other social insurances*

The Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

(ii) **Supplementary retirement benefits**

*Early retirement plan*

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

*Supplementary retirement plan*

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

### (15) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

At the end of the reporting period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (15) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the end of the reporting period, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of the reporting period, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### (16) Financial guarantees issued, provisions and contingent liabilities

#### (i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statements of financial position in accordance with Note 2(16)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (16) Financial guarantees issued, provisions and contingent liabilities (Continued)

#### (ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (17) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

### (18) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders. Income is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the income and costs can be measured reliably and the following respective conditions are met:

#### (i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (18) Income recognition (Continued)

#### (i) Interest income (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows (“unwinding of discount”) for the purpose of measuring the related impairment loss.

#### (ii) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided.

Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without making a loan, the fee is recognised as fee and commission income upon its expiry.

#### (iii) Other income

Other income is recognised on an accrual basis.

#### (iv) Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions associated with the grant. Government grants related to an asset are initially recognised as deferred income at fair value and then recognised in profit or loss as other income on a straight-line basis over the useful life of the asset. Government grants that compensate the Group for expenses incurred are recognised in profit or loss in the periods in which the expenses are recognised.

### (19) Expenses recognition

#### (i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

#### (ii) Other expenses

Other expenses are recognised on an accrual basis.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (20) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

#### (21) Related parties

- (a) A person, or a close member of that person's family, is related to the group if that person:
  - (i) has control or joint control over the group;
  - (ii) has significant influence over the group; or
  - (iii) is a member of the key management personnel of the group or the group's parent.
- (b) An entity is related to the group if any of the following conditions applies:
  - (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### (22) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 NET INTEREST INCOME

	2014	2013
<b>Interest income arising from</b>		
Deposits with central bank	871,495	745,667
Deposits and placements with banks and other financial institutions	5,701,058	3,279,764
Financial assets at fair value through profit or loss	6,522	1,340
Loans and advances to customers		
— Corporate loans and advances	10,736,275	8,888,310
— Personal loans and advances	268,378	197,082
— Discounted bills	1,039,250	387,147
Financial assets held under resale agreements	686,238	354,193
Financial investments	6,105,788	4,184,510
Sub-total	25,415,004	18,038,013
<b>Interest expense arising from</b>		
Borrowings from central bank	(114)	—
Deposits and placements from banks and other financial institutions	(4,594,891)	(2,448,083)
Deposits from customers	(9,314,634)	(6,703,313)
Financial assets sold under repurchase agreements	(1,464,872)	(923,434)
Debt securities issued	(139,321)	(119,000)
Sub-total	(15,513,832)	(10,193,830)
<b>Net interest income</b>	<b>9,901,172</b>	<b>7,844,183</b>
Of which:		
Interest income arising from impaired financial assets identified	12,402	10,499

Notes:

- (1) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.
- (2) Total interest income arising from financial assets that are not at fair value through profit or loss for the year ended 31 December 2014 amounted to RMB25,408 million (2013: RMB18,037 million).

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the year ended 31 December 2014 amounted to RMB15,514 million (2013: RMB10,194 million).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 NET FEE AND COMMISSION INCOME

	2014	2013
<b>Fee and commission income</b>		
Agency and custody services fees	1,320,467	726,940
Settlement and clearing services fees	114,776	63,541
Bank card services fees	36,451	37,278
Sub-total	1,471,694	827,759
<b>Fee and commission expense</b>	(103,263)	(57,618)
<b>Net fee and commission income</b>	<b>1,368,431</b>	<b>770,141</b>

### 5 NET TRADING LOSSES

	2014	2013
Net losses from debt securities	(1,461)	(1,086)
Net foreign exchange losses	(384)	(914)
Total	<b>(1,845)</b>	<b>(2,000)</b>

Net losses from debt securities included losses arising from the buying and selling of, and changes in the fair value of financial assets at fair value through profit or loss.

Net foreign exchange losses mainly included losses from purchase and sale of foreign currency spot, and translation of foreign currency monetary assets and liabilities into Renminbi.

### 6 NET (LOSSES)/GAINS ARISING FROM INVESTMENTS

	2014	2013
Dividends from available-for-sale equity investments	10,510	6,623
Net gains on disposal of available-for-sale financial assets	4,211	201,590
Losses from cessation of significant influence over investment in an associate (Note 21(1))	(126,988)	—
Total	<b>(112,267)</b>	<b>208,213</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 7 OTHER OPERATING INCOME

	2014	2013
Government grants	10,259	15,630
Net gains on sale of repossessed assets	8,747	5,769
Handling charge income	5,124	5,997
Net gains on disposal of property and equipment	123	27,147
Others	25,019	30,714
<b>Total</b>	<b>49,272</b>	<b>85,257</b>

### 8 OPERATING EXPENSES

	Note	2014	2013
Staff costs			
— Salaries, bonuses and allowances		952,670	650,585
— Pension and annuity		136,545	89,543
— Other social insurance		73,983	43,012
— Housing allowances		53,632	42,890
— Supplementary retirement benefits		11,010	1,047
— Others		61,773	51,660
<b>Subtotal</b>		<b>1,289,613</b>	<b>878,737</b>
Depreciation and amortisation		252,723	225,410
Rental and property management expenses		182,690	135,418
Office expenses		209,387	271,217
Business tax and surcharges		1,076,697	753,009
Other general and administrative expenses	8(1)	200,777	181,936
<b>Total</b>		<b>3,211,887</b>	<b>2,445,727</b>

Note:

- (1) Auditor's remunerations were RMB5.84 million for the year ended 31 December 2014 (2013: RMB2.44 million).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Name	Year ended 31 December 2014						
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Contributions to social pension schemes RMB'000	Total emoluments before tax RMB'000	Deferred payment RMB'000	Actual amount of remuneration paid (pre-tax) RMB'000
<b>Executive directors</b>							
Zhang Yukun	—	1,990	1,230	108	3,328	277	3,051
Wang Chunsheng	—	1,594	1,147	108	2,849	191	2,658
Zhao Guangwei	—	1,072	1,494	108	2,674	139	2,535
Wang Yigong	—	1,072	1,524	108	2,704	139	2,565
Wu Gang (Note (1))	—	358	2,475	54	2,887	80	2,807
Hu Guang (Note (1))	—	476	47	54	577	42	535
<b>Non-executive directors</b>							
Liu Xinfu	25	—	—	—	25	—	25
Li Jianwei	38	—	—	—	38	—	38
Li Yuguo	31	—	—	—	31	—	31
Yang Yuhua (Note (1))	6	—	—	—	6	—	6
Zhao Weiqing (Note (1))	44	—	—	—	44	—	44
Jiang Baisan (Note (1))	38	—	—	—	38	—	38
Su Zhuangqiang (Note (1))	38	—	—	—	38	—	38
<b>Independent non-executive directors</b>							
Ba Junyu	—	60	38	—	98	—	98
Yu Yongshun (Note (1))	—	30	6	—	36	—	36
Lau Chi Pang (Note (1))	—	30	6	—	36	—	36
Sun Hang (Note (1))	—	30	12	—	42	—	42
Ding Jiming (Note (1))	—	30	12	—	42	—	42
Lv Yihuan (Note (1))	—	30	6	—	36	—	36
Bao Zhendong (Note (1))	—	30	38	—	68	—	68
Sun Ping (Note (1))	—	30	19	—	49	—	49
Cui Wantian (Note (1))	—	30	31	—	61	—	61
Liu Xue (Note (1))	—	30	6	—	36	—	36
<b>Supervisors</b>							
Yang Lin	—	1,594	1,078	108	2,780	218	2,562
Han Xuefeng	—	716	914	108	1,738	40	1,698
Shi Yang (Note (2))	—	228	396	108	732	26	706
Chen Zhaogui (Note (1))	50	—	—	—	50	—	50
Pan Wenge (Note (1))	12	—	—	—	12	—	12
Sun Yi (Note (1))	50	—	—	—	50	—	50
Huang Lianguai (Note (1))	—	30	12	—	42	—	42
Zhou Zheren (Note (1))	—	30	12	—	42	—	42
Wen Zhaoye (Note (1))	—	30	12	—	42	—	42
Huang Yongjiu (Note (1))	—	536	56	54	646	29	617
Zhang Dianhua (Note (1))	38	—	—	—	38	—	38
Yu Haobo (Note (1))	38	—	—	—	38	—	38
Ma Huiji (Note (1))	38	—	—	—	38	—	38
Bao Lijun (Note (1))	31	—	—	—	31	—	31
Wang Guangjin (Note (1))	—	30	38	—	68	—	68
Li Shouhuai (Note (1))	—	30	25	—	55	—	55
Liu Zhiyan (Note (2))	—	357	52	54	463	33	430
<b>Total</b>	<b>477</b>	<b>10,473</b>	<b>10,686</b>	<b>972</b>	<b>22,608</b>	<b>1,214</b>	<b>21,394</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Name	Year ended 31 December 2013						
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Contributions to social pension schemes RMB'000	Total emoluments before tax RMB'000	Deferred payment RMB'000	Actual amount of remuneration paid (pre-tax) RMB'000
<b>Executive directors</b>							
Zhang Yukun	—	2,049	844	100	2,993	277	2,716
Wang Chunsheng	—	1,771	648	100	2,519	191	2,328
Zhao Guangwei	—	1,495	708	100	2,303	139	2,164
Hu Guang	—	1,167	717	100	1,984	100	1,884
Wang Yigong (Note (5))	—	1,395	645	100	2,140	139	2,001
Xu Jingwei (Note (5))	—	649	35	66	750	—	750
<b>Non-executive directors</b>							
Liu Xinfu	35	—	—	—	35	—	35
Li Jianwei	35	—	—	—	35	—	35
Chen Zhaogui	35	—	—	—	35	—	35
Jiang Baisan	35	—	—	—	35	—	35
Su Zhuangqiang	25	—	—	—	25	—	25
Sun Yi (Note (3))	16	—	—	—	16	—	16
Li Yuguo (Note (4))	16	—	—	—	16	—	16
Hu Yuzhou (Note (3))	—	—	—	—	—	—	—
Wang Guiwu (Note (4))	19	—	—	—	19	—	19
<b>Independent non-executive directors</b>							
Lv Yihuan	—	60	65	—	125	—	125
Bao Zhendong	—	60	67	—	127	—	127
Sun Ping	—	60	62	—	122	—	122
Cui Wantian	—	60	66	—	126	—	126
Ba Junyu	—	60	69	—	129	—	129
Liu Xue	—	60	66	—	126	—	126
<b>Supervisors</b>							
Yang Lin	—	1,909	753	100	2,762	217	2,545
Huang Yongjiu	—	1,385	817	100	2,302	71	2,231
Han Xuefeng	—	770	695	100	1,565	42	1,523
Liu Zhiyan	—	792	670	100	1,562	81	1,481
Zhao Weiqing	35	—	—	—	35	—	35
Zhang Dianhua	35	—	—	—	35	—	35
Yu Haobo	51	—	—	—	51	—	51
Ma Huili	29	—	—	—	29	—	29
Bao Lijun	35	—	—	—	35	—	35
Wang Guanglin	—	60	111	—	171	—	171
Li Shouhuai	—	60	95	—	155	—	155
<b>Total</b>	<b>401</b>	<b>13,862</b>	<b>7,133</b>	<b>966</b>	<b>22,362</b>	<b>1,257</b>	<b>21,105</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

- (1) At the Bank's 2013 General Meeting held on 30 May 2014, Wu Gang was elected as executive director of the Bank, and Hu Guang was no longer executive director of the Bank; Yang Yuhua and Zhao Weiqing were elected as non-executive directors of the Bank, and Chen Zhaogui, Sun Yi, Jiang Baisan and Su Zhuangqiang were no longer non-executive directors of the Bank; Yu Yongshun, Lau Chi Pang, Sun Hang and Ding Jiming were elected as independent non-executive directors of the Bank, and Lv Yihuan, Bao Zhendong, Sun Ping, Cui Wantian and Liu Xue were no longer independent non-executive directors of the Bank; Chen Zhaogui, Pan Wenge, Sun Yi, Huang Liangkuai, Zhou Zheren and Wen Zhaoye were elected as supervisors of the Bank, and Huang Yongjiu, Zhao Weiqing, Zhang Dianhua, Yu Haobo, Ma Huili, Bao Lijun, Wang Guanglin and Li Shouhuai were no longer supervisors of the Bank.
- (2) At 11 June 2014, Shi Yang was elected as supervisor of the Bank, and Liu Zhiyan was no longer supervisor of the Bank.
- (3) At the Bank's 2012 General Meeting held on 24 March 2013, Sun Yi was elected as non-executive director of the Bank; Hu Yuzhou was no longer non-executive director of the Bank.
- (4) At the Bank's 2013 first Extraordinary General Meeting held on 23 July 2013, Li Yuguo was elected as non-executive director of the Bank; Wang Guiwu was no longer non-executive director of the Bank.
- (5) At the Bank's 2013 second Extraordinary General Meeting held on 26 August 2013, Wang Yigong was elected as executive director of the Bank; Xu Jingwei was no longer executive director of the Bank.

### 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2014, the five individuals with highest emoluments included two directors (2013: three directors and two supervisors) of the Bank, whose emoluments are disclosed in Note 9. The emoluments for the remaining three highest paid individuals for the year ended 31 December 2014 are as follows:

	2014	2013
Salaries and other emoluments	1,991	—
Discretionary bonuses	11,126	—
Contributions to pension schemes	324	—
<b>Total</b>	<b>13,441</b>	<b>—</b>

The individuals whose emoluments before individual income tax are within the following bands are set out below:

	2014	2013
RMB4,000,001-4,500,000	1	—
RMB4,500,001-5,000,000	2	—
<b>Total</b>	<b>3</b>	<b>—</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 11 IMPAIRMENT LOSSES ON ASSETS

	2014	2013
Loans and advances to customers	860,942	186,390
Financial investments — loans and receivables	90,000	—
Others	(16,791)	(14,530)
<b>Total</b>	<b>934,151</b>	<b>171,860</b>

### 12 INCOME TAX EXPENSE

#### (1) Income tax for the year:

	Note	2014	2013
Current tax		1,811,523	1,389,731
Deferred tax	23(2)	(174,298)	29,394
<b>Total</b>		<b>1,637,225</b>	<b>1,419,125</b>

#### (2) Reconciliations between income tax and accounting profit are as follows:

	Note	2014	2013
Profit before taxation		7,061,063	6,307,926
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		1,765,266	1,576,982
Non-deductible expenses			
— Entertainment expenses		2,610	4,114
— Non-deductible losses from write-offs of loan receivable		2,611	15,264
— Losses from cessation of significant influence over investment in an associate		31,747	—
— Others		5,099	5,056
		42,067	24,434
Non-taxable income	12(2)(a)	(170,108)	(141,105)
Sub-total		1,637,225	1,460,311
Adjustment for prior years		—	(41,186)
<b>Income tax</b>		<b>1,637,225</b>	<b>1,419,125</b>

Note:

- (a) Non-taxable income consists of interest income from the PRC government bonds, dividends from domestic companies and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13 BASIC AND DILUTED EARNINGS PER SHARE

	2014	2013
Net profit attributable to equity shareholders of the Bank	5,404,933	4,865,531
Weighted average number of ordinary shares (in thousands)	4,309,293	3,701,485
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	1.25	1.31

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

#### (1) Weighted average number of ordinary shares (in thousands)

	2014	2013
Number of ordinary shares as at 1 January	4,096,005	3,696,005
Increase in weighted average number of ordinary shares	213,288	5,480
Weighted average number of ordinary shares	4,309,293	3,701,485

### 14 CASH AND DEPOSITS WITH CENTRAL BANK

#### The Group

	Note	31 December 2014	31 December 2013
Cash on hand		621,745	518,431
Deposits with central bank			
— Statutory deposit reserves	14(1)	52,595,169	45,644,541
— Surplus deposit reserves	14(2)	18,617,591	18,696,397
— Fiscal deposits		244,739	378,720
Sub-total		71,457,499	64,719,658
Total		72,079,244	65,238,089

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 14 CASH AND DEPOSITS WITH CENTRAL BANK (Continued)

#### The Bank

	Note	31 December 2014	31 December 2013
Cash on hand		619,469	516,617
Deposits with central bank			
— Statutory deposit reserves	14(1)	52,553,008	45,596,217
— Surplus deposit reserves	14(2)	18,565,859	18,685,954
— Fiscal deposits		244,739	378,720
Sub-total		71,363,606	64,660,891
Total		71,983,075	65,177,508

- (1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2014	31 December 2013
Reserve ratio for RMB deposits	18%	18%
Reserve ratio for foreign currency deposits	5%	5%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

- (2) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

#### The Group

	31 December 2014	31 December 2013
Deposits in mainland China		
— Banks	76,793,928	62,038,467
— Other financial institutions	3,849	—
Deposits outside mainland China		
— Banks	8,763,205	194,766
Total	<u>85,560,982</u>	<u>62,233,233</u>

#### The Bank

	31 December 2014	31 December 2013
Deposits in mainland China		
— Banks	76,562,376	61,753,157
— Other financial institutions	3,849	—
Deposits outside mainland China		
— Banks	8,763,205	194,766
Total	<u>85,329,430</u>	<u>61,947,923</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

#### The Group and the Bank

	31 December 2014	31 December 2013
Placements in mainland China		
— Banks	363,868	61,024
— Other financial institutions	1,150,000	—
Total	<u>1,513,868</u>	<u>61,024</u>

### 17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### (1) Analysed by type and location of counterparty

##### The Group and the Bank

	31 December 2014	31 December 2013
In mainland China		
— Banks	25,941,589	15,406,256
— Other financial institutions	—	300,000
Total	<u>25,941,589</u>	<u>15,706,256</u>

#### (2) Analysed by type of security held

##### The Group and the Bank

	31 December 2014	31 December 2013
Bills held under resale agreements	17,711,589	1,767,996
Debt securities held under resale agreements	8,230,000	13,938,260
Total	<u>25,941,589</u>	<u>15,706,256</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS

#### (1) Analysed by nature

The Group

	31 December 2014	31 December 2013
Corporate loans and advances	152,782,561	129,178,530
Personal loans and advances		
— Residential mortgage	3,478,119	2,920,696
— Personal consumption loans	695,358	236,537
— Credit cards	586,871	433,584
— Personal business loans	449,424	247,091
— Others	65,870	21,781
Sub-total	5,275,642	3,859,689
Discounted bills	586,296	398,591
Gross loans and advances to customers	158,644,499	133,436,810
Less: Provision for impairment losses		
— Individually assessed	(264,591)	(228,496)
— Collectively assessed	(2,433,044)	(1,650,422)
Total provision for impairment losses	(2,697,635)	(1,878,918)
Net loans and advances to customers	155,946,864	131,557,892

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (1) Analysed by nature (Continued)

##### The Bank

	31 December 2014	31 December 2013
Corporate loans and advances	152,360,751	128,724,250
Personal loans and advances		
— Residential mortgage	3,478,119	2,920,696
— Personal consumption loans	660,538	225,637
— Credit cards	586,871	433,584
— Personal business loans	424,674	201,301
— Others	40,100	21,781
Sub-total	5,190,302	3,802,999
Discounted bills	586,296	398,591
Gross loans and advances to customers	158,137,349	132,925,840
Less: Provision for impairment losses		
— Individually assessed	(251,351)	(225,030)
— Collectively assessed	(2,424,858)	(1,640,911)
Total provision for impairment losses	(2,676,209)	(1,865,941)
Net loans and advances to customers	155,461,140	131,059,899

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysed by economic sector

##### The Group

	31 December 2014		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	34,341,961	22%	15,841,123
Manufacturing	30,069,918	19%	7,708,635
Real estate	27,654,699	17%	26,946,699
Renting and business activities	19,311,391	12%	14,556,981
Construction	10,093,958	6%	7,421,778
Transportation, storage and postal services	4,847,454	3%	1,728,954
Production and supply of electric power, gas and water	4,461,550	3%	1,432,550
Public administration and social organisations	4,198,260	3%	3,885,830
Mining	3,539,000	2%	416,000
Culture, sports and entertainment	3,155,900	2%	449,900
Accommodation and catering	2,360,380	2%	2,169,110
Agriculture, forestry, animal husbandry and fishery	1,493,140	1%	119,200
Household and other services	883,350	1%	663,150
Others	6,371,600	4%	2,818,550
Sub-total of corporate loans and advances	152,782,561	97%	86,158,460
Personal loans and advances	5,275,642	3%	4,218,853
Discounted bills	586,296	0%	586,296
Gross loans and advances to customers	158,644,499	100%	90,963,609

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysed by economic sector (Continued)

##### The Group

	31 December 2013		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	27,389,628	21%	15,671,654
Real estate	25,216,935	19%	23,077,275
Manufacturing	24,894,038	19%	5,713,759
Renting and business activities	14,370,203	11%	10,165,903
Construction	10,068,072	8%	6,534,192
Public administration and social organisations	4,148,000	3%	3,828,000
Production and supply of electric power, gas and water	3,254,716	2%	1,133,500
Mining	2,959,170	2%	205,000
Culture, sports and entertainment	2,886,892	2%	434,892
Transportation, storage and postal services	2,858,673	2%	2,148,173
Household and other services	2,143,890	2%	851,900
Agriculture, forestry, animal husbandry and fishery	1,954,777	1%	69,700
Accommodation and catering	1,880,252	1%	1,740,000
Others	5,153,284	4%	2,477,331
Sub-total of corporate loans and advances	129,178,530	97%	74,051,279
Personal loans and advances	3,859,689	3%	3,119,164
Discounted bills	398,591	0%	398,591
Gross loans and advances to customers	133,436,810	100%	77,569,034

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysed by economic sector (Continued)

##### The Bank

	31 December 2014		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	34,188,961	22%	15,793,124
Manufacturing	29,998,288	19%	7,703,635
Real estate	27,635,699	18%	26,946,699
Renting and business activities	19,311,391	12%	14,556,981
Construction	10,030,478	6%	7,404,278
Transportation, storage and postal services	4,847,454	3%	1,728,954
Production and supply of electric power, gas and water	4,456,550	3%	1,432,550
Public administration and social organisations	4,198,260	3%	3,885,830
Mining	3,539,000	2%	416,000
Culture, sports and entertainment	3,155,900	2%	449,900
Accommodation and catering	2,360,380	1%	2,169,110
Agriculture, forestry, animal husbandry and fishery	1,407,640	1%	108,200
Household and other services	867,150	1%	663,150
Others	6,363,600	4%	2,813,550
Sub-total of corporate loans and advances	152,360,751	97%	86,071,961
Personal loans and advances	5,190,302	3%	4,185,482
Discounted bills	586,296	0%	586,296
Gross loans and advances to customers	158,137,349	100%	90,843,739

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysed by economic sector (Continued)

##### The Bank

	31 December 2013		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	27,257,328	21%	15,594,354
Real estate	25,192,935	19%	23,077,275
Manufacturing	24,821,038	19%	5,711,759
Renting and business activities	14,362,203	11%	10,162,903
Construction	9,995,092	8%	6,515,192
Public administration and social organisations	4,148,000	3%	3,828,000
Production and supply of electric power, gas and water	3,242,716	2%	1,133,500
Mining	2,959,170	2%	205,000
Culture, sports and entertainment	2,886,892	2%	434,892
Transportation, storage and postal services	2,858,673	2%	2,148,173
Household and other services	2,126,690	2%	851,900
Accommodation and catering	1,880,252	1%	1,740,000
Agriculture, forestry, animal husbandry and fishery	1,866,977	1%	69,700
Others	5,126,284	4%	2,474,331
Sub-total of corporate loans and advances	128,724,250	97%	73,946,979
Personal loans and advances	3,802,999	3%	3,098,634
Discounted bills	398,591	0%	398,591
Gross loans and advances to customers	132,925,840	100%	77,444,204

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysed by economic sector (Continued)

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each economic sector which constitutes 10% or more of gross loans and advances to customers is as follows:

##### The Group

	31 December 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged/ during the year	Written-off during the year
Wholesale and retail trade	20,529	11,611	460,593	214,169	13,383
Manufacturing	278,716	123,284	435,265	207,899	9,799
Real estate	228,522	77,595	553,082	45,435	4,660
Renting and business activities	—	—	284,455	165,962	—

	31 December 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment (reversal)/ charged during the year	Written-off during the year
Wholesale and retail trade	42,382	23,263	234,772	(24,479)	65,057
Manufacturing	294,341	150,275	200,375	(8,127)	64,395
Real estate	191,581	28,403	556,839	11,388	1,909
Renting and business activities	—	—	118,493	27,957	900

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysed by economic sector (Continued)

##### The Bank

	31 December 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged/ during the year	Written-off during the year
Wholesale and retail trade	11,529	7,521	458,380	212,569	13,383
Manufacturing	273,586	120,952	434,243	205,287	9,799
Real estate	228,522	77,595	552,790	45,359	4,660
Renting and business activities	—	—	284,455	165,998	—

	31 December 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment (reversal)/ charged during the year	Written-off during the year
Wholesale and retail trade	25,382	20,171	233,161	(27,275)	65,057
Manufacturing	294,341	150,275	199,633	(8,430)	64,395
Real estate	191,581	28,403	556,623	12,538	1,909
Renting and business activities	—	—	118,457	27,921	900

#### (3) Analysed by type of collateral

##### The Group

	31 December 2014	31 December 2013
Unsecured loans	17,222,645	17,088,006
Guaranteed loans	50,458,245	38,779,770
Loans secured by tangible assets other than monetary assets	79,391,566	68,243,738
Loans secured by intangible assets or monetary assets	11,572,043	9,325,296
Gross loans and advances to customers	158,644,499	133,436,810
Less: Provision for impairment losses		
— Individually assessed	(264,591)	(228,496)
— Collectively assessed	(2,433,044)	(1,650,422)
Total provision for impairment losses	(2,697,635)	(1,878,918)
Net loans and advances to customers	155,946,864	131,557,892

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (3) Analysed by type of collateral (Continued)

##### The Bank

	31 December 2014	31 December 2013
Unsecured loans	17,222,425	17,088,006
Guaranteed loans	50,071,185	38,393,630
Loans secured by tangible assets other than monetary assets	79,271,696	68,119,608
Loans secured by intangible assets or monetary assets	11,572,043	9,324,596
Gross loans and advances to customers	158,137,349	132,925,840
Less: Provision for impairment losses		
— Individually assessed	(251,351)	(225,030)
— Collectively assessed	(2,424,858)	(1,640,911)
Total provision for impairment losses	(2,676,209)	(1,865,941)
Net loans and advances to customers	155,461,140	131,059,899

#### (4) Overdue loans analysed by overdue period

##### The Group

	31 December 2014				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	9,212	3,079	2,743	22,622	37,656
Guaranteed loans	5,810	28,380	4,700	18,174	57,064
Loans secured by tangible assets other than monetary assets	11,876	149,298	88,650	79,391	329,215
Loans secured by intangible assets or monetary assets	—	70,000	—	—	70,000
Total	26,898	250,757	96,093	120,187	493,935
As a percentage of gross loans and advances to customers	0.01%	0.16%	0.06%	0.08%	0.31%

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (4) Overdue loans analysed by overdue period (Continued)

##### The Group

	31 December 2013				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	2,465	1,706	1,761	17,728	23,660
Guaranteed loans	269,880	4,700	25,162	19,119	318,861
Loans secured by tangible assets other than monetary assets	3,054	94,643	324,719	96,084	518,500
Loans secured by intangible assets or monetary assets	70,000	4,250	—	—	74,250
<b>Total</b>	<b>345,399</b>	<b>105,299</b>	<b>351,642</b>	<b>132,931</b>	<b>935,271</b>
As a percentage of gross loans and advances to customers	0.26%	0.08%	0.26%	0.10%	0.70%

##### The Bank

	31 December 2014				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	9,212	3,079	2,743	22,622	37,656
Guaranteed loans	680	8,380	700	18,174	27,934
Loans secured by tangible assets other than monetary assets	11,876	149,298	88,650	79,391	329,215
Loans secured by intangible assets or monetary assets	—	70,000	—	—	70,000
<b>Total</b>	<b>21,768</b>	<b>230,757</b>	<b>92,093</b>	<b>120,187</b>	<b>464,805</b>
As a percentage of gross loans and advances to customers	0.01%	0.15%	0.06%	0.08%	0.30%

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (4) Overdue loans analysed by overdue period (Continued)

##### The Bank

	31 December 2013				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	2,465	1,706	1,761	17,728	23,660
Guaranteed loans	269,880	700	25,162	19,119	314,861
Loans secured by tangible assets other than monetary assets	3,054	94,643	310,019	96,084	503,800
Loans secured by intangible assets or monetary assets	70,000	4,250	—	—	74,250
<b>Total</b>	<b>345,399</b>	<b>101,299</b>	<b>336,942</b>	<b>132,931</b>	<b>916,571</b>
As a percentage of gross loans and advances to customers	0.26%	0.08%	0.25%	0.10%	0.69%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

#### (5) Loans and advances and provision for impairment losses

##### The Group

	31 December 2014				Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	
Gross loans and advances to customers	157,948,193	53,239	643,067	158,644,499	0.44%
Less: Provision for impairment losses	(2,380,044)	(53,000)	(264,591)	(2,697,635)	
<b>Net loans and advances to customers</b>	<b>155,568,149</b>	<b>239</b>	<b>378,476</b>	<b>155,946,864</b>	

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (5) Loans and advances and provision for impairment losses (Continued)

##### The Group (Continued)

	31 December 2013			Total	Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed			
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	132,823,034	41,156	572,620	133,436,810	0.46%
Less: Provision for impairment losses	(1,614,987)	(35,435)	(228,496)	(1,878,918)	
Net loans and advances to customers	<u>131,208,047</u>	<u>5,721</u>	<u>344,124</u>	<u>131,557,892</u>	

##### The Bank

	31 December 2014			Total	Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed			
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	157,470,173	53,239	613,937	158,137,349	0.42%
Less: Provision for impairment losses	(2,371,858)	(53,000)	(251,351)	(2,676,209)	
Net loans and advances to customers	<u>155,098,315</u>	<u>239</u>	<u>362,586</u>	<u>155,461,140</u>	

	31 December 2013			Total	Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed			
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	132,329,064	41,156	555,620	132,925,840	0.45%
Less: Provision for impairment losses	(1,605,476)	(35,435)	(225,030)	(1,865,941)	
Net loans and advances to customers	<u>130,723,588</u>	<u>5,721</u>	<u>330,590</u>	<u>131,059,899</u>	

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (5) Loans and advances and provision for impairment losses (Continued)

Notes:

- (i) Loans and advances collectively assessed for impairment bear relatively insignificant risk of impairment. These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:
- Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
  - Collectively, representing portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).
- (iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 38(1).

#### (6) Movements of provision for impairment losses

The Group

	2014			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	
As at 1 January	1,614,987	35,435	228,496	1,878,918
Charge for the year	777,661	17,565	79,040	874,266
Release for the year	(12,604)	—	(720)	(13,324)
Unwinding of discount	—	—	(12,402)	(12,402)
Write-offs	—	—	(31,389)	(31,389)
Recoveries	—	—	1,566	1,566
As at 31 December	2,380,044	53,000	264,591	2,697,635

	2013			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	
As at 1 January	1,460,731	23,461	375,424	1,859,616
Charge for the year	294,612	11,974	26,049	332,635
Release for the year	(140,356)	—	(5,889)	(146,245)
Unwinding of discount	—	—	(10,499)	(10,499)
Write-offs	—	—	(157,196)	(157,196)
Recoveries	—	—	607	607
As at 31 December	1,614,987	35,435	228,496	1,878,918

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (6) Movements of provision for impairment losses (Continued)

##### The Bank

	2014			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	which are individually assessed	
As at 1 January	1,605,476	35,435	225,030	1,865,941
Charge for the year	778,986	17,565	69,266	865,817
Release for the year	(12,604)	—	(720)	(13,324)
Unwinding of discount	—	—	(12,402)	(12,402)
Write-offs	—	—	(31,389)	(31,389)
Recoveries	—	—	1,566	1,566
As at 31 December	<u>2,371,858</u>	<u>53,000</u>	<u>251,351</u>	<u>2,676,209</u>

	2013			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	which are individually assessed	
As at 1 January	1,455,034	23,461	375,424	1,853,919
Charge for the year	290,798	11,974	22,583	325,355
Release for the year	(140,356)	—	(5,889)	(146,245)
Unwinding of discount	—	—	(10,499)	(10,499)
Write-offs	—	—	(157,196)	(157,196)
Recoveries	—	—	607	607
As at 31 December	<u>1,605,476</u>	<u>35,435</u>	<u>225,030</u>	<u>1,865,941</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (7) Analysed by geographical sector (Note (i))

##### The Group

	31 December 2014		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	124,661,981	79%	78,557,169
Northern China	29,667,762	19%	8,982,404
Others	4,314,756	2%	3,424,036
Gross loans and advances to customers	<u>158,644,499</u>	<u>100%</u>	<u>90,963,609</u>

	31 December 2013		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	111,120,826	83%	66,259,336
North China	20,259,570	15%	9,686,185
Others	2,056,414	2%	1,623,513
Gross loans and advances to customers	<u>133,436,810</u>	<u>100%</u>	<u>77,569,034</u>

Note:

- (i) The definitions of the geographical sectors are set out in note 37(2).

##### The Bank

	31 December 2014		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	124,394,651	79%	78,532,899
North China	29,667,762	19%	8,982,404
Others	4,074,936	2%	3,328,436
Gross loans and advances to customers	<u>158,137,349</u>	<u>100%</u>	<u>90,843,739</u>

	31 December 2013		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	110,808,356	83%	66,239,006
North China	20,259,570	15%	9,686,185
Others	1,857,914	2%	1,519,013
Gross loans and advances to customers	<u>132,925,840</u>	<u>100%</u>	<u>77,444,204</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (7) Analysed by geographical sector (Note (i)) (Continued)

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of each geographic sector which constitutes 10% or more of gross loans and advances to customers is as follows:

##### The Group

	31 December 2014		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Northeast China	692,306	262,774	1,956,258
North China	—	—	402,210

	31 December 2013		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Northeast China	596,776	225,030	1,455,555
North China	—	—	163,888

##### The Bank

	31 December 2014		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Northeast China	667,176	251,351	1,951,144
North China	—	—	402,210

	31 December 2013		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Northeast China	596,776	225,030	1,452,461
North China	—	—	163,888

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 FINANCIAL INVESTMENTS

#### The Group and the Bank

	Note	31 December 2014	31 December 2013
Available-for-sale financial assets	19(1)	25,437,142	13,069,779
Held-to-maturity investments	19(2)	40,627,467	35,399,657
Loans and receivables	19(3)	86,122,195	25,312,589
Total		152,186,804	73,782,025

#### (1) Available-for-sale financial assets

##### The Group and the Bank

	Note	31 December 2014	31 December 2013
Debt securities at fair value listed outside Hong Kong			
— Government		5,290,437	4,884,066
— Policy banks		17,400,409	7,779,643
— Banks and other financial institutions		2,165,870	290,670
— Corporate		304,501	—
Sub-total		25,161,217	12,954,379
Equity investment at cost (Note (i))			
— Unlisted		275,925	115,400
Total		25,437,142	13,069,779

The Bank reclassified debt securities amounting to RMB5.68 billion out of available-for-sale to held-to-maturity investments during the year ended 31 December 2013, and as at the reclassification date, the estimated amount of cash flows the Group expected to recover was RMB7.01 billion. As at 31 December 2014, the carrying amount of the above debt securities was RMB5.70 billion (31 December 2013: RMB5.69 billion), and the fair value was RMB5.60 billion (31 December 2013: RMB5.31 billion). The Group has recognised a fair value gain of RMB0.92 million in other comprehensive income during the year of 2013. Except for the above, the Group and the Bank did not reclassify any other financial investments in and out from available-for-sale category for the year ended 31 December 2014 and 2013.

Note:

- (i) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 FINANCIAL INVESTMENTS (Continued)

#### (2) Held-to-maturity investments

##### The Group and the Bank

	31 December 2014	31 December 2013
Listed outside Hong Kong		
— Government	12,812,548	12,580,780
— Policy banks	25,867,731	20,802,677
— Banks and other financial institutions	1,027,218	1,096,232
— Corporate	919,970	919,968
	<u>40,627,467</u>	<u>35,399,657</u>
Total	<u>40,627,467</u>	<u>35,399,657</u>
Fair value of listed securities	<u>40,564,474</u>	<u>33,295,711</u>

#### (3) Loans and receivables

##### The Group and the Bank

	31 December 2014	31 December 2013
Investment management products managed by securities companies	60,179,090	12,639,819
Investment management products under trust scheme	24,603,105	11,742,770
Debt securities	600,000	600,000
Wealth management products issued by financial institutions	830,000	330,000
	<u>86,212,195</u>	<u>25,312,589</u>
Sub-total	<u>86,212,195</u>	<u>25,312,589</u>
Less: Provisions for loans and receivables	(90,000)	—
	<u>86,122,195</u>	<u>25,312,589</u>
Total	<u>86,122,195</u>	<u>25,312,589</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 INVESTMENTS IN SUBSIDIARIES

#### The Bank

	31 December 2014	31 December 2013
Shenyang Shenbei Fumin Village Bank Co., Ltd. ("Shenyang Shenbei")	35,321	35,321
Shenyang Xinmin Fumin Village Bank Co., Ltd. ("Shenyang Xinmin")	6,230	6,230
Shenyang Faku Fumin Village Bank Co., Ltd. ("Shenyang Faku")	6,262	6,262
Shenyang Liaozhong Fumin Village Bank Co., Ltd. ("Shenyang Liaozhong")	6,097	6,097
Ningbo Jiangbei Fumin Rural Bank Co., Ltd. ("Ningbo Jiangbei")	30,039	30,039
Shanghai Baoshan Fumin Rural Bank Co., Ltd. ("Shanghai Baoshan")	62,208	62,208
<b>Total</b>	<b>146,157</b>	<b>146,157</b>

As at 31 December 2014, background of the subsidiaries is as follows:

	Notes	Date of incorporation	Place of incorporation, registration and operations	Registered capital	Percentage owned by the Bank	Business sector
Shenyang Shenbei	20(1)	09/02/2009	Liaoning, China	150,000	20%	Banking
Shenyang Xinmin	20(2)	25/06/2010	Liaoning, China	30,000	20%	Banking
Shenyang Faku	20(3)	26/10/2010	Liaoning, China	30,000	20%	Banking
Shenyang Liaozhong	20(4)	26/11/2010	Liaoning, China	30,000	20%	Banking
Ningbo Jiangbei	20(5)	17/08/2011	Zhejiang, China	100,000	30%	Banking
Shanghai Baoshan	20(6)	09/09/2011	Shanghai, China	150,000	40%	Banking

#### Notes:

- According to the revised Articles of Association of Shenyang Shenbei approved by the General Meeting held in June 2012, the financial and operational decisions of Shenyang Shenbei were made by the Bank. The Bank also agreed with seven shareholders who held in total 61.34% of ownership and voting power of Shenyang Shenbei that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Shenbei and reclassified its investment in Shenyang Shenbei from interest in associates to investments in subsidiaries in June 2012.
- According to the revised Articles of Association of Shenyang Xinmin approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Xinmin were made by the Bank. The Bank also agreed with eight shareholders who held in total 55% of ownership and voting power of Shenyang Xinmin that these eight shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Xinmin and reclassified its investment in Shenyang Xinmin from interest in associates to investments in subsidiaries in June 2012.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 INVESTMENTS IN SUBSIDIARIES (Continued)

As at 31 December 2014, background of the subsidiaries is as follows: (Continued)

Notes: (Continued)

- (3) According to the revised Articles of Association of Shenyang Faku approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Faku were made by the Bank. The Bank also agreed with seven shareholders who held in total 50% of ownership and voting power of Shenyang Faku that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Faku and reclassified its investment in Shenyang Faku from interest in associates to investments in subsidiaries in June 2012.
- (4) According to the revised Articles of Association of Shenyang Liaozhong approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Liaozhong were made by the Bank. The Bank also agreed with eleven shareholders who held in total 70% of ownership and voting power of Shenyang Liaozhong that these eleven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Liaozhong and reclassified its investment in Shenyang Liaozhong from interest in associates to investments in subsidiaries in June 2012.
- (5) According to the revised Articles of Association of Ningbo Jiangbei approved by the General Meetings held in June 2012, the financial and operational decisions of Ningbo Jiangbei were made by the Bank. The Bank also agreed with six shareholders who held in total 50% of ownership and voting power of Ningbo Jiangbei that these six shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Ningbo Jiangbei and reclassified its investment in Ningbo Jiangbei from interest in associates to investments in subsidiaries in June 2012.
- (6) According to the revised Articles of Association of Shanghai Baoshan approved by the General Meetings held in June 2012, the financial and operational decisions of Shanghai Baoshan were made by the Bank. The Bank also agreed with four shareholders who held in total 35.33% of ownership and voting power of Shanghai Baoshan that these four shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shanghai Baoshan and reclassified its investment in Shanghai Baoshan from interest in associates to investments in subsidiaries in June 2012.

## 21 INTEREST IN ASSOCIATES

The Group and the Bank

	31 December 2014	31 December 2013
Interest in associates	—	287,175
Total	—	287,175

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21 INTEREST IN ASSOCIATES (Continued)

The following list contains the Group's associate, which is individually immaterial to the Group and is unlisted corporate entity whose quoted market price is not available:

Name	Percentages of equity/voting rights		Place of incorporation/ registration	Business sector
	2014-12-31 %	2013-12-31 %		
Benxi City Commercial Bank Co., Ltd.	Note 21(1)	39.02	Liaoning, China	Banking

(1) In January 2014, Benxi City Commercial Bank Co., Ltd. ("Benxi Bank") increased its registered capital and thus the Bank's equity interest in Benxi Bank was diluted from 39.02% to 11.88%. Benxi Bank also restructured its board of directors and appointed certain new management. As a result of the above, the Bank lost its significant influence over Benxi Bank. A loss resulted from the above changes amounting to RMB127 million was recognised as net (losses)/gains arising from investments during the reporting period. The Bank reclassified its investment in Benxi Bank to available-for-sale financial assets in January 2014 accordingly.

(2) The following table illustrates the aggregate information of the Group's associate that is not individually material:

	31 December 2014	31 December 2013
Aggregate carrying amount of the individually immaterial associate in the consolidated statements of financial position of the Group	—	287,175
Aggregate amounts of the Group's share of results of the associate		
— Profit from continuing operations	2,338	19,719
— Other comprehensive income	—	—
— Total comprehensive income	2,338	19,719

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 PROPERTY AND EQUIPMENT

#### The Group

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
<b>Cost</b>						
As at 1 January 2013	2,537,586	335,328	231,849	262,057	78,960	3,445,780
Additions	7,928	28,008	286,338	76,995	7,566	406,835
CIP transfers	27,884	50,543	(78,427)	—	—	—
Disposals	(113,692)	—	—	—	—	(113,692)
As at 31 December 2013	2,459,706	413,879	439,760	339,052	86,526	3,738,923
Additions	262,790	36,180	956,408	82,392	2,993	1,340,763
CIP transfers	115,458	6,209	(121,667)	—	—	—
Disposals	(57,183)	—	—	(1,982)	—	(59,165)
As at 31 December 2014	2,780,771	456,268	1,274,501	419,462	89,519	5,020,521
<b>Accumulated depreciation</b>						
As at 1 January 2013	(638,255)	(183,562)	—	(164,262)	(42,031)	(1,028,110)
Additions	(126,396)	(34,295)	—	(43,415)	(12,711)	(216,817)
Disposals	28,465	—	—	—	—	28,465
As at 31 December 2013	(736,186)	(217,857)	—	(207,677)	(54,742)	(1,216,462)
Additions	(122,909)	(49,355)	—	(54,103)	(12,683)	(239,050)
Disposals	31,256	—	—	1,913	—	33,169
As at 31 December 2014	(827,839)	(267,212)	—	(259,867)	(67,425)	(1,422,343)
<b>Net book value</b>						
As at 31 December 2013	1,723,520	196,022	439,760	131,375	31,784	2,522,461
As at 31 December 2014	1,952,932	189,056	1,274,501	159,595	22,094	3,598,178

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 PROPERTY AND EQUIPMENT (Continued)

#### The Bank

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
<b>Cost</b>						
As at 1 January 2013	2,537,586	327,763	231,849	257,945	75,682	3,430,825
Additions	7,928	28,008	278,959	76,937	6,936	398,768
CIP transfers	27,884	50,543	(78,427)	—	—	—
Disposals	(113,692)	—	—	—	—	(113,692)
As at 31 December 2013	2,459,706	406,314	432,381	334,882	82,618	3,715,901
Additions	262,790	36,132	956,408	81,981	2,993	1,340,304
CIP transfers	115,458	6,209	(121,667)	—	—	—
Disposals	(57,183)	—	—	(1,949)	—	(59,132)
As at 31 December 2014	2,780,771	448,655	1,267,122	414,914	85,611	4,997,073
<b>Accumulated depreciation</b>						
As at 1 January 2013	(638,255)	(179,091)	—	(162,919)	(40,396)	(1,020,661)
Additions	(126,396)	(33,330)	—	(42,336)	(11,819)	(213,881)
Disposals	28,465	—	—	—	—	28,465
As at 31 December 2013	(736,186)	(212,421)	—	(205,255)	(52,215)	(1,206,077)
Additions	(122,909)	(48,566)	—	(53,094)	(12,016)	(236,585)
Disposals	31,256	—	—	1,881	—	33,137
As at 31 December 2014	(827,839)	(260,987)	—	(256,468)	(64,231)	(1,409,525)
<b>Net book value</b>						
As at 31 December 2013	1,723,520	193,893	432,381	129,627	30,403	2,509,824
As at 31 December 2014	1,952,932	187,668	1,267,122	158,446	21,380	3,587,548

The carrying amount of premises without title deeds as at 31 December 2014 was RMB292.75 million (31 December 2013: RMB619.95 million). The Group is still in the progress of application for the outstanding title deeds for the above premises. Management of the Group expected that there would be no significant cost in obtaining the title deeds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 PROPERTY AND EQUIPMENT (Continued)

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

#### The Group and the Bank

	31 December 2014	31 December 2013
Held in mainland China		
— Long term leases (over 50 years)	71,922	2,836
— Medium term leases (10 – 50 years)	1,790,248	1,705,024
— Short term leases (less than 10 years)	90,762	15,660
Total	1,952,932	1,723,520

### 23 DEFERRED INCOME TAX ASSETS AND LIABILITIES

#### (1) Analysed by nature

##### The Group

	31 December 2014		31 December 2013	
	Deductible/ (taxable) Temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	1,194,456	298,614	489,116	122,279
Change in fair value of available-for-sale financial assets	—	—	335,378	83,844
Supplementary retirement benefits	127,066	31,766	128,364	32,091
	1,321,522	330,380	952,858	238,214
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(757,174)	(189,293)	—	—
	(757,174)	(189,293)	—	—
Net deferred income tax	564,348	141,087	952,858	238,214

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

#### (1) Analysed by nature (Continued)

##### The Bank

	31 December 2014		31 December 2013	
	Deductible/ (taxable) Temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	1,185,096	296,274	481,436	120,359
Change in fair value of available-for-sale financial assets	—	—	335,378	83,844
Supplementary retirement benefits	127,066	31,766	128,364	32,091
	<u>1,312,162</u>	<u>328,040</u>	<u>945,178</u>	<u>236,294</u>
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(757,174)	(189,293)	—	—
	<u>(757,174)</u>	<u>(189,293)</u>	<u>—</u>	<u>—</u>
Net deferred income tax	<u>554,988</u>	<u>138,747</u>	<u>945,178</u>	<u>236,294</u>

#### (2) Analysed by movement

##### The Group

	At 1	Recognised	Recognised	At 31
	January 2014	in profit or loss	in other comprehensive income	December 2014
Deferred income tax assets:				
Allowance for impairment losses	122,279	176,335	—	298,614
Change in fair value of available-for-sale financial assets	83,844	—	(83,844)	—
Supplementary retirement benefits	32,091	(2,037)	1,712	31,766
Sub-total	<u>238,214</u>	<u>174,298</u>	<u>(82,132)</u>	<u>330,380</u>
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	—	—	(189,293)	(189,293)
Sub-total	<u>—</u>	<u>—</u>	<u>(189,293)</u>	<u>(189,293)</u>
Net deferred income tax	<u>238,214</u>	<u>174,298</u>	<u>(271,425)</u>	<u>141,087</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

#### (2) Analysed by movement (Continued)

The Group (Continued)

	At 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2013
Deferred income tax assets:				
Allowance for impairment losses	147,166	(24,887)	—	122,279
Change in fair value of available-for-sale financial assets	—	—	83,844	83,844
Change in fair value of financial assets at fair value through profit or loss	107	(107)	—	—
Supplementary retirement benefits	37,421	(4,400)	(930)	32,091
Sub-total	184,694	(29,394)	82,914	238,214
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(9,148)	—	9,148	—
Sub-total	(9,148)	—	9,148	—
Net deferred income tax	175,546	(29,394)	92,062	238,214

The Bank

	At 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2014
Deferred income tax assets:				
Allowance for impairment losses	120,359	175,915	—	296,274
Change in fair value of available-for-sale financial assets	83,844	—	(83,844)	—
Supplemental retirement benefits	32,091	(2,037)	1,712	31,766
Sub-total	236,294	173,878	(82,132)	328,040
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	—	—	(189,293)	(189,293)
Sub-total	—	—	(189,293)	(189,293)
Net deferred income tax	236,294	173,878	(271,425)	138,747

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

#### (2) Analysed by movement (Continued)

The Bank (Continued)

	At 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2013
Deferred income tax assets:				
Allowance for impairment losses	147,085	(26,726)	—	120,359
Change in fair value of available-for-sale financial assets	—	—	83,844	83,844
Change in fair value of financial assets at fair value through profit or loss	107	(107)	—	—
Supplementary retirement benefits	37,421	(4,400)	(930)	32,091
Sub-total	184,613	(31,233)	82,914	236,294
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(9,148)	—	9,148	—
Sub-total	(9,148)	—	9,148	—
Net deferred income tax	175,465	(31,233)	92,062	236,294

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 OTHER ASSETS

#### The Group

	Note	31 December 2014	31 December 2013
Interest receivable	24(1)	5,379,593	2,171,792
Prepayments		142,134	28,769
Land use rights		69,321	4,034
Intangible assets	24(2)	43,782	38,731
Repossessed assets	24(3)	14,440	491,342
Long-term deferred expense		12,620	14,624
Settlement and clearing accounts		2,674	235,724
Others	24(4)	737,334	820,782
Total		<u>6,401,898</u>	<u>3,805,798</u>

#### The Bank

	Note	31 December 2014	31 December 2013
Interest receivable	24(1)	5,376,386	2,169,556
Prepayments		142,097	28,769
Land use rights		69,321	4,034
Intangible assets	24(2)	43,667	38,570
Repossessed assets	24(3)	—	491,342
Long-term deferred expense		12,299	14,303
Settlement and clearing accounts		2,674	235,724
Others	24(4)	736,936	820,333
Total		<u>6,383,380</u>	<u>3,802,631</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 OTHER ASSETS (Continued)

#### (1) Interest receivable

##### The Group

	31 December 2014	31 December 2013
Interest receivable arising from:		
— Deposits with banks and other financial institutions	2,851,517	561,110
— Investments	2,092,537	1,203,963
— Loans and advances to customers	432,472	375,167
— Others	3,067	31,552
Total	<u>5,379,593</u>	<u>2,171,792</u>

##### The Bank

	31 December 2014	31 December 2013
Interest receivable arising from:		
— Deposits with banks and other financial institutions	2,850,762	560,659
— Investments	2,092,537	1,203,963
— Loans and advances to customers	430,020	373,382
— Others	3,067	31,552
Total	<u>5,376,386</u>	<u>2,169,556</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 OTHER ASSETS (Continued)

#### (2) Intangible assets

##### The Group

	2014	2013
<b>Cost</b>		
As at 1 January	85,225	65,355
Additions	12,333	19,870
As at 31 December	97,558	85,225
<b>Accumulated amortisation</b>		
As at 1 January	(46,494)	(40,808)
Additions	(7,282)	(5,686)
As at 31 December	(53,776)	(46,494)
<b>Net value</b>		
As at 1 January	38,731	24,547
As at 31 December	43,782	38,731

##### The Bank

	2014	2013
<b>Cost</b>		
As at 1 January	84,966	65,196
Additions	12,333	19,770
As at 31 December	97,299	84,966
<b>Accumulated amortisation</b>		
As at 1 January	(46,396)	(40,752)
Additions	(7,236)	(5,644)
As at 31 December	(53,632)	(46,396)
<b>Net value</b>		
As at 1 January	38,570	24,444
As at 31 December	43,667	38,570

Intangible assets of the Group mainly represent computer software.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 OTHER ASSETS (Continued)

#### (3) Repossessed assets

##### The Group

	31 December 2014	31 December 2013
Land use rights and buildings	14,440	487,486
Others	—	18,966
Sub-total	14,440	506,452
Less: Impairment allowance	—	(15,110)
	<u>14,440</u>	<u>491,342</u>

##### The Bank

	31 December 2014	31 December 2013
Land use rights and buildings	—	487,486
Others	—	18,966
Sub-total	—	506,452
Less: Impairment allowance	—	(15,110)
	<u>—</u>	<u>491,342</u>

#### (4) Others

##### The Group

	31 December 2014	31 December 2013
Receivable due from disposal of non-performing assets (Note (i))	756,124	833,084
Receivable due from tax refund	—	16,843
Others	56,174	47,500
Sub-total	812,298	897,427
Less: Impairment allowance	(74,964)	(76,645)
	<u>737,334</u>	<u>820,782</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 OTHER ASSETS (Continued)

#### (4) Others (Continued)

##### The Bank

	31 December 2014	31 December 2013
Receivable due from disposal of non-performing assets (Note (i))	756,124	833,084
Receivable due from tax refund	—	16,843
Others	55,776	47,051
Sub-total	811,900	896,978
Less: Impairment allowance	(74,964)	(76,645)
	<u>736,936</u>	<u>820,333</u>

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

### 25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

##### The Group

	31 December 2014	31 December 2013
Deposits in mainland China		
— Banks	86,246,532	40,759,160
— Other financial institutions	5,826,391	568,337
Total	<u>92,072,923</u>	<u>41,327,497</u>

##### The Bank

	31 December 2014	31 December 2013
Deposits in mainland China		
— Banks	86,346,750	40,801,763
— Other financial institutions	5,826,391	568,337
Total	<u>92,173,141</u>	<u>41,370,100</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

#### The Group and the Bank

	31 December 2014	31 December 2013
Placements in mainland China		
— Banks	1,893,205	1,189,968
— Other financial institutions	1,774,510	—
Total	<u>3,667,715</u>	<u>1,189,968</u>

### 27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

#### (1) Analysed by type and location of counterparty

##### The Group and the Bank

	31 December 2014	31 December 2013
In mainland China		
— Banks	41,939,973	19,115,218
— Other financial institutions	150,000	1,804,250
Total	<u>42,089,973</u>	<u>20,919,468</u>

#### (2) Analysed by type of security held

##### The Group and the Bank

	31 December 2014	31 December 2013
Debt securities sold under repurchase agreements	42,062,620	20,919,468
Bills sold under repurchase agreements	27,353	—
Total	<u>42,089,973</u>	<u>20,919,468</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 28 DEPOSITS FROM CUSTOMERS

#### The Group

	31 December 2014	31 December 2013
Demand deposits		
— Corporate deposits	73,249,527	76,536,370
— Personal deposits	11,499,217	11,233,720
Sub-total	84,748,744	87,770,090
Time deposits		
— Corporate deposits	117,297,799	91,620,903
— Personal deposits	75,193,690	64,487,813
Sub-total	192,491,489	156,108,716
Pledged deposits		
— Acceptances	36,510,059	17,469,564
— Letters of credit	670,179	332,611
— Letters of guarantees	505,736	741,951
— Others	819,160	270,286
Sub-total	38,505,134	18,814,412
Inward and outward remittances	198,422	219,510
Total deposits from customers at amortised cost	315,943,789	262,912,728

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 28 DEPOSITS FROM CUSTOMERS (Continued)

#### The Bank

	31 December 2014	31 December 2013
Demand deposits		
— Corporate deposits	73,020,553	76,297,569
— Personal deposits	11,478,819	11,208,872
Sub-total	84,499,372	87,506,441
Time deposits		
— Corporate deposits	117,282,058	91,606,862
— Personal deposits	75,123,095	64,441,238
Sub-total	192,405,153	156,048,100
Pledged deposits		
— Acceptances	36,510,059	17,469,564
— Letters of credit	670,179	332,611
— Letters of guarantees	505,736	741,450
— Others	815,657	270,286
Sub-total	38,501,631	18,813,911
Inward and outward remittances	198,422	219,510
Total deposits from customers at amortised cost	315,604,578	262,587,962

### 29 DEBT SECURITIES ISSUED

#### The Group and the Bank

	31 December 2014	31 December 2013
Subordinated fixed rate debts maturing in November 2021	29(1) 900,000	900,000
Subordinated fixed rate debts maturing in May 2024	29(2) 2,200,000	—
Total	3,100,000	900,000

#### Notes:

- (1) Subordinated fixed rate debts of RMB0.9 billion with a term of ten years were issued on 3 November 2011. The coupon rate is 6.5%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (2) Subordinated fixed rate debts of RMB2.2 billion with a term of ten years were issued on 30 May 2014. The coupon rate is 6.18%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 OTHER LIABILITIES

#### The Group

	Note	31 December 2014	31 December 2013
Interest payable	30(1)	7,339,691	4,825,644
Amount due to National Council for Social Security Fund of the PRC	30(2)	745,179	—
Payment and collection clearance accounts		474,706	564,319
Accrued staff cost	30(3)	419,325	323,693
Taxes payable	30(4)	286,355	198,519
Deferred income		195,313	203,354
Dividend payable		65,164	24,692
Dormant accounts		34,592	32,693
Others		123,500	115,589
<b>Total</b>		<b>9,683,825</b>	<b>6,288,503</b>

#### The Bank

	Note	31 December 2014	31 December 2013
Interest payable	30(1)	7,338,809	4,824,796
Amount due to National Council for Social Security Fund of the PRC	30(2)	745,179	—
Payment and collection clearance accounts		474,706	564,160
Accrued staff cost	30(3)	419,114	323,435
Taxes payable	30(4)	285,938	197,870
Deferred income		195,113	203,354
Dividend payable		65,164	24,692
Dormant accounts		34,580	32,690
Others		122,979	115,559
<b>Total</b>		<b>9,681,582</b>	<b>6,286,556</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 OTHER LIABILITIES (Continued)

#### (1) Interest payable

##### The Group

	31 December 2014	31 December 2013
Interest payable arising from:		
— Deposits from customers	5,498,078	3,988,643
— Deposits from banks and other financial institutions	1,513,707	496,323
— Financial assets sold under repurchase agreements	228,554	318,656
— Debt securities issued	90,246	9,425
— Placements from banks and other financial institutions	9,106	12,597
Total	<u>7,339,691</u>	<u>4,825,644</u>

##### The Bank

	31 December 2014	31 December 2013
Interest payable arising from:		
— Deposits from customers	5,497,184	3,987,795
— Deposits from banks and other financial institutions	1,513,719	496,323
— Financial assets sold under repurchase agreements	228,554	318,656
— Debt securities issued	90,246	9,425
— Placements from banks and other financial institutions	9,106	12,597
Total	<u>7,338,809</u>	<u>4,824,796</u>

#### (2) Amount due to National Council for Social Security Fund of the PRC (the “NSSF”)

##### The Group and the Bank

In accordance with relevant PRC rules regarding disposal of state-owned shares, the state-owned shareholders are required to transfer to the NSSF a number of shares in aggregate equal to 10% of the number of the offer shares issued by the Bank. Pursuant to a letter issued by the NSSF (SheBaoJiJinFa [2014] No. 169) on 13 November 2014, the NSSF instructed the Bank to arrange for the sale of such shares and remit the proceeds from the sale of such shares to an account designated by the NSSF. The proceeds from the sale of such shares which were due to the NSSF amounted to equivalent RMB745 million as at 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 OTHER LIABILITIES (Continued)

#### (3) Accrued staff cost

##### The Group

	Note	31 December 2014	31 December 2013
Salary, bonuses and allowances payable		203,685	121,985
Pension and annuity payable	30(3)(a)	44,307	32,785
Supplementary retirement benefits payable	30(3)(b)	127,066	128,364
Housing allowances payable		29,534	29,320
Other social insurance payable		11,357	10,358
Others		3,376	881
<b>Total</b>		<b>419,325</b>	<b>323,693</b>

##### The Bank

	Note	31 December 2014	31 December 2013
Salary, bonuses and allowances payable		203,485	121,735
Pension and annuity payable	30(3)(a)	44,307	32,781
Supplementary retirement benefits payable	30(3)(b)	127,066	128,364
Housing allowances payable		29,534	29,320
Other social insurance payable		11,357	10,355
Others		3,365	880
<b>Total</b>		<b>419,114</b>	<b>323,435</b>

#### (a) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stimulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 OTHER LIABILITIES (Continued)

#### (3) Accrued staff cost (Continued)

##### (b) Supplementary retirement benefits

###### Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The Group accounts for the respective obligations in accordance with the accounting policies in Note 2(14).

###### Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation. The Group accounted for the respective obligations in accordance with the accounting policies in Note 2(14).

(i) The balances of supplementary retirement benefits of the Group and the Bank are as follows:

	31 December 2014	31 December 2013
Present value of early retirement plan	91,895	101,739
Present value of supplementary retirement plan	35,171	26,625
<b>Total</b>	<b>127,066</b>	<b>128,364</b>

(ii) The movements of supplementary retirement benefits of the Group and the Bank are as follows:

	2014	2013
As at 1 January	128,364	149,683
Benefits paid during the year	(19,159)	(18,646)
Defined benefit cost recognised in profit or loss	11,010	1,047
Defined benefit cost recognised in other comprehensive income	6,851	(3,720)
<b>As at 31 December</b>	<b>127,066</b>	<b>128,364</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 OTHER LIABILITIES (Continued)

#### (3) Accrued staff cost (Continued)

##### (b) Supplementary retirement benefits (Continued)

Supplementary retirement plan (Continued)

(iii) Principal actuarial assumptions of the Group and the Bank are as follows:

Early retirement plan	31 December 2014	31 December 2013
Discount rate	3.50%	4.50%
Retired age		
— Male	60	60
— Female	55	55
Annual increase rate of internal salary	4.00%	4.00%

Supplementary retirement plan	31 December 2014	31 December 2013
Discount rate	4.00%	5.25%
Turnover rate	3.00%	3.00%
Retired age		
— Male	60	60
— Female	55	55

#### (4) Taxes payable

##### The Group

	31 December 2014	31 December 2013
Business tax and surcharges payable	278,119	188,651
Others	8,236	9,868
Total	<u>286,355</u>	<u>198,519</u>

##### The Bank

	31 December 2014	31 December 2013
Business tax and surcharges payable	277,702	188,002
Others	8,236	9,868
Total	<u>285,938</u>	<u>197,870</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the reporting period are set out below:

The Bank (Continued)

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Surplus/ (Deficit) on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2014		4,096,005	3,822,383	1,709,163	3,317,751	(251,534)	2,830	8,346,012	21,042,610
Profit for the year		—	—	—	—	—	—	5,398,322	5,398,322
Other comprehensive income		—	—	—	—	819,415	(5,139)	—	814,276
Total comprehensive income		—	—	—	—	819,415	(5,139)	5,398,322	6,212,598
Changes in share capital									
— Capital contributed by owners	32	300,000	1,350,000	—	—	—	—	—	1,650,000
— Issue of H-shares	32	1,250,000	5,934,534	—	—	—	—	—	7,184,534
Sub-total		1,550,000	7,284,534	—	—	—	—	—	8,834,534
Appropriation of profit:									
— Appropriation to surplus reserve	34	—	—	1,024,234	—	—	—	(1,024,234)	—
— Appropriation to general reserve	34	—	—	—	225,175	—	—	(225,175)	—
— Cash dividends	34	—	—	—	—	—	—	(409,601)	(409,601)
Sub-total		—	—	1,024,234	225,175	—	—	(1,659,010)	(409,601)
Balance at 31 December 2014		5,646,005	11,106,917	2,733,397	3,542,926	567,881	(2,309)	12,085,324	35,680,141

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 MOVEMENT IN COMPONENTS OF EQUITY (Continued)

The Bank (Continued)

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Surplus on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2013		3,696,005	2,022,383	1,223,440	1,224,128	27,443	40	6,068,137	14,261,576
Profit for the year		—	—	—	—	—	—	4,857,221	4,857,221
Other comprehensive income		—	—	—	—	(278,977)	2,790	—	(276,187)
Total comprehensive income		—	—	—	—	(278,977)	2,790	4,857,221	4,581,034
Changes in share capital									
— Capital contributed by owners	32	400,000	1,800,000	—	—	—	—	—	2,200,000
Appropriation of profit:									
— Appropriation to surplus reserve	34	—	—	485,723	—	—	—	(485,723)	—
— Appropriation to general reserve	34	—	—	—	2,093,623	—	—	(2,093,623)	—
Sub-total		—	—	485,723	2,093,623	—	—	(2,579,346)	—
Balance at 31 December 2013		4,096,005	3,822,383	1,709,163	3,317,751	(251,534)	2,830	8,346,012	21,042,610

### 32 SHARE CAPITAL

#### Issued share capital

	31 December 2014	31 December 2013
Number of shares issued and fully paid at par value (in thousands)	5,646,005	4,096,005

In December 2014, the Bank issued 1,250 million H-shares with a par value of RMB1 at an offering price of HKD7.56 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB5,935 million was recorded in capital reserve.

In April 2014, the Bank issued 300 million ordinary shares with a par value of RMB1 at RMB5.5 per share. The premium arising from the issuance of new shares amounting to RMB1,350 million was recorded in capital reserve.

In December 2013, the Bank issued 400 million ordinary shares with a par value of RMB1 at RMB5.5 per share. The premium arising from the issuance of new shares amounting to RMB1,800 million was recorded in capital reserve.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 RESERVES

#### (1) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

#### (2) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% of its net profit according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank also appropriates discretionary surplus reserve fund in accordance with the resolution of the shareholders.

#### (3) General reserve

From 1 July 2012, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)" issued by the MOF on 20 March 2012, the Group is required to set aside a general reserve through its profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets by 30 June 2017.

#### (4) Investment revaluation reserve

##### The Group and the Bank

	2014	2013
As at 1 January	(251,534)	27,443
Change in fair value recognised in other comprehensive income	1,083,406	(279,822)
Less: deferred income tax	(270,851)	69,955
Transfer to profit or loss upon disposal	9,146	(92,147)
Less: deferred income tax	(2,286)	23,037
Sub-total	819,415	(278,977)
As at 31 December	567,881	(251,534)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 RESERVES (Continued)

#### (5) (Deficit)/surplus on remeasurement of net defined benefit liability

(Deficit)/surplus on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

#### (6) Retained earnings

As at 31 December 2014, the retained earnings included the statutory surplus reserve of RMB2.46 million (31 December 2013: RMB1.80 million), appropriated by the subsidiaries and attributable to the Bank, of which RMB0.66 million (2013: RMB0.83 million) was appropriated by the subsidiaries for the year then ended. The statutory surplus reserve in retained earnings which is contributed by subsidiaries cannot be further distributed.

### 34 PROFIT DISTRIBUTION

(1) In accordance with the resolution of the Bank's Board of directors meeting on 25 March 2015, the proposed profit distribution plan for the year ended 31 December 2014 is as follows:

- Appropriate 10% of the profit after tax to the statutory surplus reserve fund;
- Appropriate RMB539.83 million to the discretionary surplus reserve fund;
- Appropriate RMB2,630.70 million to the general reserve;
- Declare cash dividends of RMB2.75 per ten shares before tax and in aggregation of RMB1,594.09 million to all shareholders.

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

(2) In accordance with the resolution of the Bank's 2013 Annual General Meeting held on 30 May 2014, the shareholders approved the following profit distribution plan for the year ended 31 December 2013:

- Appropriated 10% of the profit after tax to the statutory surplus reserve fund;
- Appropriated RMB484.40 million to the discretionary surplus reserve fund;
- Appropriated RMB225.18 million to the general reserve;
- Declared cash dividends of RMB1.00 per ten shares before tax and in aggregation of RMB409.60 million to all shareholders.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	31 December 2014	31 December 2013
<b>The Group</b>		
Cash on hand	621,745	518,431
Deposits with central bank	18,617,591	18,696,397
Deposits with banks and other financial institutions	9,628,108	10,675,144
Placements with banks and other financial institutions	1,150,000	—
Financial assets held under resale agreements	8,741,057	10,136,796
<b>Total</b>	<b>38,758,501</b>	<b>40,026,768</b>

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### (1) Relationship of related parties

##### (a) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

	31 December 2014	31 December 2013
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	8.50%	11.72%
Liaoning Huibao International Investment Group Co., Ltd.	7.08%	9.77%
Xinhu Zhongbao Co., Ltd.	5.31%	7.32%
Founder Securities Co., Ltd.	5.31%	7.32%
Beijing Zhaotai Group Co., Ltd.	5.31%	0.00%
Shenyang Zhongyou Tipo (Group) Machinery & Equipment manufacturing Co., Ltd.	4.07%	5.62%

##### (b) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 20.

##### (c) Associates of the Bank

The detailed information of the Bank's associates is set out in Note 21.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (1) Relationship of related parties (Continued)

##### (d) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36(1)(a) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 30(3)).

#### (2) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

##### (a) Transactions between the Bank and major shareholders

	31 December 2014	31 December 2013
Balances at the end of the year:		
Loans and receivables	—	180,026
Deposits from customers	233,060	84,670
Bank acceptances	200,000	—
Guarantees received	4,562,000	3,660,234
	2014	2013
Transactions during the year:		
Interest income	6,043	35,807
Interest expense	2,693	2,469

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (2) Related party transactions and balances (Continued)

##### (b) Transactions between the Bank and subsidiaries

	31 December 2014	31 December 2013
Balances at the end of the year:		
Deposits from banks and other financial institutions	138,204	52,076
	2014	2013
Transactions during the year:		
Interest expense	2,900	3,892

##### (c) Transactions between the Bank and other related parties

	31 December 2014	31 December 2013
Balances at the end of the year:		
Loans and advances to customers	3,640,796	5,037,694
Financial investments-loans and receivables	977,250	293,342
Deposits from customers	990,183	863,981
Bank acceptances	724,280	300,000
Guarantees received	200,000	574,510
	2014	2013
Transactions during the year:		
Interest income	264,153	373,943
Interest expense	41,256	15,200
Fee and commission income	60,705	14,358

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (3) Key management personnel

##### (a) Transactions between the Bank and key management personnel

	31 December 2014	31 December 2013
Balances at the end of the year:		
Deposits from customers	24,807	25,639
	2014	2013
Transactions during the year:		
Interest income	—	1,085
Interest expense	532	1,048

##### (b) Key management personnel remuneration

	2014	2013
Salaries and other emoluments	14,825	16,937
Discretionary bonuses	16,104	8,782
Contributions to pension schemes	1,413	1,255
Total	32,342	26,974

##### (c) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	31 December 2014	31 December 2013
Aggregate amount of relevant loans outstanding as at the year end	—	—
Maximum aggregate amount of relevant loans outstanding during the year	—	18,900

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 SEGMENT REPORTING

### (1) Business Segment

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

#### **Corporate banking**

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

#### **Retail banking**

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

#### **Treasury business**

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

#### **Others**

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 SEGMENT REPORTING (Continued)

#### (1) Business Segment (Continued)

##### The Group

	Year ended 31 December 2014				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	5,270,709	(2,541,554)	7,172,017	—	9,901,172
Internal net interest income/(expense)	1,765,409	3,036,472	(4,801,881)	—	—
Net interest income	7,036,118	494,918	2,370,136	—	9,901,172
Net fee and commission income/(expense)	1,373,068	7,303	(11,940)	—	1,368,431
Net trading losses	—	—	(1,845)	—	(1,845)
Net losses arising from financial investments	—	—	(9,146)	(103,121)	(112,267)
Other operating income	25,727	5,124	—	18,421	49,272
Operating income/(losses)	8,434,913	507,345	2,347,205	(84,700)	11,204,763
Operating expenses	(2,150,644)	(432,132)	(618,838)	(10,273)	(3,211,887)
Impairment losses on assets	(841,857)	(2,294)	(90,000)	—	(934,151)
Operating profit/(losses)	5,442,412	72,919	1,638,367	(94,973)	7,058,725
Share of profits of associates	—	—	—	2,338	2,338
Profit/(losses) before tax	5,442,412	72,919	1,638,367	(92,635)	7,061,063

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 SEGMENT REPORTING (Continued)

#### (1) Business Segment (Continued)

The Group (Continued)

	Year ended 31 December 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Other segment information					
— Depreciation and amortisation	192,760	50,121	9,842	—	252,723
— Capital expenditure	1,085,190	282,171	55,409	—	1,422,770
	31 December 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	195,816,879	18,561,091	288,575,532	275,925	503,229,427
Deferred tax assets					141,087
Total assets					503,370,514
Segment liabilities/ Total liabilities	233,986,039	90,106,019	143,088,713	56,258	467,237,029
Credit commitments	93,408,152	1,975,783	—	—	95,383,935

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 SEGMENT REPORTING (Continued)

#### (1) Business Segment (Continued)

The Group (Continued)

	Year ended 31 December 2013				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	4,812,024	(2,043,305)	5,075,464	—	7,844,183
Internal net interest income/(expense)	1,114,366	2,461,676	(3,576,042)	—	—
Net interest income	5,926,390	418,371	1,499,422	—	7,844,183
Net fee and commission income/(expense)	765,259	(106)	4,988	—	770,141
Net trading losses	—	—	(2,000)	—	(2,000)
Net gains arising from financial investments	—	—	92,147	116,066	208,213
Other operating income	19,023	5,997	—	60,237	85,257
Operating income	6,710,672	424,262	1,594,557	176,303	8,905,794
Operating expenses	(1,680,586)	(331,567)	(430,473)	(3,101)	(2,445,727)
Impairment losses on assets	(155,284)	(16,576)	—	—	(171,860)
Operating profit	4,874,802	76,119	1,164,084	173,202	6,288,207
Share of profits of associates	—	—	—	19,719	19,719
Profit before tax	4,874,802	76,119	1,164,084	192,921	6,307,926

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 SEGMENT REPORTING (Continued)

#### (1) Business Segment (Continued)

The Group (Continued)

	Year ended 31 December 2013				Total
	Corporate banking	Retail banking	Treasury business	Others	
Other segment information					
— Depreciation and amortisation	170,456	43,187	11,767	—	225,410
— Capital expenditure	323,088	81,857	22,301	—	427,246

	31 December 2013				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	166,124,494	15,698,037	172,968,578	402,844	355,193,953
Deferred tax assets					238,214
Total assets					355,432,167
Segment liabilities/Total liabilities	190,323,235	78,019,573	65,581,273	37,648	333,961,729
Credit commitments	52,426,799	1,634,388	—	—	54,061,187

#### (2) Geographical information

The Group operates principally in mainland China with sixteen branches located in five provinces and municipalities directly under the central government, and six subsidiaries located in Liaoning Province, Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, and Shenyang Liaozhong;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 SEGMENT REPORTING (Continued)

### (2) Geographical information (Continued)

#### The Group

	Operating income	
	2014	2013
Northeast China	9,182,174	7,536,762
North China	1,723,882	1,253,255
Others	298,707	115,777
Total	<u>11,204,763</u>	<u>8,905,794</u>

	Non-current assets (Note i)	
	31 December 2014	31 December 2013
Northeast China	3,305,505	2,134,378
North China	390,082	420,124
Others	28,314	25,348
Total	<u>3,723,901</u>	<u>2,579,850</u>

Note:

- (i) Non-current assets include property and equipment, intangible assets, long-term deferred expense and land use rights.

## 38 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through the Risk Control Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RISK MANAGEMENT (Continued)

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

### (1) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

#### **Credit business**

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Control Centre is responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department, the Investment Banking Department and the Financial Market Operation Centre carry out credit businesses according to the Group's risk management policies and procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

##### Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

##### (a) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 40(1).

##### (b) Loans and advances to customers

##### The Group

	31 December 2014	31 December 2013
Gross balance of loans and advances to customers		
— Neither overdue nor impaired	157,926,184	132,474,641
— Overdue but not impaired	22,009	348,393
— Impaired	696,306	613,776
	<u>158,644,499</u>	<u>133,436,810</u>
Less: allowance for impairment loss		
— Neither overdue nor impaired	(2,377,815)	(1,596,125)
— Overdue but not impaired	(2,229)	(18,862)
— Impaired	(317,591)	(263,931)
	<u>(2,697,635)</u>	<u>(1,878,918)</u>
Net balance		
— Neither overdue nor impaired	155,548,369	130,878,516
— Overdue but not impaired	19,780	329,531
— Impaired	378,715	349,845
	<u>155,946,864</u>	<u>131,557,892</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

(b) Loans and advances to customers (Continued)

##### The Bank

	31 December 2014	31 December 2013
Gross balance of loans and advances to customers		
— Neither overdue nor impaired	157,448,164	131,982,371
— Overdue but not impaired	22,009	346,693
— Impaired	667,176	596,776
	<u>158,137,349</u>	<u>132,925,840</u>
Less: allowance for impairment loss		
— Neither overdue nor impaired	(2,369,629)	(1,586,721)
— Overdue but not impaired	(2,229)	(18,755)
— Impaired	(304,351)	(260,465)
	<u>(2,676,209)</u>	<u>(1,865,941)</u>
Net balance		
— Neither overdue nor impaired	155,078,535	130,395,650
— Overdue but not impaired	19,780	327,938
— Impaired	362,825	336,311
	<u>155,461,140</u>	<u>131,059,899</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

(b) Loans and advances to customers (Continued)

(i) Neither overdue nor impaired

Credit risk of loans and advances to customers neither overdue nor impaired was analysed as follows:

##### The Group

	31 December 2014	31 December 2013
Corporate loans and advances	152,725,791	128,663,302
Personal loans and advances	5,200,393	3,811,339
Total gross balance	<u>157,926,184</u>	<u>132,474,641</u>

##### The Bank

	31 December 2014	31 December 2013
Corporate loans and advances	152,333,111	128,227,722
Personal loans and advances	5,115,053	3,754,649
Total gross balance	<u>157,448,164</u>	<u>131,982,371</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

(b) Loans and advances to customers (Continued)

(ii) Overdue but not impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group and the Bank which were overdue but not impaired as at the end of the reporting period.

##### The Group

	31 December 2014				
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
	(inclusive)	(inclusive)	(inclusive)		
Corporate loans and advances	—	—	—	—	—
Personal loans and advances	13,050	8,038	921	—	22,009
<b>Total gross balance</b>	<b>13,050</b>	<b>8,038</b>	<b>921</b>	<b>—</b>	<b>22,009</b>

	31 December 2013				
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
	(inclusive)	(inclusive)	(inclusive)		
Corporate loans and advances	70,000	269,500	—	1,700	341,200
Personal loans and advances	4,107	1,792	1,294	—	7,193
<b>Total gross balance</b>	<b>74,107</b>	<b>271,292</b>	<b>1,294</b>	<b>1,700</b>	<b>348,393</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

(b) Loans and advances to customers (Continued)

(ii) Overdue but not impaired (Continued)

##### The Bank

	31 December 2014				Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	
Corporate loans and advances	—	—	—	—	—
Personal loans and advances	13,050	8,038	921	—	22,009
<b>Total gross balance</b>	<b>13,050</b>	<b>8,038</b>	<b>921</b>	<b>—</b>	<b>22,009</b>

	31 December 2013				Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	
Corporate loans and advances	70,000	269,500	—	—	339,500
Personal loans and advances	4,107	1,792	1,294	—	7,193
<b>Total gross balance</b>	<b>74,107</b>	<b>271,292</b>	<b>1,294</b>	<b>—</b>	<b>346,693</b>

The fair value of related collateral held by the Group and the Bank as security is as follows:

##### The Group

	31 December 2014	31 December 2013
Fair value of collateral held against loans and advances overdue but not impaired	27,728	351,773

##### The Bank

	31 December 2014	31 December 2013
Fair value of collateral held against loans and advances overdue but not impaired	27,728	348,935

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

(b) Loans and advances to customers (Continued)

(iii) Impaired loans

##### The Group

	31 December 2014	31 December 2013
Corporate loans and advances	643,067	572,620
Personal loans and advances	53,239	41,156
<b>Total</b>	<b>696,306</b>	<b>613,776</b>
% of total loans and advances	0.44%	0.46%
Allowance for impairment losses		
— Corporate loans and advances	264,591	228,496
— Personal loans and advances	53,000	35,435
<b>Total</b>	<b>317,591</b>	<b>263,931</b>
Fair value of collateral held against impaired loans	233,808	339,144

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

(b) Loans and advances to customers (Continued)

(iii) Impaired loans (Continued)

##### The Bank

	31 December 2014	31 December 2013
Corporate loans and advances	613,937	555,620
Personal loans and advances	53,239	41,156
<b>Total</b>	<b>667,176</b>	<b>596,776</b>
% of total loans and advances	0.42%	0.45%
Allowance for impairment losses		
— Corporate loans and advances	251,351	225,030
— Personal loans and advances	53,000	35,435
<b>Total</b>	<b>304,351</b>	<b>260,465</b>
Fair value of collateral held against impaired loans	233,808	328,509

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iv) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. The rescheduled loans of the Group and the Bank amounted to RMB12 million as at 31 December 2014 (31 December 2013: RMB12 million) which were all overdue more than 90 days.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

(c) *Amounts due from banks and other financial institutions*

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

##### The Group

	31 December 2014	31 December 2013
Carrying amount		
<i>Neither overdue nor impaired</i>		
— grade A to AAA	69,609,071	56,157,622
— grade B to BBB	42,253,519	21,841,042
— unrated	1,153,849	1,849
Total	113,016,439	78,000,513

##### The Bank

	31 December 2014	31 December 2013
Carrying amount		
<i>Neither overdue nor impaired</i>		
— grade A to AAA	69,377,519	55,872,312
— grade B to BBB	42,253,519	21,841,042
— unrated	1,153,849	1,849
Total	112,784,887	77,715,203

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

##### (d) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

##### The Group and the Bank

	31 December 2014	31 December 2013
Carrying amount		
<i>Neither overdue nor impaired</i>		
— Government	18,102,985	17,464,846
— Policy banks	43,268,140	28,582,320
— Banks and other financial institutions	58,109,984	14,516,902
— Corporate	32,429,770	13,102,557
Total	<u>151,910,879</u>	<u>73,666,625</u>

#### (2) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control Committee to supervise the market risk management conducted by the senior management. The Financial Market Operation Centre and the International Business Department of the Bank are responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines. The Planning and Accounting Management Department provides various data on market risks and other technical support to the Financial Market Operation Centre and the International Business Department. The Risk Control Centre is responsible for overall market risk management.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

#### (a) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

##### (i) Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Financial Market Operation Centre is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (a) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

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

#### The Group

	31 December 2014					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits						
with central bank	72,079,244	621,745	71,457,499	—	—	—
Deposits with banks and other financial institutions	85,560,982	—	35,744,642	28,809,340	21,007,000	—
Placements with banks and other financial institutions	1,513,868	—	1,513,868	—	—	—
Financial assets held under resale agreements	25,941,589	—	14,311,458	11,630,131	—	—
Loans and advances to customers (Note (i))	155,946,864	—	127,135,178	16,756,478	9,753,750	2,301,458
Financial investments (Note (iii))	152,186,804	275,925	36,471,474	44,005,022	49,113,360	22,321,023
Others	10,141,163	10,141,163	—	—	—	—
<b>Total assets</b>	<b>503,370,514</b>	<b>11,038,833</b>	<b>286,634,119</b>	<b>101,200,971</b>	<b>79,874,110</b>	<b>24,622,481</b>
<b>Liabilities</b>						
Deposits from banks and other financial institutions	(92,072,923)	—	(38,182,923)	(46,939,000)	(6,951,000)	—
Placements from banks and other financial institutions	(3,667,715)	—	(1,311,900)	(2,355,815)	—	—
Financial assets sold under repurchase agreements	(42,089,973)	—	(35,021,873)	(7,068,100)	—	—
Deposits from customers	(315,943,789)	—	(143,674,371)	(90,275,538)	(80,509,822)	(1,484,058)
Debt securities issued	(3,100,000)	—	—	—	—	(3,100,000)
Others	(10,362,629)	(10,362,629)	—	—	—	—
<b>Total liabilities</b>	<b>(467,237,029)</b>	<b>(10,362,629)</b>	<b>(218,191,067)</b>	<b>(146,638,453)</b>	<b>(87,460,822)</b>	<b>(4,584,058)</b>
<b>Asset-liability gap</b>	<b>36,133,485</b>	<b>676,204</b>	<b>68,443,052</b>	<b>(45,437,482)</b>	<b>(7,586,712)</b>	<b>20,038,423</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RISK MANAGEMENT (Continued)

### (2) Market risk (Continued)

#### (a) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

##### The Group (Continued)

	31 December 2013					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits						
with central bank	65,238,089	518,431	64,719,658	—	—	—
Deposits with banks and other financial institutions	62,233,233	—	22,458,733	11,491,500	28,283,000	—
Placements with banks and other financial institutions	61,024	—	—	61,024	—	—
Financial assets held under resale agreements	15,706,256	—	10,136,796	5,569,460	—	—
Loans and advances to customers (Note (i))	131,557,892	—	128,265,977	2,169,015	41,141	1,081,759
Financial investments (Note (ii))	73,782,025	115,400	9,722,826	20,620,356	22,071,693	21,251,750
Others	6,853,648	6,853,648	—	—	—	—
<b>Total assets</b>	<b>355,432,167</b>	<b>7,487,479</b>	<b>235,303,990</b>	<b>39,911,355</b>	<b>50,395,834</b>	<b>22,333,509</b>
<b>Liabilities</b>						
Deposits from banks and other financial institutions	(41,327,497)	—	(30,303,807)	(11,023,690)	—	—
Placements from banks and other financial institutions	(1,189,968)	—	(915,360)	(274,608)	—	—
Financial assets sold under repurchase agreements	(20,919,468)	—	(8,098,964)	(12,820,504)	—	—
Deposits from customers	(262,912,728)	—	(128,487,497)	(85,716,341)	(48,208,869)	(500,021)
Debt securities issued	(900,000)	—	—	—	—	(900,000)
Others	(6,712,068)	(6,712,068)	—	—	—	—
<b>Total liabilities</b>	<b>(333,961,729)</b>	<b>(6,712,068)</b>	<b>(167,805,628)</b>	<b>(109,835,143)</b>	<b>(48,208,869)</b>	<b>(1,400,021)</b>
<b>Asset-liability gap</b>	<b>21,470,438</b>	<b>775,411</b>	<b>67,498,362</b>	<b>(69,923,788)</b>	<b>2,186,965</b>	<b>20,933,488</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (a) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

##### The Bank

	31 December 2014					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits						
with central bank	71,983,075	619,469	71,363,606	—	—	—
Deposits with banks and other financial institutions	85,329,430	—	35,538,090	28,784,340	21,007,000	—
Placements with banks and other financial institutions	1,513,868	—	1,513,868	—	—	—
Financial assets held under resale agreements	25,941,589	—	14,311,458	11,630,131	—	—
Loans and advances to customers (Note (i))	155,461,140	—	126,649,674	16,756,258	9,753,750	2,301,458
Financial investments (Note (ii))	152,186,804	275,925	36,471,474	44,005,022	49,113,360	22,321,023
Others	10,255,832	10,255,832	—	—	—	—
<b>Total assets</b>	<b>502,671,738</b>	<b>11,151,226</b>	<b>285,848,170</b>	<b>101,175,751</b>	<b>79,874,110</b>	<b>24,622,481</b>
<b>Liabilities</b>						
Deposits from banks and other financial institutions	(92,173,141)	—	(38,283,141)	(46,939,000)	(6,951,000)	—
Placements from banks and other financial institutions	(3,667,715)	—	(1,311,900)	(2,355,815)	—	—
Financial assets sold under repurchase agreements	(42,089,973)	—	(35,021,873)	(7,068,100)	—	—
Deposits from customers	(315,604,578)	—	(143,414,357)	(90,208,225)	(80,497,938)	(1,484,058)
Debt securities issued	(3,100,000)	—	—	—	—	(3,100,000)
Others	(10,356,190)	(10,356,190)	—	—	—	—
<b>Total liabilities</b>	<b>(466,991,597)</b>	<b>(10,356,190)</b>	<b>(218,031,271)</b>	<b>(146,571,140)</b>	<b>(87,448,938)</b>	<b>(4,584,058)</b>
<b>Asset-liability gap</b>	<b>35,680,141</b>	<b>795,036</b>	<b>67,816,899</b>	<b>(45,395,389)</b>	<b>(7,574,828)</b>	<b>20,038,423</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RISK MANAGEMENT (Continued)

### (2) Market risk (Continued)

#### (a) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

##### The Bank (Continued)

	31 December 2013					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits						
with central bank	65,177,508	516,617	64,660,891	—	—	—
Deposits with banks and other financial institutions	61,947,923	—	22,444,923	11,220,000	28,283,000	—
Placements with banks and other financial institutions	61,024	—	—	61,024	—	—
Financial assets held under resale agreements	15,706,256	—	10,136,796	5,569,460	—	—
Loans and advances to customers (Note (i))	131,059,899	—	127,768,684	2,168,315	41,141	1,081,759
Financial investments (Note (ii))	73,782,025	115,400	9,722,826	20,620,356	22,071,693	21,251,750
Others	6,982,081	6,982,081	—	—	—	—
<b>Total assets</b>	<b>354,716,716</b>	<b>7,614,098</b>	<b>234,734,120</b>	<b>39,639,155</b>	<b>50,395,834</b>	<b>22,333,509</b>
<b>Liabilities</b>						
Deposits from banks and other financial institutions	(41,370,100)	—	(30,346,410)	(11,023,690)	—	—
Placements from banks and other financial institutions	(1,189,968)	—	(915,360)	(274,608)	—	—
Financial assets sold under repurchase agreements	(20,919,468)	—	(8,098,964)	(12,820,504)	—	—
Deposits from customers	(262,587,962)	—	(128,232,847)	(85,707,341)	(48,147,753)	(500,021)
Debt securities issued	(900,000)	—	—	—	—	(900,000)
Others	(6,706,608)	(6,706,608)	—	—	—	—
<b>Total liabilities</b>	<b>(333,674,106)</b>	<b>(6,706,608)</b>	<b>(167,593,581)</b>	<b>(109,826,143)</b>	<b>(48,147,753)</b>	<b>(1,400,021)</b>
<b>Asset-liability gap</b>	<b>21,042,610</b>	<b>907,490</b>	<b>67,140,539</b>	<b>(70,186,988)</b>	<b>2,248,081</b>	<b>20,933,488</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RISK MANAGEMENT (Continued)

### (2) Market risk (Continued)

#### (a) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months" as at 31 December 2014 included overdue amounts (net of provision for impairment losses) of RMB269 million (31 December 2013: RMB661 million).
- (ii) For the Bank's loans and advances to customers, the category "Less than three months" as at 31 December 2014 included overdue amounts (net of provision for impairment losses) of RMB253 million (31 December 2013: RMB650 million).
- (iii) Financial investments included available-for-sale financial assets, held-to-maturity investments and loans and receivables.

##### (ii) Interest rate sensitivity analysis

#### The Group

	31 December 2014 Increase/ (decrease)	31 December 2013 Increase/ (decrease)
Change in profit after taxation		
Up 100 bps parallel shift in yield curves	295,372	243,092
Down 100 bps parallel shift in yield curves	(295,372)	(243,092)

	31 December 2014 Increase/ (decrease)	31 December 2013 Increase/ (decrease)
Change in equity		
Up 100 bps parallel shift in yield curves	(315,622)	(178,461)
Down 100 bps parallel shift in yield curves	358,558	211,572

#### The Bank

	31 December 2014 Increase/ (decrease)	31 December 2013 Increase/ (decrease)
Change in profit after taxation		
Up 100 bps parallel shift in yield curves	291,381	240,003
Down 100 bps parallel shift in yield curves	(291,381)	(240,003)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (a) Interest rate risk (Continued)

##### (ii) Interest rate sensitivity analysis (Continued)

##### The Bank (Continued)

	31 December 2014	31 December 2013
Change in equity	Increase/ (decrease)	Increase/ (decrease)
Up 100 bps parallel shift in yield curves	(319,613)	(181,550)
Down 100 bps parallel shift in yield curves	362,549	214,661

The sensitivity analysis above is based on simplified scenarios. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (b) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

##### The Group

	31 December 2014			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	71,976,667	83,603	18,974	72,079,244
Deposits with banks and other financial institutions	76,630,754	923,749	8,006,479	85,560,982
Placements with banks and other financial institutions	1,150,000	122,380	241,488	1,513,868
Financial assets held under resale agreements	25,941,589	—	—	25,941,589
Loans and advances to customers	151,133,157	4,812,061	1,646	155,946,864
Financial investments (Note (i))	152,186,804	—	—	152,186,804
Others	10,118,505	11,596	11,062	10,141,163
<b>Total assets</b>	<b>489,137,476</b>	<b>5,953,389</b>	<b>8,279,649</b>	<b>503,370,514</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	(92,071,963)	(960)	—	(92,072,923)
Placements from banks and other financial institutions	(700,000)	(2,967,715)	—	(3,667,715)
Financial assets sold under repurchase agreements	(42,089,973)	—	—	(42,089,973)
Deposits from customers	(313,701,897)	(1,932,211)	(309,681)	(315,943,789)
Debt securities issued	(3,100,000)	—	—	(3,100,000)
Others	(8,678,003)	(934,066)	(750,560)	(10,362,629)
<b>Total liabilities</b>	<b>(460,341,836)</b>	<b>(5,834,952)</b>	<b>(1,060,241)</b>	<b>(467,237,029)</b>
<b>Net position</b>	<b>28,795,640</b>	<b>118,437</b>	<b>7,219,408</b>	<b>36,133,485</b>
Off-balance sheet credit commitments	93,881,239	1,490,081	12,615	95,383,935

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (b) Currency risk (Continued)

The Group (Continued)

	31 December 2013			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	65,167,218	43,150	27,721	65,238,089
Deposits with banks and other financial institutions	61,718,576	102,064	412,593	62,233,233
Placements with banks and other financial institutions	—	61,024	—	61,024
Financial assets held under resale agreements	15,706,256	—	—	15,706,256
Loans and advances to customers	129,684,355	1,873,537	—	131,557,892
Financial investments (Note (i))	73,782,025	—	—	73,782,025
Others	6,619,630	226,682	7,336	6,853,648
<b>Total assets</b>	<b>352,678,060</b>	<b>2,306,457</b>	<b>447,650</b>	<b>355,432,167</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	(41,112,956)	(214,541)	—	(41,327,497)
Placements from banks and other financial institutions	—	(1,189,968)	—	(1,189,968)
Financial assets sold under repurchase agreements	(20,919,468)	—	—	(20,919,468)
Deposits from customers	(262,101,992)	(367,818)	(442,918)	(262,912,728)
Debt securities issued	(900,000)	—	—	(900,000)
Others	(6,221,935)	(485,401)	(4,732)	(6,712,068)
<b>Total liabilities</b>	<b>(331,256,351)</b>	<b>(2,257,728)</b>	<b>(447,650)</b>	<b>(333,961,729)</b>
<b>Net position</b>	<b>21,421,709</b>	<b>48,729</b>	<b>—</b>	<b>21,470,438</b>
<b>Off-balance sheet credit commitments</b>	<b>53,011,908</b>	<b>1,022,792</b>	<b>26,487</b>	<b>54,061,187</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (b) Currency risk (Continued)

###### The Bank

	31 December 2014			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	71,880,498	83,603	18,974	71,983,075
Deposits with banks and other financial institutions	76,399,202	923,749	8,006,479	85,329,430
Placements with banks and other financial institutions	1,150,000	122,380	241,488	1,513,868
Financial assets held under resale agreements	25,941,589	—	—	25,941,589
Loans and advances to customers	150,647,433	4,812,061	1,646	155,461,140
Financial investments (Note (i))	152,186,804	—	—	152,186,804
Others	10,233,174	11,596	11,062	10,255,832
<b>Total assets</b>	<b>488,438,700</b>	<b>5,953,389</b>	<b>8,279,649</b>	<b>502,671,738</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	(92,172,181)	(960)	—	(92,173,141)
Placements from banks and other financial institutions	(700,000)	(2,967,715)	—	(3,667,715)
Financial assets sold under repurchase agreements	(42,089,973)	—	—	(42,089,973)
Deposits from customers	(313,362,686)	(1,932,211)	(309,681)	(315,604,578)
Debt securities issued	(3,100,000)	—	—	(3,100,000)
Others	(8,671,564)	(934,066)	(750,560)	(10,356,190)
<b>Total liabilities</b>	<b>(460,096,404)</b>	<b>(5,834,952)</b>	<b>(1,060,241)</b>	<b>(466,991,597)</b>
<b>Net position</b>	<b>28,342,296</b>	<b>118,437</b>	<b>7,219,408</b>	<b>35,680,141</b>
Off-balance sheet credit commitments	93,881,239	1,490,081	12,615	95,383,935

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (b) Currency risk (Continued)

##### The Bank (Continued)

	31 December 2013			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	65,106,637	43,150	27,721	65,177,508
Deposits with banks and other financial institutions	61,433,266	102,064	412,593	61,947,923
Placements with banks and other financial institutions	—	61,024	—	61,024
Financial assets held under resale agreements	15,706,256	—	—	15,706,256
Loans and advances to customers	129,186,362	1,873,537	—	131,059,899
Financial investments (Note (i))	73,782,025	—	—	73,782,025
Others	6,748,063	226,682	7,336	6,982,081
<b>Total assets</b>	<b>351,962,609</b>	<b>2,306,457</b>	<b>447,650</b>	<b>354,716,716</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	(41,155,559)	(214,541)	—	(41,370,100)
Placements from banks and other financial institutions	—	(1,189,968)	—	(1,189,968)
Financial assets sold under repurchase agreements	(20,919,468)	—	—	(20,919,468)
Deposits from customers	(261,777,226)	(367,818)	(442,918)	(262,587,962)
Debt securities issued	(900,000)	—	—	(900,000)
Others	(6,216,475)	(485,401)	(4,732)	(6,706,608)
<b>Total liabilities</b>	<b>(330,968,728)</b>	<b>(2,257,728)</b>	<b>(447,650)</b>	<b>(333,674,106)</b>
<b>Net position</b>	<b>20,993,881</b>	<b>48,729</b>	<b>—</b>	<b>21,042,610</b>
Off-balance sheet credit commitments	53,011,908	1,022,792	26,487	54,061,187

Note:

- (i) Financial investments include available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (b) Currency risk (Continued)

###### The Group and the Bank

	31 December 2014	31 December 2013
Change in profit after taxation and equity	Increase/ (decrease)	Increase/ (decrease)
Up 100 bps change of foreign exchange rate	8,994	60
Down 100 bps change of foreign exchange rate	(8,994)	(60)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### 38 RISK MANAGEMENT (Continued)

#### (3) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the bank-wide liquidity risk by the head office, and established the liquidity risk management framework which mainly comprises the Assets and Liabilities Management Committee, the Risk Control Centre and the Planning and Accounting Management Department at the head office. The responsibilities of them are as following:

- the Assets and Liabilities Management Committee is the decision-making body for liquidity risk management and is responsible for formulating the guidelines and policies for liquidity risk management;
- the Risk Control Centre is the liquidity risk management department and is responsible for formulating, implementing and evaluating relevant systems, setting the bank-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; and
- the Planning and Accounting Management Department is the implementation department for liquidity risk management and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, regularly carrying out risk analysis and reporting to the Risk Control Centre and the Assets and Liabilities Management Committee.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including loan to deposit ratio, liquidity ratio, reserve ratio, inter-bank loan to saving ratio, loan quality ratio and liquidity gap ratio. Meanwhile, the Group forecasts the liquidity of each branch on a periodic basis. The Group conducts liquidity analysis on a monthly basis, performs stress testing on liquidity risk on a quarterly basis.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (a) Maturity analysis

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

##### The Group

	31 December 2014							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>								
Cash and deposits with central bank	52,839,908	19,239,336	—	—	—	—	—	72,079,244
Deposit with banks and other financial institutions	—	9,471,742	3,800,000	2,360,260	41,921,980	28,007,000	—	85,560,982
Placement with banks and other financial institutions	—	—	—	1,513,868	—	—	—	1,513,868
Financial assets held under resale agreements	—	—	10,294,168	4,017,290	11,630,131	—	—	25,941,589
Loans and advances to customers	386,355	12,140	6,431,454	13,728,819	71,258,279	56,312,075	7,817,742	155,946,864
Financial investments (Note (i))	275,925	—	7,902,831	23,908,393	41,084,584	54,056,821	24,958,250	152,186,804
Others	3,879,424	251,614	1,211,143	649,764	2,276,976	1,872,242	—	10,141,163
<b>Total assets</b>	<b>57,381,612</b>	<b>28,974,832</b>	<b>29,639,596</b>	<b>46,178,394</b>	<b>168,171,950</b>	<b>140,248,138</b>	<b>32,775,992</b>	<b>503,370,514</b>
<b>Liabilities</b>								
Deposits from banks and other financial institutions	—	(3,264,273)	(8,850,000)	(21,068,650)	(48,939,000)	(9,951,000)	—	(92,072,923)
Placements from banks and other financial institutions	—	—	(1,067,140)	(244,760)	(2,355,815)	—	—	(3,667,715)
Financial assets sold under repurchase agreements	—	—	(30,768,720)	(4,253,153)	(7,068,100)	—	—	(42,089,973)
Deposits from customers	—	(89,438,680)	(31,191,913)	(23,043,778)	(90,275,538)	(80,509,822)	(1,484,058)	(315,943,789)
Debt securities issued	—	—	—	—	—	—	(3,100,000)	(3,100,000)
Others	—	(2,866,678)	(2,484,441)	(1,380,451)	(2,076,004)	(1,402,140)	(152,915)	(10,362,629)
<b>Total liabilities</b>	<b>—</b>	<b>(95,569,631)</b>	<b>(74,362,214)</b>	<b>(49,990,792)</b>	<b>(150,714,457)</b>	<b>(91,862,962)</b>	<b>(4,736,973)</b>	<b>(467,237,029)</b>
<b>Long/(short) position</b>	<b>57,381,612</b>	<b>(66,594,799)</b>	<b>(44,722,618)</b>	<b>(3,812,398)</b>	<b>17,457,493</b>	<b>48,385,176</b>	<b>28,039,019</b>	<b>36,133,485</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (a) Maturity analysis (Continued)

##### The Group (Continued)

	31 December 2013							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>								
Cash and deposits with central bank	46,023,261	19,214,828	—	—	—	—	—	65,238,089
Deposit with banks and other financial institutions	—	522,485	6,561,383	4,039,865	13,551,500	37,558,000	—	62,233,233
Placement with banks and other financial institutions	—	—	—	—	61,024	—	—	61,024
Financial assets held under resale agreements	—	—	10,136,796	—	5,569,460	—	—	15,706,256
Loans and advances to customers	605,976	73,400	6,425,921	12,110,881	59,277,915	48,001,283	5,062,516	131,557,892
Financial investments (Note (i))	115,400	—	30,000	4,882,950	15,966,938	26,242,126	26,544,611	73,782,025
Others	4,368,329	110,042	650,221	602,038	839,348	283,053	617	6,853,648
<b>Total assets</b>	<b>51,112,966</b>	<b>19,920,755</b>	<b>23,804,321</b>	<b>21,635,734</b>	<b>95,266,185</b>	<b>112,084,462</b>	<b>31,607,744</b>	<b>355,432,167</b>
<b>Liabilities</b>								
Deposits from banks and other financial institutions	—	(5,853,807)	(5,950,000)	(8,360,000)	(12,863,690)	(8,300,000)	—	(41,327,497)
Placements from banks and other financial institutions	—	—	(305,120)	(610,240)	(274,608)	—	—	(1,189,968)
Financial assets sold under repurchase agreements	—	—	(2,630,200)	(5,468,764)	(12,820,504)	—	—	(20,919,468)
Deposits from customers	—	(90,593,095)	(17,857,320)	(20,037,082)	(85,716,341)	(48,208,869)	(500,021)	(262,912,728)
Debt securities issued	—	—	—	—	—	—	(900,000)	(900,000)
Others	—	(2,407,037)	(987,845)	(665,747)	(1,685,002)	(829,459)	(136,978)	(6,712,068)
<b>Total liabilities</b>	<b>—</b>	<b>(98,853,939)</b>	<b>(27,730,485)</b>	<b>(35,141,833)</b>	<b>(113,360,145)</b>	<b>(57,338,328)</b>	<b>(1,536,999)</b>	<b>(333,961,729)</b>
<b>Long/(short) position</b>	<b>51,112,966</b>	<b>(78,933,184)</b>	<b>(3,926,164)</b>	<b>(13,506,099)</b>	<b>(18,093,960)</b>	<b>54,746,134</b>	<b>30,070,745</b>	<b>21,470,438</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (a) Maturity analysis (Continued)

###### The Bank

	31 December 2014							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>								
Cash and deposits with central bank	52,797,747	19,185,328	—	—	—	—	—	71,983,075
Deposit with banks and other financial institutions	—	9,265,190	3,800,000	2,360,260	41,896,980	28,007,000	—	85,329,430
Placement with banks and other financial institutions	—	—	—	1,513,868	—	—	—	1,513,868
Financial assets held under resale agreements	—	—	10,294,168	4,017,290	11,630,131	—	—	25,941,589
Loans and advances to customers	370,465	12,140	6,366,148	13,648,334	70,968,488	56,277,823	7,817,742	155,461,140
Financial investments (Note (i))	275,925	—	7,902,831	23,908,393	41,084,584	54,056,821	24,958,250	152,186,804
Others	3,997,896	249,460	1,208,851	648,903	2,277,877	1,872,845	—	10,255,832
<b>Total assets</b>	<b>57,442,033</b>	<b>28,712,118</b>	<b>29,571,998</b>	<b>46,097,048</b>	<b>167,858,060</b>	<b>140,214,489</b>	<b>32,775,992</b>	<b>502,671,738</b>
<b>Liabilities</b>								
Deposits from banks and other financial institutions	—	(3,364,491)	(8,850,000)	(21,068,650)	(48,939,000)	(9,951,000)	—	(92,173,141)
Placements from banks and other financial institutions	—	—	(1,067,140)	(244,760)	(2,355,815)	—	—	(3,667,715)
Financial assets sold under repurchase agreements	—	—	(30,768,720)	(4,253,153)	(7,068,100)	—	—	(42,089,973)
Deposits from customers	—	(89,188,805)	(31,189,180)	(23,036,372)	(90,208,225)	(80,497,938)	(1,484,058)	(315,604,578)
Debt securities issued	—	—	—	—	—	—	(3,100,000)	(3,100,000)
Others	—	(2,861,196)	(2,484,435)	(1,379,909)	(2,075,626)	(1,402,109)	(152,915)	(10,356,190)
<b>Total liabilities</b>	<b>—</b>	<b>(95,414,492)</b>	<b>(74,359,475)</b>	<b>(49,982,844)</b>	<b>(150,646,766)</b>	<b>(91,851,047)</b>	<b>(4,736,973)</b>	<b>(466,991,597)</b>
<b>Long/(short) position</b>	<b>57,442,033</b>	<b>(66,702,374)</b>	<b>(44,787,477)</b>	<b>(3,885,796)</b>	<b>17,211,294</b>	<b>48,363,442</b>	<b>28,039,019</b>	<b>35,680,141</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RISK MANAGEMENT (Continued)

### (3) Liquidity risk (Continued)

#### (a) Maturity analysis (Continued)

##### The Bank (Continued)

	31 December 2013							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>								
Cash and deposits with central bank	45,974,937	19,202,571	—	—	—	—	—	65,177,508
Deposit with banks and other financial institutions	—	508,675	6,561,383	4,039,865	13,280,000	37,558,000	—	61,947,923
Placement with banks and other financial institutions	—	—	—	—	61,024	—	—	61,024
Financial assets held under resale agreements	—	—	10,136,796	—	5,569,460	—	—	15,706,256
Loans and advances to customers	590,849	73,400	6,328,694	12,070,300	58,953,420	47,980,720	5,062,516	131,059,899
Financial investments (Note (i))	115,400	—	30,000	4,882,950	15,966,938	26,242,126	26,544,611	73,782,025
Others	4,498,815	109,568	649,037	602,011	839,207	282,826	617	6,982,081
<b>Total assets</b>	<b>51,180,001</b>	<b>19,894,214</b>	<b>23,705,910</b>	<b>21,595,126</b>	<b>94,670,049</b>	<b>112,063,672</b>	<b>31,607,744</b>	<b>354,716,716</b>
<b>Liabilities</b>								
Deposits from banks and other financial institutions	—	(5,896,410)	(5,950,000)	(8,360,000)	(12,863,690)	(8,300,000)	—	(41,370,100)
Placements from banks and other financial institutions	—	—	(305,120)	(610,240)	(274,608)	—	—	(1,189,968)
Financial assets sold under repurchase agreements	—	—	(2,630,200)	(5,468,764)	(12,820,504)	—	—	(20,919,468)
Deposits from customers	—	(90,329,445)	(17,857,320)	(20,037,082)	(85,716,341)	(48,147,753)	(500,021)	(262,587,962)
Debt securities issued	—	—	—	—	—	—	(900,000)	(900,000)
Others	—	(2,402,614)	(986,839)	(665,716)	(1,685,002)	(829,459)	(136,978)	(6,706,608)
<b>Total liabilities</b>	<b>—</b>	<b>(98,628,469)</b>	<b>(27,729,479)</b>	<b>(35,141,802)</b>	<b>(113,360,145)</b>	<b>(57,277,212)</b>	<b>(1,536,999)</b>	<b>(333,674,106)</b>
<b>Long/(short) position</b>	<b>51,180,001</b>	<b>(78,734,255)</b>	<b>(4,023,569)</b>	<b>(13,546,676)</b>	<b>(18,690,096)</b>	<b>54,786,460</b>	<b>30,070,745</b>	<b>21,042,610</b>

#### Notes:

- (i) Financial investments include available-for-sale financial assets, held-to-maturity investments, and loans and receivables.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the "indefinite" period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in "repayable on demand".

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (b) Analysis on contractual undiscounted cash flows of financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

##### The Group

	31 December 2014					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Deposits from banks and other financial institutions	(98,369,225)	(12,298,446)	(21,661,336)	(51,955,926)	(12,453,517)	—
Placements from banks and other financial institutions	(3,676,821)	(1,068,854)	(244,827)	(2,363,140)	—	—
Financial assets sold under repurchase agreements	(42,476,508)	(30,893,720)	(4,351,748)	(7,231,040)	—	—
Deposits from customers	(336,508,157)	(121,091,130)	(24,064,940)	(94,840,974)	(94,904,961)	(1,606,152)
Debt securities issued	(4,869,100)	—	—	(194,460)	(777,840)	(3,896,800)
Other financial liabilities	(1,638,455)	(509,298)	(868,680)	(260,477)	—	—
<b>Total non-derivative financial liabilities</b>	<b>(487,538,266)</b>	<b>(165,861,448)</b>	<b>(51,191,531)</b>	<b>(156,846,017)</b>	<b>(108,136,318)</b>	<b>(5,502,952)</b>

	31 December 2013					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Deposits from banks and other financial institutions	(43,999,910)	(11,913,583)	(8,714,220)	(13,731,657)	(9,640,450)	—
Placements from banks and other financial institutions	(1,206,602)	(305,917)	(620,710)	(279,975)	—	—
Financial assets sold under repurchase agreements	(21,598,671)	(2,634,735)	(5,596,983)	(13,366,953)	—	—
Deposits from customers	(275,423,822)	(109,738,586)	(20,888,016)	(89,139,917)	(55,128,176)	(529,127)
Debt securities issued	(1,368,000)	—	—	(58,500)	(234,000)	(1,075,500)
Other financial liabilities	(940,647)	(597,011)	(115,590)	(228,046)	—	—
<b>Total non-derivative financial liabilities</b>	<b>(344,537,652)</b>	<b>(125,189,832)</b>	<b>(35,935,519)</b>	<b>(116,805,048)</b>	<b>(65,002,626)</b>	<b>(1,604,627)</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (b) Analysis on contractual undiscounted cash flows of financial liabilities (Continued)

###### The Bank

	31 December 2014					
	Contractual	Within	Between	Between	Between	More than
	undiscounted	one month	one month and	three months	one year and	five years
	cash flow	(inclusive)	three months	and one year	five years	and indefinite
		(inclusive)	(inclusive)	(inclusive)	(inclusive)	
Deposits from banks and other financial institutions	(98,469,442)	(12,398,663)	(21,661,336)	(51,955,926)	(12,453,517)	—
Placements from banks and other financial institutions	(3,676,821)	(1,068,854)	(244,827)	(2,363,140)	—	—
Financial assets sold under repurchase agreements	(42,476,508)	(30,893,720)	(4,351,748)	(7,231,040)	—	—
Deposits from customers	(336,165,123)	(120,838,517)	(24,057,482)	(94,771,602)	(94,891,370)	(1,606,152)
Debt securities issued	(4,869,100)	—	—	(194,460)	(777,840)	(3,896,800)
Other financial liabilities	(1,637,721)	(509,286)	(868,158)	(260,277)	—	—
<b>Total non-derivative financial liabilities</b>	<b>(487,294,715)</b>	<b>(165,709,040)</b>	<b>(51,183,551)</b>	<b>(156,776,445)</b>	<b>(108,122,727)</b>	<b>(5,502,952)</b>
	31 December 2013					
	Contractual	Within	Between	Between	Between	More than
	undiscounted	one month	one month and	three months	one year and	five years
	cash flow	(inclusive)	three months	and one year	five years	and indefinite
		(inclusive)	(inclusive)	(inclusive)	(inclusive)	
Deposits from banks and other financial institutions	(44,042,513)	(11,956,186)	(8,714,220)	(13,731,657)	(9,640,450)	—
Placements from banks and other financial institutions	(1,206,602)	(305,917)	(620,710)	(279,975)	—	—
Financial assets sold under repurchase agreements	(21,598,671)	(2,634,735)	(5,596,983)	(13,366,953)	—	—
Deposits from customers	(264,991,185)	(108,187,208)	(20,040,614)	(86,181,305)	(50,052,931)	(529,127)
Debt securities issued	(1,368,000)	—	—	(58,500)	(234,000)	(1,075,500)
Other financial liabilities	(940,455)	(596,850)	(115,559)	(228,046)	—	—
<b>Total non-derivative financial liabilities</b>	<b>(334,147,426)</b>	<b>(123,680,896)</b>	<b>(35,088,086)</b>	<b>(113,846,436)</b>	<b>(59,927,381)</b>	<b>(1,604,627)</b>

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RISK MANAGEMENT (Continued)

### (4) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group established “Three Lines of Defense for Risk Management” on the basis of the main prevention and control organisations consisting of each business department, the Risk Control Centre, the Compliance Department and the Internal Audit Department and also set up operational risk reporting mechanism between the Risk Control Centre and business units, the head office and branches.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group’s measures to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

### (5) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group’s capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group’s business strategy and maintain adequate capital to support the implementation of the Group’s strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group’s risk exposure and risk management needs.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (5) Capital management (Continued)

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.

The Group calculates the capital adequacy ratios as at 31 December 2014 and 2013 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the CBRC in 2012 and relevant requirements promulgated by the CBRC as follows:

#### The Group

	Note	31 December 2014	31 December 2013
Total core tier-one capital			
— Share capital		5,646,005	4,096,005
— Qualifying portion of capital reserve		11,106,917	3,822,383
— Surplus reserve		2,733,397	1,709,163
— General reserve		3,545,733	3,317,751
— Investment revaluation reserve		567,881	(251,534)
— Retained earnings		12,101,929	8,358,813
— Qualifying portions of non-controlling interests		351,811	412,750
— Others		(2,309)	2,830
		<hr/>	<hr/>
Core tier-one capital		36,051,364	21,468,161
Core tier-one capital deductions		(55,966)	(53,033)
		<hr/>	<hr/>
Net core tier-one capital		35,995,398	21,415,128
Other tier-one capital		—	—
		<hr/>	<hr/>
Net tier-one capital		35,995,398	21,415,128

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (Continued)

#### (5) Capital management (Continued)

The Group (Continued)

	Note	31 December 2014	31 December 2013
Tier two capital			
— Qualifying portions of tier-two capital instruments issued		2,920,000	810,000
— Surplus provision for loan impairment		2,318,931	1,529,072
— Core tier-two capital deductions		—	—
Net tier-two capital		5,238,931	2,339,072
Net capital base		41,234,329	23,754,200
Total risk weighted assets	38(5)(a)	325,922,846	212,674,655
Core tier-one capital adequacy ratio		11.04%	10.07%
Tier-one capital adequacy ratio		11.04%	10.07%
Capital adequacy ratio		12.65%	11.17%

Notes:

- (a) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (b) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 8.9%, 6.9% and 5.9%, respectively, at 31 December 2014.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 FAIR VALUE

### (1) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair values:

**(a) Debt securities investments**

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

**(b) Receivables and other non-derivative financial assets**

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

**(c) Debt securities issued and other non-derivative financial liabilities**

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 FAIR VALUE (Continued)

### (2) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

#### The Group and the Bank

	31 December 2014			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Available-for-sale financial assets — debt instruments	—	25,161,217	—	25,161,217
Total	—	25,161,217	—	25,161,217

During the year ended 31 December 2014, there were no significant transfers between instruments in Level 1 and Level 2.

#### The Group and the Bank

	31 December 2013			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Available-for-sale financial assets — debt instruments	—	12,954,379	—	12,954,379
Total	—	12,954,379	—	12,954,379

During the year ended 31 December 2013, there were no significant transfers between instruments in Level 1 and Level 2.

### (3) Level 2 fair value measurement

A majority of the available-for-sale financial assets and financial assets at fair value through profit or loss classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 FAIR VALUE (Continued)

#### (4) Fair value of financial assets and liabilities not carried at fair value

- (i) **Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements and financial investments – loans and receivables**

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

- (ii) **Loans and advances to customers**

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

- (iii) **Held-to-maturity investments**

The fair value for held-to-maturity investments is based on “bid” market prices or brokers’/dealers’ price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, maturities and yield.

- (iv) **Deposits from customers**

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

- (v) **Debt securities issued**

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments and subordinated bonds:



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 COMMITMENTS AND CONTINGENT LIABILITIES

#### (1) Credit commitments

The Group's credit commitments take the form of bank acceptances, credit card limits, letters of credit and letters of guarantees.

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

##### The Group and the Bank

	31 December 2014	31 December 2013
Bank acceptances	86,660,026	49,746,255
Letters of guarantees	4,676,494	989,153
Letters of credit	2,071,632	1,691,391
Unused credit card commitments	1,975,783	1,634,388
Total	<u>95,383,935</u>	<u>54,061,187</u>

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

#### (2) Credit risk-weighted amount

##### The Group and the Bank

	31 December 2014	31 December 2013
Credit risk-weighted amount of contingent liabilities and commitments	84,586,763	26,464,249

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

#### (3) Operating lease commitments

As at 31 December 2014 and 2013, the future minimum lease payments under non-cancellable operating leases for properties of the Group and the Bank are as follows:

##### The Group

	31 December 2014	31 December 2013
Within one year (inclusive)	106,806	81,706
After one year but within five years (inclusive)	320,172	247,655
After five years	140,100	158,903
Total	567,078	488,264

##### The Bank

	31 December 2014	31 December 2013
Within one year (inclusive)	105,907	81,706
After one year but within five years (inclusive)	317,788	247,655
After five years	139,572	158,903
Total	563,267	488,264

#### (4) Capital commitments

As at 31 December 2014 and 2013, the authorised capital commitments of the Group and the Bank are as follows:

##### The Group and the Bank

	31 December 2014	31 December 2013
Contracted but not paid for	2,231,248	119,734
Approved but not contracted for	65,457	44,643
Total	2,296,705	164,377

#### (5) Outstanding litigations and disputes

As at 31 December 2014 and 2013, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

#### (6) Pledged assets

##### The Group and the Bank

	31 December 2014	31 December 2013
Investment securities	54,112,275	29,198,211
Discounted bills	27,353	—
Total	54,139,628	29,198,211

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. The fair value of such pledged assets was RMB17,712 million as at 31 December 2014 (31 December 2013: RMB1,768 million). As at 31 December 2014 and 2013, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

### 41 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products, investment management products under trust scheme and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

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

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 2014 and 2013 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

##### The Group and the Bank

	31 December 2014		
	Loans and receivables	Carrying amount	Maximum exposure
Investment management products managed by securities companies	60,179,090	60,179,090	60,179,090
Investment management products under trust scheme	24,603,105	24,603,105	24,603,105
Wealth management products issued by financial institutions	830,000	830,000	830,000
<b>Total</b>	<b>85,612,195</b>	<b>85,612,195</b>	<b>85,612,195</b>

	31 December 2013		
	Loans and receivables	Carrying amount	Maximum exposure
Investment management products managed by securities companies	12,639,819	12,639,819	12,639,819
Investment management products under trust scheme	11,742,770	11,742,770	11,742,770
Wealth management products issued by financial institutions	330,000	330,000	330,000
<b>Total</b>	<b>24,712,589</b>	<b>24,712,589</b>	<b>24,712,589</b>

The maximum exposures to loss in the above investment management products and wealth management products are the amortised cost or the fair value (which is higher) of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### 41 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

#### (2) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 31 December 2014, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB4,668 million (31 December 2013: RMB731 million).

During the year ended 31 December 2014, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB5.59 million (2013: RMB2.78 million).

During the year ended 31 December 2014, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2014, but matured before 31 December 2014, is RMB6,739 million (2013: RMB4,027 million).

### 42 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2014, the entrusted loans balance of the Group is RMB3,352 million (31 December 2013: RMB2,813 million).

### 43 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### (i) Impairment losses on loans and advances to customers and financial investments (available-for-sale financial assets, held-to-maturity investments and loans and receivables)

The Group reviews portfolios of loans and advances to customers and financial investments periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for loans and advances to customers and financial investments. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### (i) Impairment losses on loans and advances to customers and financial investments (available-for-sale financial assets, held-to-maturity investments and loans and receivables) (Continued)

The impairment loss for loans and advances to customers, and debt investments that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgments based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

The objective evidence of impairment for an available-for-sale equity investment includes significant or prolonged decline in its fair value below its cost. When deciding whether there is significant or prolonged decline in fair value, the Group will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.

#### (ii) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

#### (iii) Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

#### (iv) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### 43 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

#### **(v) Impairment of non-financial assets**

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling related operating income and expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of related operating income and expenses based on reasonable and supportable assumption.

#### **(vi) Depreciation and amortisation**

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

#### **(vii) Consolidation of structured entities**

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement.

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the structured entities by exercising its power.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to IAS 16 and IAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
Amendments to IAS 27, <i>Equity method in separate financial statements</i>	1 January 2016
Amendments to IFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
IFRS 14, <i>Regulatory deferral accounts</i>	1 January 2016
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
IFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018

So far the Group has concluded that the adoption of other standards is unlikely to have a significant impact on its operating results and financial position, except for IFRS 9 “Financial instruments”. Since the Group is in the process of making an assessment on overall impact of IFRS 9, the Group cannot quantify the impact on its operating results and financial position.

### 45 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) At 21 January 2015, the Bank partially exercised the over-allotment option and issued 150,675,000 H shares with a par value of RMB1 at an offering price of HKD7.56 per share. The respective total proceeds amounted to HKD1,139 million.
- (b) The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank’s board of directors meeting as disclosed in Note 34.

Except for the above, the Group has no other significant non-adjusted events subsequent to the end of the reporting period as at the date of approval to the financial statements.

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

## 1 LIQUIDITY RATIOS

	31 December 2014	Average for the year ended 31 December 2014
RMB current assets to RMB current liabilities	59.49%	52.75%
Foreign currency current assets to foreign currency current liabilities	369.53%	107.41%

	31 December 2013	Average for the year ended 31 December 2013
RMB current assets to RMB current liabilities	49.11%	54.64%
Foreign currency current assets to foreign currency current liabilities	128.08%	83.55%

The above liquidity ratios were calculated in accordance with the formulas promulgated by the China Banking Regulatory Commission (the "CBRC"), and based on the financial statements prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 CURRENCY CONCENTRATIONS

	31 December 2014			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	5,953,389	8,120,086	159,563	14,233,038
Spot liabilities	(5,834,952)	(900,678)	(159,563)	(6,895,193)
Net long position	<u>118,437</u>	<u>7,219,408</u>	<u>—</u>	<u>7,337,845</u>

	31 December 2013			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,306,457	275,002	172,648	2,754,107
Spot liabilities	(2,257,728)	(275,002)	(172,648)	(2,705,378)
Net long position	<u>48,729</u>	<u>—</u>	<u>—</u>	<u>48,729</u>

The Group has no structural position at the reporting periods.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within mainland China. All claims to third parties outside mainland China are considered cross-border claims.

For the purpose of this unaudited supplementary financial information, mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims mainly include deposits with banks and other financial institutions.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a region or a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2014	31 December 2013
Placements with banks and other financial institutions		
— North and South America	420,059	60,899
— Europe	7,973	108,452
— Asia Pacific excluding mainland China And Hong Kong	7,691	5,893
Total	<u>435,723</u>	<u>175,244</u>

### 4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

	31 December 2014	31 December 2013
Northeast China	489,225	915,796
North China	710	775
Others	4,000	18,700
Total	<u>493,935</u>	<u>935,271</u>

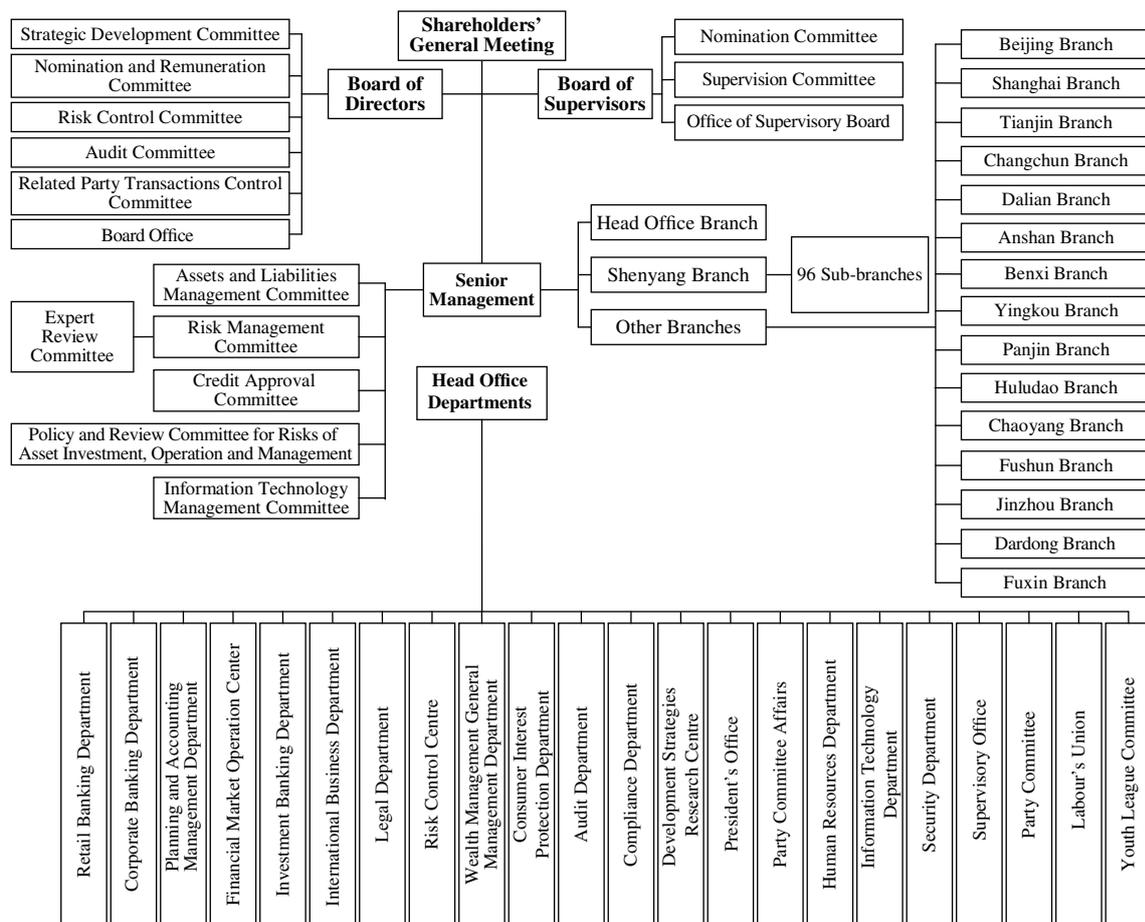
## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	31 December 2014	31 December 2013
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
— between 3 and 6 months (inclusive)	156,821	94,863
— between 6 months and 1 year (inclusive)	93,936	10,436
— over 1 year	216,280	484,573
<b>Total</b>	<b>467,037</b>	<b>589,872</b>
As a percentage of total gross loans and advances		
— between 3 and 6 months (inclusive)	0.10%	0.07%
— between 6 months and 1 year (inclusive)	0.06%	0.01%
— over 1 year	0.14%	0.36%
<b>Total</b>	<b>0.30%</b>	<b>0.44%</b>

# ORGANISATIONAL CHART



## LIST OF BRANCHES

In 2014, the Bank gradually set up its branches, with 16 new branches in operation in the PRC as at 31 December 2014, namely the Shenyang Branch, Beijing Branch, Shanghai Branch, Tianjin Branch, Changchun Branch, Dalian Branch, Yingkou Branch, Huludao Branch, Anshan Branch, Benxi Branch, Panjin Branch, Chaoyang Branch, Fushun Branch, Jinzhou Branch, Fuxin Branch and Dandong Branch.

In 2015, the Bank will continue to adhere to the corporate philosophy of being a bank that serves the general public in a city with a prestigious economic and financial environment. With this philosophy, the Bank aims to achieve the mission of becoming a bank that offers attentive services to the general public by expediting the establishment of traditional, community as well as small and miniature sub-branches, a policy that will accomplish the goal of offering financial services to every household. All this will further leverage on the economies of scale; the Bank will also place emphasis on the establishment and optimisation of the professional service system to enable plausible and orderly establishment of branches and systems.

As at 31 December 2014, details of the branches and sub-branches of the Bank are set out as below:

Geographical					
Region	Name of institutions	Business address	Telephone	Postcode	Fax
Head office	Head office	No. 109, Beizhan Road, Shenhe District, Shenyang City	024-22535626	110013	024-22535995
Liaoning Province	Shenyang Branch	No. 76, Shiyiwei Road, Heping District, Shenyang City	024-22535747	110001	024-22535748
	Heping Sub - Branch	No. 96, Taiyuan South Street, Heping District, Shenyang City	024-23518649	110001	024-23528647
	Nanjing Street Sub - Branch	No. 45, South Nanjing Street, Heping District, Shenyang City	024-23523225	110005	024-23523225
	Shengli Sub - Branch	No. 14 and 16, Changbaisi Street, Heping District, Shenyang City	024-23523044	110000	024-23523044
	Xinmin Sub - Branch	No. 3, East Zhongxin Road, Xinmin City	024-27601509	110300	024-27855959
	Hongxia City	No. 38, Beiwujing Street, Heping District, Shenyang City	024-62250313	110003	024-22717917
	Nanshi Sub - Branch	No. 7, Nansanjing Street, Shenhe District, Shenyang City	024-22710606	110014	024-22717918
	Taiyuan Sub - Branch	No. 92, South Shengli Street, Heping District, Shenyang City	024-83507595	110005	024-83507595
	Yuanlu Sub - Branch	No. 21, North 4th Road, Heping District, Shenyang City	024-23415516	110001	024-23834766
	Hetai Sub - Branch	Gate 3, No. 107, North Nanjing Street, Heping District, Shenyang City	024-22870771	110001	024-22870771
	Medical University Sub - Branch	No. 92, North 2nd Road, Heping District, Shenyang City	024-83282796	110001	024-83282796
	Beijing Sub - Branch	No. 218, Shifu Avenue, Heping District, Shenyang City	024-62502761	110002	024-62502762
	South Station Sub - Branch	No. 38, Zhongshan Road, Heping District, Shenyang City	024-23410251	110001	024-23416614
	Tianhe Sub - Branch	No. 30, North 4th Road, Heping District, Shenyang City	024-22834041	110002	024-22834041
	Sujiatun Sub - Branch	No. 60, Fengyang Road, Sujiatun District, Shenyang City	024-89811137	110101	—

## LIST OF BRANCHES (Continued)

Geographical					
Region	Name of institutions	Business address	Telephone	Postcode	Fax
	Chanbai Sub - Branch	No. 62 A1 and 2, West Changbai Road, Heping District, Shenyang City	024-23732950	110166	—
	Fengyang Sub - Branch	Gates 1 and 53, No. 107, Fengyang Road, Sujiatun, Shenyang City	024-89825773	110101	—
	Huoju Sub - Branch	No. 262 A, Shifu Avenue, Shenhe District, Shenyang City	024-22790353	110013	024-22790353
	Sanhao Sub - Branch	No. 87 A-1, South Sanhao Street, Heping District, Shenyang City	024-23992357	110004	024-23992387
	Jiaoyu Sub - Branch	No. 55, Erjing Street, Shenhe District, Shenyang City	024-22840330	110014	024-22840330
	Huashan Sub - Branch	No. 76, Harbin Road, Heping District, Shenyang City	024-22501048	110002	024-22524303
	Longjiang Sub - Branch	1-8A-B, No. 19, Heilongjiang Street, Huanggu District, Shenyang City	024-86252574	110032	—
	West Tower Sub - Branch	No. 42, West Tower Street, Heping District, Shenyang City	024-23469142	110002	—
	Huaxin Sub - Branch	No. 12, Huashan Road, Huanggu District, Shenyang City	024-86413380	110032	—
	Xinhe Sub - Branch	No. 98, Shashan Street, Heping District, Shenyang City	024-23304214	110005	024-23306314
	Keji Sub - Branch	Gate 2 (Levels 1-2), No. 318, Qingnian Street, Heping District, Shenyang City	024-23997390	110004	024-23842504
	Dongquan Sub - Branch	No. 16, Quanyuanyi Road, Shenhe District, Shenyang City	024-24233911	110015	024-24233911
	Nanhu Sub - Branch	No. 21 A-1, Sanhao Street, Heping District, Shenyang City	024-23895215	110003	024-23895215
	Dongxing Sub - Branch	No. 429 (Gates 11-12), Da'nian Street, Shenhe District, Shenyang City	024-24516360	110016	024-24502355
	Minzhu Sub - Branch	No. 78, North Heping Avenue, Heping District, Shenyang City	024-23266349	110001	024-23266349
	Zhaogong Sub - Branch	Unit 3, Building 35#, No. 26A, West Beier Road, Tiexi District, Shenyang City	024-23830881	310026	024-25826756
	Tiexi Sub - Branch	No. 31, Middle Jianshe Road, Tiexi District, Shenyang City	024-25845362	110021	024-25642938
	Mazhuang Sub - Branch	No. 19, Mazhuang Street, Tiexi District, Shenyang City	024-25728349	110021	024-25642938
	Xinghua Sub - Branch	No. 14, Yanhua Street, Tiexi District, Shenyang City	024-25964572	110021	024-25642938
	Jianshe Avenue Sub - Branch	No. 8, Middle Jianshe Road, Tiexi District, Shenyang City	024-25866380	110021	024-25642938
	Baogong Sub - Branch	No. 15, South Bangong Street, Tiexi District, Shenyang City	024-25877959	110021	024-25642938
	Baoxing Sub - Branch	No. 29, North Xinghua Street, Tiexi District, Shenyang City	024-25112720	110021	024-25112720
	Tengfei Sub - Branch	No. 57, Tengfeiyi Street, Tiexi District, Shenyang City	024-25931567	110021	024-25931567
	Xinggong Sub - Branch	No. 108, North Xinggong Street, Tiexi District, Shenyang City	024-62635353	110071	024-25642938
	Yuhong Sub - Branch	No. 10, Huanghai Street, Yuhong District, Shenyang City	024-25833006	110141	024-25302940
	Tiecheng Sub - Branch	No. 36, South Zhaogong Street, Tiexi District, Shenyang City	024-25717902	110024	024-25717902
	Shuangxi Sub - Branch	No. 88, South Zhonggong Street, Tiexi District, Shenyang City	024-25787387	110141	024-25787387
	Zhangshi Sub - Branch	No. 212, Shenliao Road, Economic and Technological Development Zone, Shenyang City	024-25280910	110024	024-25280910

## LIST OF BRANCHES (Continued)

Geographical					
Region	Name of institutions	Business address	Telephone	Postcode	Fax
	Economic and Technological Development Zone Sub - Branch	No. 21-A-5, Central Avenue, Economic and Technological Development Zone, Shenyang City	024-62836295	110141	024-62838296
	Jingxing Sub - Branch	No. 178, Xingshun Street, Tiexi District, Shenyang City	024-25445702	110023	024-25445702
	Huaxiang Sub - Branch	No. 18, Huaxiang Road, Tiexi District, Shenyang City	024-25890701	110021	024-25890701
	Xingshun Sub - Branch	No. 84, South Xingshun Street, Tiexi District, Shenyang City	024-25603723	110023	024-25603723
	Shenhe Sub - Branch	No. 2, Zhongjie Street, Shenhe District, Shenyang City	024-84842085	110011	024-24869519
	Shangyuan Sub - Branch	No. 34-A, Shangyuan Road, Dadong District, Shenyang City	024-88326157	110044	—
	Wenyi Road Sub - Branch	No. 2, Wuai Street, Shenhe District, Shenyang City	024-83962659	110014	—
	Changqing Sub - Branch	No. 17-25, South Changqing Street, Dongling District, Shenyang City	024-31263205	110015	024-31263205
	Beizhan Sub - Branch	No. 27, East Huigong 1st Street, Shenhe District, Shenyang City	024-88522500	110013	024-88522942
	Yinhe Sub - Branch	No. 180, Xiaonan Street, Shenhe District, Shenyang City	024-24187108	110016	024-24187108
	Binhe Sub - Branch	No. 92, Da'nán Street, Shenhe District, Shenyang City	024-24810579	110011	024-24811451
	Wu'ai Market Sub - Branch	No. 65, Re'nao Road, Shenhe District, Shenyang City	024-24816598	110011	—
	Zhenghao Sub - Branch	No. 68, Pangjiang Street, Dadong District, Shenyang City	024-24352501	110042	024-24352500
	Quanyuan Sub - Branch	No. 7, Fengle'er Street, Shenhe District, Shenyang City	024-24829409	110015	024-24829409
	Liaoshen Sub - Branch	No. 15, Jixiangsi Road, Dadong District, Shenyang City	024-88113032	110044	—
	Dongshuncheng Sub - Branch	No. 2, Dongshuncheng Road, Shenhe District, Shenyang City	024-24867743	110041	024-24867743
	Jilong Sub - Branch	Gate 4, No. 68, Dadong Road, Dadong District, Shenyang City	024-24321649	110042	024-24318982
	Jinxia Sub - Branch	No. 187, Daxi Road, Shenhe District, Shenyang City	024-22973253	110014	024-22973283
	Zhongxing Sub - Branch	No. 10, Zhongxing Street, Heping District, Shenyang City	024-23218962	110001	024-22973284
	Zhongshan Sub - Branch	No. 206, Zhongshan Road, Shenhe District, Shenyang City	024-22820318	110013	024-22852026
	Zhenxing Sub - Branch	Levels 1-3, Tower 1, No. 181 A, South 5th Road, Heping District, Shenyang City	024-23851150	110006	024-23244928
	Donghuan Sub - Branch	Gates 4&5, No. 37, Shentie Road, Dadong District, Shenyang City	024-22712154	110044	024-22712154
	South 6th Sub - Branch	No. 16, South 8th Road, Heping District, Shenyang City	024-23508046	110005	024-23518201
	Hengxin Sub - Branch	No. 51, Re'nao Road, Shenhe District, Shenyang City	024-31290372	110015	024-31290372
	Dadong Road Sub - Branch	No. 116, Dongshuncheng Street, Dadong District, Shenyang City	024-24845070	110042	024-24847848
	Hemu Road Sub - Branch	No. 15, Jinqiao Road, Dadong District, Shenyang City	024-24318875	110042	024-24318875
	Bajiazi Sub - Branch	No. 22, West Dongling Road, Dadong District, Shenyang City	024-88441405	110043	024-88420383
	Taocicheng Sub - Branch	No. 23, Dongwang Street, Dadong District, Shenyang City	024-88212840	110045	024-88212840
	Shenbei New District Sub - Branch	No. 32, Yinhe Street, Shenbei New District, Shenyang City	024-89603246	110121	024-89603292

## LIST OF BRANCHES (Continued)

Geographical					
Region	Name of institutions	Business address	Telephone	Postcode	Fax
	Dongling Sub - Branch	No. 105 A, Wanliutang Road, Dongling District, Shenyang City	024-24200020	110015	024-24200020
	Fengle Sub - Branch	Gate 4, No. 72, East Wenhua Road, Shenhe District, Shenyang City	024-24222193	110015	024-24222193
	Hunnan Sub - Branch	Gate 3, No. 233-1, Baita Street, Dongling District, Shenyang City	024-23789830	110179	024-23789830
	Donghui Sub - Branch	No. 6-A, East Wenhua Road, Dongling District, Shenyang City	024-24564181	110180	024-24564966
	Wanquan Sub - Branch	No. 35, Changqing Street, Shenhe District, Shenyang City	024-24212158	110015	024-24216464
	Jiahe Sub - Branch	Gate 7, No. 1, Fangming Street, Shenhe District, Shenyang City	024-24628495	110013	024-24627163
	204 Sub - Branch	No. 14, Limingwu Street, Dadong District, Shenyang City	024-88417845	110043	—
	Yaming Sub - Branch	No. 100, Middle Kunshan Road, Huanggu District, Shenyang City	024-86853560	110031	024-86852023
	Tawan Sub - Branch	Gates 1-2, No. 142, West Kunshan Road, Huanggu District, Shenyang City	024-86722014	110035	024-86722014
	Ningshan Sub - Branch	No. 64, Middle Ningshan Road, Huanggu District, Shenyang City	024-86240034	110031	024-86229250
	Yalu River Sub - Branch	Gate 11, No. 63, Yalu River Street, Huanggu District, Shenyang City	024-86620510	110033	024-86620510
	Beihuan Sub - Branch	No. 46, North Changjiang Street, Yuhong District, Shenyang City	024-86166201	110036	024-86166201
	Changjiang Sub - Branch	No. 59, Changjiang Street, Huanggu District, Shenyang City	024-86240850	110031	—
	Taishan Sub - Branch	No. 8, East Chongshan Road, Yuhong District, Shenyang City	024-86629596	110032	024-86629596
	Wuyi Sub - Branch	No. 58, Liaohe Street, Huanggu District, Shenyang City	024-86840414	110032	024-86250953
	Nengjiang Sub - Branch	No. 100, Nengjiang Street, Huanggu District, Shenyang City	024-86250963	110031	024-86250963
	Xianggong Sub - Branch	No. 215, Huashan Road, Huanggu District, Shenyang City	024-86872900	110036	024-86749732
	Dabeiguan Sub - Branch	Gate 4, No. 42, Dabeiguan Street, Dadong District, Shenyang City	024-88565286	110041	024-88565286
	Songling Sub - Branch	No. 88, North Huanghe Avenue, Yuhong District, Shenyang City	024-86520786	110034	024-86525512
	Yunfeng Sub - Branch	No. 98, West Shuncheng Street, Shenhe District, Shenyang City	—	—	—
	Xiaoxi Road Sub - Branch	Unit 1, Level 1, Tower B, No. 59-1, Qingnian Avenue, Shenhe District, Shenyang City	024-84842085	110000	024-24869519
	Nujiang Sub - Branch	No. 36-7, Beigu Mountain Road, Yuhong District, Shenyang City	024-86515855	110034	024-86515855
	Faku Sub - Branch	Jixiang Street, Faku Town, Faku County	024-87126081	110400	024-87127811
	Liaozhong Sub - Branch	No. 106, Zhengfu Road, Liaozhong Town, Liaozhong County	024-87880580	110200	024-87880679
	Kangping Sub - Branch	Jianshe Street, Kangping Town, Kangping County	024-87335672	110500	024-87335671
	Dalian Branch	No. 160, Jiefang Road, Zhongshan District, Dalian City	0411-82566666	116000	0411-82311080
	Development Zone Sub - Branch	No. 37-1, West Liao River Road, Economic and Technological Development Zone, Dalian City	0411-87571166	116600	0411-87188961
	Wafangdian Sub - Branch	No. 559-7, 8&9, Zhufeng Street, Wenlan Agency, Wafangdian City	0411-85552255	116300	0411-85552329
	Wusi Sub - Branch	No. 10, Wusi Square, Shahekou District, Dalian City	0411-84652233	116021	0411-84650976
	Xinghai Sub - Branch	No. 582, Zhongshan Road, Shahekou District, Dalian City	0411-88144433	116000	0411-88134387

## LIST OF BRANCHES (Continued)

Geographical					
Region	Name of institutions	Business address	Telephone	Postcode	Fax
	Yingkou Branch	Southern Section, Kunlun Avenue, Bayuquan District, Yingkou City	0417-6166600	115007	0417-6166618
	Dashiqiao Sub - Branch	No. 28, Middle Hada Road, Dashiqiao City	0417-5826677	115100	0417-5826677
	Shifu Sub - Branch	No. 1-A-A-1, Huibin Road, Zhanqian District, Yingkou City	0417-4887700	115000	0417-4887702
	Huimin Sub - Branch	No. 21, Riyue Avenue, Economic and Technological Development Zone, Yingkou City	0417-6166642	115007	0417-6166642
	Xuefu Sub - Branch	No. 9-A4, North Xuefu Road, Zhanqian District, Yingkou City	0417-2922345	115000	0417-2922345
	Gaizhou Sub - Branch	Unit 2, Building 10, Longsheng Huayuan, Xinxing Community, Sub-district office of Xicheng, Gaizhou City	0417-7331666	115200	0417-7331666
	Huludao Branch	No. 145, Longwan Avenue, Longgang District, Huludao City	0429-3026666	125001	0429-3026666
	Lianshan Sub - Branch	No. 5, Lianshan Avenue, Lianshang District, Huludao City	0429-3023067	125001	0429-3023067
	Longgang Sub - Branch	No. 28, Longwan Avenue, Longgang District, Huludao City	0429-3023099	125001	0429-3023099
	Xingcheng Sub - Branch	Bihai Yaju Community, Diaoyutai Office, Xingcheng City	0429-5677773	125001	0429-5677773
	Anshan Branch	No. 9-11&9-12, Wuyi Road, Tiedong District, Anshan City	0412-5939993	114000	0412-5939998
	Tiedong Sub - Branch	No. 24, Hunan Road, Tiedong District, Anshan City	0412-5841266	114000	0412-5841266
	Tiexi Sub - Branch	No. 178-S1, S2, S3&S4, Jiudao Street, Tiexi District, Anshan City	0412-8592299	114000	0412-8592299
	Benxi Branch	No. 4, Dongming Road, Pingshan District, Benxi City	024-43106888	117000	024-43106881
	Mingshan Sub - Branch	No. 102, North Jiefang Road, Xinfeng Street, Mingshan District, Benxi City	024-45580666	117000	024-45580600
	Shengli Road Sub - Branch	Building 57, Shengli Road, Mingshan District, Benxi City	024-42966688	117000	024-42966133
	Panjin Branch	No. 136, Xinglongtai Street, Xinglong Tai District, Panjin City	0427-3290933	124010	0427-3290908
	Development Zone Sub - Branch	No. 236, Taishan Road, Xinglongtai District, Panjin City	0427-3267088	124010	0427-3267088
	Liaohe Oilfield Sub - Branch	No. 1-3&1-4, Yihe Community, Xinglongtai Street, Xinglongtai District, Panjin City	0427-3291090	124010	0427-3291090
	Chaoyang Branch	No. 3-5, 3-6&3-7, Section 2, Zhuijiang Road, Shuangtai District, Chaoyang City	0421-2705555	122000	0421-3999903
	Shuangtai Sub - Branch	No. 70, Section 4, Youyi Avenue, Shuangtai District, Chaoyang City	0421-3999931	122000	0421-2964666
	Fushun Branch	Rooms 2, 3 & 4, No. 57-7, East Linjiang Road, Shuncheng District, Fushun City	024-53903666	113006	024-53908003
	Jinzhou Branch	No. 43-1, Area B of Lingyunli Manhattan, Taihe District, Jinzhou City	0416-2110900	121000	0416-2110911
	Fuxin Branch	No. 86, Zhonghua Road, Haizhou District, Fuxin City	0418-5699999	123000	0418-5969988
	Dandong Branch	No. 70, Qingnian Avenue, Zhenxin District, Dandong City	0415-2946666	118000	0415-3118386

## LIST OF BRANCHES (Continued)

Geographical					
Region	Name of institutions	Business address	Telephone	Postcode	Fax
Beijing City	Beijing Branch	Tower D, Oriental Media Centre, No. 4, Guanghua Road, Chaoyang District, Beijing City	010-85597777	100026	010-85570017
	Zhongguancun Sub - Branch	Units 108&109, Level 1, No. 8, North Haidian 2nd Street, Haidian District, Beijing City	010-82012999	100080	010-59718591
	Guanyuan Sub - Branch	Tower 1 (5th Building), Yard 9, Chegongzhuang Avenue, Xicheng District, Beijing City	010-85251177	100044	010-85251177
	Wukesong Sub - Branch	Building 3, No. 69, Fuxing Road, Haidian District, Beijing City	010-88199777	100038	010-88199291
	Shunyi Sub - Branch	No. F1-57, 58, F2-40b (Hualian Department Store), Tower 1, Yard 8, South Xinshun Avenue, Renhe Town, Shunyi District, Beijing City	010-85886222	101399	010-61426807
Shanghai City	Shanghai Branch	Unit 02, Level 1, No. 689, Guangdong Road, Huangpu District, Shanghai City	021-33316501	200001	021-63606217
	Putuo Sub - Branch	Rooms A8005-A8006, Building 1, No. 1108, Zhenbei Road, Putuo District, Shanghai City	021-60290531	200333	021-60290526
	Pudong Sub - Branch	No. 968, Pudong Avenue, Pudong New District, Shanghai City	021-60191765	200135	021-60191755
Tianjin City	Songjiang Sub - Branch	Lane 1855, Sixian Road, Songjiang District, Shanghai City	021-67828575	201620	021-67827393
	Tianjin Branch	Shopping Centre of Building 1, Wanshun Hot Spring Garden, South Huangpu Road, Hexi District, Tianjin City	022-28379999	300201	022-28370677
	Huayuan Sub - Branch	No. 150-04, Yingshui Avenue, Nankai District, Tianjin City	022-58815628	300384	022-58815629
	Binhai Sub - Branch	No. 21-18, 2nd Avenue, Development Zone, Tianjin City	022-59835160	300457	022-59835163
	Beichen Sub - Branch	Unit 101, Building 4, Beichen Tower, Beichen District, Tianjin City	022-58687611	300402	022-58833920
	Xiqing Sub - Branch	No. 12-22, Jinfeng Road, Xiqing District, Tianjin City	022-58335697	300385	022-58335699
	Hedong Sub - Branch	No. 1&2, Level 1, No. 70, Huachang Road, Hedong District, Tianjin City	022-24410278	300151	022-24413308
	Hebei Sub - Branch	No. 20, Wangchuanchang 5th Road, Hebei District, Tianjin City	022-58885918	300150	022-58885932
	Heping Sub - Branch	No. 5, Xikang Road, Building 1&2, Kekang Mingdi, Heping District, Tianjin City	022-59956312	300051	022-59956311
	Dongli Sub - Branch	Room 3-110, Guangfu Business Centre, Dongli District, Tianjin City	022-84965926	300301	022-84965920
Changchun City	Chuangchun Branch	No. 1999, Nanhu Road, Nangan District, Changchun City	0431-81928705	130000	0431-81928705
	Dongsheng Sub - Branch	No. 1999, Jilin Avenue, Erdao District, Changchun City	0431-81970386	130000	0431-81970386
	Xi'an Avenue Sub - Branch	No. 8, Xi'an Avenue, Chaoyang District, Changchun City	0431-89828555	130000	0431-89828555
	Xiangyun Sub - Branch	No. 1438, Xiangyun Street, Lvyan District, Changchun City	0431-89297707	130000	0431-89297707

## DEFINITION

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, “Shengjing Bank”, or “We”	Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Beijing Zhaotai”	Beijing Zhaotai Group Co., Ltd. (北京兆泰集團股份有限公司), a company incorporated in the PRC on 16 November 1992, which held approximately 5.31% of the entire issued share capital of the Bank as at the Latest Practicable Date
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBRC”	China Banking Regulatory Commission
“CBRC Liaoning Bureau”	China Banking Regulatory Commission Liaoning Bureau
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITION (Continued)

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	22 April 2015, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report
“Listing Date”	29 December 2014, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“PBOC” or “Central Bank”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this annual report only, excluding Hong Kong, Macau and Taiwan
“Reporting Period”	the year ended 31 December 2014
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Shenyang Hengxin”	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司, formerly known as 瀋陽恒信國有資產經營有限公司), a company incorporated in the PRC on 10 April 2002, which held approximately 8.50% of the entire issued share capital of the Bank as at the Latest Practicable Date
“Supervisor(s)”	the supervisor(s) of the Bank



盛京銀行

SHENGJING BANK

Shengjing Bank Co., Ltd.\*