



重庆农村商业银行

CHONGQING RURAL COMMERCIAL BANK

CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

ANNUAL REPORT  
**2015**

\* *The Bank holds a financial license number B0335H250000001 approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business license with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

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# Financial Summary

The financial information of the Group set forth in this annual report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards and expressed in RMB unless otherwise stated.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2015	2014	Comparison between 2015 and 2014	2013	2012	2011
<b>Operating results</b>			<b>Rate of Changes (%)</b>			
Net interest income	<b>20,166.5</b>	18,348.7	9.91	15,703.2	13,092.2	10,505.0
Net fee and commission income	<b>1,494.9</b>	1,069.6	39.76	679.7	435.7	635.4
Operating income	<b>21,889.0</b>	19,802.4	10.54	16,315.8	13,653.3	11,118.3
Operating expenses	<b>(9,076.1)</b>	(8,400.8)	8.04	(7,207.8)	(6,074.8)	(4,774.4)
Impairment (loss) of assets	<b>(3,236.0)</b>	(2,297.2)	40.87	(1,181.3)	(511.4)	(848.0)
Profit before tax	<b>9,587.4</b>	9,109.8	5.24	7,916.7	7,067.8	5,496.9
Net profit	<b>7,227.8</b>	6,813.1	6.09	6,015.1	5,377.7	4,248.0
Net profit attributable to equity holders of the Bank	<b>7,223.3</b>	6,828.5	5.78	5,991.0	5,361.5	4,246.5
<b>Based on per share (RMB)</b>			<b>Changes</b>			
Net assets per share attributable to equity holders of the Bank	<b>5.03</b>	4.45	0.58	3.90	3.43	3.00
Basic earnings per share	<b>0.78</b>	0.73	0.05	0.64	0.58	0.46
<b>Profitability indicators (%)</b>			<b>Changes</b>			
Average return on assets <sup>(1)</sup>	<b>1.08</b>	1.22	(0.14)	1.28	1.38	1.35
Weighted average return on shareholders' equity <sup>(2)</sup>	<b>15.80</b>	17.06	(1.26)	17.27	17.81	16.84
Net interest spread <sup>(3)</sup>	<b>2.99</b>	3.14	(0.15)	3.19	3.26	3.13
Net interest margin <sup>(4)</sup>	<b>3.20</b>	3.37	(0.17)	3.41	3.50	3.36
Net fee and commission income to operating income	<b>6.83</b>	5.40	1.43	4.17	3.19	5.71
Cost-to-income ratio <sup>(5)</sup>	<b>34.69</b>	35.74	(1.05)	37.66	37.70	36.64

(Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2015	2014	Comparison between 2015 and 2014	2013	2012	2011
<b>Scale indicators</b>			<b>Rate of Changes (%)</b>			
Total assets	<b>716,805.2</b>	618,889.0	15.82	502,446.0	433,827.1	344,820.0
Among which: loans and advances to customers, net	<b>257,540.9</b>	233,520.2	10.29	198,150.6	167,614.9	138,821.8
Total liabilities	<b>668,517.4</b>	576,040.6	16.05	465,556.7	401,611.4	316,809.1
Among which: due to customers	<b>470,228.2</b>	409,719.8	14.77	347,883.4	294,510.5	246,141.4
Share capital	<b>9,300.0</b>	9,300.0	–	9,300.0	9,300.0	9,300.0
Equity attributable to equity holders of the Bank	<b>46,762.8</b>	41,425.9	12.88	36,251.4	31,906.9	27,855.5
Non-controlling interests	<b>1,525.0</b>	1,422.5	7.21	637.9	308.8	155.4
Total equity	<b>48,287.8</b>	42,848.4	12.69	36,889.3	32,215.7	28,010.9
<b>Assets quality indicators<sup>(6)</sup>(%)</b>			<b>Changes</b>			
Non-performing loan ratio	<b>0.98</b>	0.78	0.20	0.80	0.98	1.44
Allowances to non-performing loans	<b>420.03</b>	459.79	(39.76)	430.60	350.60	265.24
Allowances to total loans	<b>4.11</b>	3.58	0.53	3.46	3.42	3.83
<b>Capital adequacy indicators (%)</b>			<b>Changes</b>			
Core Tier 1 capital adequacy ratio <sup>(7)</sup>	<b>9.88</b>	10.12	(0.24)	11.85	11.30	
Tier 1 capital adequacy ratio <sup>(7)</sup>	<b>9.89</b>	10.12	(0.23)	11.85	11.30	
Capital adequacy ratio <sup>(7)</sup>	<b>12.09</b>	12.45	(0.36)	13.64	13.22	
Total equity to total assets	<b>6.74</b>	6.92	(0.18)	7.34	7.43	8.12
<b>Other indicators (%)</b>			<b>Changes</b>			
Loan-to-deposit ratio <sup>(8)</sup>	<b>57.12</b>	59.11	(1.99)	59.00	58.93	58.64

## Financial Summary

- (1) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets at the beginning and the end of the year.
- (2) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the weighted average balance of shareholders' equity for the year, calculated according to the requirements of "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by CSRC.
- (3) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
- (6) Non-performing loan ratio, allowances to non-performing loans and allowances to total loans were calculated on basis of the contractual amount of loans.
- (7) Calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by the CBRC.
- (8) The calculation criteria of loan-to-deposit ratio: the loan-to-deposit ratio was calculated on basis of the contractual amount of loans.

## Basis of preparation of certain financial indicators

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the "CRCU") by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

# Company Information

## Basic information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as「重慶農村商業銀行」)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as Chongqing Rural Commercial Bank)
Legal Representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong XIE Wenhui
Company Secretary	MOK Ming Wai (appointed on 18 March 2016) YUNG Mei Yee (resigned as joint company secretary on 18 March 2016)
Registered address and postcode	No. 10 East Yanghe Road, Jiangbei District, Chongqing, the PRC 400020
Principal place of business in Hong Kong	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company's website	<a href="http://www.cqrcb.com">www.cqrcb.com</a>
Email address	<a href="mailto:cqrcb@cqrcb.com">cqrcb@cqrcb.com</a>
Listing stock exchange, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618
Date and authority of first incorporation	27 June 2008 Administration for Industry and Commerce of Chongqing, the PRC
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by CBRC

## Company Information

Auditors	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong  PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
Legal advisor as to PRC laws	Chongqing Jingsheng Law Firm Level 18, Business Tower, InterContinental Hotel, 101 Minzu Road, Yuzhong District, Chongqing City, the PRC
Legal advisor as to Hong Kong laws	Morrison & Foerster 33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. No. 17 Taipingqiao Avenue, Xicheng District, Beijing, the PRC



## Awards and ranking in 2015

- The Bank ranked No. 199 among the “Top 1,000 World Banks” and ranked No. 23 among the shortlisted 117 Chinese-funded banks in The Banker of the UK.
- The Bank ranked No. 166 among “Top 500 Enterprises in China’s Service Industry” of China Enterprise Confederation and China Enterprise Directors Association.
- The Bank won the “Innovation Award of Internet Financial Business of Regional Commercial Banks” issued by China Financial Certification Authority.
- The Bank won the “First Prize of Winning Award of Risk Management, First Prize of Award of Contribution to Inter-bank ATM Transactions, First Prize of Award of System Transformation Advancement, First Prize of Award of Contribution to Transaction Proportion of UnionPay Credit Cards, First Prize of Award of Contribution to Transactions of UnionPay Credit Cards, Second Prize of Award of Contribution of Direct Transactions, Second Prize of Award of Contribution to Transactions and Proportion of UnionPay Debit Cards, Third Prize of Award of Contribution to Transactions of Financial IC Cards, Third Prize of Award of Industry Application Development and Winning Award of Market Norms”.
- The Bank was rated as “The Most Influential Bank” in “2015 Sixth China (Shanghai) Phone Financial Summit Forum”.
- “Jiangyu Wealth –“Tiantianjin” series of products, mobile banking and Chengyidai series of products of the Bank were respectively rated as the “Top 10 Bank Financial Products”, the “Top 10 Mobile Banking” and the “Top 10 Personal Consumption Credit Products” by Chongqing Economic Times.
- The Bank was rated as “The Most Influential Bank, The Bank of Best Brand Image and The Best Financial Service Institution for Small and Micro Enterprises” by [www.cqnews.com](http://www.cqnews.com). In addition, Jiangyu Mobile Finance of Chongqing Rural Commercial Bank was rated as “The Best Mobile Finance”.

## Company Information

- The Bank was awarded “Annual Financing Service Bank for SMEs, Annual Bank with Brand Influence and Annual Awarded of Financial Service for Rural Areas” by Chongqing Morning News.
- The Bank was rated as “The Most Socially Responsible Bank, The Most Popular Credit Card and The Best Financial Service Bank for Small and Micro Enterprises” by Chongqing Times.
- The Bank won “Annual Outstanding Credit Card, Award of Outstanding Contribution to Accurate Poverty Alleviation, Annual Outstanding Personal Financial Service, Award of Outstanding Contribution to Supporting Public Entrepreneurship and People’s Innovation, Annual Integrity Financial Institution and Annual Innovation Award of Internet Finance” issued by cq.people.cn.
- The Bank was rated as “Annual Special Contribution Award of Financial Centers at the Upper Yangtze River, Annual Bank of Most Public Trust and Annual Best Mobile Banking” by Chongqing Evening News.
- The Bank was rated as “Annual Best Mobile Banking, The Annual Best Financial Service Institution for Small and Micro Enterprises, Annual Most Influential Bank and Annual Most Socially Responsible Bank” by Metro News.

# Chairman's Statement

## Dear Shareholders,

With the endeavoring footsteps, we bid farewell to 2015, and perfectly dotted the magnificent "12th Five-Year Plan". Over the past five years, although the road ahead is full of difficulties and challenges, China's economy has burgeoned the new opportunities and power in the reform and transformation, and opened up the unique path of steady development with wisdom and courage, thus becoming a bunch of bright color in the world economy. During the past five years, despite fierce competition in the financial markets, it also created a lot of opportunities for banking reform and transformation. We strive to explore the new normality in the competition. While continuously enhancing our own strength, we have provided the strong support for the local economy and real economic development.

**The Board of Directors has accomplished its goals successfully.** As at the end of the year, the total assets of the Group amounted to RMB716.8 billion, representing an increase of 15.82%. The balance of deposits was RMB470.2 billion, representing an increase of 14.77%. The balance of loans stood at RMB268.6 billion, representing an increase of 10.90%. Non-performing loan ratio reached 0.98%. The provision coverage ratio was 420.03%. Net profit amounted to RMB7.228 billion, representing an increase of 6.09%. The Bank was shortlisted top 200 world banks in The Banker of the UK.

**Board members were due diligent.** Over the past year, Board members performed their duties seriously and made suggestions for reform, upgrading and development. Board members also undergone major adjustments and general election of the Board of Directors was successful completed. Mr. Tao Jun, Mr. Gao Xiaodong, Mr. Wang Yongshu, Mr. Li Zuwei and Mr. Li Yao have resigned. I would like to take this opportunity to express my sincere thanks to the resigned directors for their hard working and outstanding contributions! Meanwhile, I would also like to welcome the new Board members including Mr. He Zhiming, Ms. Chen Xiaoyan and Mr. Zheng Haishan and look forward better future.

**The profound thinking is important for the long-term interests, and the sound decisions are crucial for the actions.** "13th Five-Year Plan" period is an important period of strategic opportunities of economic and social development as well as the critical period and crucial period for the banking reformation and survival, transformation and change and innovation and transcendence. The Board of Directors of the Bank will set its leading direction based on the concept of five major development, and seize the major national strategic opportunities and take root in the real economy, so as to vigorously promote a series of transformation and innovation including strategic positioning, business structure, business model, institutional mechanisms, etc., thus to make new and greater contributions to boosting the construction of five functional areas of Chongqing and building the domestic important financial center!

## Chairman's Statement

The Board will strengthen supervision and strictly promote the various reform and development tasks for implementation and guide all banks to observe “five adherences”: that is to unswervingly adhere to the position of supporting agriculture and small market so as to boost the development of real economy; to unswervingly adhere to “two structural” adjustment and optimization, and promote the asset structure to transform towards the light-weight direction, and the team structure to better educated and professional direction; to unswervingly adhere to reform and innovation for development, to accelerate the pace of business integration and improve the core competitiveness; to unswervingly adhere to the fine management with enhanced efficiency, and to enhance the abilities of asset-liability management and cost control and strive to build the banking of modern flows; to unswervingly adhere to strict management of banking, and strict control of risks so as to promote compliance management and effectively control rebound in bad loans as well as to ensure stable asset quality.



**LIU Jianzhong**

*Chairman*

18 March 2016

## President's Statement

### Dear Shareholders,

In 2015, China has sounded the horn of comprehensive deepening reform, and the macroeconomic and banking industry development have fully marched into the new normal. Over the past year, faced with the complex economic and financial situation and the external business environment, the Group has united as one and forged ahead with proactive actions. In the process of meeting the new challenges and seizing new opportunities, it unwaveringly adhered to the “three-oriented” strategic transformation, and continued the robust development momentum.

Performance indicators remained robust, “12th Five-Year Plan” was accomplished successfully. As at the end of the year, the total assets of the Group amounted to RMB716.8 billion, representing an increase of 15.82%. The balance of deposits was RMB470.2 billion, representing an increase of 14.77%. The balance of loans stood at RMB268.6 billion, representing an increase of 10.90%. Non-performing loans reached RMB2.63 billion and the non-performing loan ratio was 0.98%. The provision coverage ratio was 420.03%. The allowances to total loans were 4.11% and the capital adequacy ratio was 12.09%, maintaining a higher risk resilient capacity. Net profit amounted to RMB7.228 billion, representing an increase of 6.09%. Net fee and commission income was RMB1.495 billion, representing an increase of 39.76% over the same period of last year, 1.43 percentage points higher as a percentage of revenue. Net interest margin (NIM) was 3.20%.

2015 was the last year of the “12th Five-Year Plan” and it was also the fifth anniversary of the listing of the Bank. Compared to the data at the time of listing, the total amount of assets, deposits, and loans of the Bank increased by 151%, 129%, and 120%, respectively. Net non-performing loans fell down RMB280 million and the non-performing loan ratio dropped 1.4 percentage points, maintaining the first place among financial institutions in the banking industry of Chongqing in terms of both the assets and total deposits. Asset quality, provision level, and net interest margin maintained the leading position among listed banks. The overall strength captured leading position among peer financial institutions and the Bank was shortlisted among top 200 global banks.

The operation bottom line was prudently and firmly consolidated to strengthen the comprehensive risk management. Facing the external situation of increasing risks and pressures, the Bank firmly established the concept of prudent operation and improved the comprehensive risk management system. It strengthened the credit risk monitoring and early warning and resolutely exited the industries with excess capacity. It implemented the management of real estate and platform loans list system, and enhanced the industry monitoring and agency performance of contracts as well as cautiously prevented infection of external risks. The Bank increased efforts in settling, disposing and writing off, and the quality of its assets is maintained at a good level in the industry. The medium-term capital planning was formulated, and the non-retail internal assessment system was launched. It promoted the construction of liquidity risk control system, and strengthened the application of risk limitation, pressure test and risk monitoring technologies. It completed the information technology disaster recovery system of “three centers in two areas”, and formally launched the counter transaction post-event supervision system, as well as carried out various special emergency drills, so as to effectively enhance the emergency handling capabilities of business continuity.

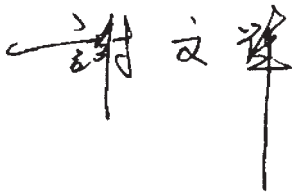
## President's Statement

The business structure was adjusted and optimized to boost the real economic development. The Group steadily pushed forward the adjustment of business structure by focusing on the needs of the real economy and national policy guidance based on the market positioning. It mainly supported agricultural industrialization in the county, characteristic profitable agriculture and rural new consumption demand, launched photovoltaic poverty alleviation, agricultural support loans and other new varieties of agricultural loans. The county loans was RMB128.565 billion, representing an increase of RMB7.034 billion. It built the efficient mechanism of financial services for small and micro business, established 12 specialised branches of small and micro enterprises, promoted invoice, tax receipt, order loans and other “weak guarantee” products, adopted the modes of continued credit extension and circulation use to ease liquidity pressures of small and micro enterprises. The balance of small and micro loans was RMB82.744 billion, representing an increase of RMB6.731 billion. It promoted the transformation of retail loans to the consumption field and vigorously developed the automobile mortgage, and credit card installment business. The credit card expenditure was RMB31.524 billion, representing an increase of 63.31% over the same period of last year. It closely docked the “One Belt, One Road” strategy and the construction of five major functional areas in Chongqing, providing listed financing, corporate bonds issue, and domestic guarantee for overseas loans for enterprises and boosting new industrialization and urbanization development of Chongqing.

Financial reform was comprehensively deepened to intensify the service innovation. The Group accelerated the pace of integrated operations; initiated the establishment of the first bank-holding finance leasing company in the Midwest, underpinned the support for construction of infrastructure and development of Sannong, small and medium enterprises and other economic entities. It deepened reform and innovation of financial market, launched open financial products and direct financial instruments. The issue of financial products exceeded RMB280 billion; the Asset Custodial Department was separately established to conduct the asset custodial business efficiently, and the assets under custody amounted to over RMB130 billion. It was actively involved in the “Internet +” scheme, launched “Jiangyuhui” (江渝惠) consumer platform and “Jiangyuer” (江魚兒) Internet banking. Mobile banking users has exceeded 3.75 million conducting transaction amount of RMB 878.206 billion in the year. The bank was selected as the typical case of global bank payment business. It persistently carried out the “Spring Festival Transportation Welfare”, “Financial Knowledge Enters Households” and other featured public welfare activities to shape a good brand image, enhance customer experience and achieve “win-win” situation of enterprise benefits and social benefits.

Above achievements are greatly attributable to the strong support of the Board of Directors, the Board of Supervisors and our shareholders as well as the great kindness of customers and the hard work and contribution of all staff. I would like to take the opportunity to express my sincere to all of them on behalf the management.

2016 is the opening year of “13th Five-Year Plan”, and is also the crucial year for the Group’s transformation and development. We will actively adapt to the new normal of economy and finance, and focus on the new requirements of “five major development concept”, and seize the new opportunities centered on the supply-side structural reforms. In accordance with the working idea of “enhance foundation, strengthen management; adjust structure, control risks; focus on innovation and stabilize development”, we insist on the market positioning of making the small retailing, and enhance the refining level of the fine basic management structure and push the business structure transform to the business system with less capital consumption, low risk weight and controllable risks. By coordinating for the protection against all types of risks, we will accelerate the pace of integrated operation and business innovation, thus maintaining the steady growth of the various business indicators, and promoting all kinds of work to a higher level.

A handwritten signature in black ink, consisting of three characters: 謝 (Xie), 文 (Wen), and 輝 (Hui). The signature is written in a cursive style with a long vertical stroke extending downwards from the last character.

**XIE Wenhui**  
*President*

18 March 2016

# Management Discussion and Analysis

## FINANCIAL REVIEW

The year 2015 has observed the in-depth adjustment trend in the global economy. On the one hand, economic recovery in developed countries has varied: US economy showed a robust recovery, but the impact of the Greek crisis on the Euro zone economy was still persisting, and the Japanese economy had not yet shaken off the plight; on the other hand, the development of emerging economies has shown significant differentiation: in the BRIC countries, China and India still sustained economic growth of around 7%; while the Russian consumers' demand and capital investment declined, and it suffered economic recession; moreover, Brazil and South Africa's economy had hit rock bottom. Influenced by the FED rate hike expectations, the currencies of emerging market suffered from constant devaluation and the stock market encountered sharp fluctuations; the bulk commodity prices continued to slump, and some countries were exposed to increasing systemic financial risks.

In 2015, China's economy entered a "new normal state" and economic growth slowed down and shifted from extensive growth with scale and speed orientation to intensive growth with quality and efficiency orientation as well as from element investment-driven to innovation-driven. In 2015, the national economy was running stably, laying a solid foundation for the "13th Five-Year" plan. In 2015, gross domestic product (GDP) stood at RMB676,708 trillion, representing an increase of 6.9% over the same period of last year. The industrial structure was continued to optimize and the proportion of tertiary industry was increased to 50.5%, 10.0 percentage points higher than the second industry. Consumer prices rose slightly by 1.4%. Fixed asset investment growth slowed down in the year and import and export growth declined; resident income grew steadily. National monetary credit surged steadily. As at the end of December 2015, the balance of broad money (M2) reached RMB139.23 trillion, representing an increase of 13.3% compared with that of last year; the balance of narrow money (M1) reached RMB40.10 trillion, increased by 15.2%. The balance of RMB-denominated loans amounted to RMB93.95 trillion. The balance of RMB deposits amounted to RMB135.70 trillion. New RMB-denominated loans amounted to RMB11.72 trillion, representing a year-on-year increase of RMB1.81 trillion. New RMB-denominated deposits amounted to RMB14.97 trillion, representing a year-on-year increase of RMB1.94 trillion. The social financing increment was RMB15.41 trillion for the year.

In 2015, Chongqing's economy maintained stable growth. The progress of structural adjustment accelerated and new driving forces continued to appear. Major economic indicators retained moderately rapid growth. The gross regional product (GRP) of Chongqing reached RMB1,571.972 billion, representing an increase of 11.0% year-on-year and 4.1 percentage points higher than the national level, ranking the first in the country for eight consecutive quarters. Enterprises operating at economies of scale and above exceeded RMB2 trillion, representing an increase of 12.4% year-on-year. Consumer prices were basically stable and CPI rose 1.3% year-on-year. Fixed assets investment accelerated, representing an increase of 17.1% year-on-year. The growth of the monetary credit was stable. As at the end of December, the balance of RMB- and foreign currency-denominated deposits in the financial institutions of Chongqing amounted to RMB2,877.880 billion, representing an increase of 12.6% year-on-year; the balance of RMB- and foreign currency-denominated loans amounted to RMB2,295.521 billion, representing an increase of 11.2% year-on-year.



## I. INCOME STATEMENT ANALYSIS

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2015	2014		
Net interest income	<b>20,166.5</b>	18,348.7	1,817.8	9.91
Net fee and commission income	<b>1,494.9</b>	1,069.6	425.3	39.76
Net trading profit or loss	<b>19.8</b>	240.0	(220.2)	(91.75)
Share of profit of an associate	–	5.3	(5.3)	(100.00)
Other operating income, net	<b>207.8</b>	138.8	69.0	49.71
Operating income	<b>21,889.0</b>	19,802.4	2,086.6	10.54
Operating expenses	<b>(9,076.1)</b>	(8,400.8)	(675.3)	8.04
Impairment loss on assets	<b>(3,236.0)</b>	(2,297.2)	(938.8)	40.87
Net profit or loss on disposal of available-for-sale financial assets	<b>(1.5)</b>	5.4	(6.9)	(127.78)
Net profit or loss on disposal of investments of debt securities classified as receivables	<b>12.0</b>	–	12.00	–
<b>Profit before tax</b>	<b>9,587.4</b>	9,109.8	477.6	5.24
Income tax expense	<b>(2,359.6)</b>	(2,296.7)	(62.9)	2.74
<b>Net profit</b>	<b>7,227.8</b>	6,813.1	414.7	6.09

In 2015, the profit before tax of the Group amounted to RMB9,587 million, representing an increase of 5.24% as compared to the previous year; net profit amounted to RMB7,228 million, representing an increase of 6.09% as compared to the previous year. The increase in profit before tax and net profit primarily attributable to the stable growth of interest earning assets, which had driven the net interest income to increase by RMB1,818 million or 9.91% as compared with last year; an increase of RMB425 million or 39.76% in net fee and commission income as compared with last year as a result of strengthened efforts in product innovation and marketing; a decrease in cost to income ratio by 1.05 percentage points as compared with last year as a result of further intensified cost budget management.

### (I) Net Interest Income

In 2015, the net interest income of the Group amounted to RMB20,167 million, representing an increase of RMB1,818 million or 9.91% as compared to the previous year and accounting for 92.13% of the total operating income, including an increase of RMB3,129 million of net interest income arising from changes in the average balance of various assets and liabilities, and a decrease of RMB1,312 million in net interest income attributable to the changes in the average yield or the average cost rate.

## Management Discussion and Analysis

The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Group.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2015	2014		
Interest income	<b>35,199.2</b>	33,094.8	2,014.4	6.36
Interest expense	<b>(15,032.7)</b>	(14,746.1)	(286.6)	1.94
<b>Net interest income</b>	<b>20,166.5</b>	18,348.7	1,817.8	9.91

The table below sets forth, for the years indicated, the average balances of our interest-earning assets and interest-bearing liabilities, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation on the interest income/expense and average balances.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
<b>Assets</b>						
Loans and advances to customers	261,265.5	17,332.9	6.63	223,466.9	16,057.9	7.19
Debt securities investments	152,637.7	8,832.1	5.79	116,319.9	7,042.3	6.05
Balances with central bank	75,067.6	1,189.0	1.58	72,711.6	1,158.1	1.59
Due from banks and other financial institutions	141,253.7	7,678.7	5.44	132,522.0	8,430.2	6.36
<b>Total interest-earning assets<sup>(1)</sup></b>	<b>630,224.5</b>	<b>35,032.7</b>	<b>5.56</b>	<b>545,020.4</b>	<b>32,688.5</b>	<b>6.00</b>
<b>Liabilities</b>						
Due to customers	449,621.9	9,540.1	2.12	388,951.3	8,377.2	2.15
Borrowings from central bank	3,768.9	134.1	3.56	2,156.3	81.7	3.79
Due to banks and other financial institutions	105,093.1	4,344.4	4.13	105,089.4	5,587.9	5.32
Bonds payable	19,701.2	847.6	4.30	4,842.7	293.0	6.05
<b>Total interest-bearing liabilities<sup>(1)</sup></b>	<b>578,185.1</b>	<b>14,866.2</b>	<b>2.57</b>	<b>501,039.7</b>	<b>14,339.8</b>	<b>2.86</b>
<b>Net interest income</b>		<b>20,166.5</b>			<b>18,348.7</b>	
<b>Net interest spread</b>			<b>2.99</b>			<b>3.14</b>
<b>Net interest margin</b>			<b>3.20</b>			<b>3.37</b>

Note: (1) The impact of customer-driven wealth management products was excluded.

In 2015, the average yield on overall interest-earning assets decreased by 44 basis points from the previous year to 5.56%. The average cost rate of the overall interest-bearing liabilities decreased by 29 basic points from the previous year to 2.57%. The net interest spread decreased 15 basic points from the previous year to 2.99%, whereas the net interest margin dropped by 17 basis points from the previous year to 3.20%.

The following table sets forth the changes in the Group's interest income and interest expense due to changes in volume and rate. Changes in volume are measured by the movement of the average balance, while changes in the interest rate are measured by the movement of the average interest rate.

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in interest income/ expense
<b>Assets</b>			
Loans and advances to customers	2,506.0	(1,231.0)	1,275.0
Debt securities investments	2,102.8	(313.0)	1,789.8
Balances with central bank	37.2	(6.3)	30.9
Due from banks and other financial institutions	475.0	(1,226.5)	(751.5)
<b>Changes in interest income</b>	<u>5,121.0</u>	<u>(2,776.8)</u>	<u>2,344.2</u>
<b>Liabilities</b>			
Due to customers	1,286.2	(123.3)	1,162.9
Due to central bank, banks and other financial institutions	66.4	(1,257.6)	(1,191.2)
Bonds payable	639.0	(84.3)	554.7
<b>Changes in interest expense</b>	<u>1,991.6</u>	<u>(1,465.2)</u>	<u>526.4</u>

1. *Interest Income*

In 2015, the interest income of the Group amounted to RMB35,199 million, representing an increase of RMB2,014 million or 6.36% as compared to the previous year. The analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

## Management Discussion and Analysis

### (1) Interest Income from Loans and Advances to Customers

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	152,575.6	10,108.8	6.63	128,548.1	9,069.4	7.06
Retail loans	95,786.3	6,671.8	6.97	90,391.2	6,707.5	7.42
Discounted bills	12,903.6	552.3	4.28	4,527.6	281.0	6.21
<b>Total loans and advances to customers</b>	<b>261,265.5</b>	<b>17,332.9</b>	<b>6.63</b>	<b>223,466.9</b>	<b>16,057.9</b>	<b>7.19</b>

Interest income from loans and advances to customers increased by RMB1,275 million or 7.94% to RMB17,333 million as compared to the previous year, primarily attributable to the increase of RMB2,506 million in interest income driven by the increase in the average balance of loans and advances to customers on one hand, interest income reduced by RMB1,231 million due to the decrease in the People's Bank of China ("PBOC") benchmark rates by optimizing credit structure and strengthening pricing management on the other hand.

### (2) Interest Income from Debt Securities Investments

In 2015, the Group's interest income from debt securities investments increased by RMB1,790 million or 25.41% to RMB8,832 million as compared to the previous year, primarily attributable to the increase in average balance of debt securities investment over the previous year as a result of the proper increase in investment in debt securities with higher yield by the Bank through timely grasping favorable market opportunities.

### (3) Interest Income from Balances with Central Bank

In 2015, the Group's interest income from balances with central bank increased by RMB31 million or 2.67% to RMB1,189 million as compared to the previous year.

(4) Interest Income from Due from Banks and Other Financial Institutions

The average balance, interest income and average yield for each component of due from banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	99,660.1	5,166.7	5.18	63,125.7	3,727.2	5.90
Financial assets held under resale agreements	41,593.6	2,512.0	6.04	69,396.3	4,703.0	6.78
<b>Total due from banks and other financial institutions</b>	<b>141,253.7</b>	<b>7,678.7</b>	<b>5.44</b>	<b>132,522.0</b>	<b>8,430.2</b>	<b>6.36</b>

In 2015, the interest income from deposits and placements with banks and other financial institutions of the Group increased by RMB1,440 million or 38.62% to RMB5,167 million as compared to the previous year, primarily attributable to intensified utilization of surplus funds under the background of overall sufficient liquidity in the market and the increases in the average balances of deposits and placements with banks and other financial institutions as compared to the previous year.

In 2015, the interest income from financial assets held under resale agreements decreased by RMB2,191 million or 46.59% to RMB2,512 million as compared to the previous year, primarily attributable to adjustments of funds application subject to the satisfaction of management in assets, liability and liquidity, which resulted in the decreases in the average balances and the average yield of financial assets held under resale agreements as compared to last year respectively.

2. Interest Expense

In 2015, the Group's interest expense increased by RMB287 million or 1.94% to RMB15,033 million as compared to the previous year. The analysis below does not take into account of the interest expense generated from the capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

(1) Interest Expense on Due to Customers

The average balance, interest expense and average cost rate for each component of due to customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
<b>Corporate deposits</b>						
Demand	82,149.8	560.7	0.68	70,949.7	467.7	0.66
Time	35,296.7	1,004.4	2.85	29,360.7	1,006.0	3.43
Subtotal	<u>117,446.5</u>	<u>1,565.1</u>	<u>1.33</u>	<u>100,310.4</u>	<u>1,473.7</u>	<u>1.47</u>
<b>Retail deposits</b>						
Demand	87,192.8	331.0	0.38	80,120.0	313.5	0.39
Time	244,982.6	7,644.0	3.12	208,520.9	6,590.0	3.16
Subtotal	<u>332,175.4</u>	<u>7,975.0</u>	<u>2.40</u>	<u>288,640.9</u>	<u>6,903.5</u>	<u>2.39</u>
<b>Total due to customers</b>	<u>449,621.9</u>	<u>9,540.1</u>	<u>2.12</u>	<u>388,951.3</u>	<u>8,377.2</u>	<u>2.15</u>

In 2015, interest expense on due to customers of the Group amounted to RMB9,540 million, representing an increase of RMB1,163 million, or 13.88% as compared to last year, which was primarily due to the increase in the average balance of due to customers by 15.60% over the previous year as a result of more efforts in deposit-taking marketing with the advantage of our outlets on one hand, and the decrease of 3 basis points in the average cost rate of due to customers to 2.12% as compared to the previous year as a result of the strengthened pricing management of deposit and decrease of cost of liability on the other hand.

(2) Interest Expense on Due to Banks and Other Financial Institutions

The average balance, interest expense and average cost rate for each component of due to banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Deposits and placements from banks and other financial institutions	63,888.6	2,879.5	4.51	61,601.3	3,379.8	5.49
Financial assets sold under repurchase agreements	41,204.5	1,464.9	3.56	43,488.1	2,208.1	5.08
<b>Total due to banks and other financial institutions</b>	<b>105,093.1</b>	<b>4,344.4</b>	<b>4.13</b>	<b>105,089.4</b>	<b>5,587.9</b>	<b>5.32</b>

In 2015, the Group's interest expense on deposits and placements from banks and other financial institutions amounted to RMB2,880 million, representing a decrease of RMB500 million, or 14.80% over the previous year, which was primarily due to the decrease in the interest cost of deposits and placements from banks and other financial institutions under the background of overall sufficient liquidity in the market.

In 2015, the interest expense on financial assets sold under repurchase agreements of the Group decreased by RMB743 million or 33.66% to RMB1,465 million as compared to the previous year, primarily due to the decrease in the average balance and the interest cost of financial assets sold under repurchase agreements as compared to the previous year under the background of overall sufficient liquidity in the market.

(3) Bonds payable

In 2015, the interest expense on bonds payable of the Group was RMB848 million, representing an increase of RMB555 million or 189.28% as compared to that of last year, mainly attributable to the optimization of debts structure and increased in the scale of deposit of certificate issued in other banks.

### 3. Net Interest Spread and Net Interest Margin

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

In 2015, the net interest spread of the Group decreased by 15 basis points to 2.99% as compared to the previous year, the decrease of which reflected a higher decrease rate in the average yield of interest-earning assets over the previous year than that in the average cost rate of interest-bearing liabilities over the previous year. In 2015, the net interest margin of the Group was 3.20%, representing a decrease of 17 basis points from the previous year.

## (II) Non-interest Income

### 1. Net Fee and Commission Income

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December			
	2015	2014		
<b>Fee and commission income</b>	<b>1,575.5</b>	1,143.3	432.2	37.80
Settlement and clearing fees	115.7	64.0	51.7	80.78
Bank card fees	378.2	286.5	91.7	32.01
Agency and fiduciary service fees	243.6	202.4	41.2	20.36
Wealth management fees	761.5	514.6	246.9	47.98
Others	76.5	75.8	0.7	0.92
<b>Fee and commission expense</b>	<b>(80.6)</b>	(73.7)	(6.9)	9.36
<b>Net fee and commission income</b>	<b>1,494.9</b>	1,069.6	425.3	39.76

In 2015, the net fee and commission income amounted to RMB1,495 million, representing an increase of RMB425 million or 39.76% over the previous year, and its proportion to operating income increased by 1.43 percentage points to 6.83%.

Settlement and clearing fees income amounted to RMB116 million, representing a year-on-year increase of RMB52 million or 80.78%, primarily attributable to an increase in the income from international business.



Bank card fees income amounted to RMB378 million, representing an increase of RMB92 million, or 32.01% over the previous year, which was primarily attributable to the stable increase in the number of credit card issued and the consumption using credit card as a result of increased efforts in product innovation and marketing which improved the profitability of our bank card business. In particular, the credit card fees amounted to RMB211 million, representing an increase of RMB81 million or 62.31% over the previous year.

Wealth management fees income amounted to RMB762 million, representing a year-on year increase of RMB247 million, or 47.98%, which was primarily attributable to the rapid growth in customer-driven wealth management business.

2. *Net Trading (Losses) Gain*

Net trading (losses) gain primarily comprises changes in the fair value of trading debt securities held and (losses) gain arising from trading. In 2015, the Group's net trading gain was RMB20 million, representing a decrease of RMB220 million year-on-year, primarily due to the adjustment on the investment structure, and recorded a decrease in investments held for trading as compared to the same period of last year.

3. *Other Operating Income, Net*

In 2015, other operating income of the Group, net, increased by RMB69 million to RMB208 million.

### (III) Operating Expenses

In 2015, the operating expenses of the Group increased by RMB675 million, or 8.04% to RMB9,076 million as compared to the previous year.

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December 2015	2014		
Staff costs	5,155.6	4,917.9	237.7	4.83
Business tax and surcharges	1,483.8	1,324.0	159.8	12.07
Depreciation and amortisation	659.0	581.3	77.7	13.37
Others	1,777.7	1,577.6	200.1	12.68
<b>Total operating expenses</b>	<b>9,076.1</b>	<b>8,400.8</b>	<b>675.3</b>	<b>8.04</b>

### 1. Staff Costs

Staff costs are the largest component of operating expenses of the Group, accounting for 56.80% and 58.54% of its total operating expenses for the years ended 31 December 2015 and 2014 respectively.

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December			
	2015	2014		
Salaries, bonuses and allowances	<b>3,524.3</b>	3,278.8	245.5	7.49
Staff welfare, social insurance and housing funds	<b>1,203.1</b>	1,199.2	3.9	0.33
Others	<b>428.2</b>	439.9	(11.7)	(2.66)
<b>Total staff costs</b>	<b>5,155.6</b>	4,917.9	237.7	4.83

In 2015, staff costs of the Group increased by RMB238 million or 4.83% to RMB5,156 million as compared to the previous year, primarily due to the year-on-year increase of 7.49% on salaries and bonuses as a result of increased number of employees.

### 2. Business Tax and Surcharges

Business tax and surcharges mainly relate to revenue generated from our provision of financial products and services with respect to lending (interest income), transfer of securities and other financial services. Business tax and surcharges increased by RMB160 million or 12.07% to RMB1,484 million in 2015 as compared to the previous year, primarily due to the increase in taxable income.

### 3. Depreciation and Amortisation

Depreciation and amortisation for 2015 increased by RMB78 million or 13.37% to RMB659 million over the previous year as the growth of our property and equipment remained stable during the year.

4. *Others*

For the year ended 31 December 2015, other general and administrative expenses increased by 12.68% to RMB1,778 million as compared to RMB1,578 million in 2014, primarily due to greater business expansion.

**(IV) Impairment loss on Assets**

Impairment loss on assets consists primarily of provisions charged on loans and advances to customers and other assets. Provisions charged for impairment loss on assets was RMB3,236 million for the year ended 31 December 2015, representing an increase of RMB939 million or 40.87% over the previous year.

The following table sets forth, for the years indicated, the principal components of impairment loss on assets.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2015	2014		
Loans and advances to customers	<b>2,978.3</b>	1,841.0	1,137.3	61.78
Other assets	<b>257.7</b>	456.2	(198.5)	(43.51)
<b>Total impairment loss on assets</b>	<b><u>3,236.0</u></b>	<u>2,297.2</u>	<u>938.8</u>	<u>40.87</u>

In 2015, provisions of impairment loss for loans and advances to customers were RMB2,978 million, representing an increase of RMB1,137 million as compared with 2014, primarily due to an increase in loans and a strengthened portfolio of provisions on loans as the Group fully took account of the uncertainties hanging over the macro economy.

In 2015, the provisions for impairment on other assets were RMB258 million, representing a decrease of RMB199 million as compared with 2014, which is mainly the provision of impairment provided for non-credit financial assets.

**(V) Income Tax Expense**

The applicable income tax rate of the Group was 25%. The effective tax rate of the Group in 2015 and 2014 was 24.61% and 25.21% respectively. The effective tax rate decreased by 0.6 percentage points over the previous year.

The following table sets forth the profit before tax and income tax expense for the years ended 31 December 2015 and 2014.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2015	2014		
Profit before tax	<b>9,587.4</b>	9,109.8	477.6	5.24
Tax calculated at applicable statutory tax rate	<b>2,382.3</b>	2,277.5	104.8	4.60
Add/(less) the tax effect of the following items:	<b>75.8</b>	121.1	(45.3)	(37.41)
Non-deductible expenses	<b>(98.5)</b>	(101.9)	3.4	(3.34)
Non-taxable income				
<b>Income tax expense</b>	<b><u>2,359.6</u></b>	<u>2,296.7</u>	<u>62.9</u>	<u>2.74</u>

## II. ANALYSIS ON STATEMENT OF FINANCIAL POSITION

### (I) Assets

The following table sets forth, as of the dates indicated, the composition of the Group's total assets.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
Loans and advances to customers, gross	268,585.7	37.47	242,197.9	39.13
Allowances for impairment on loans and advances to customers	(11,044.8)	(1.54)	(8,677.7)	(1.40)
Loans and advances to customers, net	257,540.9	35.93	233,520.2	37.73
Investment securities <sup>(1)</sup>	209,227.3	29.19	117,736.1	19.02
Investments in associates	–	–	105.6	0.02
Cash and balances with the central bank	78,500.3	10.95	79,334.2	12.82
Deposits with banks and other financial institutions	44,764.5	6.25	28,249.6	4.56
Placements with banks and other financial institutions	74,000.6	10.32	75,973.8	12.28
Financial assets held under resale agreements	34,549.3	4.82	54,643.6	8.83
Financial assets held for trading	1,246.6	0.17	168.1	0.03
Financial assets designated at fair value through profit or loss	2,909.7	0.41	16,821.8	2.72
Goodwill	440.1	0.06	440.1	0.07
Other assets <sup>(2)</sup>	13,625.9	1.90	11,895.9	1.92
<b>Total assets</b>	<b>716,805.2</b>	<b>100.00</b>	<b>618,889.0</b>	<b>100.00</b>

Notes:

- (1) Investment securities consist of available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.
- (2) Other assets consist of properties and equipment, deferred income tax assets, and other assets.

## Management Discussion and Analysis

As at 31 December 2015, the Group's total assets amounted to RMB716,805 million, representing an increase of RMB97,916 million, or 15.82% as compared to the end of the previous year, among which:

The amount of gross loans and advances to customers increased by RMB26,388 million, or 10.90%, as compared to the end of the previous year. This was primarily due to the fact the Group, through further optimizing credit resources allocation under the environment of state macro economy and requirement of financial regulations, while continuously increase industry credit loans, small and micro enterprises and Sannong (三農), the Bank increased efforts in product innovation and continuously expanded channels for credit investment;

Investment securities increased by RMB91,491 million, or 77.71% as compared to the end of the previous year, primarily due to the increase in debt securities in an effort to optimize investment structure basing on the balance of risk and revenue;

Total cash and balances with the central bank amounted to RMB78,500 million, decreased by RMB834 million, or 1.05% as compared to the end of the previous year, primarily due to deduction of deposit reserve by People's Bank of China;

The total amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB14,542 million or 13.95% as compared to the end of the previous year, primarily due to the enhancement of utilization efficiency of surplus funds under the premise of ensuring sufficiency of liquidity management;

Financial assets held under resale agreements decreased by RMB20,094 million or 36.77% as compared to the end of the previous year, primarily due to revision of the fund utilization scale based on the overall allocation requirements of assets and liabilities.

1. *Loans and Advances to Customers (Contractual Amount)*

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
<b>Corporate loans</b>	<b>165,302.1</b>	<b>61.55</b>	139,585.3	57.63
Short-term loans <sup>(1)</sup>	<b>68,207.3</b>	<b>25.40</b>	56,653.3	23.39
Medium-and long-term loans <sup>(2)</sup>	<b>97,094.8</b>	<b>36.15</b>	82,932.0	34.24
<b>Retail loans</b>	<b>96,301.2</b>	<b>35.85</b>	97,151.4	40.11
Residential mortgage and personal commercial property loans <sup>(3)</sup>	<b>44,099.7</b>	<b>16.42</b>	45,898.9	18.95
Personal business and re-employment loans <sup>(4)</sup>	<b>33,817.0</b>	<b>12.59</b>	36,061.7	14.89
Others <sup>(5)</sup>	<b>18,384.5</b>	<b>6.84</b>	15,190.8	6.27
<b>Discounted bills</b>	<b>6,982.4</b>	<b>2.60</b>	5,461.2	2.26
<b>Loans and advances to customers, gross</b>	<b>268,585.7</b>	<b>100.00</b>	242,197.9	100.00

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year or less.
- (2) Medium- and long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loan, second mortgage and decoration loans, and loans to retail customers to acquire property for small business purposes, such as store premises.
- (4) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and small amount loans related to employment and reemployment.
- (5) Others primarily consist of personal commercial property mortgage loans, personal residential maximum mortgage loans, credit card loans, personal car loans, loans for personal durable goods and personal education loans, rural cross-guaranteed loans and credit loans.

As at 31 December 2015, the amount of gross loans and advances to customers of the Group increased by RMB26,388 million, or 10.90% to RMB268,586 million as compared to the end of the previous year.

Under the background of 2015 featured by the slackened domestic economic growth, insufficient effective demand in the real economy and the constrained overall bank credit resources, the Group earnestly developed credit policies, further optimized the industry credit investment target and promoted the credit structure adjustment in response to the direction of national industrial policy regulation, so as to prevent industrial credit risks and improve the quality of credit assets. By adhering to the principle of “strengthening foundation, optimizing choices and matching earnings and risks”, it laid the priority to support the strategic emerging industries with promising development prospects which were vigorously advocated by the state, cautiously supported the traditional sectors suffering increased fluctuations and requiring optimizations, further restricted the industries with “overcapacity and heavy energy consumption, heavy pollution and resource-dependent”, and strictly controlled the industries exposing to higher risks in the short run and requiring close attention.

Corporate loans (excluding discounted bills) increased by RMB25,717 million, or 18.42% to RMB165,302 million as compared to the end of the previous year, and accounted for 61.55% of gross loans and advances to customers, 3.92 percentage points higher than that of the end of previous year. Among which, additional loans to the manufacturing industry and the wholesale and retail industry amounted to RMB8,009 million and RMB1,972 million, respectively, in the aggregate accounting for 38.81% of the total amount of additional corporate loans.

Our retail loans decreased by RMB850 million or 0.88% to RMB96,301 million as compared to the end of the previous year, which accounted for 35.85% of total loans and advances to customers, representing a decrease of 4.26 percentage points as compared to the end of previous year. Residential mortgage and personal commercial property loans decreased by RMB1,799 million, or 3.92% as compared to the end of the previous year. Confronted with complicated market changes, the Group took active measures to avoid systemic risks in markets, focused on meeting credit consumption needs of premium individual customers. It promoted the transformation of retail loans to the consumption field and vigorously developed, credit loan business such as automobile mortgage and credit card and achieved an increase of 56.12% over the same period of last year.

Discounted bills increased by RMB1,521 million to RMB6,982 million as compared to the end of the previous year, largely due to the support to short-term financing needs of key customers on the basis that the requirements on assets and liabilities management could be satisfied.



Distribution of Loans by Type of Collateral (Contractual Amount)

The following table sets forth, as of the dates indicated, the distribution of loans to customers by type of collateral.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
Unsecured loans	23,585.5	8.78	19,403.8	8.01
Guaranteed loans	54,855.8	20.42	43,016.5	17.76
Collateralised loans	161,171.4	60.01	155,160.4	64.07
Pledged loans	28,973.0	10.79	24,617.2	10.16
<b>Loans to customers, gross</b>	<b>268,585.7</b>	<b>100.00</b>	<b>242,197.9</b>	<b>100.00</b>

Allowance for Impairment Losses on Loans and Advances to Customers (Contractual Amount)

The following table sets forth the Group's impairment loss on loans and advances to customers as at the dates indicated.

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment losses on loans and advances which is collectively assessed <sup>(1)</sup>	Allowance for impairment losses on identified impaired loans and advances <sup>(2)</sup>		Total
		For which allowance is collectively assessed	For which allowance is individually assessed	
As at 1 January 2015	7,574.3	443.0	660.4	8,677.7
Charge for the year	6,035.5	959.0	735.7	7,730.2
Reverse for the year	(4,322.2)	(164.9)	(264.8)	(4,751.9)
Written off	(8.1)	(258.4)	(496.2)	(762.7)
Recovery of loans and advances previously written off	3.0	143.2	83.7	229.9
Unwinding of discount on allowance	–	(26.9)	(51.5)	(78.4)
The balance as at 31 December 2015	<u>9,282.5</u>	<u>1,095.0</u>	<u>667.3</u>	<u>11,044.8</u>

## Management Discussion and Analysis

### Notes:

- (1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (2) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

In 2015, the Group adhered to its prudent principle and was in strict compliance with the relevant requirements of accounting standards, so as to provide sufficient allowances for impaired loans and advances whilst fully taking into account of external economic dynamics and macro monitoring policies. As at 31 December 2015, balance of allowances for impairment losses on loans and advances to customers increased by RMB2,367 million to RMB11,045 million over the end of the previous year, and the allowances to non-performing loans decreased by 39.76 percentage points to 420.03% as compared to the end of previous year.

### 2. Investments

The following table sets forth, as at the dates indicated, the composition of the Group's investments.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
Financial assets held for trading	1,246.6	0.58	168.1	0.12
Financial assets designated at fair value through profit or loss	2,909.7	1.36	16,821.8	12.49
Available-for-sale financial assets	12,501.6	5.86	13,388.0	9.94
Held-to-maturity investments	63,649.6	29.83	62,843.3	46.65
Debt securities classified as receivables	133,076.1	62.37	41,504.8	30.81
<b>Total</b>	<b>213,383.6</b>	<b>100.00</b>	<b>134,726.0</b>	<b>100.00</b>

During the reporting period, the Group on the basis of comprehensive consideration of risk return, combined with asset and liability management goals, and constantly adjusted the configuration scale and optimize the investment structure. Specially: corporate bonds with controllable risks and higher yield and the debt instruments issued by financial institutions were increased.

#### Debt Securities Investments

The following table sets forth, as at the dates indicated, the composition of debt securities investments of the Group.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
Government bonds	13,387.0	6.28	7,539.3	5.60
Public sector, and quasi- government bonds	23,918.1	11.22	26,521.9	19.70
Financial institution bonds	6,721.4	3.15	6,759.1	5.02
Corporate bonds	55,509.6	26.04	50,813.1	37.73
Debt instruments issued by financial institutions	113,672.2	53.31	43,028.5	31.95
<b>Total</b>	<b>213,208.3</b>	<b>100.00</b>	<b>134,661.9</b>	<b>100.00</b>

## (II) Liabilities

The following table sets forth, as at the dates indicated, the composition of total liabilities of the Group.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
Due to customers	470,228.2	70.34	409,719.8	71.13
Deposits and placements from banks and borrowings from the central bank	105,576.7	15.79	101,794.4	17.67
Financial assets sold under repurchase agreements	44,899.2	6.72	47,284.2	8.21
Debt securities issued	34,846.8	5.21	5,000.0	0.87
Other liabilities <sup>(1)</sup>	12,966.5	1.94	12,242.2	2.12
<b>Total liabilities</b>	<b>668,517.4</b>	<b>100.00</b>	<b>576,040.6</b>	<b>100.00</b>

Note:

- (1) Other liabilities consist of accrued staff costs, taxes payable, interest payable, other payables and financial liabilities designated as at fair value through profit or loss.

As at 31 December 2015, total liabilities increased by RMB92,477 million or 16.05% to RMB668,517 million as compared to the end of the previous year. Due to customers are our largest source of capital, which grew by RMB60,508 million or 14.77% as compared to the end of the previous year. Deposits and placements from banks and borrowings from the central bank increased by RMB3,782 million or 3.72% as compared to the end of the previous year. Financial assets sold under repurchase agreements decreased by RMB2,385 million or 5.04% from the end of the previous year.

## Due to Customers

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
<b>Corporate deposits</b>	<b>113,958.8</b>	<b>24.24</b>	99,096.8	24.19
Demand deposits	<b>94,032.7</b>	<b>20.00</b>	78,903.3	19.26
Time deposits	<b>19,926.1</b>	<b>4.24</b>	20,193.5	4.93
<b>Retail deposits</b>	<b>345,672.0</b>	<b>73.51</b>	302,584.6	73.85
Demand deposits	<b>90,975.3</b>	<b>19.35</b>	79,712.4	19.46
Time deposits	<b>254,696.7</b>	<b>54.16</b>	222,872.2	54.39
<b>Pledged deposits</b>	<b>10,512.5</b>	<b>2.23</b>	7,837.4	1.91
<b>Other deposits</b>	<b>84.9</b>	<b>0.02</b>	201.0	0.05
<b>Total due to customers</b>	<b>470,228.2</b>	<b>100.00</b>	409,719.8	100.00

As at 31 December 2015, due to customers increased by RMB60,508 million or 14.77% to RMB470,228 million as compared to the end of the previous year. The percentage of retail deposits, which is the main source of the deposits due to customers, accounted for 73.51% with respect to the customer structures of the Group. By virtue of the network strength spreading through urban and towns and customer base, the balance of retail deposits increased by RMB43,087 million or 14.24% as compared to the end of the previous year; the percentage of corporate deposits (exclude the pledged deposits) accounted for 24.24%, the balance of deposits increased by RMB14,862 million or 15.00% as compared to the end of the previous year. With respect to the maturity structure, demand deposits accounted for 39.34% of total due to customers, representing an increase of 0.63 percentage points from the end of previous year, while the time deposits accounted for 58.40%, representing a decrease of 0.92 percentage points over the end of the previous year.

### (III) Shareholders' Equity

The following table sets forth, as at the dates indicated, the composition of shareholders' equity of the Group.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
Share capital	9,300.0	19.26	9,300.0	21.70
Capital reserve	9,201.9	19.06	9,201.9	21.48
Investment revaluation reserve	105.8	0.22	36.7	0.09
Actuarial changes reserve	(111.7)	(0.23)	(16.1)	(0.04)
Surplus reserve	7,798.1	16.15	7,079.3	16.52
General reserve	8,017.2	16.60	6,371.2	14.87
Retained earnings	12,451.5	25.78	9,452.9	22.06
Equity attributable to equity holders of the Bank	46,762.8	96.84	41,425.9	96.68
Non-controlling interests	1,525.0	3.16	1,422.5	3.32
<b>Total equity</b>	<b>48,287.8</b>	<b>100.00</b>	<b>42,848.4</b>	<b>100.00</b>

As at 31 December 2015, total equity amounted to RMB48,288 million, representing an increase of RMB5,439 million as compared to the end of the previous year, mainly attributable to the increase in retained earnings. In particular, surplus reserve increased by RMB719 million as compared to the end of the previous year, primarily resulting from the provisions made for statutory surplus reserve. General reserve increased by RMB1,646 million as compared to the end of the previous year, as the general reserve was required to be not less than an amount equal to 1.5% of the balance of risk assets at the end of the previous year.

### III. LOAN QUALITY ANALYSIS (THE GROUP)

#### (I) Breakdown of Loans by the Five-Category Classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which non-performing loans are classified into substandard, doubtful and loss categories.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of Total (%)	Amount	% of Total (%)
Normal	259,884.4	96.76	234,607.6	96.87
Special mention	6,071.8	2.26	5,703.0	2.35
Substandard	1,373.8	0.51	1,268.0	0.52
Doubtful	1,255.7	0.47	619.3	0.26
Loss	—	—	—	—
Total loans and advances to customers	<u>268,585.7</u>	<u>100.00</u>	<u>242,197.9</u>	<u>100.00</u>
Amount of non-performing loans	2,629.5		1,887.3	
Non-performing loan ratio (%)	<u>0.98</u>	<u>0.98</u>	<u>0.78</u>	<u>0.78</u>

In 2015, the economic development of China entered the new normal state. Under the new normal state, the economy of China demonstrated three basic features, that is, changes in growth rate, structural optimization and changes in driving forces. However, there are also multiple difficulties and challenges. The development of the banking industry is faced with challenges and opportunities. Subject to the complicated economic and financial circumstances in China and overseas, the Group upheld our baseline of thinking (底線思維) and further promoted reform on the credit structure. Investigations on credit asset risks were expanded. Early warning, tracking and post-loan management were strengthened. Proactive actions were taken to prevent and resolve the risks in advance. Greater efforts were devoted to collect, dispose of and verify non-performing assets. The quality of the Bank's credit assets was stable with risks under control. As at 31 December 2015, the balance of non-performing loans increased by RMB743 million from the end of the previous year to RMB2.630 billion; while the non-performing loan ratio was 0.98% which was 0.20 percentage points higher than that of the end of the previous year, indicating a slight increase in non-performing loan ratio. The portion of special mention loans accounted for 2.26%, representing a decrease of 0.09 percentage points as compared to the end of the previous year.

## (II) Concentration of Loans

### 1. Concentration by Industry and Distribution of Non-performing Loans

The following table sets forth, as at the dates indicated, the loans and non-performing loans by industry.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015				As at 31 December 2014			
	Loan amount	Percentage of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Percentage of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
<b>Corporate loans</b>	<b>165,302.1</b>	<b>61.55</b>	<b>1,229.8</b>	<b>0.74</b>	139,585.3	57.64	1,285.6	0.92
Manufacturing	49,623.1	18.48	468.3	0.94	41,614.0	17.18	521.0	1.25
Production and supply of electricity, gas and water	9,638.0	3.59	1.3	0.01	8,665.1	3.58	3.8	0.04
Real estate	17,700.1	6.59	17.1	0.10	13,894.2	5.74	20.1	0.14
Leasing and commercial services	9,244.5	3.44	3.0	0.03	4,984.0	2.06	-	-
Water, environment and public utilities management	29,689.2	11.05	-	-	25,472.0	10.51	-	-
Construction	7,659.5	2.85	-	-	7,765.8	3.21	3.4	0.04
Retail and whole sale	15,953.9	5.94	326.3	2.05	13,981.6	5.77	36.9	0.26
Others	25,793.8	9.61	413.8	1.60	23,208.6	9.59	700.4	3.02
<b>Retail loans</b>	<b>96,301.2</b>	<b>35.85</b>	<b>1,399.7</b>	<b>1.45</b>	97,151.4	40.11	601.7	0.62
<b>Discounted bills</b>	<b>6,982.4</b>	<b>2.60</b>	<b>-</b>	<b>-</b>	5,461.2	2.25	-	-
<b>Total</b>	<b>268,585.7</b>	<b>100.00</b>	<b>2,629.5</b>	<b>0.98</b>	242,197.9	100.00	1,887.3	0.78

In 2015, to cope with the tumultuous and ever-changing external economic conditions, the Group continued to optimize its industry-specific lending and exit criteria for customers, further refined the management of industry quotas and strictly implemented national control policies. The non-performing loans and non-performing loan ratios of the real estate industry continued to trend downwards.



2. Concentration of Borrowers

In the end of 2015, the Group's total loans to its largest single borrower accounted for 6.21% of its net capital while total loans to its top ten clients accounted for 40.34% of its net capital, both of which were in compliance with regulatory requirements. As at 31 December 2015, the Group's loans to top ten largest single borrowers were not non-performing loans.

(1) Indicator of concentration

Major Regulatory Indicators	Regulatory standard	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Loan concentration ratio for the largest single borrower (%)	≤10%	6.21	5.49	5.72
Loan concentration ratio for a single group borrower (%)	≤15%	6.79	5.87	6.91

(2) Loans to top ten single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 31 December 2015	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Real estate	3,574.9	1.33
Borrower B	Manufacturing	3,500.0	1.30
Borrower C	Leasing and commercial service	2,718.0	1.01
Borrower D	Real estate	2,584.1	0.96
Borrower E	Water, environmental and public utility management	2,471.0	0.92
Borrower F	Real estate	2,112.0	0.79
Borrower G	Real estate	1,800.0	0.67
Borrower H	Water, environmental and public utility management	1,638.5	0.61
Borrower I	Construction	1,458.0	0.54
Borrower J	Water, environmental and public utility management	1,372.0	0.51

### (III) Distribution of Loans and Non-performing Loans by Product Type

The following table sets forth, for the dates indicated, the loans and non-performing loans by product type.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015			As at 31 December 2014		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
<b>Corporate loans</b>	<b>165,302.1</b>	<b>1,229.8</b>	<b>0.74</b>	139,585.3	1,285.6	0.92
Short-term loans	68,207.3	747.2	1.10	56,655.3	125.5	0.22
Medium-and long-term loans	97,094.8	482.6	0.50	82,932.0	1,160.1	1.40
<b>Retail Loans</b>	<b>96,301.2</b>	<b>1,399.7</b>	<b>1.45</b>	97,151.4	601.7	0.62
Residential mortgage and personal commercial property loans	44,099.7	277.2	0.63	45,898.9	91.9	0.20
Personal business and re-employment loans	33,817.0	670.6	1.98	36,061.7	220.9	0.61
Others	18,384.5	451.9	2.46	15,190.8	288.9	1.90
<b>Discounted bills</b>	<b>6,982.4</b>	<b>-</b>	<b>-</b>	5,461.2	-	-
<b>Total</b>	<b>268,585.7</b>	<b>2,629.5</b>	<b>0.98</b>	242,197.9	1,887.3	0.78

As at 31 December 2015, non-performing loan ratio of corporate loans decreased by 0.18 percentage point to 0.74% as compared with the end of the previous year, whereas non-performing loan ratios of retail loans increased by 0.83 percentage point to 1.45% as compared with the end of the previous year.

### (IV) Rescheduled Loans and Advances to Customers

The following table sets forth, as at the dates indicated, the Group's rescheduled loans and advances to customers.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Rescheduled loans and advances to customers	<b>91.4</b>	<b>0.03</b>	82.6	0.03

**(V) Overdue Loans and Advances to Customers**

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

(Expressed in RMB million, unless otherwise stated)	As 31 December 2015		As at 31 December 2014	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Past due within 3 months	<b>2,299.9</b>	<b>0.85</b>	1,686.4	0.70
Past due for 3 months to 1 year	<b>1,878.5</b>	<b>0.70</b>	885.1	0.37
Past due for over 1 year and within 3 years	<b>587.5</b>	<b>0.22</b>	213.9	0.09
Past due for more than 3 years	<b>135.0</b>	<b>0.05</b>	234.4	0.09
Total overdue loans and advances to customers	<b><u>4,900.9</u></b>	<b><u>1.82</u></b>	<b><u>3,019.8</u></b>	<b><u>1.25</u></b>

As at 31 December 2015, the total overdue loans amounted to RMB4,901 million, representing an increase of RMB1,881 million from the end of the previous year. Overdue loans accounted for 1.82% of the total loans and advances, representing an increase of 0.57 percentage point from the end of the previous year.

#### IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

The following table sets forth, for the date indicated, the relevant information of the Group's capital adequacy ratio, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach:

(Expressed in RMB million, unless otherwise stated)	As 31 December 2015	As at 31 December 2014
Core tier 1 capital adequacy ratio (%)	<u>9.88</u>	10.12
Tier 1 capital adequacy ratio (%)	<u>9.89</u>	10.12
Capital adequacy ratio (%)	<u>12.09</u>	12.45
Components of capital base		
Core tier 1 capital:		
Portion of paid-in capital that may be included	9,300.0	9,300.0
Portion of capital reserve that may be included	9,196.0	9,222.5
Surplus reserve and general risk reserve	15,815.3	13,450.5
Inappropriate profit	12,451.5	9,452.9
Non-controlling interests	<u>817.7</u>	<u>912.3</u>
Total core tier 1 capital	<u>47,580.5</u>	42,338.2
Deductible items:		
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	<u>(71.2)</u>	<u>(50.5)</u>
Core tier 1 capital, net	<u>47,069.2</u>	41,847.6
Other tier 1 capital:		
Non-controlling interests	<u>27.2</u>	<u>7.7</u>
Net tier 1 capital	<u>47,096.4</u>	41,855.3
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	5,000.0	5,000.0
Excessive loan allowances	5,413.9	4,559.5
Non-controlling interests	<u>77.1</u>	<u>35.7</u>
Net capital	<u>57,587.4</u>	51,450.5
Total risk-weighted assets	476,412.7	413,387.1
Credit risk weighted assets	438,522.0	369,370.3
Market risk weighted assets	1,821.6	12,918.6
Operational risk weighted assets	<u>36,069.1</u>	<u>31,098.2</u>

As at 31 December 2015, the capital adequacy ratio of the Group measured in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)” decreased by 0.36 percentage points as compared with the end of the previous year to 12.09%, 1.59 percentage points higher than the 10.5% of the regulatory requirements. Core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio were 9.88% and 9.89% respectively, decreased by 0.24 percentage points and 0.23 percentage points respectively as compared with the end of the previous year. The decrease in the capital adequacy ratio of the Group in 2015 as compared with the beginning of the year was mainly due to the slowing down of increase in profit and the net capital under the effect of the policy and market, while the balance of the risk weighted assets increased as the expansion of the assets scale, which resulted in a slight decrease of the capital adequacy ratio of the Group in 2015 as compared with the beginning of the year.

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》), promulgated by the CBRC the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the reporting period will be further disclosed in the investor relations column on the website of the Bank (<http://www.cqrcb.com>).

## V. ANALYSIS OF LEVERAGE RATIO

As at 31 December 2015, the Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

The following table sets out the Group’s related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items:

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015
Consolidated total assets	716,805.2
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	–
Securities financing transactions adjustments	–
Off balance sheet item adjustments	19,379.2
Other adjustments	(511.3)
The balance of assets on and off balance sheet after adjustments	<u>735,673.1</u>

## Management Discussion and Analysis

The following table sets out information of the Group's leverage ratio, tier 1 capital, net, assets on and off balance sheet after adjustments and relevant details:

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015
Assets on the balance sheet (excluding derivatives and securities financing transactions)	682,254.4
Less: tier 1 capital deduction	(511.3)
<b>The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)</b>	<b>681,743.1</b>
Replacement cost of various types of derivatives (net of qualified margins)	–
Potential risk exposure in various derivatives	1.5
The sum of collaterals deducted from the balance sheet	–
Less: assets receivables formed due to qualified margins	–
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
Notional principal for sold credit derivatives	–
Less: the balance of sold credit derivatives assets which can be deducted	–
<b>The balance of derivatives assets</b>	<b>1.5</b>
The balance of accounting assets for securities financing transactions	34,549.3
Less: the balance of securities financing transactions assets which can be deducted	–
Counterparty credit risk exposure to securities financing transactions	–
The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
<b>The balance of securities financing transactions assets</b>	<b>34,549.3</b>
The balance of items off balance sheet	25,850.7
Less: the balance of items off balance sheet reduced due to credit conversion	(6,471.5)
<b>The balance of items off balance sheet after adjustments</b>	<b>19,379.2</b>
Tier 1 capital, net	47,096.5
The balance of assets on and off balance sheet after adjustments	735,673.1
<b>Leverage ratio (%)</b>	<b>6.40</b>

As at 31 December 2015, the Group's leverage ratio was 6.40%, representing a decrease of 0.25 percentage points as compared with the end of the previous year. The lowering of leverage ratio was mainly due to the enlarging size of assets on and off current balance sheet, resulting in the increase in the balance of assets on and off balance sheet after adjustments.

## VI. SEGMENT INFORMATION

### (I) Summary of Geographical Segment

(Expressed in percentage)	As at 31 December									
	2015		2014		2013		2012		2011	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	<b>66.52</b>	<b>33.48</b>	66.30	33.70	68.01	31.99	67.48	32.52	66.79	33.21
Loans	<b>47.87</b>	<b>52.13</b>	50.18	49.82	52.60	47.40	48.28	51.72	46.80	53.20
Assets	<b>46.73</b>	<b>53.27</b>	44.86	55.14	47.77	52.23	46.33	53.67	46.67	53.33
Loan-deposit ratio	<b>41.10</b>	<b>88.95</b>	44.74	87.40	45.63	87.43	42.16	93.74	41.09	93.94

(Expressed in percentage)	For the year ended 31 December									
	2015		2014		2013		2012		2011	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Return on average total assets	<b>1.06</b>	<b>1.10</b>	1.20	1.23	1.29	1.28	1.43	1.34	1.34	1.35
Net fee and commission income to operating income	<b>5.60</b>	<b>8.08</b>	4.18	6.62	2.90	5.57	2.86	3.55	5.81	5.62
Cost-to-income ratio	<b>35.35</b>	<b>34.01</b>	41.27	35.17	41.46	33.47	40.46	34.73	38.61	34.69

County Area refers to regions other than the Urban Area of Chongqing City. The data of County Area also includes the data of eleven subsidiaries, namely Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司), Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司), Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司), Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司), Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司), Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司), Fujian Shishi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司), Yunnan Shangri-La CQRC Village, Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司) and Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司), and the data of Qujing Branch of Chongqing Rural Commercial Bank (重慶農村商業銀行曲靖分行).

## (II) Summary of Business Segment

### Operating Income

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December									
	2015		2014		2013		2012		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Corporate banking business	7,714.8	35.25	6,557.3	33.11	5,992.4	36.73	5,491.1	40.22	4,479.6	40.29
Personal banking business	6,196.8	28.31	6,120.8	30.91	5,218.9	31.99	4,269.2	31.27	3,388.8	30.48
Treasury operations business	7,959.8	36.36	7,106.4	35.89	4,992.9	30.60	3,780.4	27.69	3,138.0	28.22
Unallocated	17.6	0.08	17.9	0.09	111.6	0.68	112.6	0.82	111.9	1.01
Total operating income	<u>21,889</u>	<u>100.00</u>	<u>19,802.4</u>	<u>100.00</u>	<u>16,315.8</u>	<u>100.00</u>	<u>13,653.3</u>	<u>100.00</u>	<u>11,118.3</u>	<u>100.00</u>

## VII. ANALYSIS OF OFF-BALANCE-SHEET ITEMS

Off-balance-sheet items of the Group include acceptance, letters of credit issued, letters of guaranteed funds issued, receivables under export letters of credit, foreign exchange funds receivables collected, foreign exchange funds collected, and foreign letters of credit by faith and wealth management. Among these items, acceptance, letters of guarantee issued and letters of credit issued were deemed as key business segments. As at 31 December 2015, the balances of acceptance, letters of guarantee issued and letters of credit issued were RMB13,105 million, RMB4,562 million and RMB340 million, respectively.

## VIII. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the reporting period in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. These estimates and judgments involve assumptions about items such as risk adjustment to cash flows or discount rates used, and future changes in prices affecting other costs. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group's management believes that the estimates and judgments made by the Group reflect appropriately the economic context which the Group was subject to. The major areas affected by the estimates and judgments include: provision for loans and advances to customers, supplementary retirement benefit and early retirement benefit obligation, fair value of financial instruments, held-to-maturity investments, provision for debt securities classified as receivables, and income taxes.



## BUSINESS OPERATION

### I. Corporate Financial Business

The following table sets forth the major operation figures of the corporate banking business and the changes thereof:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2015	For the year ended 31 December 2014	Changes (%)
Net interest income	7,304.8	6,273.9	16.43
Net fee and commission income	319.6	252.6	26.52
Other operating income, net	90.4	30.8	193.51
Operating income	7,714.8	6,557.3	17.65
Operating expenses	(3,093.3)	(2,909.4)	6.32
Impairment on assets	(2,223.3)	(1,380.7)	61.03
Profit before tax	<u>2,398.2</u>	<u>2,267.2</u>	5.78

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015	As at 31 December 2014	Changes (%)
Segment assets	<u>156,559.8</u>	<u>133,190.4</u>	17.55

In 2015, the total profit before tax from the corporate banking business increased by 5.78% over the previous year to RMB2,398 million, accounting for 25.01% of the Group's profit before tax. The overall growth in corporate loans of the Group had driven the net interest income of the corporate business to increase by 16.43% as compared with the previous year.

#### 1. Corporate Deposits and Loans

The Group strived to expand the corporate deposit market and continued to maintain steady growth in corporate deposits. As at 31 December 2015, the balance of corporate deposits (including pledged and other deposits) of the Group reached RMB125,138 million, ranking the third in Chongqing, one place up as compared with the beginning of the year, which accounted for 26.61% of the outstanding balance of total deposits of the Group whilst posting a growth of RMB18,003 million or 16.80% as compared with the previous year.

For the loan policy on extending loans, the Group persisted in operating in compliance with laws and abided by the principle. The Group effectively observed the macroeconomic control policy of the country and the local economic operation situation and expanded its corporate loan business in a prudent, steady and appropriate manner. As at 31 December 2015, the outstanding balance of corporate loans (including discounted bills) amounted to RMB172,285 million, representing an increase of RMB27,238 million or 18.78% as compared with the end of the previous year, ranking the first in Chongqing in respect of increment. Meanwhile, outstanding non-performing loans (excluding discounted bills) amounted to RMB1,230 million and the non-performing loan ratio was 0.74%, representing a decrease of 0.18 percentage point as compared with the end of the previous year.

In respect of the structure of loan, in adherence to the policy of “One Belt and One Road”, the strategy of Yangtze River Economic Belt and the positioning of Chongqing’s five functional areas, with focus on the development of “ten strategic emerging industries” and speeding up the development of Chongqing’s new industrialization and urbanization, the Group focused on extending loans to the industries such as manufacturing, water, environmental and public utility management, wholesale and retail industries, production and supply of electricity, gas and water, which accounted for 30.02%, 17.95%, 10.71%, 9.65% and 5.83% of the total amount of corporate loans of the Group (excluding discounted bills), respectively. With respect to customer’s portfolio, depending on the improving product system and the customer management team with comprehensive quality cultivated. In working on its customer profile, the Group remained committed to forging closer collaboration with quality enterprises among the top 500 enterprises in the world, top 500 enterprises of China, top 100 enterprises of Chongqing, industry leaders as well as government institutions whilst maintaining and strengthening its partnership with prime SME customers.

### 2. *Institutional Business*

The Bank continued to strengthen its cooperation channel construction with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. This year, the Bank was successfully selected as a cooperation bank for providing serious medical insurance for employees in urban cities, became one of the local bond underwriters and custodian banks of Chongqing, was actively involved in various guidance funds in the governmental sector, with an aim to establish collaboration platforms in respect of insurance, securities, trust and fund among industry players. The increasing abundance of each channel will effectively facilitate continuous healthy development of the Bank’s corporate banking business. In addition, the Bank was the only financial services bank to handle urban and rural social pension insurance for residents in Chongqing City. 11 million people in the city have already been paid and distributed pension insurance through the Bank.

### 3. *Small and Micro Enterprise Business*

The Bank's business of providing loans to small and micro enterprises was growing steadily. As of the end of December 2015, according to specifications prescribed by CBRC, the number of small and micro enterprise loans customers of the Bank (including the sum of loans to small and micro enterprises, individual business owners, and the main operations of small and micro enterprises according to specifications prescribed by four ministries and commissions of the nation) amounted to 102,880, representing an increase of 154 as compared with the end of the previous year. According to specifications prescribed by CBRC, the outstanding balance of small and micro enterprise loans amounted to RMB82.744 billion, representing an increase of RMB6.731 billion (8.86%) as compared to the beginning of previous year and the growth rate is 0.35 percentage points higher than the average loan growth rate of the Bank. According to specifications prescribed by CBRC, the success rate of applying for small and micro enterprise loans amounted to 98.26%, which is 0.86 percentage points higher than the corresponding period of the previous year. According to specifications prescribed by CBRC, the number of small and micro enterprise loans customers accounted for 46.99% of the small and micro enterprise loans customers of Chongqing banking institutions; according to specifications prescribed by CBRC, the outstanding balance of small and micro enterprise loans accounted for 16.28% of the outstanding balance of small and micro enterprise loans of Chongqing banking institutions.

#### (1) Specialized institutions

The construction of specialised institutions continued steadily. In order to further implement the opinions of CBRC on deepening financial services for small and micro enterprises and the work deployment of establishment of specialised branches for small and micro enterprises by the Banking Regulatory Bureau of Chongqing, in 2015, on the basis of summing up operating experience of the first and second batch of a total of seven specialised branches for small and micro enterprises, the Bank again selected five branch outlets including Liangjiang New Zone Ranjiaba branch outlet (兩江新區冉家壩), Yubei Lianglu branch outlet (渝北兩路), Nan'an Danzishi branch outlet (南岸彈子石), Tongliang Pulv branch outlet (銅梁蒲呂) and Qijiang Tonghui branch outlet (綦江通惠) as the third batch of specialised branches, all of which have obtained official approvals from CBRC. So far, the number of specialised branches for small and micro enterprises of the Bank has been increased to 12, resulting in further expansion of the coverage of financial services for small and micro enterprises. As at the end of December 2015, 12 specialised branches for small and micro enterprises have the balance of loans amounting to RMB5,868 million, representing an increase of RMB760 million, or 14.88%, as compared with the beginning of the year; the balance of deposits amounted to RMB7,486 million, representing an increase of RMB1,732 million, or 30.10%, as compared with the beginning of the year. The above two indicators were higher than the average level of the whole Bank. The demonstration and benchmarking role of specialised branches for small and micro enterprises in the whole Bank have further emerged.

### (2) Credit products

The credit product mix for small and micro enterprises was further optimized. The Bank actively implemented the requirements of the State Council and CBRC for strengthening efforts in financial innovation and improving service capabilities. Based on market demand and the Bank's requirements for transformation and upgrading, the Bank continued to explore and improve the weak guarantee products and product deadlines to fully meet market and customer demand. Firstly, the Bank constantly conducted innovation in "weak guarantee" products. Last year, the Bank launched innovative weak guarantee products including "Order Credit for Small Businesses" (小企業訂單貸), "Domestic Invoice Financing Credit for Small Businesses" (小企業國內發票融資), "Easy Tax Loans for Small Businesses" (小企業稅易貸), and "Guarantee-assistant Loans for Scientific and Technological Enterprises in New North Zone" (北部新區科技型企業助保貸), and introduced two innovative weak guarantee products, i.e. "Credit Loans to Small and Micro Enterprises" (小微企業增信貸) and "Easy Pharmaceutical Loans in Yuzhong Branch" (渝中支行藥易貸); secondly, the Bank improved the circulation loans mode. The Bank actively created and improved the products matching the production and operation cycle of small and micro enterprises. The credit period of development loans and convenient loans to small enterprises was extended from two years to three years and customers were able to apply for loans within three years without re-applying for credit and security procedures if the customers have handled the security procedures for one time. This mode fully met the requirements of small and micro enterprises for high flexibility and fast frequency of fund use, effectively lowering the repayment pressure caused by non-matching of the loan period to the production and business cycle of small and micro enterprises and also reducing the loan application costs for customers.

### (3) Customer manager team

The business skills of employees engaged in the small and micro business were further enhanced. Firstly, the Bank strengthened the training for employees engaged in small and micro business. Employees engaged in small and micro business were divided into "basic classes, improvement classes, and intensive classes" according to their actual business level and working years to carry out hierarchical and targeted training; for the branches with more new staff lacking work experience in the team of credit for small and micro enterprises, the key business personnel of the headquarters went to these branches to provide independent trainings; the Bank carried out specialised small enterprise products and marketing skills training for managers and customer managers in the branches specially engaged in the small and micro business; the Bank carried out intensive training of "domestic invoice financing and loan to orders" for personnel in the eight branches possessing the core customers. In 2015, the Bank organized 18 specialised trainings on small and micro business, with over 800 persons trained to ensure that all the personnel engaged in the Bank's financial services for small and micro enterprises participated in the training and effectively enhance the overall business capacity and credit efficiency of the grass-roots credit personnel in the credit survey analysis, risk identification, prevention and control.

#### 4. *International Business*

The international business maintained robust growth. In 2015, the international settlement amounted to US\$4,770 million, representing a year-on-year increase of 36.32%; foreign exchange settlement amounted to US\$2,061 million, a year-on-year increase of 24.76%. The accumulated amount international trade financing issued amounted to US\$1,775 million, representing a year-on-year increase of 171.41%. The cooperation of correspondent banking further intensified. The Bank has established correspondent banking relationship with 488 banks at home and abroad and bilateral credit of a number of financial institutions at home and abroad climbed substantially, laying the foundation for further cooperation. At the same time, the progress in product innovation has improved continuously, with the approval to introduce China Foreign Exchange Payment System hosted by PBOC (人行境內外幣支付系統), enabling real-time credit for foreign exchange remittance; the approval and establishment of qualification for inter-bank inquiry of gold and lending business; domestic guarantee for overseas debts (內保外債), domestic guarantee for overseas loans (內保外貸), overseas guarantee for domestic loans (外保內貸), foreign currency cross-border M&A loans, foreign exchange reserve entrusted loans and other innovative business to be utilized and promoted. Foreign exchange fund transactions have undergone rapid growth. The interbank foreign exchange trading volume reached US\$7.56 billion and foreign exchange fund operations amounted to US\$11.8 billion, making the Bank into the list of top 100 in terms of transaction volume in Foreign Exchange Trading System for three consecutive years with significantly improved low-cost fund-raising ability and profitability.

## II. Retail Banking Business

The table below sets forth the particulars of the major operating results and relevant changes of the retail banking segment:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2015	For the year ended 31 December 2014	Changes (%)
Net interest income	<b>5,594.3</b>	5,771.2	(3.07)
Net fee and commission income	<b>556.3</b>	328.0	69.60
Other operating income, net	<b>46.2</b>	21.6	113.89
Operating income	<b>6,196.8</b>	6,120.8	1.24
Operating expense	<b>(2,487.2)</b>	(2,836.8)	(12.32)
Impairment loss on assets	<b>(755.1)</b>	(460.3)	64.05
Profit before tax	<b><u>2,954.5</u></b>	<u>2,823.7</u>	4.63

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015	As at 31 December 2014	Changes (%)
Segment assets	<b><u>96,587.1</u></b>	<u>97,402.8</u>	(0.84)

The retail banking business of the Group recorded a profit before tax of RMB2,955 million, up 4.63% over the previous year, representing an increasing contribution to the Group's profit year-by-year. The steady increase of retail banking triggered a growth of 1.24% and 69.60% in operating income and net fee and commission income of the retail banking business of the Group respectively as compared to the previous year. In addition, the rapid growth of personal bank card, agent businesses and retail loans has resulted in a relatively stable profit growth of the retail banking business for the year.

## 1. Retail Deposits and Loans

Retail deposits recorded a continue increase. Backed by the vibrant economic growth in Chongqing, the Bank took full advantage of its exceptional regional brand recognition and strived to align its brand value services with key marketing campaigns and social responsibility, with an emphasis on the business promotion and sales during key business hours of peak seasons, on high-end major customers and key projects in target markets. The Bank organized a large public campaign named “serving fellow townsman and delivering geniality along the way back home” (服務眾鄉親、情暖回鄉路) during the Spring Festival travel rush, “Financial Knowledge Enters Ten Thousand Households” (金融知識進萬家), “Including Financial Services, and Rooting Wealth Management Awareness”, (「普惠金融,紮根行動), in communities as part of the marketing campaigns and made an effort in unifying services for better reputation. It also constantly deepened the transformation of its branches with 183 newly added transformed model branches in an effort to improve the individual productivity for each branch. The retail deposits amounted to RMB340,433 million, representing an increase of RMB41,285 million or 13.80% over the end of the previous year. The Bank remained unrivalled among its regional counterparts in terms of the amount, annual growth and market share of retail deposits.

Customer structure is being improved. Through enriching the value-added services for VIP customers, holding customer activities on a regular basis, establishing a wealth management centre, facilitating the systematic establishment in customer relations management, the number of mid- to high-end customers of the Bank kept increasing. The number of customers increased by 188,200 or 25.13% as compared with the beginning of the year, and the deposit increased RMB35.126 billion.

The Group achieved a solid growth in retail loan. With a view to becoming the largest and the best local retail bank, the Group insisted on business for small and micro enterprises, optimized the credit structure, stressed product innovation, and implemented differentiated credit services. It constantly consolidated the advantageous position of retail loan business and created an internet financial platform based on the existing advantageous channels including retail loan centres and operation outlets, launched “Tiny Loan” (微粒貸) together with Shenzhen Qianhai Webank, proactively explored new products including “Cloud Loans for Micro Enterprises”(雲微貸), automatic credit approval, etc. and took the initiative in launching the service of loan application to WeChat banking in the PRC. As at 31 December 2015, retail loan of the Group decreased by RMB850 million to RMB96.301 billion, the stock amount of retail loan also ranks in the top list of the market.



### 2. Bank Cards

#### Debit Card Business

The number of new debit cards continued to surge. As at 31 December 2015, the total number of debit cards issued by the Bank reached 16,732,900; the spending related thereto amounted to RMB79,025 million. Specially, nostalgia series of debit cards with the function of subsidizing foreign remittance fees gained remote deposits of RMB97,072 million in 2015.

#### Credit Card Business

The Bank continued to promote the bank card brand - Jiangyu credit card which is one of our symbolic products and optimized the two main product lines of standard cards and characteristic cards. Rapid progress has been made in system restructuring, product innovation and service level. In response to the system, the Bank explored division reform of the credit card center to strengthen its profitability, and established a profit-oriented performance appraisal system and value contribution-oriented incentives to enhance the operations viability. Attached importance to innovation: the Bank strengthened efforts in product innovation and this year focused on innovation in General Automobile Trading (商社汽貿) credit card to achieve the first launch in Chongqing and successfully deepened cooperative relations with local leading enterprises in Chongqing, which was another innovation to respond to the market competition and serve livelihood by the finance. Strong drive: driven by the provision of installment loans on automobile, parking space and other advantageous projects to promote the development of high-yield installment business. Through promoting installment on products of merchant POS sold, travel, mobile phone, car insurance, bills and other varieties of small amount consumption products, the Bank enhanced its competitiveness in the consumption credit market. On the other hand, it scaled up the promotion of products and services, and extended electronic service channels of the Internet to further improve market channels of its products. Sustainable: continuous through Jiangyu credit card product life cycle as the main line to promote the expansion of new customers and inspire existing customers and other marketing efforts to comprehensive carry out customer base maintenance and stimulate a wide range of social effects. Frequent linkage: the promotion of installment business carried out at certain large marketing events including Chongqing Yuelai International Auto Show, "Tuantuan" (團團購) and "Aiche Zhouzhou" (愛車周周團), strengthened the linkage between the headquarters and branches, cooperation between banks and corporations, and customer maintenance, which played a significant role in increasing the income from intermediary business of credit cards. Create opportunity: based on the existing business, focused on sustainable development, complied with market demand, continue to expand Internet-based electronic service channels, and continued cooperation with domestic and international well-known enterprises to strengthen credit card financial services and create opportunities for sustainable development. As of 31 December 2015, the number of credit cards in issue accumulated to 338,300, an increase of 151,200 or 80.81% over the end of the previous year; spending related to credit cards amounted to RMB31,524 million, representing an increase of 63.31% over the same period of the previous year; the balance of credit card loans amounted to RMB6,373 million, representing an increase of RMB2,486 million over the end of the previous year.



### 3. Agency Business

The Bank has been expanding its intermediary business product portfolio of retail banking and recorded stable increase in income. In 2015, the Bank's agency fund business developed rapidly and it served as the agent of 97 foundations with sales of RMB10,700 million and an income of RMB7.9727 million from intermediary business. The operating income from the distribution business of physical rare metals was RMB23,478,500 and an income of RMB770,800 from intermediary business was recorded. The physical gold trading business effectively advanced at the Shanghai Gold Exchange. The turnover reached RMB165 million including 0.03 tonne of gold products and 2.07 tonnes of silver products.

## III. Financial Market Business

The following table sets forth the major operating figures of the financial business of the Group and the changes thereof:

(Expressed in RMB million, unless otherwise stated)	As of 31 December 2015	As of 31 December 2014	Changes (%)
Net interest income	7,267.4	6,303.6	15.29
Net fee and commission income	619.0	489.0	26.58
Net trading gain	19.8	240.0	(91.75)
Other operating (losses) gain, net	53.6	73.8	(27.37)
Operating income	7,959.8	7,106.4	12.01
Operating expense	(3,495.6)	(2,654.6)	31.68
Impairment loss on assets	(257.6)	(456.2)	(43.53)
Net (losses) gain from disposal of available-for-sale financial assets	(1.5)	5.4	(127.78)
Net gain on disposal of debt securities classified as receivables	12.0	—	—
Profit before tax	<u>4,217.1</u>	<u>4,001.0</u>	<u>5.40</u>

(Expressed in RMB million, unless otherwise expressed)	As at 31 December 2015	As at 31 December 2014	Changes (%)
Segment assets	<u>455,434.3</u>	<u>381,227.1</u>	19.47

## Management Discussion and Analysis

The 2015 has witnessed the accelerated pace of domestic economic structural adjustment, and China's economy has faced greater downward pressure. The interbank business showed a gradual downward trend in yields. In addition, thanks to a series of regulatory policies for the financial market business introduced last year, the capital business has faced the severe challenges from the restricted investment scale and investment scope. In this regard, the Group has overcome the pressure and responded flexibly by proactively adjusting the business structure to adapt to the objective situation so as to secure the steady growth of capital business.

In 2015, the treasury businesses recorded profit before tax of RMB4,217 million, representing an increase of RMB216 million or 5.40% as compared with the same period of the previous year.

### 1. Segment Assets

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities investments	<b>213,208.3</b>	<b>46.81</b>	134,661.9	35.32
Financial assets held under resale agreements	<b>34,549.3</b>	<b>7.59</b>	54,643.6	14.33
Cash and balances with central bank	<b>78,500.3</b>	<b>17.24</b>	79,334.2	20.81
Deposits and placements with banks and other financial institutions	<b>118,765.1</b>	<b>26.08</b>	104,223.4	27.34
Transfer of discounted bills and credit assets	<b>5,155.9</b>	<b>1.13</b>	3,501.5	0.92
Other assets	<b>5,255.4</b>	<b>1.15</b>	4,862.5	1.28
<b>Total assets</b>	<b>455,434.3</b>	<b>100.00</b>	<b>381,227.1</b>	<b>100.00</b>

As of 31 December 2015, the total size of operating assets was RMB455,434 million, representing an increase of RMB74,207 million or 19.47% as compared with the end of the previous year. In particular, debt securities investments increased by RMB78,546 million and in terms of percentage to total assets, it increased by 11.49 percentage point as compared to the end of the previous year; cash and balances with central bank decreased by RMB834 million and in terms of percentage to total assets, it decreased by 3.57 percentage points as compared to the end of the previous year; financial assets held under resale agreements decreased by RMB20,094 million and in terms of percentage to total assets, it decreased by 6.74 percentage points as compared to the end of the previous year; deposits and placements with banks and other financial institutions increased by RMB14,542 million and in terms of percentage to total assets, it decreased by 1.26 percentage points as compared to the end of the previous year; transfer of discounted bills and credit assets increased by RMB1,654 million and in terms of percentage to total asset, it increased by 0.21 percentage point as compared to the end of the previous year.

## 2. Debt Securities Investments

## (1) Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity debt securities	<b>63,649.6</b>	<b>29.85</b>	62,843.3	46.67
Debt securities classified as receivables	<b>133,076.1</b>	<b>62.42</b>	41,504.9	30.82
Debt securities at fair value	<b>4,156.3</b>	<b>1.95</b>	16,989.9	12.62
Available-for-sale debt securities	<b>12,326.3</b>	<b>5.78</b>	13,323.8	9.89
<b>Total</b>	<b>213,208.3</b>	<b>100.00</b>	134,661.9	100.00

In 2015, the Group has continued implementing the classification management of debt securities account. Apart from taking held-to-maturity investment as major investment target, the Group has moderately invested in certain receivables and investment at fair value with reference to market conditions. As at 31 December 2015, the Group saw an increase of RMB806 million in held-to-maturity debt securities or a decrease of 16.82 percentage points in proportion to total debt securities investments as compared to the end of the previous year; an increase of RMB91,571 million in investment classified as receivables or an increase of 31.60 percentage points in proportion to total debt securities investments as compared to the end of the previous year, as well as a decrease of RMB12,834 million in investment at fair value or a decrease of 10.67 percentage points in proportion to total debt securities investments as compared to the end of the previous year. The available-for-sale investments decreased by RMB998 million or a decrease of 4.11 percentage points in proportion to total available-for-sale investments as compared to the end of the previous year.

(2) Distribution of Debt Securities Investments by Credit Rating

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	<b>19,943.8</b>	<b>9.35</b>	19,883.9	14.77
AA	<b>38,951.0</b>	<b>18.27</b>	32,597.7	24.21
Unrated	<b>154,313.5</b>	<b>72.38</b>	82,180.3	61.02
<b>Total</b>	<b>213,208.3</b>	<b>100.00</b>	134,661.9	100.00

In 2015, the Group proactively leveraged on the trend of policies, further analyzed and formed judgment on the market, and determined the bond investment strategy of “proactively taking position and profit at the right time” at the beginning of the year under the awareness of lower interest for the year over last years and fluctuated environment throughout the year. With respect to operation, the main objective of the strategy was to obtain short and mid-term bonds with higher coupon rate and AA and AA+ rating in the primary market and appropriately allocate bonds issued by policy banks as well as local government bonds with AAA rating.

As at 31 December 2015, bonds with a rating of AA and above increased by RMB6,413 million and decreased in proportion by 11.36 percentage points as compared to the end of last year, while unrated bonds increased by RMB72,133 million and increased in proportion by 11.36 percentage points. Unrated bonds are mainly government bonds, bank notes issued by public sector bonds, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 3 months	61,552.3	28.87	20,941.4	15.55
3 to 12 months	48,159.5	22.59	25,097.4	18.64
1 to 5 years	79,541.5	37.31	60,297.2	44.78
Over 5 years	23,955.0	11.23	28,325.9	21.03
<b>Total</b>	<b>213,208.3</b>	<b>100.00</b>	<b>134,661.9</b>	<b>100.00</b>

As at 31 December 2015, the Group's investments in debt securities with a remaining maturity of less than 12 months increased by RMB63,673 million, or 17.27 percentage points, in proportion to total debt securities investments from the end of the previous year. The Group's investments in debt securities with a remaining maturity of over 5 years decreased by RMB4,371 million, or 9.80 percentage points, in proportion to total debt securities investments as compared with the end of the previous year. The Group's investments in debt securities with a remaining maturity of 1-5 years increased by RMB19,244 million, or 7.47 percentage points down, in proportion to total debt securities investments as compared with the end of the previous year. The Group's investments in debt securities with a remaining maturity of less than 1 year increased by RMB63,673 million, or 17.27 percentage points, in proportion to total debt securities investments as compared with the end of the previous year, mainly due to the Group's improvement in the maturity structure of the investment portfolio given a proper build-up of investments in short-term creditors' investment with higher coupon rates and relatively higher investment value in accordance with the changes in the market and the reasonable allocation of the maturity and yield of its investment portfolio.

## Management Discussion and Analysis

### (4) Investment in Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As of 31 December 2015, the outstanding balance of financial bonds of the Group was RMB26,914 million, which was mainly financial bonds issued by policy banks. The table below sets out the top ten financial bonds held by the Group as at the dates indicated.

(Expressed in RMB million, except for percentages) Name of debt securities	Nominal value	Interest rate per annum	Maturity date	Impairment
Debt securities issued by policy banks in 2013	530.00	3.75	2016/12/19	–
Debt securities issued by policy banks in 2013	350.00	4.55	2017/03/26	–
Debt securities issued by policy banks in 2010	320.00	4.18	2018/04/03	–
Debt securities issued by policy banks in 2005	300.00	3.46	2020/09/24	–
Debt securities issued by policy banks in 2014	300.00	5.70	2019/10/31	–
Debt securities issued by policy banks in 2012	300.00	6.10	2019/09/26	–
Debt securities issued by policy banks in 2006	300.00	4.80	2017/07/05	–
Debt securities issued by policy banks in 2006	300.00	4.78	2018/04/25	–
Debt securities issued by policy banks in 2005	300.00	5.80	2024/12/29	–
Debt securities issued by policy banks in 2014	<u>250.00</u>	<u>5.80</u>	<u>2018/08/26</u>	<u>–</u>

3 *Assets Management Business*

Steady and continuous development of the financial business. The Bank always adheres to the principle of customer-oriented, and carried out various measures to promote the health, stable and compliance development of the financial business. Series of special financial products including self-developed products such as “Building up Your Fortune” and “Happy life in the Ba-Yu Region” with characteristics of the Bank were launched to enrich the period, flexibility and term of products, thus satisfied diversified demand of investors. The Bank increased efforts in the innovation of financial business, launched the first direct financing tool for financial products, which provided effective support to the real economy. Efforts are also made to improve the management level of financial business through actively preventing exposures and promoting the compliance development of it.

In 2015, the Bank issued 1,070 tranches of wealth management products in total with the issue amount of RMB281,647 million, representing a year-on-year growth of RMB95,164 million or 51.03%. As at the end of December 2015, the outstanding balance of wealth management products amounted to RMB93,484 million, representing an increase of RMB26,339 million or 39.23% over the end of the previous year.

4 *Investment Banking Business*

The Bank set up the Investment Banking Department at the beginning of 2015, primarily responsible for the corporate bond issuance and underwriting, financial consultation, the Bank’s capital bond financing and asset securitization business, etc.. Over the past year, the Bank set up the department operation framework effectively and realized the smooth and steady operation of investment bank business by strengthening marketing, improving the internal control, etc., achieving significant results. In 2015, a total of 92 bonds was offered and underwritten, amounting to RMB13.65 billion; meanwhile, it boosted business innovation actively and explored the development of asset securitization business.

5 *Asset Custodial Business*

In March 2015, the Asset Custodial Department was operating officially and independently to conduct the asset custodial business efficiently. As at the end of the reporting period, there were 208 the asset custodial product portfolios and 36 cooperative customers, and the asset custodial scale was RMB131.63 billion. During the reporting period, no material custody risk events occurred in the Bank.

### IV. Distribution Channels

#### 1. *Physical outlets*

Operating outlets are the primary distribution channels of the Bank. As at 31 December 2015, the Bank had 1,773 branches of various kinds, including one headquarter, one branch, one business department, 44 sub-branches, 19 tier-2 sub-branches and 1,707 branch outlets. The Qujing Branch of the Bank in Yunan is the first non-local branch of a rural commercial bank in the PRC. Our network of branches covers all the 38 administrative districts and counties in Chongqing. We have 1,459 distribution outlets with full coverage on townships and villages in Chongqing. We have established 311 outlets in the Chongqing urban areas. The number of our branches ranked first in both county areas and urban areas.

The Bank has strategically developed distribution channels, optimized the layout of outlets and stepped up restructuring to improve its service coverage, service capabilities and operational efficiency. In 2015, the Bank has newly established 1 branch, reallocated 68 existing branches and refurbished 156 existing branches. Since its establishment in June 2008, the number of refurbished outlets of the Bank has reached about 1,600, reaching 90% of the total outlets under its administration and has resulted in a significant improvement in the overall appearance of outlets.

#### 2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, as at 31 December 2015, the Bank established 138 24-hour self-service centers and the number of ATMs and self-service inquiry terminals increased to 4,468. The proportion of machine to outlet exceeded 2.5:1, among which the number of ATMs put into use increased by 642 units to 3,520 units over the end of the previous year and self-service inquiry terminals put into use increased by 51 units to 948 units over the end of the previous year.

The pace of putting convenient rural financial self-service terminals in use was under reasonable control and the exit mechanism was strengthened. As at 31 December 2015, 692 convenient rural financial self-service centers had been established and commenced on-line operation. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in the rural area. The service won widespread recognition from the local government and the general public, with both social and economic benefits well-received.



### 3. *Electronic Internet Finance*

In 2015, the Bank, being fully aware of the significance of the function of electronic internet finance business, leveraged its comprehensive electronic internet finance business to establish an internet finance platform and build an all-rounded E-banking service system, in the hope of continuously exploring internet service business. In the meantime, the Bank continued to improve the brand awareness and influence of its electronic internet finance brand through carrying out various marketing activities, which further improved customer satisfaction.

#### (1) Internet finance platform

##### “Jiangyuhui” (江渝惠) Online-to-Offline (“O2O”) consumption service platform

“Jiangyuhui” (江渝惠) O2O consumption service platform is a consumption service platform integrating a collection of necessities as established by the Bank utilising a combination of online and offline approach. The platform relies on network provided by communication operators to offer service of “benefiting customers, benefiting groupbuy, benefiting presale, payment by code” (惠商戶、惠團購、惠預售、碼上付) for mobile financial customers, so as to meet their financial needs in a “personalised, diversified, networking” (個性化、多元化、網絡化) manner, thus creating a closed system for community marketing, consumption and payment. On 31 December 2015, Jiangyuhui consumption service platform had 10,800 users with the sales amount of RMB9.6278 million.

##### “Jiangyuer” (江魚兒) internet banking platform

“Jiangyuer” (江魚兒) internet banking platform is a platform utilising internet to carry out integration of direct sales business of banks’ financial products. It is a breakthrough of banks’ reliance on outlet expansion to expand business scale and adopts the mode of internet finance for trans-outlet and trans-regional sales of bank products. The Bank’s “Jiangyuer” (江魚兒) internet banking provides customers with “Jiangyu FOF” (江渝基金寶) product, intelligent deposits product, payment of living expenses, loan application, credit card application and other financial services through its official website, mobile banking client, and other channels. On 31 December 2015, “Jiangyuer” (江魚兒) internet banking gained 44,200 registered users and won the “2015 Innovation Award of Internet Financial Business of Regional Commercial Banks” issued by the CFCA.

Platform of commissioned sales alliance of rural credit cooperatives and rural commercial banks

In order to cope with the development of internet finance and deeply tapping into retail banking business, the Bank, on the basis of advocating the establishment of the alliance of rural credit cooperatives and rural commercial banks, set up the platform of commissioned sales alliance of rural credit cooperatives and rural commercial banks. The platform adopts the mode of internet finance to carry out trans-regional sales of bank products through cooperation with the rural credit cooperatives in various regions. The platform of commissioned sales alliance is able to adjust the income structure of the Bank and increase income from intermediary business.

### (2) Mobile banking

The Bank continued to innovate its mobile banking and launched services and functions for the convenience of the customers including ATM card-free cash withdrawal, payment of cable bill, water bill and electric charge, “Great Wisdom” (大智慧) platform for enquiry and analysis of stock market quotation, POS QR code payment, outlet reservation and queuing, as well as online appointment register and payment, etc. to continuously improve customers’ experience. As at 31 December 2015, the number of mobile banking customers of the Bank reached 3,755,000, representing an increase of 1,532,200 new customers, or 68.93%, as compared to the previous year. The aggregate number of financial transactions for the year amounted to 76,306,600, representing an increase of 30.44% as compared to the same period of the previous year. The amount of transactions occurred in the year was RMB878.206 billion, representing an increase of 18.23% as compared to the same period of the previous year. Both the number of transactions and the amount of transactions ranked first in Chongqing. The Bank was selected as the typical case of the global banking payment business.

### (3) WeChat banking

WeChat banking led the trend. As at 31 December 2015, WeChat banking has attracted the attention of 175,200 customers, with 6,315,400 messages received. In order to create a three-dimensional loan application channel, the Bank carried out green credit services including loan applications via WeChat and telephone. The WeChat Banking received 2,850 loan applications via WeChat and released loans amounting to RMB1,144 million.

#### (4) Internet banking

##### Corporate internet banking

The Bank successfully launched functions such as corporate mobile banking, enquiry version of corporate E-banking, bank-enterprise reconciliation, etc. and further enhanced the comprehensive service level for the corporate customers; launched a new mode of direct connection between the Bank and the enterprises through “direct connection between the Bank and the enterprises+payment gateway+online member account management” represented by Medicine Exchange (藥交所) and effectively expanded the scope of financial services of e-commerce business of the Bank; set up a general payment platform system for schools, which can satisfy the business demand of students of various schools on collective payment and effectively reduce the corporate management costs while giving consideration to the requirements on operation flexibility and risk control. As at 31 December 2015, the number of corporate internet banking customers of the Bank increased by 51.76% over the end of the previous year to 25,800; 3,378,200 financial transactions occurred in the year, representing an increase of 39.99% over the previous year; the total amount of transactions for the year was RMB1,245.938 billion, representing a growth of 41.74% over the previous year.

##### Personal internet banking

The Bank has been actively engaged in improving customers' experiences. It has strengthened security for E-banking to improve the security in using E-banking. In the meantime, the Bank has been enriching the functions of the products and adding services such as payment of cable bill, water bill and electric charge, purchase of welfare lottery tickets and sports lottery tickets, etc, in order to meet the multi-layered and diversified needs for financial services. As at 31 December 2015, number of personal E-banking customers was 1,958,700, representing an increase of 43.61% over the previous year. 38,723,100 financial transactions have occurred in the year, representing an increase of 73.52% over the previous year; the total amount of transactions was RMB120,026 million, representing an increase of 30.31% over the previous year.

##### Online payment

The development achievement of online payment was pleasurable. As at 31 December 2015, there had been 35,926,100 financial transactions in the year which were settled through online payment, representing an increase of 83.01% over the previous year. The transaction amount was RMB12,217 million, representing an increase of 132.79% over the previous year.

### (5) Telephone and SMS banking

The service capacity of telephone banking continuously strengthened. The service quality of telephone banking was enhanced through establishing the function of 360°-view system of customer services, implementing the on-duty leader system, strengthening telephone data monitoring and analysis, intensifying site management, etc. and thus strengthened the business. In 31 December 2015, the Bank had offered services to 9,367,500 customers via telephone and SMS banking. The growth of SMS banking is promising. As at 31 December 2015, the accounts of SMS of the Bank had been accumulated to 8.2768 million, while contracts signed by high-end customers accounted for 74.51%.

### (6) Marketing Campaign

All-rounded large scale marketing campaigns were successively carried out for electronic internet finance business including “You make transactions, I give gifts” (你交易我有禮) jointly supported by personal internet banking and mobile banking, “Mobile Banking Scratch-off for Jackpot during Chinese New Year” (手機銀行刮刮樂新春開運博頭彩) for mobile financial services and “Small Migratory Birds Delivering Warmth in Helping Unprivileged Students” (溫暖小候鳥助學貧困生), to boost business development. In particular, the “Come with Your Enough Love” (夠愛你就來) charity activity strengthened the Bank’s sense of social responsibility, enhanced the popularity of electronic internet finance business brand and received good social response.

The E-banking of the Bank achieved sustainable and efficient development through unremitting efforts and bold innovations. As at 31 December 2015, the substitution rate of E-banking account transactions reached 84.22%, representing an increase of 2.66 percentage points as compared to the end of the previous year.

## V. Principal Subsidiaries

CQRC village and township bank is a general name for the village and township banks established by the Bank as a major promoter. The establishment of village and township banks is of great significance to the performance of social responsibility, broadening and deepening the service to the development of new rural areas, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. During the reporting period, the Bank steadily propelled the institutional establishment of village and township banks: Fujian Shishi CQRC Village and Township Bank Co., Ltd. commenced operation and Yunnan Xishan CQRC village and Township Bank Co., Ltd. obtained the approval for commencement of operation. As at the end of the reporting period, the Bank has established 11 CQRC village and township banks with aggregate capital amounting to RMB3.936 billion and the outstanding balance of deposits and loans amounting to RMB1.479 billion and RMB2.586 billion, respectively.

In December 2014, CQRC Financial Leasing Co., Ltd. was incorporated with the registered capital of RMB2.5 billion to be mainly engaged in financial leasing related business. The Bank was the major promoter and held 68.00% of its shares.

## VI. Information Technology

In 2015, the information technology work of the Bank was guided by the principle of “independent and controllable, sustainable development, and technological innovation”, and continuously intensified the supporting role of information technology in the development of banking business. Throughout the year of 2015, each important information system of the Bank was operating stably; no unplanned system interrupt accidents occurred; the network operation was stable throughout the year.

Technological governance. During the reporting period, a total of five working meetings were organized and convened by the IT Strategic Development Committee, to approve and adopt a series of important proposals including construction of Water and Soil City-wide Disaster Recovery Center and construction of the new core system; the Bank continuously optimized the organizational structure of information technology, newly increased two secondary departments of Project Management Center and Quality Management Center; comprehensively carded the technology line system, newly increased 42 and revised 26 information technology systems and operation specifications to form the relatively perfect information technology control system; continuously introduced the high-level talents through multiple channels such as school recruitment and social recruitment, actively drove the information technology professional rank system, and continuously broadened the career development space for the information technology personnel, and continuously intensified the personnel training mechanism to form the benign technology team construction mechanism; introduced the project construction assessment mechanism, standardized the project quality review mechanism, intensified the demand guide and test review and intensified the information technology project life-cycle management.

Information security guarantee. The Bank adopted three-layer risk prevention system structure, implemented the information safety guarantee work; effectively promoted the operation and maintenance capacity of the information system by optimizing the operation and maintenance process, promoting the basic skills of personnel, reasonably allocating the site duty, etc., to ensure the efficiency of response to the system failure treatment; implemented the rolling inspections and special inspections on the risks in the technology line cases and carried out the key inspections on holidays and festivals and during the peak season of marketing to ensure the comprehensive, safe and stable operation of the information system.

Business continuity management. The Bank paid high attention to the business continuity management, continuously optimized and perfected the contingency plan for the business continuity, and built up the Water and Soil City-wide Disaster Recovery Center in high quality and efficiency within this year, which comprehensively met the needs of supporting the high availability of information system and business continuity of the Bank and played an important role in resisting the stand-alone failure risks of the information system and the regional disaster risks and non-regional disaster risks of the data center, and realized the “Comprehensive City-wide, Fast Remote” disaster recovery mode, to provide the solid technological guarantee for the sustainable development in various businesses of the Bank in the future. On 24-26 November 2015, the Bank successfully implemented “three centers in two areas” disaster recovery emergency switching drill in the local financial institutions in Chongqing for the first time; all the important business systems took turns and switched to operate in Water and Soil City-wide Disaster Recovery Center and Xiushan Remote Disaster Recovery Center and provided the external services.

Information system construction. In 2015, the Bank completed the construction of Water and Soil City-wide Disaster Recovery Center according to 1:1 mode between the Bank and data center of the head office, which effectively reduced the system load pressure of the data center of the head office while providing the site level disaster recovery; reframed a new generation of core system based on the open platform, and the new core system had the “Product-oriented” system structure and “Customer-oriented” customer management mode; completed a total of 38 online information technology projects, focusing on completion of the projects such as CIF optimization, office mobile APP system, counter service integration (Phase I), mobile integrated terminal platform, intelligent deposit project for corporate, E-bank database transfer, payment communication route stripping, payment platform transfer optimization, voucher and cash management optimization, electronic invoicing system and Tiny Loan (微粒貸).

Technological innovation research. Actively participated in research and development of the financial technology innovation projects hosted by the People’s Bank of China, CBRC and National Development and Reform Commission, among which the Unstructured Storage Cloud Platform for Life Cycle Management of Data won the third prize of Technology Advancement awarded by the People’s Bank of China.

## VII. Employees and Human Resources Management

### 1. Basic Information on Employees

As at 31 December 2015, the Bank had 16,182 regular employees, 10,590 of who held Bachelor's degrees or above, representing 65.44% of all the Bank's regular employees. In addition, the Bank had 696 dispatch workers, 1,112 internally retired employees and 5,151 retired employees.

### 2. Overview of Human Resources Management

In 2015, the Bank insisted on taking the implementation of “three transformation” development strategy as the core, centering on boosting transformation and upgrading and stressing the enhancement of “four capacities”. It spared no effort to implement the strategy of building a strong bank relying on talents, set internal organizations in a scientific and standard way, and continuously optimized staff structure. The team construction has obtained significant achievements in which position reform was in steady progress, training effects showed obvious promotion and the human capital management efficiency was significantly improved.

In respect of the team development, for the purpose of cultivating and building an interdisciplinary talent team with a reasonable structure and all-rounded qualities, the Bank promoted the position system reform, planned and designed the mechanism of selection through competition for the employees that is based on the vertical promotion and improves levels “being able to get promotion and demotion” and employees “being able to resign and being recruited ” and the treatment of “higher or lower”, established the career development path supplemented by horizontal flow and promoted talent echelon construction and professional personnel management. The bank has carried out tracking cultivation of outstanding talents selected into “One Thousand Talents Plan”(千人計劃), so that 101 people have been promoted to management sequence, 11 people have been assigned to the branches and banks in the village and 174 people have been adjusted from the operation handling sequence to professional and technical sequence.

In respect of education and training, the Bank was devoted to the career development and the improvement of the quality of the staff, enhancing staff training with continuous efforts, integrating and optimizing training resources, enhancing the actual effect on training. Adhering to the principle that the head office and the branches are “responsible for their own obligations and implement layered management”, the Bank has achieved comprehensive trainings for different levels and categories. Staff's comprehensive quality was completely upgraded. In 2015, the Bank held 1,837 sessions of training of all various types with attendances of 115,000. The Bank explored to establish mobile study platform with its characteristics, where employees could study the knowledge, skills, products and business procedures at anytime and anywhere.



### FINANCIAL BUSINESS IN COUNTY AREA

County Area is the main place where the Group carrying out Shannong Financial Services .The banking business in County Area has been a long-term strategic focus, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in County Area through one branch, 33 sub-branches, 7 secondary sub-branches and their 1,421 distribution outlets as well as 11 village and township banks located in County Area. During the reporting period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, stimulated financial innovation, and kept on increasing the total financial supply in County Area, all of which have led to the comparatively rapid growth of financial services in County Area.

As at 31 December 2015, the loan balance of the banking business of the Group in County Area amounted to RMB128,565 million, representing an increase of RMB7,034 million or 5.79% over the end of the previous year; In particular, the corporate loan balance of the banking business of the Group in County Area amounted to RMB58,919 million which accounted for 34.20% of the corporate loan balance of the Group, representing an increase of RMB4,745 million or 8.76% over the end of the previous year. The retail loan balance of the banking business in the County Area amounted to RMB69,646 million, amounted to 72.32% of the retail loan balance of the banking business of the Group, representing an increase of RMB2,289 million or 3.40% over the end of the previous year. The deposits balance in the Country Area amounted to RMB312,805 million representing an increase of RMB41,146 million or 15.15% over the end of the previous year.

Supported by County Areas, in adherence to the top priority in enhancing the quality and efficiency of Sannong financial services of the Bank, industrialization of agriculture, urbanization in rural areas, and development in working farmers were boosted to be the principal direction to ensure carrying out of Sannong financial services based on the important components of inclusive financial system and sustainable development. As at 31 December 2015, the outstanding agricultural loans of the Group amounted to RMB122,924 million.

#### I. Reform and Innovation

##### 1. *Management Reinforcement*

During the reporting period, the Bank has actively and steadily pushed forward the construction of Sannong service system, with an aim to improve capability and level of such service. The Board has established a new Sannong Financial Services Committee, reinforcing the strategic move on Sannong financial services. By introducing Sannong Business Management Department to functional departments and leading Sannong financial services among the Bank, the Bank set up secondary departments or professional posts under the Corporate and Retail Banking Department to be responsible for the “Sannong” business marketing guidance, product innovation, etc. It has set up specialised institutions in respective county branches, to be responsible for the specific promotion of “Sannong” business. In addition, the Bank further regulated and enhanced the agricultural-related credit approval procedures to improve service quality and performance.



## 2. *Strengthening Incentives*

The Bank further enhanced the capacity of the financial services in County Area, solely prepared the credit plan for the financial services in County Area and implemented differentiated incentives policy. Resources including staff, funds, self-service machines and others were shifted towards the sub-branches providing the financial services in County Area to ensure that the financial services in County Area could become fast and convenient, timely, effective and satisfying.

## 3. *Product Innovation*

The Bank centered on innovative financial services and products by optimising and enhancing the concept on inclusive financial services. During the reporting period, the Bank launched the consolidation of land development, “photovoltaic poor supporting”(光伏扶貧), “agricultural supporting loan”(助農貸) and other credit products. In accordance with the new situation, changes and features of the rural areas, the Bank revised the management practices and operational procedures of “Sannong” credit to promote the integration of products and markets. In the meantime, the Bank launched the Jiangyuhui (江渝惠) O2O consumption service platform, Jiangyuer(江魚兒) internet banking and other electronic financial services and products, thus enhancing the level of financial services comprehensively.

## II. **Corporate Banking Business in County Area**

During the reporting period, centered on the key banking businesses in County Area such as the industrialization and modernization of agriculture, countryside urbanization and commodity circulation of County Area, the Bank continued to, with leading enterprises in the industry as its main target customers, tighten classified management of corporate customers, energetically intensify marketing efforts and strive to foster core customer groups. For flagship companies of relevant industries, the Group developed integrated banking services plans, improved its banking services, consolidated and deepened the cooperative relations between banks and enterprises.

## III. **Personal Banking Business in County Area**

During the reporting period, the Bank devised and implemented special marketing plans in a bid to drive the growth of personal banking business in County Area. Targeting at the county’s individual and private business owners, farmer entrepreneurs and wealthy people, the Bank vigorously developed personal products for specific areas and promoted loans secured by forest property rights, rural residential housing, contractual management rights of rural lands and loans for individual consumption and employment assistance at a steady pace in order to satisfy diversified credit needs in County Area effectively. Meanwhile, the Bank will earnestly implement the state precise poor supporting requirement, formulating and printing implement schemes to precisely assist poverty areas to get rid of poor.

## Management Discussion and Analysis

As the only bank in Chongqing offering the type of pension insurance services in rural and urban areas, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11 million people. Departments of finance and social insurance of the city and district/county have opened social insurance accounts with the Bank, with a capital balance of RMB10,364 million as at 31 December 2015. In 2015, the number of individual pensions withheld by the Bank amounted to 5,390,200, totaling RMB1,061 million; the number of individual pensions paid by the Bank as an agent amounted to 46,847,000, totaling RMB5,251 million. These services provided the Bank with an extensive customer base and helped stabilize the customer resources and facilitate the development of the Bank's businesses.

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card, the Jiangyu Xiangqing Card, the Farmer's Fortune Card (福農卡), credit card, personal internet banking and mobile banking. As at 31 December 2015, the Bank had 2,492 ATMs online, 765 multi-media enquiry machines in county area and established and had 692 convenient rural financial self-service centres in operation. The number of debit cards issued by the Bank in County Area was 13,134,000, accounting for 78.49% of the debit cards issued by the Bank and representing an increase of 1,512,700 over the end of the previous year. The number of credit cards issued by the Bank in County Area was 258,200, accounting for 76.32% of the credit cards issued by the Bank and representing an increase of 114,800 over the end of the previous year. 3,002,500 customers in County Area opened for mobile phone banking service, accounting for 79.96% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 1,183,200 customers over the end of the previous year. With the gradual enhancement in electronic equipment and so the increase in the number of cards, and with the advertisements and marketing launched for the electronic banking products, the Bank is well poised to keep expanding its customer base in County Area and increase the penetration of banking business in County Area, and build good business relationship with customers.

#### IV. Summary of Information on Geographical Segments

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording gains. The table below sets forth the total operating income attributable to County Area branches and urban area branches for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2015			2014		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	4,119.7	16,046.8	20,166.5	3,510.3	14,838.4	18,348.7
Net fee and commission income	617.4	877.5	1,494.9	413.9	655.7	1,069.6
Net trading (losses) gain	–	19.8	19.8	–	240.0	240.0
Share of profit of an associate	–	–	–	–	5.3	5.3
Other operating income, net	132.8	75.0	207.8	93.8	45.0	138.8
<b>Total operating income</b>	<b>4,869.9</b>	<b>17,019.1</b>	<b>21,889.0</b>	<b>4,018.0</b>	<b>15,784.4</b>	<b>19,802.4</b>
<b>Internal transfer of income and expense</b>	<b>6,156.7</b>	<b>(6,156.7)</b>	<b>–</b>	<b>6,115.9</b>	<b>(6,115.9)</b>	<b>–</b>
<b>Gain after adjustment</b>	<b>11,026.6</b>	<b>10,862.4</b>	<b>21,889.0</b>	<b>10,133.9</b>	<b>9,668.5</b>	<b>19,802.4</b>

For the year ended 31 December 2015, the gain as adjusted for the County Area segment was RMB11,027 million, representing an increase of 8.81% as compared to the previous year, which was mainly attributable to the growth in the net interest income and in net fee and commission income.

### RISK MANAGEMENT

In 2015, guided by New Basel Capital Accord and the comprehensive risk management, the Group continued to improve risk management policies, systems and procedures, intensified consolidated management, made interim capital planning, strengthened the monitoring of credit risk and advance warning and system of internal rating for on-line non-retail customers, to carry out internal rating for retail customers and automation credit system construction, promote the development of liquidity risk management system, improve the mechanism with respect to criminal risks, strengthen outsourcing risk management, and implement business continuity risk management measures. During the reporting period, the Group has sufficient capital, with stable asset quality, sound liquidity, increasingly abundant methods and tools of risk management, and constantly improved technology, resulting in further enhancement in the level of risk management.

#### I. Credit Risk Management

Credit risks refer to the risk of economic loss arising from the failure of the borrower of a bank or the counter party to a transaction to fulfill its relevant obligations due to various reasons.

Confronted with the macro economic and financial environment in 2015, the Group focused on the overall objective of the “Three-Transformation” strategy, facilitate, in a down-to-earth manner, the reform and innovation, continue to speed up the structural adjustment, strengthen the management and prevention of risks, and implement “focusing on the basis, strengthening the management and adjusting the structure” (重基礎、強管理、調結構) in outstanding manner. It conscientiously adhered to the PRC macro control policy thoroughly and continued to optimize the regime and system development of credit-risk management. It adjusted the credit policy timely and strengthened the risk management and control in key areas, especially the governmental financing platforms, the real estate sector, key industries of Two Highs and One surplus Industry, with reference to both the macro changes and the trend of industry restructuring. It also reinforced the identification and rectification of risks. New means of non-site surveillance were introduced for the Group to actively identify and resolve potential risks. The capital flow of enterprises was monitored closely and greater efforts were made to terminate loans to customers with potential risks and to recover, dispose of and write off non-performing loans. The loan portfolio was thus gradually improved and the functions and scope of applications of the credit business management system were optimized continuously, resulting in stronger credit risk management on all fronts.

## II. Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the due liabilities or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Bank is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis and to effectively balance fund profitability and all rounds security no matter during the normal operation or at a highly stressed condition through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk.

The Board of Directors of the Group, based on risk appetite, approves and establishes policies, strategies, procedures, and liquidity risk limits relating to the overall management of liquidity risk. The Asset and Liability Management Committee under the senior management is responsible for implementing the daily duties of liquidity risk management. The Risk Management Department, Financial Planning Department, Fund Operating Department, Assets Management Department and other business departments and offices cooperate each other to form division of responsibilities and coordination, clear duties, and efficient organizational structure for the liquidity risk management.

In 2015, the Group insisted on the business ideology of prudence and compliance, prioritized asset safety and mobility in its operation and adopted a series of measures to improve its asset and liability structure. The Group formulated working opinions on liquidity risk management, facilitating various indices of liquidity risk management to be met. It explored and implemented liquidity risk limit management, facilitating active liquidity management for the relevant lines. It also actively prepared for the establishment of the information system regarding liquidity risk management, facilitating the realization of intelligent zed liquidity risk management. In addition, the sophisticated and professional level of the liquidity risk management could be enhanced thoroughly.

Through continuously monitoring the position of the Bank and the relevant regulatory indicators, the Group strengthened liquidity monitoring and forecast as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. The Group carried out liquidity pressure tests continuously to expose the weaknesses of the Group's liquidity risk management in advance and persistently increase the Group's ability to control liquidity risk.

## Management Discussion and Analysis

### Liquidity Risk Analysis

In 2015, the international and domestic economic and financial situations were complicated and changeable, and the downward risk increased continuously; additionally, the funds outstanding for foreign exchange declined. Therefore, the Central Bank kept the attitude of maintaining stable but inclined to the loose policy towards fund liquidity, started the money supply of lowering the standard and interest to replace the funds outstanding for foreign exchange, and comprehensively released the deposit interest rate cap at the same time. The interest rate liberalization reform took another step forward and the difficulty in the liquidity risk management increased. In this background, the Group reinforced the liquidity risk monitoring, analysis and reporting to ensure continuous controllability of the liquidity risk. As at the end of December 2015, all the leading indicators reflecting the liquidity status of the Bank met the supervision requirements.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of December 2015, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities:

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015							
	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Net position of assets and liabilities	<u>71,358.7</u>	<u>(186,602.4)</u>	<u>13,446.5</u>	<u>(34,841.2)</u>	<u>18,884.6</u>	<u>132,784.6</u>	<u>123,873.1</u>	<u>138,903.8</u>

(Expressed in RMB million unless otherwise stated)	As at 31 December 2014							
	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Net position of assets and liabilities	<u>74,927.9</u>	<u>(167,198.9)</u>	<u>1,533.5</u>	<u>(4,579.1)</u>	<u>(13,726.1)</u>	<u>112,505.9</u>	<u>125,155.4</u>	<u>128,618.6</u>

*Note:* Please refer to “Notes to the Consolidated Financial Statements: 53. Financial Risk Management. (4) Liquidity Risk”

The Group's liquidity coverage ratio:

(Expressed in RMB million, unless otherwise stated)

31 December  
2015

Qualified and high-quality current assets	<b>22,318.8</b>
Net cash outflows in future 30 days	<b>24,787.3</b>
Liquidity coverage(%)	<b><u>90.04</u></b>

The Group calculated the liquidity coverage ratio according to *Methods for Liquidity Risk Management in Commercial Banks (Trial)* (coming into effect on 1 October 2015) issued by the CBRC. The *Methods* stipulated that the liquidity coverage ratio of commercial banks should reach 100% prior to the end of 2018. During the transition period, it should reach 60%, 70%, 80% and 90% prior to the end of 2014, 2015, 2016 and 2017 respectively.

The qualified and high-quality current assets mean various assets which can be cashed quickly in the financial market through sale or mortgage (pledge) without loss or with minimal loss in the pressure scenarios set by the liquidity coverage ratio.

The net cash outflow in the future 30 days means the balance between the expected total cash outflow and total the expected total cash inflow in the future 30 days in the pressure scenarios set by the liquidity coverage ratio. The expected total cash outflow is the sum of the products of the balance of the relevant liabilities and off balance sheet items and its expected churn rate or extraction rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow is the sum of the products of the balance of the relevant on and off balance sheet contractual receivables and its expected churn rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow which can be included shall not exceed 75% of the expected total cash outflow.

### III. Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Group arising from adverse changes in the market price (i.e. interest rate, exchange rate, stock price and commodity price, etc.).

The Group manages its interest rate risk and exchange rate risk in accordance with the requirements of the “Guidelines of Market Risk Management of Commercial Banks” (商業銀行市場風險管理指引), the “Guidelines of Internal Control of Commercial Banks” (商業銀行內部控制指引) and the “Guidelines for Stress Testing of Commercial Banks” (商業銀行壓力測試指引) promulgated by the CBRC and with reference to New Basel Capital Accord. The Group has also formulated a management system for market risk through regulation, monitoring and reporting measures to govern authorisation, credit extension and limit of risks.

#### (1) Interest Rate Risk

The major market risk for bank account is interest rate risk. The Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and corporate net value in varied interest rate scenarios.

In 2015, the reform on interest rate liberalization in China was almost completed. During the year, due to the five consecutive PBOC interest rate cut and release of interest rate governance, the financial market price formation and transmission mechanism was further improved. In response to the complex and changing market situation, the Group kept a close eye on changes in macro monetary policy and domestic and foreign financial markets. By applying the FTP internal fund transfer pricing system properly, the Group gradually improved the management of interest rate pricing, duly adjusted the pricing of funds and effectively controlled the fall of interest rates for loans and interest costs for deposits with a view to improving the proactive risk management and ensuring the sustained growth in the profit and market value of the Group.



The structure of the Group's interest rate risk gap on the contract re-pricing date or maturity date (whichever was earlier) is as follows:

As at 31 December 2015							
(Expressed in RMB million, unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap	<u>59,297.1</u>	<u>(45,968.8)</u>	<u>(28,595.2)</u>	<u>37,657.6</u>	<u>19,772.1</u>	<u>3,108.4</u>	<u>45,271.2</u>

As at 31 December 2014							
(Expressed in RMB million, unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap	<u>(80,199.0)</u>	<u>4,168.3</u>	<u>(53,793.0)</u>	<u>145,368.0</u>	<u>22,275.7</u>	<u>2,244.9</u>	<u>40,064.9</u>

As at the end of December 2015, the Group's accumulated gaps of interest rate for all maturities amounted to RMB45,271 million, representing an increase of RMB5,206 million over the end of the previous year.

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and not considering any risk management actions the management may take to mitigate interest rate risk:

Interest rate sensitivity analysis

*RMB million*

Change in basis points	The Group As at 31 December 2015		The Group As at 31 December 2014	
	Changes in net profit	Changes in other comprehensive income	Changes in net profit	Changes in other comprehensive income
Increase in 100 basis points	<u>1,388.3</u>	<u>59.3</u>	438.4	63.4
Decrease in 100 basis points	<u>(1,388.3)</u>	<u>(59.3)</u>	<u>(438.4)</u>	<u>(63.4)</u>

*Note:* The impact to yield curves movement on interest expenses related to demand deposits has been excluded. Please refer to "Notes to the Consolidated Financial Statements: 53. Financial Risk Management. Market Risk (5). Interest Rate Risk".

## Management Discussion and Analysis

### (II) Exchange Rate Risk

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatch between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. The Group is mainly engaged in the RMB business with certain transactions related to US dollars and HK dollars but seldom conducts transactions in other currencies, whereas transactions in foreign currencies are mainly the Group's business of agency sale and purchase of foreign exchange.

In 2015, the exchange rate policy changed substantially. The following measures have been successively launched: the elasticity of RMB exchange rate was enhanced; exchangeability under the capital account was realized steadily; the overseas Central Bank-like institutions were allowed to enter into the inter-bank foreign exchange market directly; and the RMB cross-border payment system was launched and the domestic and overseas personal investment facilitation was promoted. In the second-half of the year, RMB exchange rate continued to slump and the market-orientated situation tended to be clear. The Group improved its management capacity of exposure risk of foreign exchange and the management of foreign exchange assets and liabilities and actively explored the usage of exchange rate financial instruments to hedge against exchange rate risk by enhancing the dynamic management of the foreign exchange deposits and loans of and arranging the utilization of foreign exchange assets reasonably, etc.

As at the end of December 2015, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2015				
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position	<u>45,695.5</u>	<u>(428.6)</u>	<u>20.6</u>	<u>(16.3)</u>	<u>45,271.2</u>

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2014				
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position	<u>39,511.5</u>	<u>623.1</u>	<u>17.5</u>	<u>(87.2)</u>	<u>40,064.9</u>

The following table illustrates the exchange rate sensitivity analysis of the Group on the assumption that all foreign currency exchange rate in the market moves in parallel and not considering any risk management actions the management may take to mitigate exchange rate risk:

Exchange rate sensitivity analysis

	<i>RMB million</i>	
	As at 31 December 2015 Changes in net profit	As at 31 December 2014 Changes in net profit
Exchange rate change		
USD 5% appreciation	(16.1)	(23.4)
USD 5% depreciation	<u>16.1</u>	<u>23.4</u>

Changes in net profit are determined based on the assumption that the Group's net foreign exchange as at the end of the reporting period remains unchanged. Based on the judgment of the management over the trend of foreign exchange movements, the Group actively adjusted its foreign exchange position to lower foreign exchange risks. Therefore, there may be discrepancy between the sensitivity analysis above and the actual conditions.

#### IV. Operational Risk Management

Operational risk refers to the risk of loss resulting from incompleteness or faults in internal procedures, human error and system failure, or external events. The operational risk of the Group mainly comprises internal and external risks. Internal risks mainly include risks arising from human error, inappropriate procedures and operation flow and IT system failure. External risks include risks arising from external contingencies.

In 2015, the Group strengthened the internal management in the comprehensive risk management system according to the New Basle Capital Accord, implemented effective control measures in the important risk areas and continuously enhanced the its prevention and control over operational risks. Firstly, the Group set up and consolidated the Bottom-line Thinking (底線思維), carried out activities of “the year of strengthening management of employees’ behaviors”, strengthened the staff awareness of preventing and mitigating risks, at the same time, closely focused on the macroscopic economy environment change and internal business innovation dynamic, organized the risk investigation of the counter business operational risk and employee’s behaviors, summarized the risks in the process of the development of the business and prevented and defused the risks in a timely manner. Secondly, significant progress has been made in the work of business continuity management, the disaster preparation system of “three centers in two areas” has been officially opened and put into operation, the completeness of the disaster preparation system and the effectiveness of emergency disposal mechanism has been verified by carrying out the

emergency switch drills of the circuit operation of the important systems among the centers and take-over of the business and the basis of robust operation has been further consolidated. Thirdly, it has promoted the risk management of information technology, established the risk management strategy, regulated risk control process, organized and implemented the overall assessment of the information technology risk, identified the main risks and sort out the corresponding control measures. Fourthly, it has constantly improved the ability of active control of operational risk of interior departments, constantly carried out identification, monitoring and early warning of operational risk and organized self-assessment and appraisal of related performance. Fifthly, it has adhered to the mechanism of expert review and post-evaluation system, ensured compliance, applicability and operability of the internal control systems and ensured the highly efficient and stable implementation of risk management activities.

### V. Implementation of New Basle Capital Accord

The Group further promoted the new capital accord in accordance with the requirements of regulatory authorities. In the year, the Group promoted the implementation of the project regarding internal appraisal of non-retailing credit risk, completed the construction and on-line test run of internal appraisal system of non-retailing credit risk, provided the system platform for the operation, maintenance and monitoring work of the model regarding internal appraisal of non-retailing credit risk, provided decision-making reference for risk managers and meet regulatory requirements, started the project regarding internal appraisal of retailing credit risk and automated credit consulting projects, hired a consultancy firm to conduct the design of the retailing internal appraisal system, perfected construction of retailing internal appraisal system, constructed the pool model and achieved the retail business organizer. The transfer of project knowledge was significant and effective, and an independent risk measurement team has been initially established.

### VI. Anti-money Laundering

The Bank implemented the imprisonment of three years for anti-money laundering against legal persons and actively executed the “risk-oriented” approach and endeavoured its efforts to enhance the level of corporate governance and risk management and control regarding anti-money laundering and effectively prevented and threatened money laundering and criminal activities. During the reporting period, the organizational structure was improved and while the job duties of management and supervision at the level of the Board of Directors, the board of supervisors and the senior management were well defined; The anti-money laundering management room was established to guide, coordinate, supervise and implement the anti-money laundering of the Bank, strengthen risk management and control responsibilities of money laundering; the working mechanism was effective, and customer identification, large and suspicious transactions report, and customer risk rating were carried out to strengthen the suspicious transaction reporting mechanism, establish a risk management and control system self-assessment system and regularly assess the effectiveness of risk control mechanisms; continue to enhance scientific and technological support, constant upgrading and improving of anti-money laundering system function was completed to expand the

range of automated data capture; the number of double back-tracking was reduced significantly and the quality of data submitted was significantly improved; promoted anti-money laundering and innovation; in accordance with the principle of “evaluating your products” (誰的產品誰評估), the Bank properly conducted tracking pilot assessment of new products; strengthened anti-money laundering awareness and training, and seriously carried out anti-money laundering compliance lectures and organized anti-money laundering training for new college students employed and business executives, organized 2,200 full-time and part-time staff to participate in Access Training for Positions of Anti-money laundering in Finance Industry (金融業反洗錢崗位准入培訓). A total of 7,918 persons of the Bank obtained the Anti-money Laundering Qualification Certificate and the overall quality of the anti-money laundering team was highly enhanced. In 2015, the Bank was awarded the “Excellent Institution Reporting Key Suspicious Transactions” (重點可疑交易報告優秀機構) by the Chongqing Business Management Department of the People’s Bank of China.

### INTERNAL AUDIT

The Group has established an independent and objective internal audit system according to the Articles of Association. The headquarter and branches have set up an internal audit department respectively, and the Bank’s controlled village and township banks employed full-time audit personnel. Through inspection and evaluation, the internal audit department continued to improve risk management, internal controls and corporate governance, so as to promote the achievement of corporate goals.

During the reporting period, in accordance with the Group’s strategic goal, the internal audit department accelerated the transformation of internal audit and technological innovation. Based on risk-oriented approach, with the use of systematic and standardized audit methods, the department carried out inspection on the “Two Strengthen, Two Restrain” (兩加強兩遏制) project as deployed by regulatory agencies with top priority, as well as evaluation of internal control, performance audit, investigation into criminal risks, comprehensive audit, economic responsibility audit, business continuity audit, and information technology audit. The department also upgraded the audit information system, implemented judgment on audit quality, accelerated the audit achievements implementation, pushed forward the professionalism of auditors, improved the level of audit information technology, and enhanced the capacity and quality of audit work. By efficiently enhancing the level of internal control within the Group as a whole, constant and steady development of respective businesses were facilitated.

### OUTLOOK

The global economy has experienced hardships in 2015, which was characterized by the tardy recovery process and the domestic GDP growth also hit a new low over the years. Looking to 2016, the global economy is expected to remain at the weak trend, and the regional differentiation pattern will have no significant changes. The overall North American economy will be robust, and there will be steady recovery in the Western Europe. The Eastern Europe will run into the chaotic growth, and the economies in developed Asia Pacific countries will be sluggish. The emerging markets have stabilized, and Africa and Latin America are expected to rebound from the economic downturn. The global financial stability will be under pressure, and the stronger USD will dominate the global trend, and the stock market has shown the multi-differentiations, while the bulk commodity market will still be in the doldrums.

2016 is the opening year of China's "13th Five-Year Plan", and its economy development is in the key period of phase change, structural transformation, mode reconstruction and risk release. The Chinese economy will gradually adapt to and lead the new normal. In 2016, the macroeconomic policy will remain the overall accommodative tone, while moderately expanding the total demand, it focuses on strengthening the supply-side structural reforms and the adjustment of the industrial structure, with a view to promote urbanization and boost regional development. Its main efforts are made to focus on the five tasks of de-capacity, de-stocking, deleveraging, reducing costs and making up the shortages. Chongqing, as a direct-controlled municipality with obvious institutional advantages has maintain a high economic growth in 2015, and it positioned itself as a national central city of the construction of the coordinated urban and rural development in the "13th Five Year Plan", and it built the important national modern manufacturing base, important domestic functional financial center and innovation center in the west and the inland open highland. Moreover, it actively integrated into and connected to the "One Belt and One Road" and the Yangtze River economic belt construction strategy by the state as well as promoted the landing and implementation of China-Singapore (Chongqing) strategic interconnection demonstration project and consistently constructed five major functional areas; thus brought opportunities to develop regional economy and finance.

2016, the Bank will take action before making full decisions and continue to promote the "three transformation" strategy, detail measures for "focusing on the basis, strengthening the management, adjusting the structure, controlling risks; making innovations and steady development" (重基礎、強管理；調結構、控風險；抓創新、穩發展), constantly strengthen and consolidate the foundation for development, maintaining steady development of business and creating greater benefits for shareholders and society on the basis of fully understanding and analysis of the current new normal state of economy.

# Corporate Social Responsibility

In 2015, the Bank actively implemented the strategy of “three transformation” and accelerated the steps of transformation and upgrading. Facing the complicated and changing situation of the macroscopic economy and the ever-changing operating environment, the Bank firmly adhered to its mission of “Excellent Services to Customers, Maximum Returns to Shareholders, Real Success for Our People, Great Contribution to Community”, conducted financial inclusion, promoted green-credit policy, devoted ourselves to community activities. In so doing, we realized the scientific combination of social responsibilities and its own development and also gained wide recognition of the society.

**Serving the real economy and performing the economic responsibility.** The Bank realized the steady growth in the business indicators. Its comprehensive strength remained ranking top among the national financial institutions of the same kind and it ranked among the Top 200 Global Banks. The Bank thoroughly pushed forward the inclusive financial services, and vigorously boosted the development of the real economy. It boosted the development of the local economy, closely connected with “One Belt and One Road” strategy and construction of Five Major Functional Regions, adhered to the thought of “Classified Guidance, Differentiated Development”, and divided the areas clearly to support the key points. It supported the local industry upgrade, integrated into construction of the functional financial centers and supported the development of the open economy, and the comprehensive service level was further improved. It implemented the rural financial services, made innovations in the credit products and service channels related to the agriculture and guided the credit resources to incline to “Sannong” and county region. It supported “Public Entrepreneurship and Universal Innovation” and created the efficient financial service mechanism for small and micro enterprises.

**Promoting green development and reinforcing civilization construction.** Guided by the green credit policy of the Bank, the Bank allocated the credit resources reasonably, insisted in carrying out the credit support in the fields such as the energy conservation and environmental protection project and urban pollution control and treatment engineering actively and vigorously pushed forward the green credit work. It supported pollution control and treatment and development of the new energy, strictly controlled industries with high-energy consumption, high pollution and overcapacity, and underpin the support for the Three Gorges Resettlement Project. It vigorously pushed forward the operation principle of low carbon and environmental protection, and implemented the policy and guideline of caring the environment all the time. It intentionally cultivated the staff’s environmental awareness, focused on strengthening the green and environmental protection publicity, carried out the energy conservation and environmental protection measures, and devoted to developing into a resource-conserving bank.

**Being dedicated to public welfare activities to realize all-win harmony.** Adhering to the guidelines for being a socially responsible enterprise and focusing on benefiting and returning to the public, the Bank actively carried out the public service activities. It refined and improved the accurate poverty alleviation plan, implemented the objects for poverty alleviation and took the poverty alleviation measures. It continuously enriched its corporate culture, cared about the growth of its staff, helped develop agriculture-related enterprises, taking “Providing Excellent Services for Customers, Bringing Returns to Shareholders, Creating Success for Our People, and Making Great Contributions to Community” as its mission, actively performed the enterprise’s social responsibility, endeavored to promote the customer experience, built and constructed the harmonious and good working environment and promoted the mutual development of the enterprise’s and social harmony and stability.

**Performing the enterprise’s social responsibility is our responsibility; what’s more, it is also our promise to the future.** 2016 will be the key year for the Bank to push forward the transformation upgrading, “three transformation” strategy implementation, quality and efficiency improvement, transformation development. The Bank will continue to take “construction of the most competitive regional commercial bank” as the goal, continue to carry out the policy of “emphasizing basis, strengthening management and adjusting structure”, actively construct the harmonious relationships among the interested parties, served the development of the local economy, boosted construction of “Five Major Functional Regions” and made greater contributions to Chongqing’s “scientific development, enriching people and prospering Chongqing”.



# Changes in Share Capital and Particulars of Shareholders

## MOVEMENT IN SHARES

Unit: share, %

	1 January 2015		Increase/(Decrease) +/- (-) during the reporting period					31 December 2015		
	Number of shares	Percentage	Private placement	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
<b>(I) Shares not subject to trading restrictions</b>										
1. Non-overseas listed shares held by legal persons	5,228,258,559	56.21					-	-	5,228,258,559	56.22
Including: ① Shares held by state-owned legal person shareholders <sup>1</sup>	2,084,362,459	22.41					25,000,000	25,000,000	2,109,362,459	22.68
② Shares held by private legal person shareholders	3,143,896,100	33.80					(25,000,000)	(25,000,000)	3,118,896,100	33.54
2. Non-overseas listed shares held by natural persons	1,558,405,400	16.76					-	-	1,558,405,400	16.76
Including: ① Shares held by employee natural persons	147,603,190	1.59					(190,400)	(190,400)	147,412,790	1.59
② Shares held by natural persons other than employees	1,409,590,505	15.16					216,790	216,790	1,409,807,295	15.16
③ Shares held by shareholders without affirmed ownership <sup>2</sup>	1,211,705	0.01					(26,390)	(26,390)	1,185,315	0.01
3. Overseas listed foreign shares	2,513,336,041	27.03					-	-	2,513,336,041	27.03
<b>(II) Total number of shares</b>	<b>9,300,000,000</b>	<b>100.00</b>					<b>-</b>	<b>-</b>	<b>9,300,000,000</b>	<b>100.00</b>

## Changes in Share Capital and Particulars of Shareholders

### Notes:

1. Shareholding of state-owned legal person refers to non-overseas listed shares of the Bank held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
2. During the reporting period, a state-owned legal person shareholder, Chongqing Yulong Asset Management (Holdings) Limited, acquired 25,000,000 domestic shares of the Bank.
3. Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not affirmed their ownership in the shares of the Bank. (Note: During the reporting period, 26,390 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,185,315 shares held by shareholders without affirmed ownership).

## ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any securities of the Bank during the reporting period.

## Changes in Share Capital and Particulars of Shareholders

### PARTICULARS OF SHAREHOLDINGS

At the end of the reporting period, the Bank had a total of 9,300,000,000 shares, comprising 6,786,663,959 non-overseas listed shares and 2,513,336,041 overseas listed H shares.

### PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF NON-OVERSEAS LISTED SHARES

*Unit: share, %*

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Numbers of shares pledged	Type of share
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned	629,304,418	6.77	300,000,000	Non-overseas listed shares
02	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	state-owned	621,435,221	6.68	–	Non-overseas listed shares
03	Loncin Holding Co., Ltd (隆鑫控股有限公司)	private enterprise	570,000,000	6.13	470,000,000	Non-overseas listed shares
04	CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	private enterprise	433,340,000	4.66	346,672,000	Non-overseas listed shares
05	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	state-owned	423,431,972	4.55	–	Non-overseas listed shares
06	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	private enterprise	300,000,000	3.23	149,900,000	Non-overseas listed shares
07	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門高鑫泓股權投資有限公司)	private enterprise	200,000,000	2.15	80,000,000	Non-overseas listed shares
08	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	private enterprise	150,000,000	1.61	120,000,000	Non-overseas listed shares
09	Jiangsu Huaxi Group Corporation (江蘇華西集團公司)	private enterprise	150,000,000	1.61	120,000,000	Non-overseas listed shares
10	Chongqing Water Group Co., Ltd (重慶水務集團股份有限公司)	state-owned	125,000,000	1.34	–	Non-overseas listed shares
Total			3,602,511,611	38.74	1,586,572,000	

Notes: 1. As at 31 December 2015, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of RMB9.3 billion.

2. During the reporting period, the name of Xiamen Lierfu Trading Co., Ltd. (廈門來爾富貿易有限責任公司) (a legal person domestic shareholder) has changed into Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司).

3. During the reporting period, CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司) increase holding of 400,000,000 domestic shares.

## Changes in Share Capital and Particulars of Shareholders

### Substantial Interests and Short Positions

As at 31 December 2015, to the knowledge of the Bank, the interests and short positions of substantial shareholders other than directors and supervisors (within the meaning of the Securities and Futures Ordinance) in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance of Hong Kong were as follows:

#### Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	8.40	6.13
CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	Beneficial Owner	433,340,000	6.39	4.66
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	423,431,972	6.24	4.55

#### H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held	% of the total issued H share capital of the Bank	% of the total share capital of the Bank
Blackrock, Inc.	Interest of controlled corporations	225,295,628(L)	8.96	2.42
		77,000(S)	0.003	0.0008
JPMorgan Chase Co.	Interest of controlled corporations	150,957,332(L)	6.01	1.62
		7,357,000(S)	0.29	0.08
		98,331,828(P)	3.91	1.06

Note: (L) – Long position, (S) – Short position, (P) – Shares available for borrowing

### MAJOR SHAREHOLDERS OF THE BANK

As at the end of the reporting period, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Loncin Holding Co., Ltd (隆鑫控股有限公司) held 629,304,418 shares, 621,435,221 shares and 570,000,000 shares of the Bank, respectively, representing 6.77%, 6.68% and 6.13% of total share capital of the Bank respectively, and are major shareholders of the Bank.

Except for the aforesaid shareholders, there were no other legal person shareholders holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons other than employees holding 5% or more of shares of the Bank.

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly known as Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)) which was established on 18 March 2004, is a solely state-owned comprehensive assets operation and management company organized under the approval of Chongqing Municipal Government. It was under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 28 June 2011, with a current registered capital of RMB10 billion.

Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (formerly known as Chongqing City Construction Investment Company (重慶市城市建設投資公司)) is a solely state-owned enterprise established under the approval of Chongqing Municipal Government in April 1994 and authorized to raise and manage capital for city construction. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 7 January 2011, with a current registered capital of RMB6 billion.

Loncin Holding Co., Ltd (隆鑫控股有限公司) is a key private enterprise in Chongqing city. It was established on 22 January 2003 and currently has a registered capital of RMB1 billion. It has been listed among "Top 500 Chinese Enterprises".

As at the end of the reporting period, there were no substantial shareholders holding 10% or more of the shares (as defined under the Hong Kong Listing Rules) of the Bank.

## Changes in Share Capital and Particulars of Shareholders

### Directors', Supervisors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As at 31 December 2015, the interests or short positions of the directors, supervisors and the chief executive of the Bank or their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

#### Domestic Shares

*Unit: share, %*

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
<b>Supervisors</b>				
Zuo Ruilan	Beneficial Owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial Owner	37,600	0.00055	0.00040

Other than as disclosed above, none of the directors, supervisors and the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2015.

#### DIVIDENDS

Under the approval at the 2014 annual general meeting of the Bank, final dividend of 2014 had been distributed by the Bank to the shareholders of H shares and domestic shares whose names appeared on the register of members of the Bank as at 30 June 2015 after close of trading. The dividends of RMB0.20 per share (tax inclusive), totaling RMB1,860 million (tax inclusive) had been distributed in the form of cash on 12 August 2015.

# Corporate Governance Report

The Bank continued to improve its transparency, ensuring high standard of corporate governance level practices to safeguard the interests of shareholders and to enhance corporate value.

The Bank has strictly complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Hong Kong Listing Rules and also most of the recommended best practices therein. The Bank also strictly complied with the relevant applicable laws and regulations, and the Hong Kong Listing Rules in respect of management of inside information. There is no significant difference between the corporate governance of the Bank and Company Law and the relevant requirement of CSRC and Hong Kong Stock Exchange.

To the best of the directors’ of the Bank knowledge, there is no reasonable statistic indicating that the Bank is or was in violation of the CG Code during the year ended 31 December 2015.

The Bank will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of shareholders and investors.

## GENERAL MEETINGS

### Details of the General Meetings

During the year of 2015, the Bank held one general meeting, being the general meeting of the Bank in 2014. Details are as follows:

On 19 June 2015, the Bank held the 2014 annual general meeting, at which 26 resolutions mainly regarding the 2014 work report of the board of directors, the 2014 work report of the board of supervisors, the 2014 annual financial statements, the 2014 annual profit distribution plan, the 2014 annual report, the 2015 financial budget, the appointment of external auditor and the election of executive directors of the Bank, non-executive directors, independent non-executive directors, shareholder representative supervisors and external supervisors. The above general meeting was held in compliance with relevant legal procedures. During the reporting period, 11 directors of the Bank, namely executive directors Mr. Liu Jianzhong and Mr. Xie Wenhui, non-executive directors Mr. Sun Lida, Mr. Duan Xiaohua, Mr. Wen Honghai and Mr. Li Zuwei, independent non-executive directors Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Li Yao, Mr. Yuan Zengting and Mr. Cao Guohua, all attended the 2014 annual general meeting of the Bank and the attendance rate was 100%.

## BOARD OF DIRECTORS AND SPECIAL COMMITTEES

### The Board of Directors’ Implementation of Resolutions of the General Meeting

In 2015, the Board of Directors of the Bank strictly implemented the resolutions passed at the general meeting of 2014, earnestly implemented the resolutions regarding 2014 annual profit distributor, financial budget for 2015, appointment of accounting firm for 2015 and the election of the third session of the directors of the Board, shareholder representative supervisors of the Board of Supervisors and external supervisors.

### Composition of the Board of Directors

As at the end of the reporting period, the board of directors of the Bank comprised 12 directors, including 2 executive directors, namely, Mr. Liu Jianzhong (chairman of the Board) and Mr. Xie Wenhui (president); 6 non-executive directors, namely, Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan, Mr. Wen Honghai and Mr. Zheng Haishan; and 4 independent non-executive directors, namely, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua.

During the reporting period, the Bank selected the third session of the Board of Directors on 19 June 2015. The non-executive directors of the second session of the Board of Directors, namely Mr. Tao Jun, Mr. Wang Yongshu and Mr. Gao Xiaodong retired on the expiry of their terms.

During the reporting period, Mr. Li Zuwei resigned as the non-executive director and Mr. Li Yao resigned as the independent non-executive director of the Bank on 24 December 2015, respectively.

During the reporting period, Mr. He Zhiming, Ms. Chen Xiaoyan and Mr. Zheng Haishan were appointed as non-executive directors of the Bank on 23 November 2015.

The list of directors (by category) is disclosed in all corporate communications issued by the Bank pursuant to the Hong Kong Listing Rules.

The board of directors is responsible for establishing the company management system, monitoring the Group's decision-making regarding business activities, financial strategies and business performance, as well as reporting them to shareholders at the general meeting. The board of directors has delegated the management with the power and responsibilities to manage the Group. In addition, the board of directors has designated the audit committee, nomination committee and remuneration committee to perform their respective responsibilities. Details of the aforesaid committees are further described in this report.

The board of directors is also responsible for the performance of the functions of corporate governance. For the year ended 31 December 2015, the board of directors performed the functions of corporate governance as set out in code provision D.3.1 in the CG Code.

### Operation of the Board of Directors

The board of directors convenes meetings on a regular basis, generally not less than 4 times a year, and holds extraordinary meetings when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings are scheduled upon consultation with directors. Board papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of the board meetings.

All directors maintain communication with the secretary to the board of directors so as to ensure the compliance with board procedures and all applicable rules and regulations.



Detailed minutes of the board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors that have attended the meetings will provide comments for modification after receiving the minutes. The minutes will be circulated to all directors as soon as it is finalised. Minutes of the board meetings are kept according to the requirements of documents management stipulated by the Bank, and are available for inspection by directors at any time.

Communication and reporting mechanism has been established between the board of directors, directors and senior management. The president of the Bank reports his work to the board of directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries.

At board meetings, directors can put forward their opinions freely, and major decisions are made after detailed discussions. If any director has material interests in a proposal to be reviewed by the board of directors, the director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal.

The board of directors has set up an office as its acting agency, which is responsible for preparation of the general meetings, board meetings, and meetings of the special committees under the board of directors, information disclosure and other daily work.

### **Board Meetings**

According to the Corporate Governance Code (“CG Code”), the Board of Directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. A regular meeting does not include obtaining board consent by way of written resolutions.

During the reporting period, the Bank convened a total of 24 board meetings including written resolutions. 84 resolutions were considered and passed at such meetings included those regarding 2014 annual report, 2015 interim report and 2016-2018 interim capital plan.

The board of directors examined and approved 2015 Report on Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd., and had no objection on the report content. During the reporting period, the Bank bore the economic development responsibility, served the real economy, and made the positive contributions in terms of agricultural loans, green credit and community activities, etc..

Attendance records of each of the directors at meetings of the board of directors and the special committee under the board of directors (directors who involved in connected transactions and required to be abstained from the meeting are also deemed as attending directors) in 2015 are set out as follows:

*Actual attendance/meetings required to attend during the term of office*

The Names of Directors	Board Committees Related Party							
	Board of Directors	Strategic Development Committee	Risk Management Committee	Transaction Supervision Committee	Nomination Committee	Remuneration Committee	Audit Committee	Rural Financial Services Committee
Liu Jianzhong	24/24	6/6	-	-	4/4	-	-	1/1
Xie Wenhui	24/24	6/6	2/2	-	4/4	3/3	-	1/1
He Zhiming	3/3	2/2	-	-	-	-	-	-
Sun Lida	24/24	-	-	13/13	-	-	-	-
Duan Xiaohua	24/24	-	-	-	-	3/3	-	1/1
Chen Xiaoyan	3/3	-	-	1/1	-	-	-	-
Wen Honghai	24/24	-	-	13/13	-	-	-	-
Zheng Haishan	3/3	-	-	-	-	-	-	-
Sun Leland Li Hsun	24/24	-	2/2	-	-	3/3	4/4	-
Yin Mengbo	24/24	6/6	-	-	4/4	3/3	-	-
Yuan Zengting	24/24	6/6	2/2	13/13	-	-	-	1/1
Cao Guohua	24/24	-	-	-	4/4	3/3	4/4	1/1
Tao Jun	10/10	3/3	-	-	-	-	2/2	-
Gao Xiaodong	10/10	-	-	-	-	-	2/2	-
Wang Yongshu	10/10	-	1/1	8/8	-	-	-	-
Li Zuwei	23/23	-	2/2	-	-	-	-	-
Li Yao	23/23	-	-	13/13	4/4	-	4/4	-

## Independent Non-executive Directors

For the year ended 31 December 2015, the board of directors of the Bank at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board of directors, with at least one independent non-executive director possessing appropriate professional qualifications of accounting or related financial management expertise.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, nor do they hold any management positions in the Bank. All of the existing independent non-executive directors of the Bank are elected for a term of three years. They are eligible for re-election as the Bank's independent non-executive directors upon expiry of the three-year term of office, provided that their terms of office shall not exceed six consecutive years.

## Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2015. Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgment when preparing financial reports for the year ended 31 December 2015.

## Continuous Professional Development Programme for Directors

Each newly appointed director should be given official, comprehensive and tailor made information for his respective appointment upon his first appointment for the assurance of his appropriate understanding on the business and operation of the Bank and sufficient knowledge of the duties and responsibilities under the Hong Kong Listing Rules, laws and relevant regulatory requirements.

The training for directors shall be carried out on an on-going basis. The Bank encourages directors to participate continuous professional development for developing and updating their knowledge and skills. During the reporting period, 12 directors, namely executive directors Mr. Liu Jianzhong and Mr. Xie Wenhui, non-executive directors Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan, Mr. Wen Honghai and Mr. Zheng Haishan, independent non-executive directors Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua, all received relevant trainings on the Guidelines for the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), directors' duties, accountability for violations and requirements regarding inside information organized by the Bank. The Bank also from time to time provided information to the directors on the latest development of the Hong Kong Listing Rules and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their contribution to the board of directors and satisfactorily comply with the CG Code, as well as to enhance their sense of the corporate governance practices.

## Board Committees

There are seven committees established under the board of directors of the Bank: namely the strategic development committee, risk management committee, related party transaction supervision committee, nomination committee, remuneration committee, audit committee and Sannong Financial Services Committee. Compositions of these committees are set out as follows:

### (I) Strategic Development Committee

At present, the strategic development committee of the Bank comprised 5 directors with Mr. Liu Jianzhong as the chairman, and Mr. Xie Wenhui, Mr. He Zhiming, Mr. Yin Mengbo and Mr. Yuan Zengting being its committee members.

The primary responsibilities of the strategic development committee include:

1. to review the strategies and development plans of the Bank and give advice to the board of directors;
2. to review the annual operation plans and financial budgets of the Bank and submit the same to the board of directors for consideration;
3. to review significant reorganizations and agency arrangement of the Bank as well as the structure plan for its controlled subsidiaries, and give advice to the board of directors;
4. to review significant investment and financing projects and give advice to the board of directors;

5. to review the acquisition and merger plans of the Bank and give advice to the board of directors;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to perform such other duties and powers as authorized by the board of directors.

During the reporting period, the strategic development committee of the board of the Bank convened six meetings in total at which nine proposals regarding the 2015 financial budget, 2015 outlets organization plan, the establishment of securities investment fund management company, domestic preferred shares issued and the interim capital plan from 2016 to 2018. All the then members of the strategic development committee were present at the six meetings mentioned above.

### (II) *Risk Management Committee*

At present the risk management committee of the Bank comprised 4 directors, with Mr. Xie Wenhui as the chairman, and Ms. Chen Xiaoyan, Mr. Sun Leland Li Hsun and Mr. Yuan Zengting being its committee members.

The primary responsibilities of the risk management committee include:

1. to review the risk management policy, risk preference and overall structure of risk management of the Bank based on the overall strategy of the Bank, and give advice to the board of directors;
2. to guide the construction of risk management and compliance management system;
3. to monitor and evaluate the risk management, risk resistance, consumer protection and anti-money laundering of the Bank, and provide advice on improvement;
4. to review the risk management and compliance management reports of the Bank, carry out regular assessment on the risks and compliance of the Bank, and provide advice on improvement of the risk and compliance management of the Bank;
5. to review the general precaution policy on risky cases of the Bank, carry forward the construction of risky case management system, and ensure that necessary measures are adopted by senior management to effectively supervise, warn and deal with risky cases;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and

7. to perform such other duties and powers as authorized by the board of directors.

During the reporting period, the risk management committee of the board of the Bank convened two meetings in total at which three proposals including 2014 risks management assessment report and 2014 compliance management assessment report and risks management assessment report for the first half of 2015 risks management assessment report were considered. All the then members of the risk management committee were present at the two meetings mentioned above.

(III) *Related Party Transaction Supervision Committee*

At present the related party transaction supervision committee of the Bank comprised 5 directors, with Mr. Yuan Zengting (independent non-executive director) as the chairman, Mr. Sun Lida, Ms. Chen Xiaoyan, Mr. Wen Honghai and Mr. Yin Mengbo being its committee members.

The primary responsibilities of the related party transaction supervision committee include:

1. to review the fundamental system of related transaction management and give advice to the board of directors;
2. to identify the related parties of the Bank and report to the board of directors and the board of supervisors;
3. to conduct preliminary examination on major related party transactions of the Bank and submit the same to the board of directors for approval, and to the board of supervisors in a timely manner after obtaining the approval from the board of directors;
4. to receive filings of general related party transactions;
5. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
6. to perform such other duties and powers as authorized by the board of directors.

During the reporting period, the related party transaction supervision committee of the board of directors of the Bank convened thirteen meetings in total at which fourteen resolutions regarding the major connected transactions on the new credit and loans granted in favor of Chongqing Yufu Assets Management Co. Ltd.\* (重慶渝富資產經營管理集團有限公司), Chongqing Huayu Property Service Co., Ltd. (重慶華宇物業(集團)有限公司), Chongqing Yuning water and hydropower development Co., Ltd (重慶市渝寧水利水電開發有限責任公司) and Chongqing Yushang Investment Co., Ltd (重慶渝商投資有限公司) were considered. All the then members of the related party transaction supervision committee were present at the thirteen meetings mentioned above.

### (IV) *Nomination Committee*

At present the nomination committee of the Bank comprised 5 directors, with Mr. Yin Mengbo (independent non-executive director) as the chairman, and Mr. Liu Jianzhong, Mr. Xie Wenhui, Mr. Sun Leland Li Hsun and Mr. Cao Guohua being its committee members. Majority of the members are independent non-executive directors.

The primary responsibilities of the nomination committee include:

1. to assess the structure, size and composition of the board of directors and make recommendations on any proposed changes to the board of directors to complement the Bank's corporate strategies;
2. to formulate the criteria and procedures for the selection of directors and senior management of the Bank, as well as submit the same to the board of directors for consideration;
3. to identify suitable candidates with relevant qualifications for directors, and make recommendation to the board of directors in respect of the candidates for directors, president and secretary to the board of directors;
4. to assess the independence of independent non-executive directors;
5. to review the candidates of other members of senior management nominated by the president and provide opinions thereof to the board of directors;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to perform such other duties and powers as authorized by the board of directors.

During the reporting period, the nomination committee of the board of the Bank held four meetings in total at which four proposals regarding the nomination of the candidates for non-executive directors, and senior management were considered. All the then members of the nomination committee were present in person at the four meetings mentioned above.

#### Diversity Policy on the Composition of the Board of Directors

On 27 August 2013, the Bank adopted the Diversity Policy on the Composition of the Board of Directors, the details of which are set out as follows:

1. Purpose

In accordance with the amendments to the CG Code as set out in Appendix 14 of the Hong Kong Listing Rules, to achieve objectives of diversity of the composition of the board of directors of the Bank, the policy was thereby formulated.

2. Prospect

The Bank adhered to the Diversity Policy on the Composition of the Board of Directors, which was beneficial to the improvement of the good corporate governance of the Bank.

3. Policy statement

- (1) With a view to achieve the development strategy of characteristic operation, streamlining the management and fostering good corporate culture, the Bank regarded the Diversity Policy on the Composition of the Board of Directors as a key factor to support strategic objectives and maintain sustainable development. In determining the composition of members, the board of directors of the Bank considers the diversity of members from various aspects, including but not limited to gender, age, cultural and educational background, nation, professional experience, skills and knowledge.
- (2) The board of director of the Bank consists of executive directors, non-executive directors and independent non-executive directors, proportion of which shall satisfy domestic laws and regulations, administrative rules and the requirements of the Hong Kong Listing Rules.
- (3) The qualifications, standards and terms of the board of directors shall be in accordance with the requirements of regulatory authorities and regulations of the Articles of Association and take effect upon the qualification approval by the supervisory organization(s) of the banking industry.

4. Measurable Objectives

- (1) Based on a range of diversified categories, selection of board candidates shall be carried out from various perspectives such as gender, age, cultural and educational background, professional experience, skills, knowledge and so forth, pursuant to nomination ways and procedures of directors specified in the Articles of Association. The final decision of selection will be made according to advantages of candidates and contributions one can bring to the board of directors as well as the regulations of the Articles of Association.
- (2) The composition of the board of directors (including gender, age and service tenure) will be disclosed in the corporate governance report each year.

### 5. Monitoring and Reporting of the Policy

The nomination committee will report the composition of the board of directors on diversity level in the corporate governance report and supervise the implementation of the policy.

### 6. Review and Revision of the Policy

The nomination committee will examine and review the policy to ensure the effectiveness of the policy. The nomination committee will discuss any necessary revisions and propose such revisions to the board of directors for consideration and approval.

### 7. Policy to take effect

(1) The policy will take effect from the date of approval by the board of directors and the board of directors reserves the right of interpretation under the policy.

(2) The summary of the policy and the measurable objectives for implementation of such policy will be disclosed in the corporate governance report each year.

The board of directors of the Bank will review such measurable objectives from time to time if necessary to ensure their suitability and confirm the progress towards achieving such objectives.

## (V) *Remuneration Committee*

At present the remuneration committee of the Bank comprised 5 directors, with Mr. Sun Leland Li Hsun (independent non-executive director) as the chairman and Mr. Xie Wenhui, Mr. Duan Xiaohua, Mr. Yin Mengbo and Mr. Cao Guohua being its committee members. Majority of the members are independent non-executive members.

The primary responsibilities of the remuneration committee include:

1. to review the Bank's fundamental system and policy of remuneration management and submit the same to the board of directors for consideration;
2. to prepare the appraisal measures on performance of duties of directors and the remuneration package for directors and supervisors, and submit the same to the board of directors for consideration;
3. to organize appraisal of performance of duties of directors, and propose remuneration allocation of directors in accordance with the appraisal measures;
4. to propose remuneration allocation of supervisors according to the appraisal of performance of duties of supervisors carried out by the board of supervisors;
5. to review the remuneration allocation of senior management and submit the same to the board of directors for approval;



6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to perform such other duties and powers as authorized by the board of directors.

During the reporting period, the remuneration committee of the board of directors of the Bank convened three meetings in total at which three proposals regarding the remuneration of the directors, supervisors and senior management of the Bank and its remuneration management measures was considered. All the then members of the remuneration committee were present at the three meetings above.

(VI) *Audit Committee*

At present the audit committee of the Bank comprised 5 directors, with Mr. Cao Guohua (independent non-executive director) as the chairman, and Mr. He Zhiming, Mr. Zheng Haishan, Mr. Sun Leland Li Hsun and Mr. Yin Mengbo being its committee members and the majority of the members are independent non-executive directors, which is in compliance with the requirements under Rule 3.21 of the Hong Kong Listing Rules.

The primary responsibilities of the audit committee include:

1. to supervise the internal control of the Bank, and examine and evaluate the compliance of significant operating activities of the Bank;
2. to review the major financial policies of the Bank and their implementation, supervise the financial operation, monitor the truthfulness of financial reports and the effectiveness of implementing the financial report procedure by the management;
3. to supervise and evaluate the internal audit work of the Bank as well as the internal audit system of the Bank and its implementation;
4. to propose to appoint or change the external auditor, adopt appropriate measures to supervise the performance of the external auditor and ensure the independence of the audit work;
5. to review the annual audit report, interim report on financial review and other financial and accounting reports of the Bank and other discloseable financial information prepared by the external auditor, and make a judgment report on the truthfulness, accuracy and completeness of such reports and information and submit such judgment report to the board of directors for consideration;
6. to coordinate between the internal audit department and the external auditor;
7. to ensure that attention will be drawn to the improprieties of the employees of the Bank that may occur in financial reporting, internal control or other areas, and procure the Bank to carry out fair and independent investigation and take appropriate actions in respect of such matters;

8. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
9. to perform such other duties and powers as authorized by the board of directors.

During the reporting period, the audit committee of the Board of the Bank held four meetings in total, at which seven proposals regarding 2014 annual report and results announcement and 2015 interim report. All the then members of the audit committee were present at the four meetings mentioned above. In addition, the Bank also convened two meetings for audit committee and auditors in accordance with the provisions of Corporate Governance Code.

### *(VII) Sannong Financial Service Committee*

The Board of Directors of the Bank convened the 67th meeting of the second session of the Board on 27 March 2015, examining and approving the proposal that the Board of Directors would increase Sannong Financial Service Committee and prepare the working instructions for Sannong Financial Service Committee.

The Bank's Sannong Financial Services Committee consists of 5 directors at present. The chairman of committee: Mr. Liu Jianzhong; committee members: Mr. Xie Wenhui, Mr. Duan Xiaohua, Mr. Yuan Zengting and Mr. Cao Guohua.

The main responsibilities of Sannong Financial Services Committee are:

1. To examine and approve the Bank's Sannong financial services development strategy programming;
2. To examine and approve the Bank's annual Sannong financial services development goal;
3. To examine and approve the Bank's Sannong financial services resource allocation plan;
4. To supervise and evaluate the implementation situation of Sannong financial services by the Bank's operation and management layer, and report to the board of directors;
5. The relevant functions and powers stipulated by securities regulatory authority and the relevant laws and regulations in the place where the Bank's shares were listed; and
6. Other functions and powers conferred by the board of directors.

During the reporting period, Sannong Financial Service Committee of the Bank's Board of Directors convened one meeting to examine and approve the work report on Sannong financial services in the first-half year of 2015. All the then members of Sannong Financial Service Committee attended the meeting.

## BOARD OF SUPERVISORS

### Composition of the board of supervisors

At the end of the reporting period, the board of supervisors of the Bank comprised 8 supervisors, including 2 shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan, 3 external supervisors, namely Mr. Hu Shuchun, Mr. Pan Like and Mr. Wang Hong; 3 employee representative supervisors, namely Ms. Ni Yuemin (chairman of the board of supervisors), Mr. Zheng Yi and Mr. Zhu Yuzhou.

On 8 April 2015, Ms. Yang Mingping resigned as the Chairwoman of the Board of Supervisors of the Bank, as well as the chairwoman of the due diligence supervisory committee and a member of nomination committee under the Board of Supervisors.

On 7 April 2015, Ms. Ni Yuemin was elected as the employee representative supervisor of the Board of Supervisors of the Bank at the meeting of employee representatives of the Bank. On 13 April 2015, Ms. Ni Yuemin was elected as the Chairwoman of the Board of Supervisors of the Bank by the Board of Supervisors.

The Bank held the meeting of employee representatives on 18 June 2015 to re-elect Ms. Ni Yuemin, Mr. Zheng Yi and Mr. Zhu Yuzhou as the third session of the Board of Supervisors of the Bank. The terms of office commenced from the date of the resolutions of the employee representatives meeting until the expiration of the current session of the Board of Supervisors.

The Bank held the 2014 annual general meeting on 19 June 2015 during which Mr. Zeng Jianwu and Ms. Zuo Ruilan were re-elected as shareholder representative supervisors of the Bank, Mr. Wang Hong, Mr. Pan Like and Mr. Hu Shuchun were re-elected as external supervisors of the Bank. The terms of office commenced from the date of resolutions at the 2014 annual general meeting resolution until the expiration of the current session of the Board of Supervisors.

The Bank held the first meeting of third session of the Board of Supervisors on 19 June 2015 to re-elect Ms. Ni Yuemin as the chairwoman of the Board of the Supervisors of the Bank.

## Chairwoman of the board of supervisors

Ms. Ni Yuemin serves as the chairwoman of the board of supervisors of the Bank and is responsible for organization and performance of duties of the board of supervisors.

## Meetings of the board of supervisors

In 2015, the board of supervisors of the Bank held eleven meetings at which 24 proposals including the 2014 work report of the board of supervisors, report on centralized supervision and inspection for 2014, various types of special investigation reports, and 2014 annual reports, 2014 annual financial budgets and financial accounts, proposal on the annual profit distribution plan for 2014, report on risk management evaluation for 2014 and report on internal control system evaluation for 2014 were mainly considered and approved.

Attendance records of the supervisors at meetings of the board of supervisors during the reporting period are set out as follows:

*Actual attendance/meetings required to attend during the term of office*

	Board of Supervisors
<b>Supervisors</b>	
Ni Yuemin	7/7
Hu Shuchun	11/11
Pan Like	11/11
Wang Hong	11/11
Zeng Jianwu	11/11
Zuo Ruilan	11/11
Zheng Yi	11/11
Zhu Yuzhou	11/11
<b>Resigned Supervisors</b>	
Yang Mingping	4/4

## CHAIRMAN AND PRESIDENT

The roles and functions of the chairman and the president of the Bank are carried out by different individuals. The chairman of the board of directors is the legal representative of the Bank, and is responsible for planning the overall strategies of the Bank and leading the board of directors so as to ensure that it functions efficiently and discusses all material matters in a timely manner.

The president of the Bank is responsible for the Bank's business development and the management and operation of overall business. The president is appointed by and is accountable to the board of directors and discharges his duties in accordance with the Articles of Association and the authorisation of the board of directors.

The roles of the chairman and the president are separate and their duties are clearly defined. The senior management takes charge of the daily operation and management.

## Appointment

The term of office of directors of the Bank (including non-executive directors) is three years, and directors may be re-elected upon expiration of their term of office. The term of office of independent non-executive directors is three years, and they are eligible for serving as independent non-executive directors of the Bank upon expiration of their term of office, provided that their terms of office shall not exceed six consecutive years.

## SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by directors, supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors confirmed that they have complied with the Model Code for the year ended 31 December 2015.

## EXTERNAL AUDITORS REMUNERATION

The audit opinion of the external auditors of the Group engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report” on pages 147 to 148.

The Group’s financial statements for the year ended 31 December 2015 prepared in accordance with China Accounting Standards have been audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), and those prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers provided audit services to the Bank. The fees paid by the Bank to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers for the audit of financial statements for the year ended 31 December 2015 were RMB2.55 million. Other fees were RMB1.65 million which mainly included the service fee for the review of financial statements.

## INTERNAL CONTROL

The board of directors of the Bank shall be responsible for establishing a sound and effective internal control system, while the board of supervisors shall supervise the establishment and implementation of internal control by the board of directors and senior management, and the senior management shall be accountable to daily operation of internal control across the bank. Meanwhile, the board of directors of the Bank has set up the audit committee, risk management committee and related party transaction supervision committee to discharge respective duties on the management of internal control and evaluate the effectiveness thereof.

The board of directors of the Bank placed utmost emphasis on the establishment of internal control. The Bank adhered to internal control rules such as the Basic Rules on Enterprise Internal Control promulgated by five ministries and commissions including the Ministry of Finance, the Internal Control Guidelines for Commercial Banks (商業銀行內部控制指引) issued by the CBRC, together with the Outline of Internal Control Management (內部控制管理大綱) (the “Outline”) formulated by itself as the underlying basis and framework for effecting internal control across the Bank, as well as the guiding principles for carrying out various kinds of business and managerial activities. The Outline constitutes the layout of the internal control system of the Bank and sets out the objectives, policies and principles thereof. It maps out five constituents of the internal control system which include internal control environment, risks identification and assessment, internal control measures, monitoring feedbacks and rectification as well as the principles and requirement for information exchange and feedbacks. In addition, it laid out principles in controlling specifically in the areas of credit, capital, deposits, card business, account management, financial activities and information system.

While actively pushing ahead with restructuring, optimization of system, procedures and IT system, the board of directors, the board of supervisors and the senior management of the Bank will maintain its ongoing focus on the efficiency of internal control to enhance capabilities of its functional departments and branches in terms of risk aversion and control, whereby boosting operation effectiveness and results.

For the year ended 31 December 2015, the board of directors have assessed the effectiveness of the internal control system of the Bank. The assessment covered all the major control of the Group, including financial control, operation control and compliance control as well as the functions of risk management. The board of directors believe that, the staff in charge of the Bank’s accounting and financial reporting functions are equipped with sufficient resources, qualifications and experience, their training and budget are also sufficient. No major issues should be concerned with during the year.

## COMPANY SECRETARY

Ms. Yung Mei Yee, the joint company secretary of the Bank, has resigned on 18 March 2016, and Ms. Mok Ming Wai (莫明慧女士) was appointed as the company secretary of the Bank on the same date. They are engaged from external service provider. They have complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules of receiving relevant professional training for not less than 15 hours during the reporting period.

Ms. Peng Yanxi, secretary to the board of directors of the Bank has resigned in November 2015.

## RIGHTS OF SHAREHOLDERS

### Request for Convening Extraordinary General Meeting

Shareholders can refer to the existing Articles of Association posted on the websites of Hong Kong Stock Exchange and the Bank for the procedures of requesting to convene extraordinary general meetings.

### Proposals in General Meeting

Shareholders can also refer to the existing Articles of Association posted on the websites of Hong Kong Stock Exchange and the Bank for the procedures of putting forward proposals at general meetings.

Shareholders can refer to the Procedures for Nominating Candidates for Directors (《提名候選董事程序》) and the prevailing Articles of Association posted on the websites of Hong Kong Stock Exchange and the Bank for the procedures of nominating directors.

## SHAREHOLDERS' ENQUIRIES

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

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong  
Telephone: (852) 2862 2863  
Facsimile: (852) 2865 0990 / (852) 2529 6087

Any enquiries related to the shareholding of domestic shares, including the transfer of shares, change of address, loss of share certificates and dividend warrants, should be sent in writing to the following address:

Office of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.  
No. 10 East Yanghe Road, Jiangbei District, Chongqing, China  
Telephone: (8623) 6763 7929  
Facsimile: (8623) 6763 7932

## INFORMATION DISCLOSURE

The Bank places great emphasis on the communications with its shareholders and strives to enhance understanding and communication through many channels such as general meetings, results announcement meetings, roadshows, receiving visitors and answering telephone enquiries.

## INVESTOR RELATIONS

Shareholders and investors may send enquiries to the board of directors to the following:

Office of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.  
No. 10 East Yanghe Road, Jiangbei District, Chongqing, China  
Telephone: (8623) 6763 7981  
Facsimile: (8623) 6763 7932  
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of Chongqing Rural Commercial Bank Co., Ltd.:

36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

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

## OTHER PARTICULARS

The Bank holds a financial license number B0335H250000001 approved by CBRC, and was authorized by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business license with a unified social credit code 91500000676129728J. The Bank is not an authorized institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and deposit-taking business in Hong Kong.



# Directors, Supervisors and Senior Management

## INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors

Name	Position	Gender	Age	Term of office
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	Male	52	June 2008 –
Xie Wenhui	Executive Director, President	Male	43	December 2013 –
He Zhiming	Non-executive Director	Male	52	November 2015 –
Sun Lida	Non-executive Director	Male	60	October 2014 –
Duan Xiaohua	Non-executive Director	Male	41	August 2014 –
Chen Xiaoyan	Non-executive Director	Female	43	November 2015 –
Wen Honghai	Non-executive Director	Male	50	June 2008 –
Zheng Haishan	Non-executive Director	Male	51	November 2015 –
Sun Leland Li Hsun	Independent Non-executive Director	Male	54	December 2011 –
Yin Mengbo	Independent Non-executive Director	Male	60	December 2011 –
Yuan Zengting	Independent Non-executive Director	Male	40	December 2014 –
Cao Guohua	Independent Non-executive Director	Male	48	December 2014 –

### Supervisors

Name	Position	Gender	Age	Term of office
Ni Yuemin	Chairwoman of the Board of Supervisors, Employee Representative Supervisor	Female	49	February 2015 –
Hu Shuchun	External Supervisor	Male	46	October 2014 –
Pan Like	External Supervisor	Male	42	October 2014 –
Wang Hong	External Supervisor	Male	49	October 2014 –
Zeng Jianwu	Shareholder Representative Supervisor	Male	40	June 2008 –
Zuo Ruilan	Shareholder Representative Supervisor	Female	40	June 2008 –
Zheng Yi	Employee Representative Supervisor	Male	50	November 2011 –
Zhu Yuzhou	Employee Representative Supervisor	Male	50	November 2011 –

## Directors, Supervisors and Senior Management

### Senior Management

Name	Position	Gender	Age	Term of office
Xie Wenhui	Executive Director, President	Male	43	December 2013 –
Wang Rong	Senior Manager	Male	59	April 2015 –
Wang Min <sup>(1)</sup>	Vice President	Male	52	July 2015 –
Ling Jiaquan <sup>(2)</sup>	Chief Controller	Male	60	December 2008 –
Yuan Xiaobo	Deputy Secretary to the Party Committee, Secretary to the Disciplinary Committee and Chairman of the Trade Union	Male	52	December 2008 –
Dong Lu	Vice President	Female	40	May 2011 –
Shu Jing <sup>(3)</sup>	Vice President	Female	43	October 2015 –
Liu Jiangqian <sup>(4)</sup>	Vice President	Male	45	October 2015 –

#### Notes:

- (1) The Bank held the fourth meeting of third session of the Board of Directors in July 2015 to appoint Mr. Wang Min as the Vice President of the Bank and their qualifications have been approved by the China Banking Regulatory bodies in December 2015.
- (2) Mr. Ling Jiaquan of the Bank resigned as Chief Controller in February 2016 as he reached the age of retirement.
- (3), (4) The Bank held the tenth meeting of third session of the Board of Directors in November 2015 to appoint Ms. Shu Jing and Mr. Liu Jiangqiao as the Vice President of the Bank and their qualifications have been approved by the China Banking Regulatory bodies in February 2016.

## MAJOR WORK EXPERIENCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Directors of the Bank

#### **LIU Jianzhong**

*Chairman, Executive Director*

Mr. Liu Jianzhong has been the Chairman of the board of directors, executive director and the secretary to the Party committee of the Bank since June 2008 and the chairman and the secretary of the Party committee of CQRC Financial Leasing Co., Ltd. since December 2014. Mr. Liu is a deputy to the 12th National People's Congress and an member of the 4th municipal committee and a deputy to the 3rd People's Congress of Chongqing. He also serves as the chairman of the strategic development committee, the chairman of Sannong financial service committee and a member of the nomination committee. Between November 2002 and June 2008, Mr. Liu held a number of positions at the Chongqing Rural Credit Cooperative Union, including director-general, secretary and deputy secretary to the Party committee, director-general and deputy director-general. Prior to joining the Bank and between September 1992 and November 2002, Mr. Liu held several positions at the Chongqing business management department of the PBOC Chongqing Operations Office, including division director and deputy division director of the Cooperative Financial Institution Regulatory Division, a director and deputy director of the logistics services center and deputy division director of the Administration Office. Mr. Liu worked for the frontier inspection station at the Chongqing Airport between February 1985 and September 1992. Mr. Liu received a master's degree in Industrial Engineering from Chongqing University in 2005. He is currently a senior economist accredited by Chongqing Municipal Government.

#### **XIE Wenhui**

*Executive Director, President*

The board of directors of the Bank has appointed Mr. Xie Wenhui as the president and deputy secretary to the Party Committee since December 2013. Mr. Xie has been served as an executive director of the Bank since August 2014. He also serves as the chairman of the risk management committee, a member of the strategic development committee, the nomination committee, the remuneration committee and Sannong financial service committee. Mr. Xie had been a deputy president of the Bank from May 2011 to December 2013. Mr. Xie was a general manager of the Information Technology Department at the headquarters of the Bank from January 2010 to May 2011, deputy general manager (in charge of work) of the Technology Department at the headquarters of the Bank from August 2008 to January 2010. Mr. Xie held several positions in Chongqing Rural Credit Cooperative Union from January 2007 to August 2008, including the deputy general manager and assistant to general manager at the Technology Department. Prior to joining the Bank, Mr. Xie served as a deputy director of the Technology Division at the Chongqing Branch of Industrial and Commercial Bank of China from March 1998 to January 2007. Mr. Xie worked in Zhuhai Software Development Centre of Industrial and Commercial Bank of China from July 1997 to March 1998. Mr. Xie obtained a master's degree in in precision instrument and machinery engineering from Chongqing University in July 1997 and is currently an economist and engineer.

### HE Zhiming

#### *Non-Executive Director*

Mr. He Zhiming was appointed as the non-executive director of the Bank from November 2015. He also served as the member of the Strategic Development Committee and the Audit Committee of the Bank. Mr. He Zhiming has been the general manager, deputy secretary to the Party Committee and director of Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (the main shareholder of the Bank and one of the state-owned shareholders of the Bank) since September 2014. From February 2011 to September 2014, he served as the deputy director-general of the Chongqing Finance Bureau. From August 2001 to February 2011, he held various positions in the Regional Administration of Taxation of Chongqing, including the deputy director-general, the Head of International Taxation Department (國際稅務處) and the Head of the subordinate Tax Collection Administration (直屬徵收管理局). From April 2000 to August 2001, he was the Head of the Regional Administration of Taxation of Qianjiang, Chongqing and secretary to the Party Organization. He served as the Head of the Regional Administration of Taxation in the High and New Technology Industry Development Zone of Chongqing Municipal Government from March 1998 to April 2000. He served as the deputy head of the office in the Regional Administration of Taxation of Chongqing from June 1997 to March 1998. From September 1994 to June 1997, he held several positions in Regional Administration of Taxation of Chongqing City, Sichuan Province, including chief clerk of the General Office and deputy head of the General Office. From July 1993 to September 1994, he served as the chief clerk of the General Office of the Administration of Taxation of Chongqing City, Sichuan Province. From March 1992 to July 1993, Mr. He was the deputy head of the Stated-operated First Office of the Taxation Sub-division of the Central Area (市中區稅務分局國營一所), Chongqing City, Sichuan Province. From July 1987 to March 1992, he was a deputy chief clerk of the Department of Policy Development of the Administration of Taxation of Chongqing City, Sichuan Province (四川省重慶市稅務局政策研究室), as well as a chief clerk of the Department of Policy and Regulations (政策法規處). Mr. He obtained a bachelor's degree in Finance from Sichuan Institute of Finance and Economics (四川財經學院) in September 1984, and was granted a master's degree in Finance from Southwestern University of Finance and Economics (西南財經大學) in June 1987.

### **SUN Lida**

#### *Non-Executive Director*

Mr. Sun Lida has served as a non-executive director of the Bank since October 2014. He is also a member of related party transaction supervision committee of the Bank. He has served as the chairman and secretary to the Party Committee of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) from August 2013 to January 2016. From May 2014 to December 2014, he concurrently served as the chairman of Ancheng Property & Casualty Insurance., Ltd. (安誠財產保險股份有限公司). From January 2011 to August 2013, he served as the chairman and deputy secretary to the Party Committee of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司). From June 2006 to January 2011, he served in a number of positions in Chongqing City Construction Investment Company Limited (重慶市城市建設投資公司), including general manager, director, chairman and deputy secretary to the Party Committee. From July 2001 to June 2006, he served as the general manager and secretary to the Party Committee of Chongqing City Construction Investment Company (重慶市建設投資公司). During the period, he has also been the director and vice-chairman of Chongqing Jiulong Power Company Limited (重慶九龍電力股份有限公司). From June 1997 to July 2001, he served in a number of positions in Energy and Transportation Office of Chongqing Planning Committee (重慶市計委能源交通處), including deputy chief and chief. From April 1979 to June 1997, he served in a number of positions in the Planning Committee of Chongqing City, Sichuan Province, including the division clerk of the Consolidated Division (綜合處科員), deputy chief clerk, chief clerk and deputy chief of the Energy and Transportation Office. From February 1979 to April 1979, he worked in Finance and Trade Cadre School in Nanchong Area, Sichuan Province (四川省南充地區財貿幹部學校). He is currently a senior economist.

### **DUAN Xiaohua**

#### *Non-Executive Director*

Mr. Duan Xiaohua has served as a non-executive director of the Bank since August 2014. He is also a member of the remuneration committee and Sannong financial service committee of the Bank. Mr. Duan has served as a non-executive director of Hanhua Financial Holding Co., Ltd. (瀚華金控股份有限公司) since June 2013 and a director and financial controller of Shanghai Fenghua Group Co., Ltd. (上海豐華(集團)股份有限公司) since October 2012. From March 2012 to October 2012, he served as the financial controller of Loncin Holdings Limited (隆鑫控股有限公司). From March 2008 to March 2012, he served in a number of positions in Chengdu Fudi Property Co., Ltd. (成都複地置業有限公司), including the financial manager, vice financial president and financial president. From May 2007 to March 2008, he served as the finance assistant manager of Hutchison Whampoa Property (Xi'an) Co., Ltd. (和記黃埔地產西安公司). From June 2003 to May 2007, he served as the chief of the Finance Department of Taiji Industry (Group) Co., Ltd. (太極集團有限公司). From June 2000 to June 2003, he served as the deputy director of the Finance Department of Taiji Group Sales General Company (太極集團銷售總公司). From April 1999 to June 2000, he served as the deputy head of the Finance Division of Taiji Industry (Group) Co., Ltd. (太極集團有限公司). From July 1998 to April 1999, he served as a clerk in the Finance Department of Taiji Industry (Group) Co., Ltd.. He currently holds an MBA degree, and he is an accountant and a certified internal auditor.

### **CHEN Xiaoyan**

#### *Non-Executive Director*

Ms. Chen Xiaoyan was appointed as the non-executive director of the Bank from November 2015. She also served as the member of the Risk Management Committee and the Related Party Transaction Control Committee of the Bank. Ms. Chen Xiaoyan has served as the chief financial officer of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) (the shareholder of the Bank and one of the state-owned shareholders of the Bank) since August 2014 and concurrently served as the head of Financial Department of the same company from May 2012 to August 2014. She worked at the Financial Department of Chongqing Land Group (重慶市地產集團) from April 2011 to May 2012, and worked at the Financial Department of Chongqing International Construction Corporation (重慶對外建設總公司) from January 1999 to April 2011 during which she consecutively served as the deputy chief clerk, deputy head and the head of Financial Department. From September 1989 to January 1999, she worked at the financial office of Chongqing Wandefu Food Company Limited (重慶市萬得福食品有限公司). Ms. Chen graduated from Chongqing College of Technology (重慶工學院) in June 2000, major in accounting and is currently a senior accountant.

### **WEN Honghai**

#### *Non-Executive Director*

Mr. Wen Honghai has been a non-executive director of the Bank since June 2008. He is also a member of the related party transaction supervision committee of the Bank. Mr. Wen has also been the director and vice president of the Huaxin Century Investment Group Co., Ltd. (one of our shareholders) since March 2001 and served as deputy finance manager and finance manager of Huaxin Century Investment Group Co., Ltd. from June 2000 to March 2001. From November 1996 to June 2000, Mr. Wen was the finance manager of China Enterprise International Investment Co. Ltd. From April 1992 to November 1996, Mr. Wen worked as the manager of the China Rural Development Trust and Investment Company and lectured in Renmin University of China during the period from September 1988 to April 1992. Mr Wen obtained a bachelor's degree in Economics and Finance from Renmin University of China in 1988.

### **ZHENG Haishan**

#### *Non-Executive Director*

Mr. Zheng Haishan was appointed as the non-executive director of the Bank from November 2015. He also served as the member of the Audit Committee of the Bank. Mr. Zheng Haishan has been an executive director and the general manager of the Beijing Haituoshan Investment and Management Company Limited (北京海陀山投資管理有限公司) since July 2011 to present. He served as the manager of the Strategic Development Department of Beijing Guoli Energy Investment Company Limited (北京國利能源投資有限公司) from June 2009 to July 2011. He served as the general manager of Beijing Sanjili New Material Co., Ltd. (北京三吉利新材料有限公司) from May 2005 to June 2009. From May 1996 to May 2005, he held various positions in Beijing Guoli Energy Investment Company Limited, including assistant to manager, deputy manager and manager in the Futures Department, Financial Investment Department and Project Management Department. He served as the deputy general manager of Beijing Branch of Jiangxi Ruiqi Futures Brokerage Company Limited (江西瑞奇期貨經紀有限公司北京公司) from November 1993 to May 1996 and was a lecturer of Resource and Environment School under China Agricultural University from August 1988 to November 1993. Mr. Zheng was granted a master's degree of agricultural meteorology by Resource and Environment School of China Agricultural University in July 1988. He is currently a senior economist

### **SUN Leland Li Hsun**

#### *Independent Non-Executive Director*

Mr. Sun Leland Li Hsun has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the remuneration committee, a member of the audit committee, risk management committee and the nomination committee of the Bank. Mr. Sun has been an independent non-executive director of Mizuho Securities Asia Limited (瑞穗證券亞洲有限公司) since December 2014. From November 2005 to June 2014, he had served as an independent non-executive director of New Heritage Holdings Ltd. (Stock Code: 95). He has also been the managing director of Pan Asian Mortgage Company Limited since December 1999. Mr. Sun was the consultant of Merrill Lynch Asia Pacific Limited (美林亞洲有限公司) between April 1998 and December 1999, and was appointed by the Financial Secretary of the Government of the Hong Kong Special Administrative Region as the first Chief Operating Officer of The Hong Kong Mortgage Corporation between February 1997 and April 1998. Mr. Sun was the managing director of ARCH Fixed Income Management Limited between March 1996 and February 1997, a senior managing director of Bear Stearns Asia Limited between October 1994 and February 1996, and executive director of GS (Asia) Securities Limited between July 1986 and September 1994. Mr. Sun obtained a master's degree in Business Administration.



### **YIN Mengbo**

#### *Independent Non-Executive Director*

Mr. Yin Mengbo has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the nomination committee and a member of the audit committee, the strategic development committee, the remuneration committee and the related party transaction supervision committee. Mr. Yin has been a lecturer of Southwestern University of Finance and Economics since July 1982, the chairman of the Professor Committee of the School of Finance of Southwestern University of Finance and Economics since June 2013, the dean of the Research Institute of Southwestern University of Finance and Economics (西南財經大學研究生院院長) from November 2011 to June 2013, the head of the graduate department of Southwestern University of Finance and Economics (西南財經大學研究生部主任) from September 2007 to November 2011 and the dean of the School of Finance of Southwestern University of Finance and Economics between September 1997 and September 2007. Mr. Yin graduated from the department of finance of Southwestern University of Finance and Economics in 1982 and currently holds a master's degree and a doctorate degree, serving as professor and doctoral supervisor.

### **YUAN Zengting**

#### *Independent Non-Executive Director*

Mr. Yuan Zengting has served as an independent non-executive director of the Bank since December 2014. He is also the chairman of the related party transaction supervision committee and a member of the strategic development committee, the risk management committee and Sannong financial service committee of the Bank. Mr. Yuan is currently the deputy director and associate research fellow of the Financial Laboratory of the Institute of Finance and Banking, Chinese Academy of Social Sciences, and a master tutor of MBA Center and Department of Finance, Chinese Academy of Social Sciences since October 2013. He once served as a deputy director of the Structured Finance Research Department of the Institute of Finance and Banking, Chinese Academy of Social Sciences, and deputy director of the Financial Product Center, Chinese Academy of Social Sciences from October 2009 to September 2013. He served as an assistant researcher at the Structured Finance Research Department of the Institute of Finance and Banking, Chinese Academy of Social Sciences from July 2005 to September 2009; from September 2006 to July 2008, he served as a postdoctoral researcher at Tehua Investment Holding Co., Ltd. (特華投資控股有限公司). Mr. Yuan served as a senior analyst at the Research Division of China Cheng Xin International Credit Rating Co. Ltd. (中誠信國際信用評級公司) from September 2004 to June 2005.



## CAO Guohua

### *Independent Non-Executive Director*

Mr. Cao Guohua has served as an independent non-executive director since December 2014. He is also a chairman of the audit committee, the nomination committee, the remuneration committee and Sannong financial service committee of the Bank. Mr. Cao has been a professor and PhD tutor of the Department of Finance, School of Economics and Business Management, Chongqing University since September 2007 until now, during which he has served as an independent director of Chongqing Jian Feng Chemical Co., Ltd. (重慶建峰化工股份有限公司) since January 2015, an outside director of Chongqing Tourism Investment Group Co., Ltd. (重慶旅遊投資集團有限公司) since June 2014, an independent director of Chongqing Yukaifa Co., Ltd. since August 2012 and an independent director of Chengde Nanjiang Co., Ltd. (承德南江股份有限公司) since April 2012. He once served as an independent director of Balance Automobile Insurance Co., Ltd. (天平汽車保險股份有限公司) from March 2010 to March 2013. Mr. Cao served as an independent director of Guizhou Bailing Group Pharmaceutical Co., Ltd. (貴州百靈企業集團製藥股份有限公司) from December 2007 to December 2013. He once served as an associate professor and professor of the Department of Finance, School of Economics and Business Management, Chongqing University from December 2000 to September 2007. From April 1993 to December 2000, he served as an assistant lecturer and lecturer of the School of Economics and Business Management, Chongqing University. From July 1992 to April 1993, he served as an assistant lecturer of the Department of Mathematics, Chongqing University. Mr. Cao obtained a bachelor's degree in the Department of Mathematics, Anhui Normal University in July 1989. He obtained a master's degree in the Department of Mathematics, Sichuan University in July 1992 and obtained a PhD degree in the School of Economics and Business Management, Chongqing University in December 1999.

## 2. Supervisors of the Bank

### NI Yuemin

#### *Chairwoman of the board of supervisors, Employee Representative Supervisor*

Ms. Ni has been the chairman of the supervisory board of the Bank since February 2015. Ms. Ni from October 2009 to February 2015 served as a vice president and a member of the Party Committee of Chongqing Co., Ltd. (stock code: 1963), and an executive director of the company from November 2012 to February 2015. From June 2005 to October 2009 and October 2003 to June 2005, Ms. Ni respectively served as director of Property Management Division and director of Assessment and Allocation Division of Chongqing State-owned Assets Supervision and Administration Commission. From September 2000 to October 2003, from May 1995 to September 2000, from May 1992 to May 1995, from March 1989 to May 1992 and from July 1987 to March 1989, Ms. Ni respectively served as deputy director, principal staff member, deputy staff member, staff member of Enterprise Division One of Chongqing Municipal Finance Bureau, and a member of Plant-Residing Group of Shapingba District. Ms. Ni in July 1987 obtained a bachelor's degree of Economics (a major of Accounting and Statistics, Faculty of Economics and Management) from Yuzhou University (now Chongqing Technology and Business University), and in December 2011 obtained a Master's degree of Business Administration for senior administrative staff of Chongqing University. Ms. Ni is a non-practicing member of the Chinese Institute of Certified Public Accountants and a senior accountant.

### ZENG Jianwu

#### *Shareholder Representative Supervisor*

Mr. Zeng has been a shareholder representative supervisor of the Bank since June 2008. He is also a member of the audit committee under the board of supervisors of the Bank. Mr. Zeng is currently the deputy general manager of Xiamen Laierfu Trading Co., Ltd. (廈門來爾富貿易有限責任公司) Mr. Zeng has been serving as the manager of the Sunshine Private Placement Fund (陽光私募基金) under Xiamen Septwolves Wealth Management Co., Ltd. (廈門七匹狼財富管理有限責任公司) since February 2015, a director of Xiamen Siming Baiying Microcredit Co., Ltd.\* (廈門思明百應小額貸款有限公司) since May 2014, a director and the general manager of Jinjiang Baiying Microcredit Co., Ltd. (晉江市百應小額貸款有限責任公司) since January 2014, a director of Quanzhou Septwolves Private Capital Management Co., Ltd (泉州市七匹狼民間資本管理有限責任公司) since March 2013, director of Xiamen Baiying Finance Leasing Co., Ltd. (廈門市百應融資租賃股份有限公司) since May 2011 and the deputy general manager of Xiamen Laierfu Trading Co., Ltd since May 2001. Mr. Zeng has obtained a PhD in Applied Economics (Financial Engineering) from Xiamen University in June 2008 and a master degree of Science from Xiamen University in July 2000.

### ZUO Ruilan

#### *Shareholder Representative Supervisor*

Ms. Zuo has been a shareholder representative supervisor of the Bank since June 2008. She is also a member of the nomination committee under the board of supervisors of the Bank. Ms. Zuo has been the chairman of Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) since January 2006 and the chairman of Chongqing Huayu Property Service Co., Ltd. (重慶華宇物業服務有限公司) from July 2000 to March 2006. Ms. Zuo worked at the Chongqing Jiangjin Branch office of the Construction Bank of China (中國建設銀行重慶江津支行辦公室) from February 1998 to July 2000 and worked at the Saving Agency of Chongqing Jiangjin Branch of the Construction Bank of China (中國建設銀行重慶江津支行東門儲蓄所) from July 1995 to February 1998. Ms. Zuo graduated in December 1999 from Southwest University majoring in Economics Management.

### **HU Shuchun**

#### *External Supervisor*

Mr. Hu has served as an external supervisor of the Bank since October 2014. He is also the chairman of the internal control review committee under the board of supervisors of the Bank. Mr. Hu has served as the director of Chongqing Da Neng Law Firm (重慶達能律師事務所) and an arbitrator of the Chongqing Arbitration Commission since March 2013. From July 2003 to March 2013, he served as an attorney and partner of Chongqing Zhi Yuan Law Firm (重慶智圓律師事務所). From December 2002 to July 2003, he served as an attorney of Chongqing Jing Bo Law Firm. He served as an attorney of Chongqing Jing Sheng Law Firm (重慶靜升律師事務所) from October 2001 to December 2002. Mr. Hu also served as a procurator of the People's Procuratorate of Chongqing from July 1998 to October 2001. From September 1995 to July 1998, Mr. Hu studied at the graduate faculty of Southwest University of Political Science & Law and obtained a master's degree in economic law. He served as a law teacher at the Party School of the CPC Hegang Municipal Committee from July 1992 to September 1995. He is currently a CPC member and a holder of master's degree in law.

### **PAN Like**

#### *External Supervisor*

Mr. Pan has served as an external supervisor of the Bank since October 2014. He is also the director of the audit committee under the board of supervisors of the Bank. Mr. Pan has served as a salaried partner and partner of Pan-China Certified Public Accountants Co., Ltd. (天健會計師事務所) since December 2011. He served as a salaried partner of Pan-China (Zhengxin) Certified Public Accountants Co., Ltd. (天健正信會計師事務所) from December 2009 to December 2011. He served as a salaried partner of Pan-China (Guanghua) Certified Public Accountants Co., Ltd. (天健光華會計師事務所) from December 2008 to December 2009. Mr. Pan served as a department manager and director of office and senior manager of Pan-China (Chongqing) Certified Public Accountants Co., Ltd. (重慶天健會計師事務所) from August 2000 to December 2008, during which he enrolled in graduate courses at Shanghai University of Finance and Economics majoring in accounting as a part-time student from September 1999 to July 2001 and served as a project manager, a deputy director of the Office of Director and a deputy department manager of Chongqing Huayuan Certified Public Accountants Co., Ltd. (重慶華源會計師事務所) from December 1998 to August 2000. He once served as an assistant of audit services department of Chongqing Certified Public Accountants Co., Ltd. (重慶會計師事務所) from June 1995 to December 1998. He is currently a CPC member, a postgraduate, a senior accountant, a Chinese certified public accountant, a certified public valuer, a certified real estate appraiser and a certified land valuer.

### **WANG Hong**

#### *External Supervisor*

Mr. Wang has served as an external supervisor of the Bank since October 2014. He is also the chairman of the nomination committee of the board of supervisors of the Bank. Mr. Wang has served as a professor and PhD tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law since September 2009. He serves as a professor and PhD tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law since September 2009 and an independent director of Guizhou Bailing Group Pharmaceutical Co., Ltd. (貴州百靈企業集團製藥股份有限公司) since December 2013. From September 2005 to September 2009, Mr. Wang served as a professor and master tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law. From September 2000 to September 2005, he served as an associate professor and master tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law, during which he studied at the graduate faculty of the Civil and Commercial Law School, Southwest University of Political Science & Law from September 2001 to June 2005 and obtained a doctorate degree. From April 1991 to September 2000, he served as a teacher of the Division of Civil Law, Department of Law, Southwest University of Political Science & Law. Mr. Wang is currently a member of China Democratic National Construction Association, a doctor of Civil Law and Commercial Law and an arbitrator of the China International Economic and Trade Arbitration Commission and the Arbitration Commissions of Chongqing, Chengdu, Nanning and Hohhot.

### **ZHENG Yi**

#### *Employee Representative Supervisor*

Mr. Zheng has been an employee representative supervisor of the Bank since November 2011. He is also a member of the audit committee and the Internal Control Review Committee under the board of supervisors of the Bank. Mr. Zheng currently serves as the General Manager of Credit Management Department of the Bank. Mr. Zheng has been the General Manager of Compliance Department of the Bank from August 2008 to April 2011. Mr. Zheng had served as the general manager of Operation Management Department of the Chongqing Rural Credit Cooperative Union from July 2007 to August 2008. Mr. Zheng had served as the vice general manager of Operation Management Department of the Chongqing Rural Credit Cooperative Union from January 2007 to July 2007. Mr. Zheng had been the vice general manager of Risk Management Department of the Chongqing Rural Credit Cooperative Union from December 2006 to January 2007. Mr. Zheng had served as the deputy director of the Credit Management Division of the Chongqing Rural Credit Cooperative Union from June 2004 to December 2006. Mr. Zheng had been engaged in the credit management work of Chongqing Rural Credit Cooperative Union from May 2000 to June 2004. From August 1998 to May 2000, he worked at the Leading Group for Reform of Chongqing Rural Financial System. From April 1984 to August 1998, he engaged in credit work at Chongqing Hechuan Rural Credit Cooperative Union (重慶市合川農村信用聯社). Mr. Zheng graduated from the Correspondence College of Chongqing Municipal Party Committee in December 1999, majoring in Economics and Management, and is currently an economist.

## ZHU Yuzhou

*Employee Representative Supervisor*

Mr. Zhu has been an employee representative supervisor of the Bank since November 2011. He is also a member of the Due Diligence Supervisory Committee and the Internal Control Review Committee under the board of supervisors of the Bank. Mr. Zhu currently serves as the Director of Security Monitoring Department of the Bank. Mr. Zhu had worked as the General Manager of Small Enterprise Business Department of the Bank from April 2011 to October 2011. Mr. Zhu had been the General Manager of Small Enterprises Credit Department of the Bank from January 2010 to April 2011. Mr. Zhu had served as the General Manager of Real Estate Business Department of the Bank from August 2008 to January 2010, the chairman, secretary to the Party committee of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社) from December 2002 to August 2008 and the chairman, director of Fengdu Rural Credit Cooperative Union (豐都縣農村信用合作聯社) from June 1998 to December 2002. From August 1995 to June 1998, he worked as the deputy director and director of the Sales Department of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社). From July 1983 to August 1995, he worked at Fuling Rural Credit Cooperative Union. Mr. Zhu graduated from College of Chongqing Municipal Party Committee (中共重慶市委黨校) in June 2001, majoring in regional economics, and is currently an economist.

### 3. Senior Management of the Bank

#### XIE Wenhui

*Executive Director, President*

Please refer to the section headed “Directors of the Bank” for biographic details of Mr. Xie Wenhui.

#### Wang Rong

*First-level Senior Manager*

Since April 2015, Mr. Wang Rong has served as senior manager of the bank. Mr. Wang had been a deputy president of the bank from June 2008 to April 2015; he served as deputy director of Association of Rural Credit Cooperatives in Chongqing from March 2004 to June 2008, served as director of Jiulongpo Credit Cooperatives in Chongqing from September 1996 to March 2004 and as director of the Association from October 1996 to March 2004. Before joining the bank, Mr. Wang served as leader of the Discipline Inspection Commission and staff in the Jiulongpo Branch of Chongqing Branch of the Agricultural Bank of China from August 1994 to September 1996; held multiple positions in the Logistical Engineering University of PLA, including deputy political commissar of the Corps, deputy regimental secretary in the Political Department and battalion commander officer in the Cadres Department from October 1990 to August 1994; joined in the Chinese People's Liberation Army from December 1976 to October 1990. Mr. Wang graduated from Finance Major in the Correspondence School of Chongqing Municipal Party School of China in December 1998 and now is a senior economist approved by the Chongqing Municipal People's Government.

### **Wang Min**

#### *Deputy President*

Since July 2015, Mr. Wang Min has served as deputy president of the bank. Before joining the bank, Mr. Wang served as deputy president of Bank of Chongqing and member of the Party committee from October 2010 to July 2015; served as staff in the Chongqing Branch of the National Development Bank and deputy president of the Bank of Chongqing and member of the Party committee from July 2006 to October 2010; held a number of positions in the Chongqing Branch of the National Development Bank from July 2000 to July 2006, including director of the second Customer Department, director of Audit Supervision Department, director of Discipline Inspection Office and director of Audit; held a number of positions in the National Development Bank from December 1994 to July 2000, including deputy director of the Second Credit Audit Department of the Audit Council and deputy director of the Second Credit Audit Department and family-level auditor in the General Office of the Audit Bureau; served in the National Transportation Investment Office from June 1988 to December 1994; served in the general office of the State Economic Commission from July 1986 to June 1988. Mr. Wang obtained a bachelor's degree in history of the Archival Science in Renmin University of China in July 1986 and obtained an EMBA degree from Sichuan University in June 2013.

### **LING Jiaquan<sup>Note</sup>**

#### *Chief Controller*

Mr. Ling Jiaquan has been the chief controller and a member of the Party committee of the Bank since December 2008. Prior to joining the Bank, Mr. Ling assumed a number of positions as division director of the 3rd Site Inspection Division, division director of the 2nd State-owned Bank Regulation Division and Agricultural Bank Regulation Division at Banking Regulatory Commission Chongqing Bureau from December 2003 to December 2008. Mr. Ling held a number of positions at the Chongqing business management department of the PBOC Chongqing Operations Office from August 1988 to December 2003 including, the division director and deputy division director of the Regulation Division of Agricultural Banks as well as deputy division director of the 1st Bank Regulation Division (銀行監管一處) and deputy division director of the 2nd Bank Regulation Division (銀行監管二處). Mr. Ling worked for the town office of Chongqing Branch from June 1984 to August 1988. Mr. Ling worked for the town office of Chongqing Branch of the PBOC from December 1972 to June 1984. Mr. Ling graduated from the Correspondence College of Centre Party Committee in 1998 majoring in economic management and is currently an accountant.

*Note:* Mr. Ling Jiaquan has resigned as the chief controller of the Bank with effect from February 2016.



### **YUAN Xiaobo**

*Deputy Secretary to the Party committee, secretary to the Discipline committee*

Mr. Yuan has been a deputy secretary to the Party committee of the Bank since December 2008. Mr. Yuan is currently the deputy secretary to the Party committee, secretary to the discipline committee and chairman of the trade union of the Bank. Prior to joining the Bank, Mr. Yuan was the division director (training division, human resources division) of Entrepreneur administration Division of Chongqing State-owned Assets Supervision from October 2003 and December 2008. Mr. Yuan was principal staff member, research assistant and deputy division director of the Cadres Division and the principal member of the Working Committee of Industrial Transport and the Cadres Division of Enterprise Executive Committee of Chongqing Municipal Party Committee from June 1998 to October 2003. Mr. Yuan worked for the Chongqing Electronics Industry Authority from March 1992 to June 1998. Mr. Yuan worked at the State-owned 907 Factory from August 1984 to March 1992. Mr. Yuan obtained a Master's degree in Project Management from Chongqing University in 2008 and is currently a senior administration engineer and an economist.

### **DONG Lu**

*Vice President*

Ms. Dong Lu has been the vice president of the Bank since May 2011. Ms. Dong was the general manager of the Treasury Operation Department at headquarters of the Bank from August 2008 to May 2011 and assumed a number of positions in Chongqing Rural Credit Cooperative Union from October 2004 to August 2008 including general manager, vice general manager of the Business Department and deputy head of the Financial Planning Division. Prior to joining the Bank, Ms. Dong worked in the Financial Planning Department at Chongqing Branch of the China Everbright Bank from March 2002 to October 2004, business manager of the Customer Manager Department at Yuzhong Sub-branch of Chongqing Branch of China Everbright Bank from April 2001 to March 2002 and worked in Business Department at Yuzhong Sub-branch of Chongqing Branch of China Everbright Bank from June 1997 to April 2001. Ms. Dong obtained a master's degree in Project Management from Chongqing University in December 2011 and is currently an economist.

### **SHU Jing**

#### *Deputy President*

Ms. Shu Jing has served as deputy president of the Bank since October 2015. Ms. Shu held a number of positions in the Bank from August 2008 to October 2015, including general manager of Credit Approval Department, general manager of Service Department of the company, general manager and deputy general manager in the Business Department. Before joining the Bank, Ms. Shu served as assistant president and deputy president of High Technology Development Zone Branch of Chongqing Branch of China Everbright Bank from August 2005 to August 2008; held multiple positions in the Beibei Branch of Chongqing Branch of China Construction Bank from January 1998 to August 2005, including manager and deputy general manager (conducting work) in the Business Department, deputy director of Huaguang Branch and secretary of the League of Branch, secretary of the League of Branch and audit supervisor of Finance Department, served as accounting of Business Department and accounting supervisor in Beibei Branch of Chongqing Branch of China Construction Bank from November 1992 to January 1998. Ms. Shu graduated from Economics and Management Major of the Correspondence School of the CPC Chongqing Municipal Party School in December 1997 and now is an economist.

### **Liu Jiangqiao**

#### *Deputy President*

Since October 2015, Mr. Liu Jiangqiao has served as deputy president of the Bank. Mr. Liu held multiple positions in the Bank from September 2008 to October 2015, including general manager of Personal Business Department, general manager of Three Rural Business Management Department, general manager of Personal Credit Department and general manager of Retail Channels Department, deputy general manager of Small Business Loan Center (conducting work) and deputy general manager of Agriculture and Personal Business Department. Before joining the Bank, Mr. Liu served as deputy president and member of the Party committee of Wanzhou Branch of Chongqing of China Construction Bank from December 2005 to September 2008; served as president assistant in the Banan Branch of Chongqing Branch of China Construction Bank from December 2003 to December 2005; served as accounting manager and deputy president in the Peace Plaza Branch of Chongqing Wanzhou Branch of China Construction Bank from May 2001 to December 2003; served as vice president and president assistant, chief of Business Department of Longbao Branch in the Longbao District Branch of Chongqing Wanxian Branch of China Construction Bank from February 1997 to May 2001, served as deputy and clerk sector chief of Business Department in the Longbao District Branch of Sichuan Province Wanxian Branch of China People's Construction Bank from July 1992 to February 1997. Mr. Liu graduated from the Business Management Major in the Master of Business Administration College in Chongqing in June 2002 and now is an economist.



## CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, the Bank elected the third session of the Board on 19 June 2015, Mr. Tao Jun, Mr. Wang Yongshu and Mr. Gao Xiaodong, non-executive directors of the second session of the Board, retired as non-executive directors on expiry of his term.

During the reporting period, Mr. Li Zuwei (non-executive director), Mr. Li Yao (independent non-executive director) retired as non-executive director and independent non-executive director of the Bank on 24 December 2015, respectively.

During the reporting period, Mr. He Zhiming, Ms. Chen Xiaoyan and Mr. Zhen Haishan were appointed as non-executive directors of the Bank on 23 November 2015.

During the reporting period, on 8 April 2015, Ms. Yang Mingping resigned from the positions of the chairman of the board of supervisors and the chairman of due diligence supervisory committee under the board of supervisors and the member of the nomination committee under the board of supervisors. On 7 April 2015, Ms. Ni Yuemin was elected as the employee representative supervisor of the Bank at employee representative assembly. On 13 April 2015, Ms. Ni Yuemin was elected as the Chairwoman of the Board of Supervisors of the Bank by the Board of Supervisors.

During the reporting period, the Board of Directors appointed Mr. Wang Min as the Vice President of the Bank on 28 July 2015 and appointed Ms. Shujing and Mr. Liu Jiangqiao as the Vice President of the Bank on 12 November. Mr. Bai Guiting resigned as the Vice President of the Bank on 31 August 2015 as he reached the age of retirement; Mr. Wang Rong resigned as the Vice President of the Bank on 29 May 2015; Mr. Yang Xiaotao resigned as the Vice President of the Bank on 27 March 2015; Ms. Peng Yanxi resigned as the Secretary to the Board and Joint Company Secretaries of the Bank on 18 November 2015.

## REMUNERATION FOR DIRECTORS OF THE BANK IN 2015

Unit: RMB'000

Name	Position	Paid remuneration (before tax)(1)	Social insurance, housing funds, the portion of supplementary health insurance contributed by the Bank(2)	Part-time fees(3)	Total remuneration before tax in 2015 (4)=(1)+(2)+(3)
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	693	80	–	773
Xie Wenhui	Executive Director, President	698	80	–	778
He Zhiming	Non-executive Director	–	–	10	10
Sun Lida	Non-executive Director	–	–	60	60
Duan Xiaohua	Non-executive Director	–	–	60	60
Chen Xiaoyan	Non-executive Director	–	–	10	10
Wen Honghai	Non-executive Director	–	–	60	60
Zhen Haishan	Non-executive Director	–	–	10	10
Sun Leland	Independent	–	–	120	120
Li Hsun	Non-executive Director	–	–	–	–
Yin Mengbo	Independent Non-executive Director	–	–	120	120
Yuan Zengting	Independent Non-executive Director	–	–	120	120
Cao Guohua	Independent Non-executive Director	–	–	120	120
<b>Retired Directors</b>					
Tao Jun	Non-executive Director	–	–	30	30
Wang Yongshu	Non-executive Director	–	–	30	30
Gao Xiaodong	Non-executive Director	–	–	30	30
Li Zhuwei	Non-executive Director	–	–	60	60
Li Yao	Independent Non-executive Director	–	–	120	120

## REMUNERATION FOR SUPERVISORS AND SENIOR MANAGEMENT

For the year ended 31 December 2015, the total remuneration before tax paid by the Bank to its supervisors and senior management amounted to RMB3,456,000 and RMB5,866,000, respectively, details of which are set out below:

### Remuneration for Supervisors of the Bank in 2015

Unit: RMB'000

Name	Position	Paid remuneration (before tax)(1)	Social insurance, Housing funds, the portion of supplementary health insurance contributed by the Bank(2)	Part-time fees(3)	Total remuneration before tax in 2015 (4)=(1)+(2)+(3)
Ni Yuemin	Chairwoman of the Board of Supervisors	519	60	-	579
Zeng Jianwu	Shareholder Representative Supervisor	-	-	50	50
Zuo Ruilan	Shareholder Representative Supervisor	-	-	50	50
Wang Hong	External Supervisor	-	-	80	80
Hu Shuchun	External Supervisor	-	-	80	80
Pan Like	External Supervisor	-	-	80	80
Zheng Yi	Employee Representative Supervisor	1,277	80	-	1,357
Zhu Yuzhou	Employee Representative Supervisor	1,100	80	-	1,180
<b>Retired Supervisors</b>					
Yang Mingping	Chairwoman of the Board of Supervisors	-	-	-	-

### Remuneration for senior management was within following ranges:

	Number of individuals Year ended 31 December 2015
RMB nil – RMB1,000,000	11
RMB1,000,001 – RMB1,500,000	-
RMB1,500,001 – RMB2,000,000	-
RMB2,000,001 – RMB2,500,000	-
RMB2,500,001 – RMB3,000,000	-
RMB3,000,001 – RMB3,500,000	-
RMB3,500,001 – RMB4,000,000	-

# Report of the Board of Directors

The board of directors of the Bank is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in a range of banking services and related financial services in China.

## PROFIT AND DIVIDENDS

The income of the Group for the year ended 31 December 2015 and the Group's financial position as at that date are set out in the section entitled "Financial Statements" of this annual report.

Pursuant to the resolutions passed at the annual general meeting of 2014 on 19 June 2015, the Bank recommended a distribution of cash dividends of RMB1,860 million (tax inclusive) for 2014 to all the shareholders at a par value of RMB0.20 per share (tax inclusive). Such dividend was distributed to holders of domestic shares and holders of H shares whose names appeared on the register of members on 30 June 2015. Such proposed dividends were denominated in RMB. Dividends payable to holders of domestic shares were paid in RMB, whereas dividends payable to holders of H shares were paid in HKD. The exchange rate of RMB to HKD adopted was the average middle rates of the five business days preceding the date of declaration of such dividends at the 2014 annual general meeting of the Bank (19 June 2015, including the date thereof) as announced by the People's Bank of China. The abovementioned dividends were distributed on 12 August 2015.

The board of directors of the Bank recommended a distribution of cash dividends of RMB1,860 million (tax inclusive) for 2015 to all the shareholders at a par value of RMB0.20 per share (tax inclusive). The dividend distribution plan will be submitted to the annual general meeting of 2015 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2015, the dividend will be distributed on 11 August 2016 to holders of domestic shares and holders of H shares whose names appear on the register of members on 29 June 2016. Such proposed dividends will be denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The exchange rate of RMB to HKD to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends at the 2015 annual general meeting of the Bank (17 June 2016, including the date thereof) as announced by the People's Bank of China.

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

<i>(RMB, in million)</i>	2014	2013	2012
Cash dividends	1,860.0	1,767.0	1,581.0
As a percentage of profit for the year	27.30%	29.60%	29.40%

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The Annual General Meeting of the Bank for the year 2015 will be held on Friday, 17 June 2016. In order to determine the holders of shares who are eligible to attend and vote at the Annual General Meeting, the register of members of the Bank will be closed from Thursday, 19 May 2016 to Friday, 17 June 2016, both days inclusive, during which period no transfer of shares will be registered. Holders of H shares of the Bank who wish to attend and vote at the Annual General Meeting for 2015 must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 18 May 2016.

## **RESERVES**

Please refer to the "Consolidated Statement of Changes in Equity" for details of the movements in the reserves of the Group for the year ended 31 December 2015.

## **SUMMARY OF FINANCIAL INFORMATION**

Please refer to the "Financial Summary" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2015.

## **DONATIONS**

During the year ended 31 December 2015, the Group made charitable and other donations amounting to approximately RMB18,333,200.

## **PROPERTY AND EQUIPMENT**

Please refer to Note 28 "Property and Equipment" to the section entitled "Financial Statements" of this annual report for details of movements in the property and equipment of the Group during the year ended 31 December 2015.

## **RETIREMENT BENEFITS**

Please refer to Note 37 "Accrued Staff Costs" to the section entitled "Financial Statements" of this Annual Report for details of the retirement benefits provided to employees of the Group.

## **ULTIMATE PARENT COMPANY AND SUBSIDIARIES**

Please refer to "Major Shareholders of the Bank" in the section entitled "Changes in Share Capital and Particulars of Shareholders" and the related notes to the section entitled "Financial Statements" of this annual report for details of the Bank's ultimate parent company and subsidiaries as at 31 December 2015.

## **PURCHASE, SALE AND REDEMPTION OF SHARES OF THE BANK**

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any shares of the Bank during the reporting period.

## **PRE-EMPTIVE RIGHTS**

Neither the Articles of Association nor relevant PRC laws has such provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association provide that if the Bank wishes to increase its capital, it may issue new shares to non-specified investors, may place or allot new shares to existing shareholders, issue new shares to target investors, convert new shares from capital reserve, or through other means as permitted by laws or administrative regulations.

## **MAJOR CUSTOMERS**

In 2015, the aggregate amount of interest income and other operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total interest income and other operating income of the Bank.

## **SHARE CAPITAL**

Please refer to Note 41 "Share Capital" to the "Financial Statements" of this annual report for details of the movement in share capital of the Bank during the reporting period.

## **TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS**

The top ten shareholders of the Bank and their respective shareholdings at the end of 2015 are stated in "Changes in Share Capital and Particulars of Shareholders" of this annual report.

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

The directors of the Bank during the year and up to the date of this report were:

As of the end of the reporting period, the board of directors of the Bank comprised 12 directors in total, including 2 executive directors, namely Mr. Liu Jianzhong (chairman), Mr. Xie Wenhui (president); 6 non-executive directors, namely Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan, Mr. Wen Honghai and Mr. Zhen Haishan; 4 independent non-executive directors, namely Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua.

During the reporting period, the third session of the Board was elected by the Bank on 19 June 2015. Non-executive directors of the second session of the Board Mr. Tao Jun, Mr. Wang Yongshu and Mr. Gao Xiaodong resigned upon the expiration of the current session. Non-executive directors of the Bank Mr. Li Zuwei and independent non-executive director Mr. Li Yao resigned as non-executive director and independent non-executive director of the Bank on 24 December 2015, respectively. Mr. He Zhiming, Ms. Chen Xiaoyan and Mr. Zheng Haishan served as non-executive directors of the Bank on 23 November 2015.

During the reporting period, on 8 April 2015, Ms. Yang Mingping resigned from the positions of the chairman of the board of supervisors and the employee representative supervisor of the Board. On 7 April 2015, Ms. Ni Yuemin served as the employee representative supervisor of the Board and the Chairwoman of the Board of Supervisors of the Bank.

During the reporting period, Mr. Yang Xiaotao resigned as the Vice President of the Bank on 27 March 2015; Mr. Wang Rong resigned as the Vice President of the Bank on May 2015; Mr. Bai Guiting resigned as the Vice President of the Bank on 31 August 2015 as he reached the age of retirement; Ms. Peng Yanxi resigned as the Secretary to the Board and Joint Company Secretaries of the Bank on 18 November 2015. Mr. Wang Min served as the Vice President of the Bank on 28 July 2015 and Ms. Shujing and Mr. Liu Jiangqiao served as the Vice President of the Bank on 12 November 2015.

Please refer to the “Profiles of Directors, Supervisors and Senior Management” of this annual report for details of directors, supervisors and senior management of the Bank.

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

The Bank has received from each of the independent non-executive directors an annual confirmation of his independence. The Bank considers that all of the independent non-executive directors are in compliance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and are independent accordingly.

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

As at 31 December 2015, the interests of the directors, the chief executive and supervisors of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

## Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic shares of the Bank	% of the total issued share capital of the Bank
<b>Supervisors</b>				
Zuo Ruilan	Beneficial owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial owner	37,600	0.00055	0.00040

Other than as disclosed above, none of the directors, the chief executive or supervisors of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2015.

## DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

There are no relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material relationships.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the reporting period was the Bank, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors and supervisors of the Bank 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 MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those continuing connected transactions which can be exempted from the reporting annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director or supervisor of the Bank had a material interest, whether directly or indirectly, in material transactions, arrangements and contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party at any time during the year (excluding service contracts).

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

None of the directors and supervisors of the Bank entered into service contracts with the Bank that cannot be terminated by the Bank or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).



## MANAGEMENT CONTRACTS

For the year ended 31 December 2015, there was no management and administrative contract in respect of all or any of the principal activities being entered into by or existed in the Bank.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the directors and supervisors of the Bank had any interest in businesses that constitutes or may compete, directly or indirectly, with the business of the Bank.

## SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Bank, as at 31 December 2015, the interests and short positions of substantial shareholders (within the meaning of the Securities and Futures Ordinance), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance were as follows:

### Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	8.40	6.13
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Beneficial Owner	433,340,000	6.39	4.66
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	423,431,972	6.24	4.55

## H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Blackrock, Inc	Interest of controlled corporations	225,295,628(L)	8.96	2.42
		77,000(S)	0.003	0.0008
JPMorgan Chase Co.	Interest of controlled corporations	150,957,332(L)	6.01	1.62
		7,357,000(S)	0.29	0.08
		98,331,828(P)	3.91	1.06

Note: (L) – long position, (S) – short position, (P) – lending pool

## CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. The manner in which the principles and code provisions in the Corporate Governance Code are applied and implemented by the Bank is set out in details in the “Corporate Governance Report” of this annual report.

## CONNECTED TRANSACTIONS

Transactions between the Bank and the Bank’s connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong 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 Hong Kong Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the IASB. The related party transactions set out in Note 49 to the consolidated financial statements did not constitute connect transaction for the Bank under Chapter 14A of the Hong Kong Listing Rules.

## REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has endeavored to improve its remuneration management measures and performance assessment systems for its directors, supervisors and senior management.

The Bank's remuneration policy for directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and market adjustment and governmental regulation, and has defined a structured remuneration system comprising basic annual salary, performance annual salary, mid-term and long-term incentives, allowances and welfare income.

The Bank participates in the relevant PRC mandatory retirement schemes for its employees including directors, supervisors and senior management. Since the state has not issued relevant policies, the Bank does not implement mid-term and long-term incentive plan for directors, supervisors and senior management.

## SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2015, the public float of the Bank was 27.03%. Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the date of this report.

## Tax Relief (H Share Holders)

### Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and Notice of SAT on the List of Agreed Dividend Tax Rates (Guo Shui Han [2008] No. 112) which came into effect on 1 January 2008, the Bank temporarily withholds the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of members in respect of H shares of the Bank on 30 June 2015, and the effective tax rate is determined based on the agreed tax rate.

### Non-resident Individual Shareholders

According to Guoshuihan [2011] No. 348 documents issued by the State Administration of Taxation, PRC, the Bank is required to withhold individual income tax for non-resident individual H Share Holders, who are entitled to relevant preferential tax arrangement pursuant to the taxation agreements between the countries where they are residing with China and the regulation on taxation arrangement between the Mainland and Hong Kong (Macau).

1. As for non-resident individual H Share Holders in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank applies for the relevant entitlements thereunder on their behalf.

2. As for non-resident individual H Share Holders in countries and regions which have entered into an agreement with China in respect of a 10% tax rate, the Bank withholds individual income tax at the rate of 10%.
3. As for non-resident individual H Share Holders in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank withholds individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual H Share Holders in countries which have no tax agreement with China or are under any other circumstances, the Bank withholds individual income tax at the tax rate of 20%.

## AUDITORS

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers have been the Bank's domestic and overseas auditors for 2015.

The Bank's financial report for the year 2015 prepared in accordance with International Financial Reporting Standards had been audited by PricewaterhouseCoopers, who had issued an unqualified audit report.

## Review on the Business of the Company and Prediction of Possible Development in the Future

In 2015, the Bank has made a new and great progress in operation and management. Total assets of the Group reached RMB716.8 billion and the balance of deposits amounted to RMB470.2 billion, maintained a good growth momentum and leader position in Chongqing. The balance of loan amounted to RMB268.6 billion, including RMB2.63 billion of non-performing loans, and the non-performing loan ratio was 0.98%. The net profit, and net fee and commission income amounted to RMB7.23 billion and RMB1.49 billion, respectively.

In this year, the Bank enhanced comprehensive risk management, resolutely exited the industries with excess capacity, followed list management policy for loans of property and platform industry, and reinforced governance and control on non-performing loans. RMB1.29 billion of non-performing loan on-balance sheet and off-balance sheet has been settled in the year. In addition, the Bank made an interim capital plan and launched a non-retail internal assessment system to promote the construction of liquidity risk control system. The Bank also established an IT disaster recovery system of "Two Areas and Three Centers", and officially launched a post-supervision system for counter transactions.

In 2015, the Bank actively expanded and developed all businesses. It paid close attention on supporting industrialization of agriculture in County Areas and agricultural industry with characteristic benefits, and catering the new-type of rural consumer needs. Loans in County Areas amounted to RMB128.6 billion, representing an increase of RMB7 billion. Furthermore, the Bank created a high-efficiency service mechanism for microfinance, adopted repayment modes of renewal for the loan credit and cyclic drawdown so as to relieve pressure of capital turnover for small and micro enterprises. Balance of loans to small and micro enterprises amounted to RMB82.7 billion, representing an increase of RMB6.7 billion. Transformation from retail loans to consumption has been stepped up, and credit cards spending amount was RMB31.5 billion. Through providing services including company listing and financing, issuing corporate bonds and domestic guarantee for overseas loans, it will accelerate the development of new industrialization and urbanization of Chongqing.

The main risks and uncertainties exposure to the Bank include policy risk, credit risk, liquidity risk, operational risk and financial risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Bank has effectively enhanced the risk management capability.

### **Policy Risk**

The Bank kept a close eye on the national economic situation, implemented public financial reform policies and complied with the regulatory requirements and terms of People's Bank of China, CBRC and Hong Kong Stock Exchange to effectively manage the market interest and exchange rate. The Bank actively studied the financial policies which have been already formulated and are under implementation, and made appropriate judgment on the future policy trends, thus ensured the steady and ordered implementation of policies, and avoided policy risk.

### **Credit Risk**

The Bank reinforced the credit risk management by formulating guidance for credit allocation for the whole year, determined the business direction and key points for management and governance, carried out effective warning, identification, management and control, closely monitored the fields of high-energy consumption, high pollution and overcapacity as well as the industries with excessive production capacity, and optimized structure of credit term and portfolio. In addition, the Bank enhanced dynamic management on matured loans and undue loans, applied list management policy for key clients. At the same time, the Bank promoted the construction of internal rating-based approach for credit risk to practically improve the credit risk management.

### **Liquidity Risk**

Facing to the complicated and ever-changing liquidity condition in the financial market, the Bank focused on enhancing the liquidity management. It rationally matched the term structure of assets and liabilities and the liquidity gas for the whole year is positive. By means of reinforcing management on excess reserve, reserving high-quality liquid assets, reasonably matching the deposit term structure and appropriately decreasing the leverage ratio of fund in banks, the Bank's assets and liabilities remained stable.

### **Operational Risk**

The Bank placed emphasis on compliance management and took strict precautions against the operational risk. It stepped up construction of regulations and procedures, improved the operational risk management system. The Bank made great efforts to build awareness of compliance operation to each single employee through popularization of compliance manual. In addition, the Bank has established a supervision system for concentrated online transactions, rebuilt the electronic commercial draft system and set up a blacklist system for credit risk transactions. Construction of the disaster recovery system of “Two Areas and Three Centers” has completed, which improved the foundation facilities.

### **Financial Risk**

Please refer to “Management Discussion and Analysis” on pages from 14 to 84 of the annual report for further information of financial risk.

### **Compliance with Laws, Rules and Regulations**

The Board of Directors of the Bank paid close attention to the policies and practices in relation to relevant laws and regulations which the Group has to comply with. The Bank has employed legal advisers for domestic and overseas laws to ensure the transactions and businesses of the Group are carried out under the applicable laws. Relevant employees and operation units will be informed by update on applicable laws, rules and regulations from time to time.

### **Employment Relations**

The Bank placed utmost emphasis on the enterprise cultural construction, employee management and training, and is committed to build harmonious and stable employment relations. The Bank treasures employees as one of the most important and valuable assets and has been always cherishing the employees’ contribution and support.

The Bank has made great efforts to provide comfortable and harmonious working environment, sound welfare and compensation system and reasonable career plan. By means of appropriate trainings and opportunity offering, the Bank has helped a lot of employees in career development and promotion.

### **Relations with Clients and Suppliers**

The Bank has been always perfecting the financial services to the clients for deposits and loans and clients from other banks to win the clients’ understanding, trust and support. The Bank insists the market principle for all clients who apply for loans, especially the related clients, and avoids special credit aid priority.

In selecting of suppliers, the Bank adheres to the principles of openness, fairness and justice and in form of bidding. The Bank kept well communication and cooperation with all suppliers.

## Environmental Protection Policy and Implementation

The Bank kept focusing on environmental protection, initiated and provided green credit financial services, including offering loans to enterprises engaged in environmental protection industries, new-energy industries and new-material industries, and strictly controlled and gradually reduced the credit scale of high-pollution, high-energy-consumption and overcapacity industries.

The Bank also adheres to the concept of environmental protection for internal operation by recycling use papers printing both sides, promoting paperless office, purchasing energy saving equipment, turning off water and power when leaving. Through these measures, water and power consumption amount per capital was continuously reduced as compared to the same period of last year. The Bank is continuously making efforts to reduce energy consumption and carbon emission, and actively carried out works to protect the environment.

## Subsequent Major Events with Significant Influence to the Bank

The Bank conducted a comprehensive review on the financial performance of 2015 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2015. No major event or case having significant influence to the Bank has occurred after completion of annual financial review.

## Permitted Indemnity Provision

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

## Equity-linked Agreement

During the year ended 31 December 2015, the Banks has not entered into any equity-linked agreement.

On behalf of the Board



**Liu Jianzhong**

*Chairman*

18 March 2016

# Report of the Board of Supervisors

## MAJOR WORK

### Supervision on Meetings

In accordance with the responsibilities authorized by the Articles of Association, the board of supervisors convened eleven supervisory meetings in total, including six on-site conferences and five off-site conferences, at which 24 resolutions were considered and approved. The board of supervisors convened seven meetings of the special committees, at which eleven items were considered. The supervisors attended one general meetings as observers and attended nine on-site board meetings as observers, at which they performed on-site supervision on the convening of the board meetings and the discussion process of relevant resolutions, and presented supervisory comments on the relevant issues, which improved the supervisory efficiency.

### Daily Supervision

The Bank's board of supervisors supervised the Bank's operating decisions, risk management, internal controls, salary management and major financial activities mainly in the ways such as attending the meetings (board meetings, presidents' office meetings, general meetings as well as other important operation and management meetings) without voting rights, department interviews, grass-roots research, data accessing, and communicating with the external auditors. It put forward the rectification opinions on the problems found in the supervision and inspection process to the board of directors and senior management, and established the problem tracking rectification ledger and promoted the effective rectification of the problems.

### Concentrated Supervision

The annual concentrated supervision and inspection were carried out focusing on the contents such as the Bank's execution of national policies, laws and regulations as well as "Three Important and One Major" system, main operation indicators, sustainable development capacity, internal control management and risk prevention, situations of rectification and suggestion acceptance of the problems disclosed in last year as well as the duty fulfillment of the directors and senior management in 2014. The board of supervisors was of the view that the Bank executed the national polices, laws and regulations strictly; the Bank completed the annual plan relatively well in various operation indicators, and the internal control management and risk prevention levels were improved continuously.

### Special Inspection

The board of supervisors carried out the special inspections actively and performed the supervisory duty fully based on the operational practice of the Bank. For steadiness, it carried out the special inspection on the liquidity risks, focusing on monitoring the organizational structure and system construction of liquidity risks, liquidity risk quota management and position management. For the risk control, it carried out the special inspection on the credit card business risks, focusing on monitoring the credit card system construction, credit card issued customer identification and risk control. For promotion of the internal control, it carried out the special inspection on the continuous promotion of the internal control, focusing on monitoring the internal control environment construction, risk identification and assessment on the key fields and key links, effectiveness of the internal control measures and establishment of the



mechanism of information exchange and feedback between the line departments and branches and sub-branches. In the opinion of the board of supervisors, the Bank's risk awareness was reinforced continuously; the liquidity risk management structure was relatively perfect; the overall development tendency of the credit card business was good; the overall internal control system was effective, and the internal control management level was enhanced continuously.

### **Self-establishment of the Board of Supervisors**

The board of supervisors completed the general election of the new board of supervisors, optimized the member structures of the special committee, organized the supervisors to actively participate in training course on the supervisor's performance capacity improvement organized by municipal SASAC to reinforce the knowledge in terms of corporate governance and supervisor's performance and improve the performance capacity. The board of supervisors would strengthen self-establishment continuously in terms of structure, staff and knowledge to improve the working level practically. It attached importance to the grass-roots survey, and conducted the field research on the sub-branches in Qianjiang, Pengshui, Jiangbei, Liangjiang, Beibei, Chengkou, Hechuan, Kaixian, Zhongxian and other places to understand the current grass-roots operating situation and the difficulties in the work practically. Over the past year, the Bank's board of supervisors carried out the risk-oriented supervision to highlight the performance supervision, financial supervision and internal control and risk supervision, paid attention to the construction and operation of the Bank's internal control, promoted the implementation of "three transformation" strategy, steady operation and healthy development, and played the role of supervision and restriction in the corporate governance.

## **INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK**

### **Operations in Compliance with Laws and Regulations**

During the reporting period, the Bank had been operating in compliance with relevant laws and regulations. Its decision making procedures complied with the provisions of laws, regulations and the Articles of Association. The directors and senior management were faithful and honest, and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the Articles of Association neither did they commit any acts detrimental to the interests of the Bank.

### **Financial Reporting**

The 2015 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

### **Acquisition and Disposal of Assets**

During the reporting period, the board of supervisors was not aware of any insider transactions or any acts in acquisition or disposal of assets that were detrimental to the interests of the shareholders or leading to a drain on the Bank's assets.

### Related Party Transactions

During the reporting period, the Bank's related party transactions had been conducted in accordance with relevant regulations and systems and the board of supervisors was not aware of any actions in the transactions that were detrimental to the interests of the Bank.

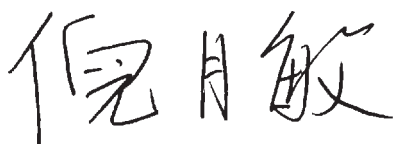
### Internal Control

During the reporting period, the Bank continued to intensify and improve its internal control. The board of supervisors was not aware of any material defect in the Bank's internal control system and its implementation.

### Social Responsibility

During the reporting period, the Bank vigorously undertook social responsibilities. The board of supervisors has no disagreement with the 2015 Report on Social Responsibilities of Corporate (2015年度企業社會責任報告) of the Bank.

On behalf of the board of supervisors



**Ni Yuemin**

*Chairman of the board of supervisors*

18 March 2016

## CORPORATE GOVERNANCE

During the reporting period, the Bank continued to strengthen the construction of corporate governance mechanism, actively improved various systems such as internal control, and constantly enhanced corporate governance capability in strict compliance with laws and regulations as well as regulatory documents of regulatory authorities including the Company Law of the People's Republic of China and the Commercial Banking Law of the People's Republic of China and in line with actual conditions of the Bank.

During the reporting period, the Bank convoked the 67th meeting of the second session of board meeting on 27 March 2015 according to the requirements of CBRC, agreeing to establish the Sannong Financial Services Committee under the Board of Directors, and examining and approving the working instructions for Sannong Financial Services Committee of the Board of Directors.

During the reporting period, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Bank commenced training for the Directors and published discloseable documents and information on the websites of the Bank and Hong Kong Stock Exchange pursuant to the code provisions. Meanwhile, the Bank also complied with most of the recommended best practices in the aforementioned code. For details, please refer to Corporate Governance Report.

## MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the reporting period, the loan balance of material related party transactions with related parties amounted to RMB12,329 million, accounting for 4.59% of the total loan of the Bank. Loans under the material related party transactions between the Bank and related parties have no negative impact on operating results and the financial position of the Bank.

## MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the reporting period, there were no material legal proceedings or arbitrations which had substantial impact on the operating activities of the Bank.

As of the end of the reporting period, pending legal proceedings in which the Bank was a defendant or a third party involved an amount of RMB13,000,000. In the opinion of the Bank, it will not have any material effect on the Bank's operating activities.

## PENALTIES IMPOSED ON THE BANK AND DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

During the reporting period, the Bank, all directors, supervisors and senior management had no record of being subject to inspections, administrative penalties and circulating criticisms by China Securities Regulatory Commission or public censures by stock exchanges, or penalties by relevant regulatory bodies that posed significant impact on the Bank's operation.

## **PERFORMANCE OF UNDERTAKINGS BY THE BANK OR SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES**

As of the end of the reporting period, neither the Bank nor the shareholders holding more than 5% of the total shares in issue gave any undertakings.

## **MATERIAL CONTRACTS AND THEIR PERFORMANCE**

During the reporting period, the Group had no material contracts to be performed.

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

During the reporting period, the Group had no material acquisition and disposal of assets and merger of enterprises.

# Independent Auditor's Report

## To the shareholders of Chongqing Rural Commercial Bank Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") set out on pages 149 to 279, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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. We conducted our audit in accordance with International Standards on Auditing. 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, the auditor considers internal control relevant to the entity's preparation of 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.

## Independent Auditor's Report (Continued)

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Bank and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Other Matters

This report, including the opinion, has been prepared for and only for 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.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 18 March 2016

## Consolidated Income Statement

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	2015	2014
Interest income	5	35,199,199	33,094,794
Interest expense	5	(15,032,720)	(14,746,078)
<b>Net interest income</b>		<u>20,166,479</u>	<u>18,348,716</u>
Fee and commission income	6	1,575,481	1,143,313
Fee and commission expense	6	(80,537)	(73,668)
<b>Net fee and commission income</b>		<u>1,494,944</u>	<u>1,069,645</u>
Net trading gains	7	19,759	239,990
Share of profits of associates	27	–	5,295
Other operating income, net	8	207,810	138,791
<b>Operating income</b>		<u>21,888,992</u>	<u>19,802,437</u>
Operating expenses	9	(9,076,090)	(8,400,821)
Impairment loss on financial assets	11	(3,235,980)	(2,297,229)
Net (losses)/gains from disposals of available-for-sale financial assets		(1,525)	5,443
Net gains from disposals of debt securities classified as receivables		11,972	–
Profit before tax		9,587,369	9,109,830
Income tax expense	12	(2,359,522)	(2,296,772)
<b>Profit for the year</b>		<u>7,227,847</u>	<u>6,813,058</u>
Attributable to:			
Equity holders of the Bank		7,223,298	6,828,456
Non-controlling interests		4,549	(15,398)
		<u>7,227,847</u>	<u>6,813,058</u>
Earnings per share (Expressed in RMB Yuan per share)			
– Basic and diluted	13	<u>0.78</u>	<u>0.73</u>

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	2015	2014
<b>Profit for the year</b>	7,227,847	6,813,058
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial losses on defined benefit plans	(127,430)	(79,490)
Income tax relating to actuarial gains on defined benefit plans	<u>31,858</u>	<u>19,873</u>
	<u>(95,572)</u>	<u>(59,617)</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale financial assets	92,156	230,218
Income tax relating to available-for-sale financial assets	<u>(23,039)</u>	<u>(57,555)</u>
	<u>69,117</u>	<u>172,663</u>
Other comprehensive income for the year, net of tax	<u>(26,455)</u>	<u>113,046</u>
Total comprehensive income for the year	<u><u>7,201,392</u></u>	<u><u>6,926,104</u></u>
Total comprehensive income attributable to:		
Equity holders of the Bank	7,196,843	6,941,502
Non-controlling interests	<u>4,549</u>	<u>(15,398)</u>
<b>Total comprehensive income for the year</b>	<u><u>7,201,392</u></u>	<u><u>6,926,104</u></u>

The accompanying notes form an integral part of these consolidated financial statements.



## Consolidated Statement of Financial Position

As at 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	31 December 2015	31 December 2014
<b>ASSETS</b>			
Cash and balances with central bank	15	78,500,278	79,334,179
Deposits with banks and other financial institutions	16	44,764,501	28,249,550
Placements with banks and other financial institutions	17	74,000,584	75,973,768
Financial assets held for trading	18	1,246,612	168,102
Financial assets designated at fair value through profit or loss	19	2,909,700	16,821,846
Derivative financial assets	20	1,510	–
Financial assets held under resale agreements	21	34,549,303	54,643,579
Loans and advances to customers	22	257,540,907	233,520,181
Available-for-sale financial assets	23	12,501,623	13,388,013
Held-to-maturity investments	24	63,649,584	62,843,254
Debt securities classified as receivables	25	133,076,127	41,504,852
Interest in associates	27	–	105,563
Property and equipment	28	5,211,197	4,352,912
Goodwill	29	440,129	440,129
Deferred tax assets	39	2,553,866	2,150,823
Other assets	31	5,859,294	5,392,239
<b>Total assets</b>		<b>716,805,215</b>	<b>618,888,990</b>

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

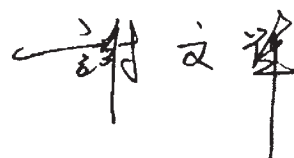
	NOTES	31 December 2015	31 December 2014
<b>LIABILITIES</b>			
Borrowings from central bank		5,719,040	6,776,000
Deposits from banks and other financial institutions	32	87,194,599	82,470,939
Placements from banks	33	12,663,055	12,547,414
Financial liabilities designated at fair value through profit or loss	34	–	500,000
Derivative financial liabilities	20	1,510	–
Financial assets sold under repurchase agreements	35	44,899,172	47,284,190
Deposits from customers	36	470,228,193	409,719,844
Accrued staff costs	37	4,025,192	3,482,779
Tax payable		923,596	772,109
Debt securities issued	38	34,846,782	5,000,000
Other liabilities	40	8,016,275	7,487,306
<b>Total liabilities</b>		<b>668,517,414</b>	<b>576,040,581</b>
<b>EQUITY</b>			
Share capital	41	9,300,000	9,300,000
Capital reserve	42	9,201,954	9,201,954
Investment revaluation reserve	43	105,835	36,718
Actuarial changes reserve		(111,729)	(16,157)
Surplus reserve	44	7,798,116	7,079,309
General reserve		8,017,146	6,371,219
Retained earnings		12,451,471	9,452,907
Equity attributable to equity holders of the Bank		46,762,793	41,425,950
Non-controlling interests		1,525,008	1,422,459
<b>Total equity</b>		<b>48,287,801</b>	<b>42,848,409</b>
<b>Total equity and liabilities</b>		<b>716,805,215</b>	<b>618,888,990</b>

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 18 March 2016.



**LIU JIANZHONG**  
CHAIRMAN



**XIE WENHUI**  
EXECUTIVE DIRECTOR  
AND PRESIDENT

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Attributable to equity holders of the Bank							Non-controlling interests	Total	
		Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			
As at 1 January 2015		9,300,000	9,201,954	36,718	(16,157)	7,079,309	6,371,219	9,452,907	41,425,950	1,422,459	42,848,409
Profit for the year		-	-	-	-	-	-	7,223,298	7,223,298	4,549	7,227,847
Other comprehensive income		-	-	69,117	(95,572)	-	-	-	(26,455)	-	(26,455)
Total comprehensive income for the year		-	-	69,117	(95,572)	-	-	7,223,298	7,196,843	4,549	7,201,392
Contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	98,000	98,000
Appropriation to surplus reserve	44	-	-	-	-	718,807	-	(718,807)	-	-	-
Appropriation to general reserve	45	-	-	-	-	-	1,645,927	(1,645,927)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(1,860,000)	(1,860,000)	-	(1,860,000)
As at 31 December 2015		9,300,000	9,201,954	105,835	(111,729)	7,798,116	8,017,146	12,451,471	46,762,793	1,525,008	48,287,801
As at 1 January 2014		9,300,000	9,201,954	(135,945)	43,460	6,394,534	5,497,269	5,950,176	36,251,448	637,857	36,889,305
Profit for the year		-	-	-	-	-	-	6,828,456	6,828,456	(15,398)	6,813,058
Other comprehensive income		-	-	172,663	(59,617)	-	-	-	113,046	-	113,046
Total comprehensive income for the year		-	-	172,663	(59,617)	-	-	6,828,456	6,941,502	(15,398)	6,926,104
Contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	800,000	800,000
Appropriation to surplus reserve	44	-	-	-	-	684,775	-	(684,775)	-	-	-
Appropriation to general reserve	45	-	-	-	-	-	873,950	(873,950)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(1,767,000)	(1,767,000)	-	(1,767,000)
As at 31 December 2014		9,300,000	9,201,954	36,718	(16,157)	7,079,309	6,371,219	9,452,907	41,425,950	1,422,459	42,848,409

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	2015	2014
<b>Cash flows from operating activities</b>			
Profit before tax		9,587,369	9,109,830
Adjustments for:			
Depreciation and amortisation		659,014	581,336
Impairment losses		3,235,980	2,297,229
Interest income arising from debt securities		(8,232,891)	(5,754,776)
Unwinding of discount		(78,388)	(70,374)
Interest expense arising from debt securities issued		847,605	293,011
Net gains on disposal of investment securities		(10,447)	(5,443)
Share of profits of associates		–	(5,295)
Dividends income from investment securities		(5,420)	(7,039)
Net gains on disposal of property and equipment		(25,763)	(47,542)
Net gains on financial assets held for trading		(22,443)	(180,967)
Exchange gains		(29,924)	(6,560)
		<u>5,924,692</u>	<u>6,203,410</u>
Operating cash flows before movements in working capital			
Increase in balances with central bank, deposits with banks and other financial institutions		(13,983,774)	(12,428,505)
Decrease/(Increase) in placements with banks and other financial institutions		22,534,254	(43,079,607)
Decrease in financial assets held under resale agreements		25,962,448	26,433,174
(Increase)/Decrease in financial assets held for trading		(1,056,067)	2,703,859
Increase in loans and advances to customers		(26,920,590)	(37,140,261)
Decrease in financial assets designated at fair value through profit or loss		13,912,146	2,305,642
(Increase)/Decrease in financial assets sold under repurchase agreements		(2,385,018)	10,043,554
Increase in deposits from customers, deposits from banks and other financial institutions		65,232,009	80,750,312
(Decrease)/Increase in borrowings from central bank		(1,056,960)	6,591,000
Increase in placements from banks		115,641	9,759,585
Decrease in financial liabilities designated at fair value through profit or loss		(500,000)	(540,000)
Increase in other operating assets		(127,796)	(640,508)
Increase in other operating liabilities		893,320	949,686
		<u>88,544,305</u>	<u>51,911,341</u>
Cash generated by operating activities			
Income tax paid		(2,602,259)	(2,618,374)
		<u>85,942,046</u>	<u>49,292,967</u>
Net cash flows from operating activities			

## Consolidated Statement of Cash Flows

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	2015	2014
<b>Cash flows from investing activities</b>			
Cash received from disposal and redemption of investment securities		217,172,869	44,405,109
Cash received from disposal of property and equipment and other assets		109,676	427,603
Cash paid for purchase of investment securities		(308,723,943)	(78,201,986)
Cash paid for purchase of property and equipment and other assets		(1,621,897)	(1,630,919)
Interest income received from investment securities		7,924,615	4,904,501
Dividends income from investment securities		5,420	7,039
Net cash flows used in investing activities		<u>(85,133,260)</u>	<u>(30,088,653)</u>
<b>Cash flows from financing activities</b>			
Contribution from non-controlling shareholders		98,000	800,000
Debt securities issued		51,858,178	5,000,000
Redemption of bonds issued		(22,540,000)	(2,300,000)
Dividends paid to shareholders of the Bank		(1,855,987)	(1,765,746)
Interest paid on debt securities issued		(319,000)	(126,500)
Cash paid for transaction cost of debt securities issued		–	(13,250)
Net cash flows from financing activities		<u>27,241,191</u>	<u>1,594,504</u>
<b>Net increase in cash and cash equivalents</b>		<b>28,049,977</b>	<b>20,798,818</b>
Cash and cash equivalents as at 1 January		55,083,187	34,280,325
Effect of foreign exchange rate changes		76,541	4,044
<b>Cash and cash equivalents as at 31 December</b>	47	<u><b>83,209,705</b></u>	<u><b>55,083,187</b></u>
<b>Net interest received from operating activities</b>			
Net cash from operating activities include:			
Interest received		26,851,081	26,855,973
Interest paid		(14,832,300)	(13,681,936)
<b>Net interest received from operating activities</b>		<u><b>12,018,781</b></u>	<u><b>13,174,037</b></u>

The accompanying notes form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

## 1. GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in the People’s Republic of China (“PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

Pursuant to the promoters’ agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank.

The Bank was listed on The Stock Exchange of Hong Kong Limited on 16 December 2010.

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the “CBRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise the provision of financial services, which includes deposits taking, lending, payment settlement services, financial leasing and other services as approved by the CBRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiaries.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

### (a) New standards, amendments and interpretations adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendments to IAS 19, “Employee contributions”. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The amendment will allow (but not require) many entities to continue accounting for employee contributions using their existing accounting policy, rather than spreading them over the employees’ working lives. The adoption of these amendments does not have a significant impact on the Group’s consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

#### (a) New standards, amendments and interpretations adopted by the Group (Continued)

The Annual Improvements to IFRSs 2010 – 2012 Cycle include a number of amendments to various IFRSs, mainly contains that: the amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS32, 'Financial instruments: Presentation'; the amendment clarifies that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss; the amendment requires that disclosure of the judgements made by management in aggregating operating segments; the IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases; the amendment clarifies how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model, in which the carrying amount of the asset is restated to the revalued amount; the amendment amends "Related party disclosure", an entity that provides key management personnel services to the reporting entity or to the parent of reporting entity ("the management entity") is included as a related party. The adoption of these amendments does not have a significant impact on the Group's consolidated financial statements.

The Annual Improvements to IFRSs 2011 – 2013 Cycle include a number of amendments to various IFRSs, mainly contains that: the amendment clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11, and also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself; the amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis; the amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive. The adoption of these amendments does not have a significant impact on the Group's consolidated financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to the presentation and disclosures of certain information in the consolidated financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

#### (b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those as set out below:

Amendments to IAS 1, “Presentation of financial statements”, clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statement and the disclosure of accounting policies. The adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.

IFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit and loss. The basis of classification depends on the Group’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess full impact of IFRS9.

The IASB has amended IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investment in Associates and Joint Ventures”. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

#### (b) New standards, amendments and interpretations not yet adopted (Continued)

The IASB has amended IFRS 11 “Joint Arrangements” provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

IFRS 14, “Regulatory deferral accounts”. This standard as transition rules specifies the accounting for certain balances that arise from rate-regulated activities (regulatory deferral accounts). This standard is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, and impairment and de-recognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.

IFRS 15, “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16, “Leasing” requires lessees to recognise a lease liability reflecting future lease payments and a “right-of-use asset” for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease and sub-lease, as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard. At least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group is assessing the impact of IFRS 16.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

#### (b) New standards, amendments and interpretations not yet adopted (Continued)

The IASB has amended IAS 27 “Separate Financial Statements”. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of this new amendment will not have a significant impact on the Group’s consolidated financial statements.

The Annual Improvements to IFRSs 2012 – 2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5, “Non-current Assets Held for Sale and Discontinued Operations” regarding methods of disposal, the amendments to IFRS 7, “Financial Instruments: Disclosures regarding servicing contracts”, the amendments to IAS 19 Employee Benefits regarding discount rates, the amendments to IAS 34 Interim Financial Reporting regarding disclosure of information. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Bank is in the process of making an assessment of expected impact of the changes on the financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and are prepared in accordance with the relevant requirements recorded in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Appendix 16 Disclosure of Financial Information, and the requirements related to disclosure recorded in New Hong Kong Companies Ordinance (Cap.622), for this financial year and the comparative period.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 54.

The principal accounting policies are set out below.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and subsidiaries (including structured entities) controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Consolidated structured entities

The unguaranteed wealth management products controlled by the Group are presented in the consolidated statement of financial position. In accordance with IFRS 9 “Financial Instruments”, the financial assets and liabilities held by the wealth management products are properly classified, according to the criteria, such as the objective and intention of holding, whether there is a quoted price in active market, cash flows of financial instruments, and so forth. The fair value of unguaranteed wealth management products of consolidated structured entities is measured in accordance with IFRS 13 “Fair Value Measurement”. Normally, the cost of initial recognition of financial instrument is not up to the requirement of subsequent measurement of fair value, unless there are sufficient evidences or reasons illustrating that the cost is still the proper estimate of fair value on the date of measurement.

On the financial reporting date, the Group assesses whether there is objective evidence of impairment of consolidated structured entities’ unguaranteed wealth management products, except the financial assets held for trading. The amount by which the carrying amount exceeds recoverable amount of consolidated structured entities’ unguaranteed wealth management products is recognised as impairment loss. Recoverable amount of consolidated structured entities’ unguaranteed wealth management products is the higher of its fair value less costs of disposal and its value in use.

#### Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments in associates (Continued)

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale is accounted for using the equity method.

The difference between the carrying amount of the associate at the date, and the fair value of any retained interest and the proceeds from disposing of such interest (or partial interest) in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the Group loses significant influence over the investee.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement of the previously held interest or the retained interest to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When an entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the Bank's statement of financial position, its investment in an associate is stated at cost, less impairment losses, if any.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting. The chief operating decision-maker allocates resources and assesses performance of the operating segments, according to the segment reporting.

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Specific recognition criteria for different nature of revenue are disclosed below.

#### *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the 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 on initial recognition. When calculating the effective interest rate, the Group estimates cash flows after considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

##### *Interest income and expense (Continued)*

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### *Fee and commission income*

The Group earns fee and commission income from a range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are accrued over that period when the services are rendered. For other services, fee and commission income are recognised when the transactions are completed.

##### *Dividend income*

Dividend income from investments is recognised when the Group's right to receive payment is established.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Employee benefits

In the period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

#### *Social welfare*

Social welfare expenditure refers to payments for employees' social welfare system established by the Government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the year in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant periods.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Employee benefits (Continued)

##### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

The Group provides supplementary retirement benefits to its employee classified as defined benefit retirement plans. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in equity and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "Operating expenses". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

##### *Early retirement benefits*

The Group provides early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of early retirement benefits are calculated by an independent actuary using the projected unit credit method at the end of the reporting period. All resulting gains or losses are charged or credited to profit or loss immediately as "Operating expenses" when they occur.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the year in which they become receivable.

#### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### *Financial assets*

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### Held-to-maturity investments

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

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

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

##### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

##### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

##### Impairment of financial assets carried at amortised cost

For all other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

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

##### Impairment of financial assets carried at amortised cost (Continued)

- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. 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 of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

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

##### Impairment of financial assets carried at amortised cost (Continued)

The carrying amount of the financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### Impairment of available-for-sale financial assets

A decline in the fair value of an available-for-sale financial asset is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. Where there is objective evidence that asset is impaired, the cumulative loss that had been recognised directly in the investment revaluation reserve is reclassified to profit or loss.

Impairment loss on available-for-sale equity investments at fair value is not reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

##### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

The criteria for a financial liability to be classified as held for trading and designated at FVTPL are the same as those for a financial asset to be classified as held for trading and designated at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

##### *Other financial liabilities*

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

##### *Equity instruments*

Equity instruments issued by the Group for cash are recorded at the proceeds received, net of direct issue costs.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Derivative financial instruments and hedging*

Derivative financial instruments, including foreign currency forward, etc. are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives).

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

##### Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualified as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### *Offsetting financial assets and financial liabilities*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 “Revenue”.

##### *Repurchase agreements and agreements to resell*

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded as “available-for-sale financial assets”, “debt securities classified as receivables”, “held-to-maturity investments” or “loans and advances to customers” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”.

The difference between purchase and sales price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Estimated useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	3%	4.85%
Electronic equipment	5 years	3%	19.40%
Motor vehicles	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and other directly attributable costs. Such properties are classified to the appropriate category of property and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over their authorised useful lives.

#### Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

Any gain or loss arising from disposal of the foreclosed asset is included in profit or loss in the year in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at carrying amount.

#### Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Group as lessor*

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the “net lease investment”) is recorded in the consolidated statement of financial position as Loans and Advances to Customers. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, amortizing over the term of the lease using the effective interest method and recognised in the consolidated statement of profit or loss. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognised as the Group’s property and equipment. Rental income from operating leases is recognised as Other Operating Income in the consolidated statement of profit or loss on a straight-line basis over the term of the related lease.

##### *The Group as lessee*

When the Group is a lessee under finance leases, the leased assets are capitalised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in Other Liabilities. Finance charges are charged over the term of the lease using the effective interest method and recognised in the consolidated statement of profit or loss. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

When the Group is the lessee in an operating lease, operating lease payments are recognised as an expense and charged to Operating Expenses in the consolidated statement of profit or loss on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as expenses in the periods in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are considered in determining the amount to be recognised over the lease term.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fiduciary activities

The Group commonly acts as appointees, trustees, agents and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

#### Intangible assets

##### *Intangible assets acquired separately*

Intangible assets acquired separately with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currency translation

##### *Functional and presentation currency*

The consolidated financial statements are presented in Renminbi (RMB), which is the Bank's functional and the Group's presentation currency.

##### *Transactions and balances*

Transactions in currencies other than the functional currency of the Bank (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gains or losses. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the directors of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and/or in the next twelve months.

#### Impairment on financial assets

The Group reviews its loan portfolio, debt securities and other debt instruments issued by financial institutions to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio. When the decrease may not have been identified individually or the individual financial asset is not significant, the Group uses estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### Held-to-maturity investments

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 were classified as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of assets as available-for-sale financial assets.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Fair value of financial instruments

The directors of the Bank use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as the credit risk of the Group and counterparties, volatilities and correlations require the Group to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

#### Supplementary retirement benefit and early retirement benefit obligation

The Group recognises liabilities in connection with retirement benefits of employees using the projected unit credit method based on various assumptions, including the discount rate and average medical expense increase rate for early retirement and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of other comprehensive income for supplementary retirement benefit obligation and expense recognised in profit or loss for early retirement benefit obligation, and the corresponding liabilities.

#### Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the year during which such a determination is made.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 5. NET INTEREST INCOME

	2015	2014
<b>Interest income</b>		
Loans and advances to customers	17,332,900	16,057,882
Including: Corporate loans and advances	10,108,865	9,069,426
Retail loans and advances	6,671,756	6,707,462
Discounted bills	552,279	280,994
Debt securities classified as receivables	5,032,097	2,771,524
Placements with banks and other financial institutions	3,863,614	3,046,599
Held-to-maturity investments	3,044,724	2,668,910
Financial assets held under resale agreements	2,512,401	4,702,971
Deposits with banks and other financial institutions	1,432,374	950,516
Balances with central bank	1,189,007	1,158,123
Financial assets designated at fair value through profit or loss	599,656	1,287,655
Available-for-sale financial assets	156,070	314,342
Financial assets held for trading	36,356	136,272
Subtotal	<u>35,199,199</u>	<u>33,094,794</u>
<b>Interest expense</b>		
Deposits from customers	(9,566,449)	(8,388,444)
Deposits from banks and other financial institutions	(2,402,693)	(3,534,743)
Financial assets sold under repurchase agreements	(1,464,921)	(2,208,128)
Debt securities issued	(847,605)	(293,011)
Placements from banks	(616,961)	(240,094)
Borrowings from central bank	(134,091)	(81,658)
Subtotal	<u>(15,032,720)</u>	<u>(14,746,078)</u>
Net interest income	<u>20,166,479</u>	<u>18,348,716</u>
Included: interest income from impaired financial assets (Note 22.(3))	<u>78,388</u>	<u>70,374</u>
Included in interest income		
Interest income on listed investments	4,870,731	3,865,671
Interest income on unlisted investments	3,998,172	3,313,032
	<u>8,868,903</u>	<u>7,178,703</u>

Listed investments include debt securities traded on the China Domestic Interbank Bond Market and stock exchanges.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 6. NET FEE AND COMMISSION INCOME

	2015	2014
<b>Fee and commission income</b>		
Wealth management fees	761,514	514,582
Bank card fees	378,249	286,516
Agency service fees	218,491	182,680
Settlement and clearing fees	115,701	64,000
Custodian and other fiduciary service fees	25,106	19,713
Others	76,420	75,822
	<u>1,575,481</u>	<u>1,143,313</u>
Subtotal		
<b>Fee and commission expense</b>		
Bank card fees	(55,667)	(46,503)
Settlement and clearing fees	(17,926)	(19,063)
Others	(6,944)	(8,102)
	<u>(80,537)</u>	<u>(73,668)</u>
Subtotal		
Total	<u>1,494,944</u>	<u>1,069,645</u>

### 7. NET TRADING GAINS

	2015	2014
Net gains on held-for-trading debt securities	<u>19,759</u>	<u>239,990</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 8. OTHER OPERATING INCOME, NET

	2015	2014
Government subsidies	81,849	45,038
Credit card overdue charges	31,808	3,152
Net foreign exchange gains	29,924	6,776
Net gains on disposal of property and equipment	25,763	47,542
Rental income	11,860	14,617
Penalty and compensation income	11,519	10,379
Net gains on disposal of foreclosed assets	6,464	1,524
Dividends income	5,420	7,039
Others	3,203	2,724
	<u>207,810</u>	<u>138,791</u>

### 9. OPERATING EXPENSES

	<i>Note</i>	2015	2014
Staff costs	(1)	5,155,612	4,917,872
Business tax and surcharges		1,483,749	1,323,974
General operating and administrative expenses		1,412,689	1,249,840
Depreciation and amortisation		659,014	581,336
Auditors' remuneration		4,200	4,033
Others		360,826	323,766
		<u>9,076,090</u>	<u>8,400,821</u>

(1) Staff costs

	2015	2014
Salaries, bonuses and allowances	3,524,259	3,278,761
Social insurance	726,789	792,863
Housing funds	344,545	298,528
Staff welfare	131,803	107,788
Labour union fees and staff education expenses	120,646	111,502
Supplementary retirement benefits ( <i>Note 37</i> )	204,210	282,950
Early retirement benefits ( <i>Note 37</i> )	103,360	45,480
	<u>5,155,612</u>	<u>4,917,872</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows.

#### THE GROUP

Name	2015			Total
	Fees	Paid basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	
<b>Executive directors</b>				
Liu Jianzhong	–	693	80	773
Xie Wenhui	–	698	80	778
<b>Non-executive directors</b>				
He Zhiming <sup>(1)</sup>	10	–	–	10
Sun Lida	60	–	–	60
Duan Xiaohua	60	–	–	60
Chen Xiaoyan <sup>(1)</sup>	10	–	–	10
Wen Honghai	60	–	–	60
Zheng Haishan <sup>(1)</sup>	10	–	–	10
<b>Independent non-executive directors</b>				
Sun Leland Li Hsun	120	–	–	120
Yin Mengbo	120	–	–	120
Yuan Zengting	120	–	–	120
Cao Guohua	120	–	–	120
<b>Supervisors</b>				
Ni Yuemin <sup>(2)</sup>	–	519	60	579
Zeng Jianwu	50	–	–	50
Zuo Ruilan	50	–	–	50
Wang Hong	80	–	–	80
Hu Shuchun	80	–	–	80
Pan Like	80	–	–	80
Zheng Yi	–	1,277	80	1,357
Zhu Yuzhou	–	1,100	80	1,180
<b>Non-executive directors resigned</b>				
Tao Jun <sup>(3)</sup>	30	–	–	30
Wang Yongshu <sup>(3)</sup>	30	–	–	30
Gao Xiaodong <sup>(3)</sup>	30	–	–	30
Li Zuwei <sup>(4)</sup>	60	–	–	60
<b>Independent non-executive directors resigned</b>				
Li Yao <sup>(4)</sup>	120	–	–	120
<b>Supervisors resigned</b>				
Yang Mingping <sup>(5)</sup>	–	–	–	–
<b>Total</b>	<b>1,300</b>	<b>4,287</b>	<b>380</b>	<b>5,967</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows. (Continued)

#### THE GROUP (Continued)

Name	2014			Total
	Fees	Paid basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	
<b>Executive directors</b>				
Liu Jianzhong	–	1,218	86	1,304
Xie Wenhui	–	708	86	794
<b>Non-executive directors</b>				
Tao Jun	60	–	–	60
Wang Yongshu	60	–	–	60
Wen Honghai	60	–	–	60
Gao Xiaodong	60	–	–	60
Duan Xiaohua	25	–	–	25
Li Zuwei	25	–	–	25
Sun Lida	15	–	–	15
<b>Independent non-executive directors</b>				
Sun Leland Li Hsun	120	–	–	120
Yin Mengbo	120	–	–	120
Li Yao	10	–	–	10
Yuan Zengting	10	–	–	10
Cao Guohua	10	–	–	10
<b>Supervisors</b>				
Yang Mingping	–	–	6	6
Zeng Jianwu	50	–	–	50
Zuo Ruilan	50	–	–	50
Zheng Xi	–	1,207	86	1,293
Zhu Yuzhou	–	902	86	988
Wang Hong	13	–	–	13
Pan Like	13	–	–	13
Hu Shuchun	13	–	–	13
<b>Non-executive directors resigned</b>				
Wu Xiufeng	15	–	–	15
Hua Yusheng	25	–	–	25
<b>Independent non-executive directors resigned</b>				
Wu Qing	110	–	–	110
Chen Zhengsheng	110	–	–	110
Liu Weili	110	–	–	110
<b>Supervisors resigned</b>				
Dong Yunling	67	–	–	67
Chen Huiming	67	–	–	67
Zhang Xinyu	67	–	–	67
Shi Bentong	67	–	–	67
<b>Total</b>	<b>1,352</b>	<b>4,035</b>	<b>350</b>	<b>5,737</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows. (Continued)

#### THE GROUP (Continued)

- (1) Mr. He Zhiming, Ms. Chen Xiaoyan and Mr. Zheng Haishan commenced their positions as non-executive directors of the Bank from November 2015.
- (2) Ms. Ni Yuemin commenced her position as chairman of Board of Supervisors from April 2015.
- (3) In June 2015, Mr. Tao Jun, Mr. Wang Yongshu, and Mr. Gao Xiaodong resigned as non-executive directors of the Bank as they reached the age of retirement.
- (4) In December 2015, Mr. Li Zuwei and Mr. Li Yao resigned as a non-executive director and independent non-executive director of the Bank, respectively.
- (5) In April 2015, Ms. Yang Mingping resigned her position as chairman of Board of Supervisors.

The total compensation packages for the directors, supervisors and senior management are determined based on the performances.

In accordance with regulations authorised by relevant authorities in the PRC, the compensation package for certain directors and supervisors for the current year have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group for the year ended 31 December 2015. The amount of final remuneration will be announced after approval.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

#### Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors.

The emoluments payable to the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2015	2014
Basic salaries, bonuses and allowances	10,739	8,289
Contributions to pension schemes	<u>371</u>	<u>559</u>
Total	<u><u>11,110</u></u>	<u><u>8,848</u></u>

Emoluments of the individuals were within the following bands:

	Number of individuals	
	2015	2014
RMB1,000,001 – RMB2,000,000	1	4
RMB2,000,001 – RMB3,000,000	<u>4</u>	<u>1</u>

During the years ended 31 December 2015 and 2014, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during both years.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 11. IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2015	2014
Loans and advances to customers		
Provisions	2,978,251	1,872,873
Recovery of loans	—	(31,854)
Subtotal	<u>2,978,251</u>	<u>1,841,019</u>
Held-to-maturity investments	(3,781)	248,660
Debt securities classified as receivables	261,360	226,160
Available-for-sale investments	—	(18,610)
Other receivables	<u>150</u>	<u>—</u>
Total	<u><u>3,235,980</u></u>	<u><u>2,297,229</u></u>

### 12. INCOME TAX EXPENSE

#### (1) Income tax expense

	2015	2014
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	2,753,746	2,618,374
Deferred tax (Note 39)	<u>(394,224)</u>	<u>(321,602)</u>
Total	<u><u>2,359,522</u></u>	<u><u>2,296,772</u></u>

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the current and prior years.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 12. INCOME TAX EXPENSE (Continued)

#### (2) Reconciliation between income tax expense and accounting profit:

	<i>Note</i>	2015	2014
Profit before tax		<u>9,587,369</u>	<u>9,109,830</u>
Tax calculated at applicable statutory tax rate of 25%		2,396,842	2,277,458
Difference of income tax calculated at applicable statutory tax rate of 15%		(14,618)	–
Tax effect of expenses not deductible for tax purpose		75,780	121,198
Tax effect of income not taxable for tax purpose	(i)	<u>(98,482)</u>	<u>(101,884)</u>
Income tax expense		<u><u>2,359,522</u></u>	<u><u>2,296,772</u></u>

- (i) Income not taxable for tax purpose mainly represents interest income arising from treasury bonds, which is tax free in accordance with the PRC tax regulations.

### 13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	2015	2014
Earnings:		
Profit for the year attributable to equity holders of the Bank	<u>7,223,298</u>	<u>6,828,456</u>
Numbers of shares:		
Weighted average number of shares in issue ( <i>thousand</i> )	<u>9,300,000</u>	<u>9,300,000</u>
Basic and diluted earnings per share ( <i>RMB Yuan</i> )	<u><u>0.78</u></u>	<u><u>0.73</u></u>

There were no potential dilutive ordinary shares outstanding during the current and prior years. Accordingly, diluted earnings per share were same as basic earnings per share.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 14. DIVIDENDS

	2015	2014
Dividends recognised as distribution during the year		
2014 Final – RMB20 cents per share	1,860,000	–
2013 Final – RMB19 cents per share	–	1,767,000

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2015 with a total of RMB1,860 million has been proposed by the directors on 18 March 2016 and is subject to the approval by the shareholders in the forthcoming annual general meeting.

A final dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2014 with a total of RMB1,860 million was approved by the 2014 annual general meeting held on 19 June 2015.

### 15. CASH AND BALANCES WITH CENTRAL BANK

#### THE GROUP

	<i>Notes</i>	As at 31 December 2015	As at 31 December 2014
Cash		3,628,717	3,526,976
Mandatory reserve deposits with central bank	(1)	66,814,035	71,310,833
Surplus reserve deposits with central bank	(2)	6,562,408	3,094,521
Other deposits with central bank	(3)	1,495,118	1,401,849
Total		78,500,278	79,334,179

- (1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at 31 December 2015, mandatory reserve deposits with the PBOC were calculated at 14% (31 December 2014: 17.5%) of eligible RMB deposits of the Bank, while for the subsidiaries were at 9.5%, 8.5% or 7.5% (31 December 2014: 14% or 13%); and 5% for foreign currency deposits from customers (31 December 2014: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.
- (3) This mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Deposits with:		
Domestic banks and other financial institutions	44,321,584	28,124,256
Overseas banks	<u>442,917</u>	<u>125,294</u>
Total	<u>44,764,501</u>	<u>28,249,550</u>

### 17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Placements with:		
Other domestic financial institutions	65,215,649	71,543,784
Domestic banks	<u>8,784,935</u>	<u>4,429,984</u>
Total	<u>74,000,584</u>	<u>75,973,768</u>

### 18. FINANCIAL ASSETS HELD FOR TRADING

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Debt securities issued by:		
Public sector and quasi-governments	1,068,587	–
Corporations	<u>178,025</u>	<u>168,102</u>
Total	<u>1,246,612</u>	<u>168,102</u>

All held-for-trading debt securities are traded on the China Interbank Bond Market.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 19. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Unlisted debt instruments issued by financial institutions	2,909,700	16,321,846
Principal guaranteed wealth management products	<u>—</u>	<u>500,000</u>
Total	<u><u>2,909,700</u></u>	<u><u>16,821,846</u></u>

There were no significant changes in the fair value of the debt instruments that were attributable to changes in the credit risk during the year ended 31 December 2015 and 31 December 2014.

### 20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

#### THE GROUP

	As at 31 December 2015			As at 31 December 2014		
	Contract/ Nominal amount	Assets	Liabilities	Contract/ Nominal amount	Assets	Liabilities
Currency forward	<u>1,109,739</u>	<u>1,510</u>	<u>(1,510)</u>	<u>—</u>	<u>—</u>	<u>—</u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### THE GROUP

	<i>NOTE</i>	As at 31 December 2015	As at 31 December 2014
Analysed by collated types:			
Bills		20,998,582	16,337,743
Trust beneficial rights and assets management plans	(1)	12,727,921	38,305,836
Debt securities		822,800	–
Total		<u>34,549,303</u>	<u>54,643,579</u>

(1) The underlying investments were debt instruments with fixed or determinable return and fixed maturity.

### 22. LOANS AND ADVANCES TO CUSTOMERS

#### (1) Analysis of loans and advances to customers

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Gross loans and advances	268,585,699	242,197,910
Less: Allowance for impairment losses		
– Collectively assessed	(10,377,498)	(8,017,304)
– Individually assessed	<u>(667,294)</u>	<u>(660,425)</u>
Allowance for impairment losses	<u>(11,044,792)</u>	<u>(8,677,729)</u>
Net loans and advances to customers	<u>257,540,907</u>	<u>233,520,181</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysis of allowance for impairment losses by collective and individual assessments

##### THE GROUP

	Loans and advances for which allowance is collectively assessed <sup>(a)</sup>	Identified impaired loans and advances <sup>(b)</sup>			Sub-total	Total	Identified impaired loans and advances as a % of total gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed				
As at 31 December 2015							
Gross loans and advances	265,956,203	1,399,681	1,229,815	2,629,496	268,585,699		0.98
Allowance for impairment losses	(9,282,478)	(1,095,020)	(667,294)	(1,762,314)	(11,044,792)		
Loans and advances to customers, net	<u>256,673,725</u>	<u>304,661</u>	<u>562,521</u>	<u>867,182</u>	<u>257,540,907</u>		
As at 31 December 2014							
Gross loans and advances	240,310,599	601,694	1,285,617	1,887,311	242,197,910		0.78
Allowance for impairment losses	(7,574,300)	(443,004)	(660,425)	(1,103,429)	(8,677,729)		
Loans and advances to customers, net	<u>232,736,299</u>	<u>158,690</u>	<u>625,192</u>	<u>783,882</u>	<u>233,520,181</u>		

- (a) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (b) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (3) Movements of allowance for impairment losses

##### THE GROUP

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2015	660,425	8,017,304	8,677,729
Charge for the year	735,639	6,994,544	7,730,183
Reversal for the year	(264,791)	(4,487,141)	(4,751,932)
Written off	(412,458)	(120,342)	(532,800)
Unwinding of discount	(51,521)	(26,867)	(78,388)
As at 31 December 2015	<u>667,294</u>	<u>10,377,498</u>	<u>11,044,792</u>
As at 1 January 2014	355,341	6,662,050	7,017,391
Charge for the year	710,196	4,320,149	5,030,345
Reversal for the year	(252,371)	(2,905,101)	(3,157,472)
Written off	(106,334)	(35,827)	(142,161)
Unwinding of discount	(46,407)	(23,967)	(70,374)
As at 31 December 2014	<u>660,425</u>	<u>8,017,304</u>	<u>8,677,729</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

#### THE GROUP

	NOTES	As at 31 December 2015	As at 31 December 2014
Debt securities issued by:			
Corporations		12,184,264	12,814,760
Financial institutions		142,018	509,011
Subtotal		12,326,282	13,323,771
Equity instruments			
At cost	(1)	113,563	8,000
At fair value		61,778	56,242
Subtotal		175,341	64,242
Total		12,501,623	13,388,013
Analysed as:			
Listed outside Hong Kong	(2)	12,326,282	13,323,771
Listed in Hong Kong		61,778	56,242
Unlisted		113,563	8,000
Total		12,501,623	13,388,013

(1) The unlisted equity securities are measured at cost because their fair values cannot be reliably measured.

(2) All available-for-sale debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 24. HELD-TO-MATURITY INVESTMENTS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Debt securities issued by:		
Corporations	23,505,481	23,856,716
Public sector and quasi-governments	22,849,476	26,473,629
Government bonds	12,299,976	7,539,287
Financial institutions	<u>5,304,040</u>	<u>5,286,792</u>
Subtotal	<u>63,958,973</u>	<u>63,156,424</u>
Less: Collectively assessed allowance for impairment losses	<u>(309,389)</u>	<u>(313,170)</u>
Total	<u><u>63,649,584</u></u>	<u><u>62,843,254</u></u>

All held-to-maturity investments are traded on the China Domestic Interbank Bond Market.

#### Movements of allowance for impairment losses:

#### THE GROUP

	Collectively assessed allowance	Total
As at 1 January 2015	313,170	313,170
Provisions	<u>(3,781)</u>	<u>(3,781)</u>
As at 31 December 2015	<u><u>309,389</u></u>	<u><u>309,389</u></u>
	Collectively assessed allowance	Total
As at 1 January 2014	64,510	64,510
Provisions	<u>248,660</u>	<u>248,660</u>
As at 31 December 2014	<u><u>313,170</u></u>	<u><u>313,170</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

#### THE GROUP

	NOTES	As at 31 December 2015	As at 31 December 2014
Debt instruments issued by financial institutions	(1)	111,643,474	26,903,412
Corporate bonds		20,216,142	14,474,442
Financial institution bonds		1,275,371	963,243
Government bonds		1,087,000	–
Debt securities issued by public sector and quasi-governments		–	48,255
Subtotal		<u>134,221,987</u>	<u>42,389,352</u>
Less: Collectively assessed allowance for impairment losses		<u>(1,145,860)</u>	<u>(884,500)</u>
Total		<u>133,076,127</u>	<u>41,504,852</u>
Analysed as:			
Unlisted		110,762,496	26,206,632
Listed outside Hong Kong	(2)	<u>22,313,631</u>	<u>15,298,220</u>
Total		<u>133,076,127</u>	<u>41,504,852</u>

- (1) The debt instruments issued by financial institutions are non-callable before maturity with fixed interest rate and not quoted in an active market.
- (2) Debt securities classified as receivables include bonds with fixed or determinable payments that are not quoted in an active market. They are traded on the China Domestic Interbank Bond Market, and are included in “Listed outside Hong Kong”.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES (Continued)

#### Movements of allowance for impairment losses:

##### THE GROUP

	Collectively assessed allowance	Total
As at 1 January 2015	884,500	884,500
Provisions	<u>261,360</u>	<u>261,360</u>
As at 31 December 2015	<u><u>1,145,860</u></u>	<u><u>1,145,860</u></u>
	Collectively assessed allowance	Total
As at 1 January 2014	658,340	658,340
Provisions	<u>226,160</u>	<u>226,160</u>
As at 31 December 2014	<u><u>884,500</u></u>	<u><u>884,500</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 26. INVESTMENT IN SUBSIDIARIES

As at 31 December 2015, details of the Bank's subsidiaries are set out below.

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital	Proportion of equity interest	Proportion of voting power in the board of directors	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23 April 2010	Jiangsu	RMB200 million	51.00	51.00	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12 November 2010	Sichuan	RMB100 million	51.00	51.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14 December 2010	Yunnan	RMB200 million	51.00	51.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	4 December 2012	Yunnan	RMB100 million	51.00	51.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	9 January 2013	Yunnan	RMB100 million	51.00	51.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	9 January 2013	Guangxi	RMB100 million	51.00	51.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	4 February 2013	Fujian	RMB100 million	51.00	51.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	5 February 2013	Fujian	RMB200 million	51.00	51.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23 April 2013	Yunnan	RMB62 million	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	9 August 2013	Fujian	RMB100 million	51.00	51.00	Banking
CQRC Financial Leasing Co., Ltd. <sup>(2)</sup>	19 December 2014	Chongqing	RMB2,500 million	68.00	68.00	Financial Leasing
Fujian Shishi CQRC Village and Township Bank Co., Ltd. <sup>(1)</sup>	2 September 2015	Fujian	RMB200 million	51.00	51.00	Banking



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 26. INVESTMENT IN SUBSIDIARIES (Continued)

- (1) Fujian Shishi CQRC Village and Township Bank Co., Ltd. was established on 2 September 2015, with registered capital of RMB200 million. The Bank holds 51% of its equity. The main business scope includes deposit taking, short-term, medium-term, long-term loan lending, domestic settlement, acceptance and discounting of bills, interbank lending, bank card business, issuing agency, payment agency, trading of government bonds, proxy fund receipts and payments, agency insurance service, and other businesses as approved by the banking regulatory authority.
- (2) CQRC Financial Leasing Co., Ltd. was established on 19 December 2014, with registered capital of RMB2,500 million. The Bank holds 68% of its equity. The business scope of CQRC Financial Leasing Co., Ltd. includes financial leasing, transferring financial leasing assets, investing in fixed income securities, taking lessees' security deposits, accepting non-bank investors' fixed deposits (no less than three months), interbank lending, borrowings from financial institutions, overseas borrowings, financial leasing assets disposals and provision of consulting services.

From the establishment date to the reporting date, the proportion of equity interest and proportion of voting power of the board of directors remained the same as above.

As at 31 December 2015 and 2014, the amount of non-controlling interests in the subsidiaries is not material to the Group. Hence no further information is presented.

There are no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 27. INTEREST IN ASSOCIATE

In 2012, pursuant to CBRC's approval (Yin Jian Fu [2011] No.518), the Bank participated in the establishment of Chongqing Auto Finance Co., Ltd. ("CAF") and contributed capital of RMB100 million, representing 20% equity interest in CAF. The voting power of the Bank in CAF is the same as its equity interest. CAF is incorporated in Chongqing, with registered capital of RMB500 million, and its principal business activity is auto financing business.

Starting from March 2015, the Bank has no significant influence on CAF, due to dilution of interest with additional capital contribution by other shareholders.

Details of the Group's interests in associates are as follows:

	At 31 December 2015	At 31 December 2014
Cost of investment in associates:		
Unlisted	–	100,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	–	5,563
	<u>–</u>	<u>105,563</u>

Summarised financial information of the CAF is set out below:

	At 31 December 2015	At 31 December 2014
Assets	N/A	1,486,494
Liabilities	N/A	958,677
Net assets	N/A	527,817
	<u>2015</u>	<u>2014</u>
Profit before tax	N/A	32,027
Net profit	N/A	26,475

At 31 December 2014, the net assets of CAF is RMB527.82 million, of which RMB105.56 million is the investment income recognised by the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 28. PROPERTY AND EQUIPMENT

#### THE GROUP

	Buildings	Electronic equipments	Motor vehicles	Furniture and fixtures	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2014	3,272,706	723,460	105,378	419,471	592,157	5,113,172
Additions	92,333	223,550	16,066	152,404	1,198,792	1,683,145
Transferred in	821,425	1,627	–	4,473	(827,525)	–
Transferred to other assets	–	–	–	–	(164,265)	(164,265)
Disposals	(129,769)	(88,189)	(8,944)	(52,511)	–	(279,413)
As at 31 December 2014	4,056,695	860,448	112,500	523,837	799,159	6,352,639
Additions	365,663	148,032	8,991	154,156	864,850	1,541,692
Transferred in	604,974	36,634	–	2,430	(644,038)	–
Transferred to other assets	–	–	–	–	(77,171)	(77,171)
Disposals	(10,685)	(26,563)	(7,720)	(18,648)	–	(63,616)
As at 31 December 2015	5,016,647	1,018,551	113,771	661,775	942,800	7,753,544
<b>Accumulated depreciation</b>						
As at 1 January 2014	(964,945)	(353,122)	(54,343)	(166,551)	–	(1,538,961)
Charge for the year	(286,937)	(131,317)	(16,218)	(86,942)	–	(521,414)
Disposals	13,828	27,504	6,759	12,557	–	60,648
As at 31 December 2014	(1,238,054)	(456,935)	(63,802)	(240,936)	–	(1,999,727)
Charge for the year	(334,350)	(144,159)	(16,276)	(104,447)	–	(599,232)
Disposals	9,485	24,796	5,305	17,026	–	56,612
As at 31 December 2015	(1,562,919)	(576,298)	(74,773)	(328,357)	–	(2,542,347)
<b>Carrying amount</b>						
As at 31 December 2015	3,453,728	442,253	38,998	333,418	942,800	5,211,197
As at 31 December 2014	2,818,641	403,513	48,698	282,901	799,159	4,352,912

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 28. PROPERTY AND EQUIPMENT (Continued)

The carrying amounts of buildings are located on land use rights with the following remaining leases terms:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Held in the PRC		
over 50 years	12,921	13,768
10-50 years	2,601,532	1,857,487
less than 10 years	<u>839,275</u>	<u>947,386</u>
Total	<u><u>3,453,728</u></u>	<u><u>2,818,641</u></u>

The land use rights are under long or medium term leases.

### 29. GOODWILL

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Cost and carrying amount	<u><u>440,129</u></u>	<u><u>440,129</u></u>

Particulars regarding impairment testing on goodwill are disclosed in Note 30.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 30. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note 29 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2015 and 31 December 2014 allocated to these units are as follows:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	<u>97,176</u>	<u>97,176</u>
Total	<u><u>440,129</u></u>	<u><u>440,129</u></u>

During the years ended 31 December 2015 and 31 December 2014, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill, as the recoverable amount is higher than the carrying amount and no impairment is considered necessary.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 8.00% at 31 December 2015 and 8.52% at 31 December 2014. The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 31. OTHER ASSETS

#### THE GROUP

	NOTES	As at 31 December 2015	As at 31 December 2014
Interest receivable	(1)	4,602,529	4,179,026
Land use rights	(2)	485,078	494,440
Foreclosed assets	(3)	113,357	118,086
Intangible assets	(4)	71,201	50,506
Others	(5)	587,129	550,181
Total		<u>5,859,294</u>	<u>5,392,239</u>

(1) Interest receivable

Analysed by type

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Held-to-maturity investments	1,420,460	1,439,203
Debt securities classified as receivables	1,126,381	777,094
Loans and advances to customers	595,645	552,368
Deposits with banks and other financial institutions	593,035	103,702
Placements with banks and other financial institutions	578,580	892,632
Financial assets held under resale agreements	89,737	179,030
Financial assets designated at fair value through profit or loss	85,291	115,479
Available-for-sale financial assets	52,864	75,132
Balances with central bank	33,791	35,939
Financial assets held for trading	26,745	8,447
Total	<u>4,602,529</u>	<u>4,179,026</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 31. OTHER ASSETS (Continued)

(2) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

**THE GROUP**

	As at 31 December 2015	As at 31 December 2014
Held in the PRC		
– over 50 years	15,994	21,080
– 10-50 years	462,612	464,770
– less than 10 years	<u>6,472</u>	<u>8,590</u>
Total	<u>485,078</u>	<u>494,440</u>

The land use rights are under long or medium term lease.

(3) Foreclosed assets

Analysed by type

**THE GROUP**

	As at 31 December 2015	As at 31 December 2014
Land use rights and buildings	122,006	126,975
Others	1,348	1,348
Subtotal	123,354	128,323
Allowance for impairment losses	<u>(9,997)</u>	<u>(10,237)</u>
Total	<u>113,357</u>	<u>118,086</u>

(4) Intangible assets

Intangible assets are mainly computer software which are amortised over 10 years.

(5) The amounts mainly represent deposits paid for purchase of properties/premises.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 32. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Deposits from domestic banks	71,120,341	70,058,091
Deposits from other domestic financial institutions	<u>16,074,258</u>	<u>12,412,848</u>
Total	<u>87,194,599</u>	<u>82,470,939</u>

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rate.

### 33. PLACEMENTS FROM BANKS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Placements from domestic banks	12,371,192	12,262,562
Placements from overseas banks	<u>291,863</u>	<u>284,852</u>
Total	<u>12,663,055</u>	<u>12,547,414</u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 34. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Principal guaranteed wealth management products	—	500,000

The Group designates certain amounts received through the principal protected guaranteed return wealth management products sold to their customers as financial liabilities at FVTPL. As at 31 December 2014, the fair value of these products issued by the Group approximates the contractual amount payable upon maturity to the holders of these products.

There were no significant changes in the Group's and the Bank's credit risk and therefore there were no significant gains or losses attributed to changes in credit risk for those financial liabilities designated at fair value through profit or loss during the years ended 31 December 2014.

### 35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Analysed by collateral types:		
Debt securities	41,907,980	43,513,598
Bills	2,991,192	3,770,592
Total	44,899,172	47,284,190

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 36. DEPOSITS FROM CUSTOMERS

#### THE GROUP

	NOTE	As at 31 December 2015	As at 31 December 2014
Demand deposits			
Corporate customers		94,032,717	78,903,291
Individual customers		90,975,265	79,712,351
Time deposits			
Corporate customers		19,926,151	20,193,512
Individual customers		254,696,688	222,872,223
Pledged deposits	(1)	10,512,490	7,837,400
Others (Including outward remittance and remittance outstanding)		<u>84,882</u>	<u>201,067</u>
Total		<u><u>470,228,193</u></u>	<u><u>409,719,844</u></u>

(1) Analysed by products for which deposit is required:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Acceptances	6,291,451	4,999,502
Letters of guarantee	1,953,800	79,907
Loans and receivables	992,628	1,144,763
Letters of credit	102,199	38,573
Others	<u>1,172,412</u>	<u>1,574,655</u>
Total	<u><u>10,512,490</u></u>	<u><u>7,837,400</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 37. ACCRUED STAFF COSTS

#### THE GROUP

	NOTES	As at 31 December 2015	As at 31 December 2014
Salaries, bonuses and allowances		1,940,279	1,664,755
Supplementary retirement benefits	(1)	1,543,432	1,301,460
Early retirement benefits	(2)	408,392	390,246
Labor union fees and staff education expenses		<u>133,089</u>	<u>126,318</u>
Total		<u>4,025,192</u>	<u>3,482,779</u>

(1) Supplementary retirement benefits

The Group sponsors unfunded defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in the life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: The present value of the defined benefit plan liabilities are calculated by reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Towers Watson Management Consulting (Shenzhen) Co., Ltd., an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 37. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of the actuarial valuations for supplementary retirement benefits were as follows:

**THE GROUP**

	As at 31 December 2015	As at 31 December 2014
Discount rate	3.50%	3.75%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003	

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

**THE GROUP**

	As at 31 December 2015	As at 31 December 2014
Service cost:		
– Past service cost	150,490	234,160
Net interest expense	<u>53,720</u>	<u>48,790</u>
Components of supplementary retirement benefit costs recognised in profit or loss	<u>204,210</u>	<u>282,950</u>
Re-measurement on the net defined benefit liability:	<u>127,430</u>	<u>79,490</u>
Components of defined benefit pension expense recognised in other comprehensive income	<u>127,430</u>	<u>79,490</u>
Total	<u><u>331,640</u></u>	<u><u>362,440</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 37. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its supplementary retirement benefit is as follows:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Accrued staff costs		
– supplementary retirement benefit	<u>1,543,432</u>	<u>1,301,460</u>

Movement in the present value of the supplementary retirement benefit obligation in the current year were as follows:

	As at 31 December 2015	As at 31 December 2014
Defined benefit obligation at beginning of the year	1,301,460	1,024,560
Interest cost	53,720	48,790
Losses arising from re-measurement on the defined benefit liability:		
– Actuarial losses arising from changes in financial assumptions	127,430	79,490
Past service cost	150,490	234,160
Benefits paid	<u>(89,668)</u>	<u>(85,540)</u>
Defined benefit obligation at end of the year	<u>1,543,432</u>	<u>1,301,460</u>

A sensitivity analysis on the discount rate below have been determined based on reasonably possible changes of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 25 basis points higher (lower), the defined benefit obligation would decrease by RMB46 million (increase by RMB49 million).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 37. ACCRUED STAFF COSTS (Continued)

- (2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/annually, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to retired staff until they reach their normal retirement age.

For the year ended 31 December 2015, the Group recognised RMB103 million (2014: RMB45 million) and was included in staff costs and paid RMB85 million (2014: RMB92 million) in respect of the early retirement benefits plan.

### 38. DEBT SECURITIES ISSUED

#### THE GROUP

	NOTES	As at 31 December 2015	As at 31 December 2014
Interbank certificates of deposit issued	(1)	29,846,782	–
Subordinated bonds issued	(2)	<u>5,000,000</u>	<u>5,000,000</u>
Total		<u>34,846,782</u>	<u>5,000,000</u>

- (1) As at 31 December 2015, the total face value of the outstanding interbank certificates of deposit issued by the Bank in the interbank market is RMB29,847 million with the tenor of 1 to 12 months (at 31 December 2014: Nil).
- (2) As approved by the PBOC and CBRC, the Bank issued callable fixed rate subordinated bonds of RMB5,000 million on 19 June 2014. The subordinated fixed rate bonds issued have a maturity of 10 years, with a fixed coupon rate of 6.38%, payable annually. The Bank has an option to redeem all of the bonds at par value on 22 June 2019. If the Bank does not exercise this option, the coupon rate of the bonds will remain the same.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 39. DEFERRED TAXATION

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Deferred tax assets	2,570,628	2,176,033
Deferred tax liabilities	<u>(16,762)</u>	<u>(25,210)</u>
Total	<u>2,553,866</u>	<u>2,150,823</u>

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

The followings are the major deferred tax assets and liabilities recognised and movements thereon:

#### THE GROUP

	Allowances of impairment losses	Retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Government grant	Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of business	Total
As at 1 January 2015	1,513,604	115,646	413,772	7,821	(11,773)	23,457	88,296	2,150,823
Credit/(Charge) to profit or loss	347,617	4,536	65,197	3,005	(5,934)	(649)	(19,548)	394,224
Charge to other comprehensive income	<u>-</u>	<u>31,858</u>	<u>-</u>	<u>-</u>	<u>(23,039)</u>	<u>-</u>	<u>-</u>	<u>8,819</u>
As at 31 December 2015	<u>1,861,221</u>	<u>152,040</u>	<u>478,969</u>	<u>10,826</u>	<u>(40,746)</u>	<u>22,808</u>	<u>68,748</u>	<u>2,553,866</u>
As at 1 January 2014	1,213,360	109,210	372,259	438	91,024	-	80,612	1,866,903
Credit/(Charge) to profit or loss	300,244	(13,437)	41,513	7,383	(45,242)	23,457	7,684	321,602
Charge to other comprehensive income	<u>-</u>	<u>19,873</u>	<u>-</u>	<u>-</u>	<u>(57,555)</u>	<u>-</u>	<u>-</u>	<u>(37,682)</u>
As at 31 December 2014	<u>1,513,604</u>	<u>115,646</u>	<u>413,772</u>	<u>7,821</u>	<u>(11,773)</u>	<u>23,457</u>	<u>88,296</u>	<u>2,150,823</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 40. OTHER LIABILITIES

#### THE GROUP

	NOTES	As at 31 December 2015	As at 31 December 2014
Interest payable	(1)	4,485,212	4,603,792
Other payables	(2)	2,558,917	2,156,063
Business and other tax payables		403,206	371,149
Deferred income	(3)	497,675	301,068
Dividends payable		27,965	23,953
Provision		43,300	31,281
Total		<u>8,016,275</u>	<u>7,487,306</u>

(1) Interest payable

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Deposits from customers	3,299,715	3,157,952
Deposits from banks and other financial institutions	754,591	717,312
Financial assets sold under repurchase agreements	173,228	428,052
Debt securities issued	166,511	166,511
Placements from banks	86,767	100,431
Borrowings from central bank	4,400	33,534
Total	<u>4,485,212</u>	<u>4,603,792</u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 40. OTHER LIABILITIES (Continued)

- (2) Other payables

#### THE GROUP

	NOTE	As at 31 December 2015	As at 31 December 2014
Payables from providing agency services		1,279,529	969,097
Long-term payables		471,700	–
Items in process of clearing and settlement		320,671	507,021
Grant payable on behalf of government		135,704	238,937
Dormant accounts		55,081	51,904
Long term loans	(i)	41,667	43,109
Others		<u>254,565</u>	<u>345,995</u>
Total		<u>2,558,917</u>	<u>2,156,063</u>

- (i) The amounts represent special purpose loans from International Fund for Agriculture Development (“IFAD”) to support the micro financing in the PRC.

As at 31 December 2015 and 31 December 2014, the loans carried fixed interest rate of 0.75% per annum. At 31 December 2015, the remaining maturity of the loans was about 31 years. The terms are similar to the related loans granted to customers.

- (3) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Deferred leasing income	380,577	186,330
Government grants	90,679	94,061
Consultancy and advisory fees	15,285	15,562
Other deferred income	<u>11,134</u>	<u>5,115</u>
Total	<u>497,675</u>	<u>301,068</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 41. SHARE CAPITAL

	Number of shares <i>(in thousands)</i>	Amount
As at 1 January 2014, 31 December 2014 and 31 December 2015	<u>9,300,000</u>	<u>9,300,000</u>

### 42. CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in the capital reserve after deducting direct issue costs which mainly included underwriting fees and professional fees.

### 43. INVESTMENT REVALUATION RESERVE

#### THE GROUP

	Before-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2014	(181,260)	45,315	(135,945)
Gains/Losses on fair value changes of available-for-sale financial assets	235,661	(58,916)	176,745
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	<u>(5,443)</u>	<u>1,361</u>	<u>(4,082)</u>
As at 31 December 2014	48,958	(12,240)	36,718
Gains/Losses on fair value changes of available-for-sale financial assets	90,631	(22,658)	67,973
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	<u>1,525</u>	<u>(381)</u>	<u>1,144</u>
As at 31 December 2015	<u>141,114</u>	<u>(35,279)</u>	<u>105,835</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 44. SURPLUS RESERVE

Under relevant PRC Laws, the Bank is required to appropriate 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the generally accepted accounting principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in the general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

For the year ended 31 December 2015, the Board of Directors proposed to appropriate approximately RMB719 million to the statutory surplus reserve (2014: RMB685 million). The Bank does not propose any appropriations to discretionary surplus reserve (2014: Nil). It is pursuant to the approval by the shareholders in the forthcoming general meeting.

### 45. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, in addition to the individual and collective allowances for impairment losses, the Bank and subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

For the year ended 31 December 2015, the director of the Bank proposed to appropriated RMB1,398 million to general reserve pursuant to regulatory requirement in the PRC (2014: RMB1,575 million).

### 46. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

#### THE BANK

	As at 31 December 2015	As at 31 December 2014
As at 1 January	9,434,595	5,912,566
Profit for the year	7,188,069	6,847,754
Appropriation to surplus reserve	(718,807)	(684,775)
Appropriation to general reserve	(1,575,040)	(873,950)
Dividends recognised as distribution	<u>(1,860,000)</u>	<u>(1,767,000)</u>
As at 31 December	<u>12,468,817</u>	<u>9,434,595</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 47. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Cash	3,628,717	3,526,976
Surplus reserve deposits with central bank	6,562,408	3,094,521
Deposits with banks and other financial institutions	14,143,251	16,015,603
Placements with banks and other financial institutions	37,053,947	16,492,877
Financial assets held under resale agreements	<u>21,821,382</u>	<u>15,953,210</u>
Total	<u>83,209,705</u>	<u>55,083,187</u>

### 48. SEGMENT ANALYSIS

The Group operates its business mainly in Chongqing area. Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of the directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the consolidated financial statements.

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

The Group has no major customers which contribute 10 percent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 48. SEGMENT ANALYSIS (Continued)

#### Operating Segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

##### *Corporate banking*

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings, financial leasing and other types of corporate intermediary services.

##### *Personal banking*

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

##### *Treasury operations*

The Group's treasury operations conduct money market or repurchase transactions and debt instruments investment for its own account or on behalf of customers.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

## 48. SEGMENT ANALYSIS (Continued)

## Operating Segment (Continued)

## THE GROUP

	For the year ended 31 December 2015					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	10,978,629	7,543,278	16,677,292	35,199,199	–	35,199,199
External interest expense	(1,665,993)	(7,766,530)	(5,600,197)	(15,032,720)	–	(15,032,720)
Inter-segment interest (expense)/income	(2,007,772)	5,817,503	(3,809,731)	–	–	–
Net interest income	7,304,864	5,594,251	7,267,364	20,166,479	–	20,166,479
Fee and commission income	349,192	572,184	654,105	1,575,481	–	1,575,481
Fee and commission expense	(29,558)	(15,865)	(35,114)	(80,537)	–	(80,537)
Net fee and commission income	319,634	556,319	618,991	1,494,944	–	1,494,944
Net trading gains	–	–	19,759	19,759	–	19,759
Share of profits of associates	–	–	–	–	–	–
Other operating income, net	90,355	46,177	53,638	190,170	17,640	207,810
Operating income	7,714,853	6,196,747	7,959,752	21,871,352	17,640	21,888,992
Operating expenses	(3,093,330)	(2,487,214)	(3,495,546)	(9,076,090)	–	(9,076,090)
Impairment loss on financial assets	(2,223,330)	(755,072)	(257,578)	(3,235,980)	–	(3,235,980)
Net losses on disposal of available-for-sale financial assets	–	–	(1,525)	(1,525)	–	(1,525)
Net gains on disposal of debt securities classified as receivables	–	–	11,972	11,972	–	11,972
Profit before tax	2,398,193	2,954,461	4,217,075	9,569,729	17,640	9,587,369
Income tax expense	–	–	–	–	–	(2,359,522)
Profit for the year	–	–	–	–	–	7,227,847
Depreciation and amortisation included in operating expenses	230,999	187,816	240,199	659,014	–	659,014
Capital expenditure	568,512	462,232	591,153	1,621,897	–	1,621,897
	As at 31 December 2015					
Segment assets	156,559,820	96,587,113	455,434,347	708,581,280	8,223,935	716,805,215
Segment liabilities	116,852,750	344,817,069	204,867,011	666,536,830	1,980,584	668,517,414
Supplementary information						
Credit commitments	18,007,013	7,867,872	–	25,874,885	–	25,874,885

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 48. SEGMENT ANALYSIS (Continued)

#### Operating Segment (Continued)

##### THE GROUP (Continued)

	For the year ended 31 December 2014					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	9,391,562	7,824,442	15,878,790	33,094,794	–	33,094,794
External interest expense	(1,544,173)	(6,833,960)	(6,367,945)	(14,746,078)	–	(14,746,078)
Inter-segment interest (expense)/income	(1,573,471)	4,780,806	(3,207,335)	–	–	–
Net interest income	6,273,918	5,771,288	6,303,510	18,348,716	–	18,348,716
Fee and commission income	299,141	329,090	515,082	1,143,313	–	1,143,313
Fee and commission expense	(46,509)	(1,048)	(26,111)	(73,668)	–	(73,668)
Net fee and commission income	252,632	328,042	488,971	1,069,645	–	1,069,645
Net trading gains	–	–	239,990	239,990	–	239,990
Share of profits of associates	–	–	–	–	5,295	5,295
Other operating income, net	30,811	21,582	73,807	126,200	12,591	138,791
Operating income	6,557,361	6,120,912	7,106,278	19,784,551	17,886	19,802,437
Operating expenses	(2,909,391)	(2,836,838)	(2,654,592)	(8,400,821)	–	(8,400,821)
Impairment loss on financial assets	(1,380,702)	(460,316)	(456,211)	(2,297,229)	–	(2,297,229)
Net gains on disposal of available-for-sale financial assets	–	–	5,443	5,443	–	5,443
Profit before tax	2,267,268	2,823,758	4,000,918	9,091,944	17,886	9,109,830
Income tax expense	–	–	–	–	–	(2,296,772)
Profit for the year	–	–	–	–	–	6,813,058
Depreciation and amortisation included in operating expenses	201,330	196,309	183,697	581,336	–	581,336
Capital expenditure	564,824	550,738	515,357	1,630,919	–	1,630,919
	As at 31 December 2014					
Segment assets	133,190,403	97,402,758	381,227,136	611,820,297	7,068,693	618,888,990
Segment liabilities	112,011,971	303,412,838	158,937,059	574,361,868	1,678,713	576,040,581
Supplementary information						
Credit commitments	10,568,357	4,595,196	–	15,163,553	–	15,163,553

Unallocated assets mainly include property and equipment, equity investments, goodwill and deferred tax assets of the Group. Unallocated liabilities mainly include tax liabilities and dividends payable.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. RELATED PARTY TRANSACTIONS

#### Related parties of the Group

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 31 December 2015	As at 31 December 2014
	Chongqing Yufu Assets Management Group Company Limited	6.77
Chongqing City Investment (Group) Co., Ltd.	6.68	6.68
Loncin Holding Co., Ltd.	6.13	6.13

There are several entities controlled or jointly controlled by the shareholders above and members of the key management personnel of the Group which are considered as related parties of the Group ("other related parties").

#### Related party transactions

During the year, the Group and the Bank entered into the following material transactions with related parties:

	Interest Income		Interest expense	
	2015	2014	2015	2014
Shareholders of the Bank	308,918	167,614	1,793	1,530
Other related parties	235,747	130,081	14,416	13,747

	Operating expense	
	2015	2014
Shareholders of the Bank	5,720	6,850



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. RELATED PARTY TRANSACTIONS (Continued)

#### Related party transactions (Continued)

Material outstanding balances with related parties as at year end:

	Loans and advances to related parties		Customer deposits from related parties	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	Shareholders of the Bank	7,074,920	4,236,510	175,999
Other related parties	<u>5,254,035</u>	<u>3,030,672</u>	<u>2,819,067</u>	<u>872,074</u>

	Interest receivable to related parties		Interest payable to related parties	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	Shareholders of the Bank	11,597	7,589	13
Other related parties	<u>8,902</u>	<u>6,392</u>	<u>5,886</u>	<u>2,600</u>

	Guarantee provided by related parties	
	As at 31 December 2015	As at 31 December 2014
	Other related parties	<u>2,286,867</u>

As at 31 December 2015, entrusted loans to shareholders of the Bank amounted to RMB2,000 million (31 December 2014: RMB2,000 million) were included in debt securities classified as receivables.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. RELATED PARTY TRANSACTIONS (Continued)

#### Transactions between the Bank and its subsidiaries

There are various types of related party transactions between the Bank and its subsidiaries. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure, or on the basis of the Group's contractual terms. They are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

For the year 2014 and 2015, The Bank's transactions with subsidiaries mainly include deposits with subsidiaries, deposits from subsidiaries, placements with subsidiaries and rediscounted bills business.

As at 31 December 2015, the Bank's deposits with subsidiaries amounted to RMB530 million (31 December 2014: RMB1,005 million), the Bank's deposits from subsidiaries amounted to RMB380 million (31 December 2014: RMB221 million), the Bank's placements with subsidiaries amounted to RMB1,780 million (31 December 2014: RMB1,580 million), the Bank's rediscounted bills business with subsidiaries amounted to zero (31 December 2014: nil).

For the year ended 31 December 2015, the corresponding interest income of Bank's transactions with the subsidiaries totalled RMB842.93 million (2014: RMB85.51 million), the corresponding interest expense totalled RMB980.28 million (2014: RMB1.54 million).

#### Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year were as follows:

#### THE GROUP

	2015	2014
Basic salaries, bonuses and allowances	8,845	10,359
Contribution to pension schemes	910	952
Fees	1,300	1,352
Total	<u>11,055</u>	<u>12,663</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. RELATED PARTY TRANSACTIONS (Continued)

#### Key management personnel (Continued)

Certain key management personnel's final emoluments for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at 31 December 2015. The amount of actual remuneration will be announced after approval.

For the year 2015, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

### 50. STRUCTURED ENTITIES

#### (1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP Vehicles") formed to issue and distribute wealth management products ("WMPs"), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. The variable return that the Group has in relation to the WMPs is not significant; therefore the WMP Vehicles are not consolidated by the Group.

As at 31 December 2015, the outstanding WMPs issued by WMP vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB63,295 million (31 December 2014: RMB42,869 million) which represent the total size of the WMP vehicles. In 2015, the Group's interest in the WMP Vehicles included in Net Fee and Commission Income was RMB413 million (2014: RMB301 million).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk from or reduce its interest in WMP vehicles disclosed above during the year ended 31 December 2015 and 2014. The Group is not required to absorb any losses incurred by WMPs before other parties. In 2015 and 2014, no loss was incurred by the WMP Vehicles relating to the Group's interests in the WMP Vehicles, and the WMP Vehicles did not experience any difficulty in financing their activities.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 50. STRUCTURED ENTITIES (Continued)

#### (2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. As at 31 December 2015 and 31 December 2014, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 31 December 2015			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investment	Debt instruments classified as receivables
WMPs issued by financial institutions	2,909,700	–	–	78,753,601
Interest in entrusted products	–	–	–	28,585,734
Assets management plans	–	–	–	3,804,091
Asset-backed securities	–	91,639	384,993	–
<b>Total</b>	<b>2,909,700</b>	<b>91,639</b>	<b>384,993</b>	<b>111,143,426</b>

	As at 31 December 2014			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investment	Debt instruments classified as receivables
WMPs issued by financial institutions	15,621,846	–	–	6,508,360
Interest in entrusted products	700,000	–	–	16,701,858
Assets management plans	–	–	–	3,593,194
Asset-backed securities	–	410,331	177,720	–
<b>Total</b>	<b>16,321,846</b>	<b>410,331</b>	<b>177,720</b>	<b>26,803,412</b>

Information of the total size of the unconsolidated structured entities listed above is not readily available from the public.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 50. STRUCTURED ENTITIES (Continued)

#### (3) Consolidated structured entities

The consolidated structured entities issued and managed by the Group mainly consist of guaranteed wealth management products, and partial unguaranteed wealth management products satisfying the criteria of control. For the year 2015, the Group did not provide financial supporting to the type of wealth management products. The amount of unguaranteed wealth management products consolidated by the Group at 31 December 2015 is RMB1,801 million (31 December 2014: RMB100 million).

### 51. CONTINGENT LIABILITIES AND COMMITMENTS

#### Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2015 and 31 December 2014, provisions of RMB3.24 million and RMB2.42 million were made respectively based on court judgments or legal advice. Allowance for litigation losses is disclosed in Note 40 "Other Liabilities-Provision". The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

#### Capital commitments

##### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Contracted but not provided for	387,951	601,324
Authorised but not contracted for	<u>628,568</u>	<u>677,287</u>
Total	<u><u>1,016,519</u></u>	<u><u>1,278,611</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 51. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

#### Credit commitments

##### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Acceptances	13,104,634	9,560,098
Undrawn credit cards limit	7,867,872	4,595,196
Letters of credit issued	340,174	181,746
Letters of guarantee	4,562,205	826,513
Total	<u>25,874,885</u>	<u>15,163,553</u>

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The directors of the Bank are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitments disclosure above.

#### Credit risk weighted amounts for credit commitments

##### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Credit commitments	<u>10,720,413</u>	<u>5,570,445</u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 51. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

#### Operating lease commitment

The Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment as at year end:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Within 1 year	70,806	47,739
1 to 2 years	59,465	41,388
2 to 3 years	39,630	36,616
3 to 4 years	32,478	21,315
4 to 5 years	17,203	13,095
Above 5 years	<u>20,520</u>	<u>25,635</u>
Total	<u>240,102</u>	<u>185,788</u>

The leases are negotiated with lease terms of 1 to 15 years.

During the year ended at 31 December 2015, operating lease expense recognised as operating expense by the Group was RMB89.44 million, and is included in Note 9 “Operating Expenses” (2014: RMB74.45 million).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 51. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

#### Collateral

##### Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement and borrowings from central bank by the Group is as follows:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Bonds	49,577,060	45,133,100
Bills	<u>2,997,961</u>	<u>3,792,206</u>
Total	<u>52,575,021</u>	<u>48,925,306</u>

As at 31 December 2015 and 31 December 2014, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB44,899 million and RMB47,284 million, respectively (Note 35). All repurchase agreements are due within twelve months from inception.

As at 31 December 2015 and 31 December 2014, the carrying amount of borrowings from central bank by the Group was RMB5,719 million and RMB6,776 million.

##### Collateral accepted

Bills and other documents received as collateral can be resold or re-pledged in connection with bills and other documents purchased under resale agreements. The fair value of these collateral accepted by the Group is RMB20,999 million as at 31 December 2015 (31 December 2014: RMB16,338 million). The fair value of collateral sold under repurchase agreement or re-pledged by the Group is RMB2,997 million at 31 December 2015 (31 December 2014: RMB3,775 million).



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 52. TRANSFER OF FINANCIAL ASSETS

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. At 31 December 2015, the Group sold to these counter parties the debt securities classified as financial assets held for trading of carrying amount of RMB140 million (31 December 2014: Nil); available-for-sale financial assets of carrying amount of RMB880 million (31 December 2014: RMB500 million); debt securities classified as held-to-maturity investments of carrying amount of RMB41,114 million (31 December 2014: RMB44,008 million); debt securities classified as receivables of carrying amount of RMB725 million (31 December 2014: RMB625 million) at 31 December 2015, respectively. The carrying amount of bills, which are sold by the Group to certain counterparties and are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices, is RMB2,998 million (31 December 2014: RMB3,792 million). The proceeds from selling such debt securities and bills totalling RMB44,899 million as at 31 December 2015 (31 December 2014: RMB47,284 million) are presented as “financial assets sold under repurchase agreements” (Note 35).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

### 53. FINANCIAL RISK MANAGEMENT

#### (1) Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The major risks of the Group include credit risk, market risk and liquidity risk. And the market risk includes currency risk, interest risk and other price risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There have been no significant changes in the risk management departments or in any risk management policies by the year end of 31 December 2015.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Risk Management Framework

The Bank has a risk management committee under the Board of Directors. Risk management committee is responsible for setting the overall risk management and internal control strategies of the Group and the Bank, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

#### (3) Credit risk

##### *Credit risk management*

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available. In addition, the Group also provides financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### *Impairment assessment*

##### Key factors on impairment assessment

The Group generally measures and manages the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC which requires the Group to classify loans into the following five category loan classification: normal, special mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relates to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowances for impairment losses are assessed collectively or individually as appropriate.

The Group assesses the impairment for loans and advances to customers at the end of reporting period in accordance with the accounting policies set out in Note 3. In addition, analysis based on the contractual amounts of the loans and advances to customers at the end of reporting period are provided internally to management for the purpose of assessing financial risks. Hence, certain quantitative disclosure in financial risk management has been prepared based on the original contractual amounts of those instruments particularly loans and advances to customers.

The five category loan classification in which the Group classifies its loans and advances to customers is 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 able to service their loans currently, 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 operational 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: Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding the Group's estimation of impairment losses on financial assets are set out in Note 3 "Impairment of Financial Assets".

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

*Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements*

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 51 “Contingent Liabilities and Commitments”.

A summary of the maximum exposure to credit risk is as follows:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Financial assets		
Balances with central bank	74,871,561	75,807,203
Deposits with banks and other financial institutions	44,764,501	28,249,550
Placements with banks and other financial institutions	74,000,584	75,973,768
Financial assets held for trading	1,246,612	168,102
Financial assets designated at fair value through profit or loss	2,909,700	16,821,846
Derivative financial assets	1,510	–
Financial assets held under resale agreements	34,549,303	54,643,579
Loans and advances to customers	257,540,907	233,520,181
Available-for-sale financial assets	12,326,282	13,323,771
Held-to-maturity investments	63,649,584	62,843,254
Debt securities classified as receivables	133,076,127	41,504,852
Other financial assets	5,126,962	4,675,864
Subtotal	<u>704,063,633</u>	<u>607,531,970</u>
Off-balance sheet credit commitments	<u>25,874,885</u>	<u>15,163,553</u>
Total	<u><u>729,938,518</u></u>	<u><u>622,695,523</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- Mortgage loans to personal customers are generally collateralised by mortgages over residential properties;
- Other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- Reverse repurchase transactions are mainly collateralised by bonds, bills or loans and advances to customers.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### Loans and advances to customers

- (i) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows:

##### THE GROUP

	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	50,266,269	29.18	42,770,770	29.49
Water, environment and public utilities management	29,690,991	17.23	25,582,053	17.64
Real estate	17,700,062	10.27	13,896,950	9.58
Retail and wholesale	16,205,590	9.41	14,365,828	9.91
Production and supply of electricity, gas and water	9,793,980	5.68	8,668,648	5.98
Leasing and commercial services	9,434,478	5.48	4,995,128	3.44
Construction	8,039,648	4.67	7,881,381	5.43
Transportation, logistics and postal services	7,174,656	4.16	5,223,713	3.60
Financial industry	5,559,605	3.23	3,717,817	2.56
Agriculture, forestry, animal husbandry and fishery	5,126,821	2.98	5,731,585	3.95
Mining	4,296,258	2.49	4,263,197	2.94
Education	2,949,650	1.71	2,867,000	1.98
Others	6,046,490	3.51	5,082,462	3.50
Subtotal	<u>172,284,498</u>	<u>100.00</u>	<u>145,046,532</u>	<u>100.00</u>
Personal loans and advances				
Mortgages	44,099,685	45.79	45,898,879	47.24
Loans to private business and employment assistance loans	33,817,007	35.12	36,061,718	37.12
Credit cards	6,373,153	6.62	3,887,097	4.00
Others	12,011,356	12.47	11,303,684	11.64
Subtotal	<u>96,301,201</u>	<u>100.00</u>	<u>97,151,378</u>	<u>100.00</u>
Total	<u>268,585,699</u>		<u>242,197,910</u>	

As at 31 December 2015, the contract amount of discounted bills included in corporate loans and advances is RMB6,982 million (31 December 2014: RMB5,461 million).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

- (i) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows (Continued):

Details of impaired loans, loan loss allowances, charges (reversal), and amounts written off in respect of economic sectors which constitute 10% or more of total corporate loans and advances are as follows:

#### THE GROUP

	2015				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	(Reversal)/ Charge for the year	Written off for the year
Manufacturing	468,284	(248,791)	(2,030,363)	(761,629)	248,836
Water, environment and public utilities management	-	-	(937,879)	(259,910)	(96)
Real estate	17,126	(14,625)	(616,160)	(182,976)	(3,018)
	2014				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	(Reversal)/ Charge for the year	Written off for the year
Manufacturing	521,018	(281,897)	(1,513,187)	(447,022)	66,573
Water, environment and public utilities management	-	-	(752,763)	(450,798)	19

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

- (ii) The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

#### THE GROUP

	As at 31 December 2015			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	12,548,584	5,391,150	5,645,781	23,585,515
Guaranteed loans	34,834,306	11,135,659	8,885,847	54,855,812
Collateralised and other secured loans				
– loans secured by property and other immovable assets	49,805,862	47,643,002	63,722,509	161,171,373
– other pledged loans	12,566,153	6,029,001	10,377,845	28,972,999
<b>Total</b>	<b>109,754,905</b>	<b>70,198,812</b>	<b>88,631,982</b>	<b>268,585,699</b>

	As at 31 December 2014			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	9,529,246	4,776,710	5,097,900	19,403,856
Guaranteed loans	24,356,370	12,279,076	6,381,006	43,016,452
Collateralised and other secured loans				
– loans secured by property and other immovable assets	43,149,577	51,788,556	60,222,274	155,160,407
– other pledged loans	14,567,066	4,999,050	5,051,079	24,617,195
<b>Total</b>	<b>91,602,259</b>	<b>73,843,392</b>	<b>76,752,259</b>	<b>242,197,910</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iii) Past due loans at contractual amount

#### THE GROUP

	As at 31 December 2015				
	Up to 90 days	90 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	150,971	138,466	12,229	28,082	329,748
Guaranteed loans	311,277	313,094	210,671	23,610	858,652
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,767,910	1,411,107	346,556	83,407	3,608,980
– other pledged loans	69,723	15,837	18,000	4	103,564
<b>Total</b>	<b>2,299,881</b>	<b>1,878,504</b>	<b>587,456</b>	<b>135,103</b>	<b>4,900,944</b>

	As at 31 December 2014				
	Up to 90 days	90 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	133,897	30,563	16,653	70,081	251,194
Guaranteed loans	322,526	340,107	60,231	30,585	753,449
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,182,680	496,265	134,088	126,259	1,939,292
– other pledged loans	47,335	18,200	2,905	7,460	75,900
<b>Total</b>	<b>1,686,438</b>	<b>885,135</b>	<b>213,877</b>	<b>234,385</b>	<b>3,019,835</b>

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Credit quality of loans and advances to customers at contractual amount

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Neither past due nor impaired	263,404,395	238,169,379
Past due but not impaired	2,551,808	2,141,220
Impaired	<u>2,629,496</u>	<u>1,887,311</u>
Subtotal	268,585,699	242,197,910
Allowances for impairment losses	<u>(11,044,792)</u>	<u>(8,677,729)</u>
Loans and advances to customers, net	<u>257,540,907</u>	<u>233,520,181</u>

Loans and advances neither past due nor impaired

#### THE GROUP

	As at 31 December 2015		
	Normal	Special mention	Total
Corporate loans and advances	166,118,225	4,120,471	170,238,696
Personal loans and advances	<u>92,844,253</u>	<u>321,446</u>	<u>93,165,699</u>
Total	<u>258,962,478</u>	<u>4,441,917</u>	<u>263,404,395</u>

	As at 31 December 2014		
	Normal	Special mention	Total
Corporate loans and advances	138,529,354	4,349,933	142,879,287
Personal loans and advances	<u>95,118,304</u>	<u>171,788</u>	<u>95,290,092</u>
Total	<u>233,647,658</u>	<u>4,521,721</u>	<u>238,169,379</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

#### (iv) Credit quality of loans and advances to customers at contractual amount (Continued)

Loans and advances past due but not impaired

#### THE GROUP

	As at 31 December 2015					Fair value of collateral
	Up to 30 days (including 30 days)	30 – 60 days (including 60 days)	60 – 90 days (including 90 days)	More than 90 days	Total	
Corporate loans and advances	271,964	204,170	134,707	205,146	815,987	1,139,001
Personal loans and advances	1,003,373	344,277	212,981	175,190	1,735,821	2,924,935
Total	1,275,337	548,447	347,688	380,336	2,551,808	4,063,936

	As at 31 December 2014					Fair value of collateral
	Up to 30 days (including 30 days)	30 – 60 days (including 60 days)	60 – 90 days (including 90 days)	More than 90 days	Total	
Corporate loans and advances	208,991	154,796	69,191	448,650	881,628	989,347
Personal loans and advances	930,734	174,869	101,057	52,932	1,259,592	2,150,386
Total	1,139,725	329,665	170,248	501,582	2,141,220	3,139,733

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Credit quality of loans and advances to customers at contractual amount (Continued)

Impaired loans and advances

#### THE GROUP

	As at 31 December 2015		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	1,229,815	(667,294)	562,521
Collectively assessed	<u>1,399,681</u>	<u>(1,095,020)</u>	<u>304,661</u>
Total	<u><u>2,629,496</u></u>	<u><u>(1,762,314)</u></u>	<u><u>867,182</u></u>

	As at 31 December 2014		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	1,285,617	(660,425)	625,192
Collectively assessed	<u>601,694</u>	<u>(443,004)</u>	<u>158,690</u>
Total	<u><u>1,887,311</u></u>	<u><u>(1,103,429)</u></u>	<u><u>783,882</u></u>

Including:

	As at 31 December 2015	As at 31 December 2014
Individually assessed and impaired	1,229,815	1,285,617
Individually assessed and impaired loans and advances as a percentage of gross loans and advances	0.46%	0.53%
Fair value of collateral	<u><u>2,475,849</u></u>	<u><u>1,233,362</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### Loans and advances to customers (Continued)

##### (v) Restructured loans and advances

Restructured loans and advances arise from rescheduling and deferral of repayment terms. Restructured loans and advances are under continuous monitoring. Contractual amount of restructured loans and advances at 31 December 2015 were RMB91 million (31 December 2014: RMB83 million), of which loans and advances overdue for more than 90 days were RMB9 million (31 December 2014: RMB33 million).

##### (vi) Assets foreclosed under credit enhancement arrangement

Details of such assets are disclosed in Note 31. The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

##### Debt securities

##### (i) Credit quality of debt securities

#### THE GROUP

	NOTE	As at 31 December 2015	As at 31 December 2014
Neither past due nor impaired	(a)	214,663,554	135,859,495
Impaired		—	—
Subtotal		214,663,554	135,859,495
Less: Collectively assessed allowance for impairment losses		(1,455,249)	(1,197,670)
Debt securities, net		<u>213,208,305</u>	<u>134,661,825</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### Debt securities (Continued)

##### (i) Credit quality of debt securities (Continued)

##### (a) Debt securities neither past due nor impaired

#### THE GROUP

	As at 31 December 2015					Total	
	Financial assets held for trading	Financial assets designated at fair value through		Available-for-sale financial assets	Held-to-maturity investments		Debt securities classified as receivables
		profit or loss					
Government bonds	-	-	-	12,299,976	1,087,000	13,386,976	
Public sector, quasi- government bonds	1,068,587	-	-	22,849,476	-	23,918,063	
Financial institution bonds	-	-	142,018	5,304,040	1,275,371	6,721,429	
Corporate bonds	178,025	-	12,184,264	23,505,481	20,216,142	56,083,912	
Debt instruments issued by financial institutions	-	2,909,700	-	-	111,643,474	114,553,174	
<b>Total</b>	<b>1,246,612</b>	<b>2,909,700</b>	<b>12,326,282</b>	<b>63,958,973</b>	<b>134,221,987</b>	<b>214,663,554</b>	

	As at 31 December 2014					Total	
	Financial assets held for trading	Financial assets designated at fair value through		Available-for-sale financial assets	Held-to-maturity investments		Debt securities classified as receivables
		profit or loss					
Government bonds	-	-	-	7,539,287	-	7,539,287	
Public sector, quasi- government bonds	-	-	-	26,473,629	48,255	26,521,884	
Financial institution bonds	-	-	509,011	5,286,792	963,243	6,759,046	
Corporate bonds	168,102	-	12,814,760	23,856,716	14,474,442	51,314,020	
Debt instruments issued by financial institutions	-	16,821,846	-	-	26,903,412	43,725,258	
<b>Total</b>	<b>168,102</b>	<b>16,821,846</b>	<b>13,323,771</b>	<b>63,156,424</b>	<b>42,389,352</b>	<b>135,859,495</b>	

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### Debt securities (Continued)

##### (ii) Debt securities analysed by credit rating and credit risk characteristics

The Group and the Bank rely on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

#### THE GROUP

	As at 31 December 2015				Total
	AAA	AA	A	Unrated	
Financial assets held for trading					
Public sector, quasi-government bonds	1,068,587	-	-	-	1,068,587
Corporate bonds	178,025	-	-	-	178,025
Subtotal	1,246,612	-	-	-	1,246,612
Financial assets designated at fair value through profit or loss					
Debt instruments issued by financial institutions	-	-	-	2,909,700	2,909,700
Subtotal	-	-	-	2,909,700	2,909,700
Available-for-sale financial assets					
Financial institution bonds	51,492	90,526	-	-	142,018
Corporate bonds	468,376	11,613,559	-	102,329	12,184,264
Subtotal	519,868	11,704,085	-	102,329	12,326,282
Held-to-maturity investments					
Government bonds	-	-	-	12,299,976	12,299,976
Public sector, quasi-government bonds	2,545,070	-	-	20,304,406	22,849,476
Financial institution bonds	1,504,990	3,799,050	-	-	5,304,040
Corporate bonds	13,953,531	9,242,561	-	-	23,196,092
Subtotal	18,003,591	13,041,611	-	32,604,382	63,649,584
Debt securities classified as receivables					
Financial institution bonds	173,738	1,101,633	-	-	1,275,371
Corporate Bonds	-	13,103,686	-	6,847,574	19,951,260
Government Bonds	-	-	-	1,087,000	1,087,000
Debt instruments issued by financial institutions	-	-	-	110,762,496	110,762,496
Subtotal	173,738	14,205,319	-	118,697,070	133,076,127
Total	19,943,809	38,951,015	-	154,313,481	213,208,305

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### Debt securities (Continued)

##### (ii) Debt securities analysed by credit rating and credit risk characteristics (Continued)

##### THE GROUP (Continued)

	As at 31 December 2014				Total
	AAA	AA	A	Unrated	
Financial assets held for trading					
Corporate bonds	168,102	-	-	-	168,102
Subtotal	168,102	-	-	-	168,102
Financial assets designated at fair value through profit or loss					
Debt instruments issued by financial institutions	-	-	-	16,821,846	16,821,846
Subtotal	-	-	-	16,821,846	16,821,846
Available-for-sale financial assets					
Financial institution bonds	320,741	188,270	-	-	509,011
Corporate bonds	686,944	11,262,377	-	865,439	12,814,760
Subtotal	1,007,685	11,450,647	-	865,439	13,323,771
Held-to-maturity investments					
Government bonds	-	-	-	7,539,287	7,539,287
Public sector, quasi-government bonds	2,691,381	-	-	23,782,248	26,473,629
Financial institution bonds	1,288,045	3,998,747	-	-	5,286,792
Corporate bonds	14,439,908	9,004,721	-	98,917	23,543,546
Subtotal	18,419,334	13,003,468	-	31,420,452	62,843,254
Debt securities classified as receivables					
Public sector, quasi-government bonds	-	-	-	48,255	48,255
Financial institution bonds	239,650	723,593	-	-	963,243
Corporate bonds	49,168	7,419,985	-	6,817,569	14,286,722
Debt instruments issued by financial institutions	-	-	-	26,206,632	26,206,632
Subtotal	288,818	8,143,578	-	33,072,456	41,504,852
Total	19,883,939	32,597,693	-	82,180,193	134,661,825



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

Risk Management Department manages its liquidity risk via:

- Setting target ratios on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base; and
- Making advanced projection on future cash flows and evaluating the appropriate current assets position.

*Analysis of the remaining maturity of the financial assets and liabilities*

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

#### THE GROUP

	As at 31 December 2015							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	68,309,153	10,191,125	-	-	-	-	-	78,500,278
Deposits with banks and other financial institutions	-	6,978,251	5,678,000	5,137,000	26,971,250	-	-	44,764,501
Placements with banks and other financial institutions	-	-	31,699,770	37,511,277	4,689,539	99,998	-	74,000,584
Financial assets held for trading	-	-	-	-	-	1,213,831	32,781	1,246,612
Financial assets designated at fair value through profit or loss	-	-	-	1,900,300	-	1,009,400	-	2,909,700
Derivative financial assets	-	-	-	3	2	1,505	-	1,510
Financial assets held under resale agreements	-	-	22,721,367	2,500,015	4,928,004	4,399,917	-	34,549,303
Loans and advances to customers	2,874,182	-	12,975,021	18,802,611	90,065,929	64,469,232	68,353,932	257,540,907
Available-for-sale financial assets	175,341	-	4,363,664	4,306,653	1,438,669	1,954,080	263,216	12,501,623
Held-to-maturity investments	-	-	295,870	1,431,561	5,085,034	34,996,469	21,840,650	63,649,584
Debt securities classified as receivables	-	-	35,654,251	13,600,045	41,635,766	40,367,694	1,818,371	133,076,127
Other financial assets	-	524,433	433,741	490,632	807,359	2,148,837	721,960	5,126,962
<b>Total financial assets</b>	<b>71,358,676</b>	<b>17,693,809</b>	<b>113,821,684</b>	<b>85,680,097</b>	<b>175,621,552</b>	<b>150,660,963</b>	<b>93,030,910</b>	<b>707,867,691</b>
Borrowings from central bank	-	-	-	70,000	4,675,000	974,040	-	5,719,040
Deposits from banks and other financial institutions	-	1,384,562	24,003,000	32,538,000	27,948,000	1,321,037	-	87,194,599
Placements from banks	-	-	4,508,091	4,912,938	3,242,026	-	-	12,663,055
Derivative financial liabilities	-	-	-	3	2	1,505	-	1,510
Financial assets sold under repurchase agreements	-	-	29,904,492	14,485,580	509,100	-	-	44,899,172
Deposits from customers	-	200,151,865	25,138,157	69,539,988	126,629,764	48,768,411	8	470,228,193
Debt securities issued	-	-	17,330,239	7,212,366	5,304,177	-	5,000,000	34,846,782
Other financial liabilities	-	2,517,250	3,434,283	382,096	494,605	174,228	41,667	7,044,129
<b>Total financial liabilities</b>	<b>-</b>	<b>204,053,677</b>	<b>104,318,262</b>	<b>129,140,971</b>	<b>168,802,674</b>	<b>51,239,221</b>	<b>5,041,675</b>	<b>662,596,480</b>
<b>Net position</b>	<b>71,358,676</b>	<b>(186,359,868)</b>	<b>9,503,422</b>	<b>(43,460,874)</b>	<b>6,818,878</b>	<b>99,421,742</b>	<b>87,989,235</b>	<b>45,271,211</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

#### THE GROUP (Continued)

	As at 31 December 2014							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	72,712,682	6,621,497	-	-	-	-	-	79,334,179
Deposits with banks and other financial institutions	-	3,204,745	13,971,395	8,485,900	2,587,510	-	-	28,249,550
Placements with banks and other financial institutions	-	-	25,495,318	36,253,001	14,225,449	-	-	75,973,768
Financial assets held for trading	-	-	-	-	-	137,734	30,368	168,102
Financial assets designated at fair value through profit or loss	-	-	1,391,558	1,789,457	6,631,131	7,009,700	-	16,821,846
Financial assets held under resale agreements	-	-	14,991,787	5,477,854	16,665,408	17,508,530	-	54,643,579
Loans and advances to customers	2,150,996	-	10,806,824	18,154,752	81,602,771	57,929,681	62,875,157	233,520,181
Available-for-sale financial assets	64,242	-	3,816,197	3,445,355	3,496,756	1,806,248	759,215	13,388,013
Held-to-maturity investments	-	-	338,022	816,238	4,963,370	30,200,772	26,524,852	62,843,254
Debt securities classified as receivables	-	-	4,054,237	5,290,191	10,006,189	21,142,737	1,011,498	41,504,852
Other financial assets	-	496,839	1,138,077	1,647,661	1,393,190	33	64	4,675,864
<b>Total financial assets</b>	<b>74,927,920</b>	<b>10,323,081</b>	<b>76,003,415</b>	<b>81,360,409</b>	<b>141,571,774</b>	<b>135,735,435</b>	<b>91,201,154</b>	<b>611,123,188</b>
Borrowings from central bank	-	-	10,000	86,000	6,680,000	-	-	6,776,000
Deposits from banks and other financial institutions	-	1,420,695	19,361,835	15,410,000	39,172,844	7,105,565	-	82,470,939
Placements from banks	-	-	7,399,384	2,115,876	3,032,154	-	-	12,547,414
Financial liabilities designated at fair value through profit or loss	-	-	500,000	-	-	-	-	500,000
Financial assets sold under repurchase agreements	-	-	28,028,771	16,071,920	3,183,499	-	-	47,284,190
Deposits from customers	-	173,736,649	23,322,181	51,053,387	114,861,050	46,746,569	8	409,719,844
Debt securities issued	-	-	-	-	-	-	5,000,000	5,000,000
Other financial liabilities	-	2,112,954	202,244	4,124,480	277,068	-	43,109	6,759,855
<b>Total financial liabilities</b>	<b>-</b>	<b>177,270,298</b>	<b>78,824,415</b>	<b>88,861,663</b>	<b>167,206,615</b>	<b>53,852,134</b>	<b>5,043,117</b>	<b>571,058,242</b>
<b>Net position</b>	<b>74,927,920</b>	<b>(166,947,217)</b>	<b>(2,821,000)</b>	<b>(7,501,254)</b>	<b>(25,634,841)</b>	<b>81,883,301</b>	<b>86,158,037</b>	<b>40,064,946</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

##### Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the expected undiscounted contractual cash flows. The Group manages liquidity risk on basis of expected undiscounted cash flows.

#### THE GROUP

	As at 31 December 2015							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
Cash and balances with central bank	68,309,153	10,223,949	-	-	-	-	-	78,533,102
Deposits with banks and other financial institutions	-	6,983,499	5,719,628	5,241,442	28,077,774	-	-	46,022,343
Placements with banks and other financial institutions	-	-	31,912,089	37,864,449	4,796,870	106,512	-	74,679,920
Financial assets held for trading	-	-	-	7,140	42,214	1,326,221	34,401	1,409,976
Financial assets designated at fair value through profit or loss	-	-	-	2,032,996	-	1,088,797	-	3,121,793
Financial assets held under resale agreements	-	-	22,821,872	2,544,750	5,263,415	4,899,150	-	35,529,187
Loans and advances to customers	2,874,182	-	14,347,974	28,197,169	99,370,985	87,968,297	101,713,761	334,472,368
Available-for-sale financial assets	175,341	-	4,406,537	4,399,261	1,608,818	2,290,393	294,676	13,175,026
Held-to-maturity investments	-	-	414,872	2,076,119	7,149,940	43,026,646	25,962,919	78,630,496
Debt securities classified as receivables	-	-	35,893,461	14,472,971	44,843,472	46,700,934	2,194,718	144,105,556
Other financial assets	-	524,433	-	-	-	-	-	524,433
<b>Total financial assets</b>	<b>71,358,676</b>	<b>17,731,881</b>	<b>115,516,433</b>	<b>96,836,297</b>	<b>191,153,488</b>	<b>187,406,950</b>	<b>130,200,475</b>	<b>810,204,200</b>
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	-	-	19,831	95,823	4,757,050	1,030,953	-	5,903,657
Deposits from banks and other financial institutions	-	1,384,562	24,102,312	32,794,886	28,930,071	1,345,726	-	88,557,557
Placements from banks	-	-	4,518,771	5,001,383	3,311,915	-	-	12,832,069
Financial assets sold under repurchase agreements	-	-	30,004,304	14,639,886	526,562	-	-	45,170,752
Deposits from customers	-	200,432,516	25,881,451	71,481,900	128,814,821	51,288,668	8	477,899,364
Debt securities issued	-	-	17,543,256	7,663,632	5,928,511	957,000	6,276,000	38,368,399
Other financial liabilities	-	2,517,250	-	-	-	-	51,355	2,568,605
<b>Total financial liabilities</b>	<b>-</b>	<b>204,334,328</b>	<b>102,069,925</b>	<b>131,677,510</b>	<b>172,268,930</b>	<b>54,622,347</b>	<b>6,327,363</b>	<b>671,300,403</b>
<b>Net position</b>	<b>71,358,676</b>	<b>(186,602,447)</b>	<b>13,446,508</b>	<b>(34,841,213)</b>	<b>18,884,558</b>	<b>132,784,603</b>	<b>123,873,112</b>	<b>138,903,797</b>
<b>Derivative Financial instruments</b>								
Gross amount								
Total inflows	-	-	-	8,213	27,423	1,074,103	-	1,109,739
Total outflows	-	-	-	(8,213)	(27,423)	(1,074,103)	-	(1,109,739)
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

#### THE GROUP (Continued)

	As at 31 December 2014							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
Cash and balances with central bank	72,712,682	6,655,185	-	-	-	-	-	79,367,867
Deposits with banks and other financial institutions	-	3,206,957	14,065,495	8,635,723	2,677,871	-	-	28,586,046
Placements with banks and other financial institutions	-	-	25,937,663	37,266,810	14,813,443	-	-	78,017,916
Financial assets held for trading	-	-	-	7,140	1,620	167,900	33,240	209,900
Financial assets designated at fair value through profit or loss	-	-	1,414,370	1,962,233	7,213,956	7,301,283	-	17,891,842
Financial assets held under resale agreements	-	-	15,258,553	6,174,308	20,093,705	17,235,998	-	58,762,564
Loans and advances to customers	2,150,996	-	16,090,828	17,456,010	89,942,010	77,634,017	102,910,535	306,184,396
Available-for-sale financial assets	64,242	-	3,887,828	3,569,967	3,736,007	2,229,184	815,247	14,302,475
Held-to-maturity investments	-	-	474,072	1,478,344	6,919,389	38,497,932	26,800,483	74,170,220
Debt securities classified as receivables	-	-	4,114,483	5,875,929	11,757,870	24,858,198	1,244,317	47,850,797
Other financial assets	-	496,839	-	-	-	-	-	496,839
<b>Total financial assets</b>	<b>74,927,920</b>	<b>10,358,981</b>	<b>81,243,292</b>	<b>82,426,464</b>	<b>157,155,871</b>	<b>167,924,512</b>	<b>131,803,822</b>	<b>705,840,862</b>
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	-	-	10,694	107,227	6,741,674	-	-	6,859,595
Deposits from banks and other financial institutions	-	1,422,150	19,472,056	15,865,745	40,616,357	7,396,043	-	84,772,351
Placements from banks	-	-	7,409,088	2,145,748	3,170,149	-	-	12,724,985
Financial liabilities designated at fair value through profit or loss	-	-	501,192	-	-	-	-	501,192
Financial assets sold under repurchase agreements	-	-	28,258,317	16,396,271	3,281,580	-	-	47,936,168
Deposits from customers	-	174,022,754	24,058,447	52,490,559	116,753,256	46,746,569	11	414,071,596
Debt securities issued	-	-	-	-	319,000	1,276,000	6,595,000	8,190,000
Other financial liabilities	-	2,112,954	-	-	-	-	53,456	2,166,410
<b>Total financial liabilities</b>	<b>-</b>	<b>177,557,858</b>	<b>79,709,794</b>	<b>87,005,550</b>	<b>170,882,016</b>	<b>55,418,612</b>	<b>6,648,467</b>	<b>577,222,297</b>
<b>Net position</b>	<b>74,927,920</b>	<b>(167,198,877)</b>	<b>1,533,498</b>	<b>(4,579,086)</b>	<b>(13,726,145)</b>	<b>112,505,900</b>	<b>125,155,355</b>	<b>128,618,565</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

*Analysis of the undiscounted contractual cash flows (Continued)*

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, available-for-sale financial assets, financial assets held for trading and financial assets designated at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

*Off-balance sheet items*

Off-balance sheet items of the Group include acceptances, undrawn credit card limit and others. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	31 December 2015			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Acceptances	13,104,634	–	–	13,104,634
Undrawn credit card limit	7,867,872	–	–	7,867,872
Letters of credit issued	143,920	196,254	–	340,174
Letters of guarantee	<u>2,696,679</u>	<u>1,857,486</u>	<u>8,040</u>	<u>4,562,205</u>
Total	<u>23,813,105</u>	<u>2,053,740</u>	<u>8,040</u>	<u>25,874,885</u>

	31 December 2014			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Acceptances	9,560,098	–	–	9,560,098
Undrawn credit card limit	4,595,196	–	–	4,595,196
Letters of credit issued	181,746	–	–	181,746
Letters of guarantee	<u>801,854</u>	<u>11,659</u>	<u>13,000</u>	<u>826,513</u>
Total	<u>15,138,894</u>	<u>11,659</u>	<u>13,000</u>	<u>15,163,553</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk

Market risk is the risk of loss, in respect of the Group's and the Bank's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group and the Bank.

The Group considers the market risk arising from equity prices in respect of its trading and investment portfolios is immaterial.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

#### *Foreign currency risk*

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The exchange rate of RMB to USD has certain fluctuations over the past two years. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

Foreign currency risk (Continued)

#### THE GROUP

	As at 31 December 2015				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	78,417,982	63,689	18,607	-	78,500,278
Deposits with banks and other financial institutions	44,216,924	449,284	91,568	6,725	44,764,501
Placements with banks and other financial institutions	71,815,637	1,824,702	360,245	-	74,000,584
Financial assets held for trading	1,246,612	-	-	-	1,246,612
Financial assets designated at fair value through profit or loss	2,909,700	-	-	-	2,909,700
Derivative financial assets	-	1,510	-	-	1,510
Financial assets held under resale agreements	34,549,303	-	-	-	34,549,303
Loans and advances to customers	255,786,051	1,648,713	-	106,143	257,540,907
Available-for-sale financial assets	12,501,623	-	-	-	12,501,623
Held-to-maturity investments	63,649,584	-	-	-	63,649,584
Debt securities classified as receivables	133,076,127	-	-	-	133,076,127
Other financial assets	5,110,127	14,212	308	2,315	5,126,962
<b>Total financial assets</b>	<b>703,279,670</b>	<b>4,002,110</b>	<b>470,728</b>	<b>115,183</b>	<b>707,867,691</b>
Borrowings from central bank	4,745,000	974,040	-	-	5,719,040
Deposits from banks and other financial institutions	87,194,599	-	-	-	87,194,599
Placements from banks	10,474,937	2,058,246	-	129,872	12,663,055
Derivative financial liabilities	-	1,510	-	-	1,510
Financial assets sold under repurchase agreements	44,899,172	-	-	-	44,899,172
Deposits from customers	469,239,507	536,964	450,117	1,605	470,228,193
Debt securities issued	34,846,782	-	-	-	34,846,782
Other financial liabilities	6,184,141	859,988	-	-	7,044,129
<b>Total financial liabilities</b>	<b>657,584,138</b>	<b>4,430,748</b>	<b>450,117</b>	<b>131,477</b>	<b>662,596,480</b>
<b>Net position</b>	<b>45,695,532</b>	<b>(428,638)</b>	<b>20,611</b>	<b>(16,294)</b>	<b>45,271,211</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

Foreign currency risk (Continued)

THE GROUP (Continued)

	As at 31 December 2014				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	79,276,054	40,281	17,844	-	79,334,179
Deposits with banks and other financial institutions	28,036,903	182,342	22,672	7,633	28,249,550
Placements with banks and other financial institutions	73,743,783	1,890,758	339,227	-	75,973,768
Financial assets held for trading	168,102	-	-	-	168,102
Financial assets designated at fair value through profit or loss	16,821,846	-	-	-	16,821,846
Financial assets held under resale agreements	54,643,579	-	-	-	54,643,579
Loans and advances to customers	232,797,278	710,016	-	12,887	233,520,181
Available-for-sale financial assets	13,388,013	-	-	-	13,388,013
Held-to-maturity investments	62,843,254	-	-	-	62,843,254
Debt securities classified as receivables	41,504,852	-	-	-	41,504,852
Other financial assets	4,668,233	7,463	154	14	4,675,864
<b>Total financial assets</b>	<b>607,891,897</b>	<b>3,830,860</b>	<b>379,897</b>	<b>20,534</b>	<b>611,123,188</b>
Borrowings from central bank	6,776,000	-	-	-	6,776,000
Deposits from banks and other financial institutions	82,470,939	-	-	-	82,470,939
Placements from banks	10,473,141	2,059,362	-	14,911	12,547,414
Financial liabilities designated at fair value through profit or loss	500,000	-	-	-	500,000
Financial assets sold under repurchase agreements	47,284,190	-	-	-	47,284,190
Deposits from customers	409,118,240	146,378	362,443	92,783	409,719,844
Debt securities issued	5,000,000	-	-	-	5,000,000
Other financial liabilities	6,757,839	2,014	-	2	6,759,855
<b>Total financial liabilities</b>	<b>568,380,349</b>	<b>2,207,754</b>	<b>362,443</b>	<b>107,696</b>	<b>571,058,242</b>
<b>Net position</b>	<b>39,511,548</b>	<b>623,106</b>	<b>17,454</b>	<b>(87,162)</b>	<b>40,064,946</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

##### Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

#### THE GROUP

	Increase/(Decrease) in Net profit	
	As at 31 December 2015	As at 31 December 2014
USD 5% appreciation	16,074	(23,366)
USD 5% depreciation	(16,074)	23,366

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

##### Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

##### Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

#### THE GROUP

	As at 31 December 2015						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	74,115,470	-	-	-	-	4,384,808	78,500,278
Deposits with banks and other financial institutions	12,224,232	5,137,000	26,971,250	-	-	432,019	44,764,501
Placements with banks and other financial institutions	31,699,770	37,511,277	4,689,539	99,998	-	-	74,000,584
Financial assets held for trading	-	-	-	1,213,831	32,781	-	1,246,612
Financial assets designated at fair value through profit or loss	-	1,900,300	-	1,009,400	-	-	2,909,700
Derivative financial assets	-	-	-	-	-	1,510	1,510
Financial assets held under resale agreements	22,721,367	2,500,015	4,928,004	4,399,917	-	-	34,549,303
Loans and advances to customers	180,365,946	15,043,800	55,022,733	5,907,950	1,200,478	-	257,540,907
Available-for-sale financial assets	4,357,462	4,398,291	1,393,379	1,913,934	263,216	175,341	12,501,623
Held-to-maturity investments	570,746	2,699,355	5,072,207	33,808,391	21,498,885	-	63,649,584
Debt securities classified as receivables	35,654,251	13,600,045	41,635,766	40,367,694	1,818,371	-	133,076,127
Other financial assets	-	-	-	-	-	5,126,962	5,126,962
<b>Total financial assets</b>	<b>361,709,244</b>	<b>82,790,083</b>	<b>139,712,878</b>	<b>88,721,115</b>	<b>24,813,731</b>	<b>10,120,640</b>	<b>707,867,691</b>
Borrowings from central bank	-	70,000	4,675,000	974,040	-	-	5,719,040
Deposits from banks and other financial institutions	25,387,562	32,538,000	27,948,000	1,321,037	-	-	87,194,599
Placements from banks	4,508,091	4,912,938	3,242,026	-	-	-	12,663,055
Derivative financial liabilities	-	-	-	-	-	1,510	1,510
Financial assets sold under repurchase agreement	29,904,492	14,485,580	509,100	-	-	-	44,899,172
Deposits from customers	225,281,738	69,539,988	126,629,764	48,768,411	8	8,284	470,228,193
Debt securities issued	17,330,239	7,212,366	5,304,177	-	5,000,000	-	34,846,782
Other financial liabilities	-	-	-	-	41,667	7,002,462	7,044,129
<b>Total financial liabilities</b>	<b>302,412,122</b>	<b>128,758,872</b>	<b>168,308,067</b>	<b>51,063,488</b>	<b>5,041,675</b>	<b>7,012,256</b>	<b>662,596,480</b>
<b>Interest rate risk gap</b>	<b>59,297,122</b>	<b>(45,968,789)</b>	<b>(28,595,189)</b>	<b>37,657,627</b>	<b>19,772,056</b>	<b>3,108,384</b>	<b>45,271,211</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

Interest rate risk (Continued)

THE GROUP (Continued)

	As at 31 December 2014						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	75,224,388	-	-	-	-	4,109,791	79,334,179
Deposits with banks and other financial institutions	17,055,878	8,485,900	2,587,510	-	-	120,262	28,249,550
Placements with banks and other financial institutions	26,395,101	36,253,000	13,325,667	-	-	-	75,973,768
Financial assets held for trading	-	-	-	137,734	30,368	-	168,102
Financial assets designated at fair value through profit or loss	1,391,558	1,789,457	6,631,131	7,009,700	-	-	16,821,846
Financial assets held under resale agreements	18,994,126	6,978,905	14,162,895	14,507,653	-	-	54,643,579
Loans and advances to customers	25,120,289	23,407,960	57,938,754	126,959,981	93,197	-	233,520,181
Available-for-sale financial assets	3,816,197	3,855,660	3,496,756	1,395,943	759,215	64,242	13,388,013
Held-to-maturity investments	438,073	2,116,025	5,362,534	29,502,111	25,424,511	-	62,843,254
Debt securities classified as receivables	5,136,444	6,018,578	9,631,297	19,707,035	1,011,498	-	41,504,852
Other financial assets	-	-	-	-	-	4,675,864	4,675,864
<b>Total financial assets</b>	<b>173,572,054</b>	<b>88,905,485</b>	<b>113,136,544</b>	<b>199,220,157</b>	<b>27,318,789</b>	<b>8,970,159</b>	<b>611,123,188</b>
Borrowings from central bank	10,000	86,000	6,680,000	-	-	-	6,776,000
Deposits from banks and other financial institutions	20,782,530	15,410,000	39,172,844	7,105,565	-	-	82,470,939
Placements from banks	7,399,384	2,115,876	3,032,154	-	-	-	12,547,414
Financial liabilities designated at fair value through profit or loss	500,000	-	-	-	-	-	500,000
Financial assets sold under repurchase agreements	28,028,771	16,071,920	3,183,499	-	-	-	47,284,190
Deposits from customers	197,050,350	51,053,387	114,861,050	46,746,569	8	8,480	409,719,844
Debt securities issued	-	-	-	-	5,000,000	-	5,000,000
Other financial liabilities	-	-	-	-	43,109	6,716,746	6,759,855
<b>Total financial liabilities</b>	<b>253,771,035</b>	<b>84,737,183</b>	<b>166,929,547</b>	<b>53,852,134</b>	<b>5,043,117</b>	<b>6,725,226</b>	<b>571,058,242</b>
<b>Interest rate risk gap</b>	<b>(80,198,981)</b>	<b>4,168,302</b>	<b>(53,793,003)</b>	<b>145,368,023</b>	<b>22,275,672</b>	<b>2,244,933</b>	<b>40,064,946</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

##### Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net profit and comprehensive income, based on the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

#### THE GROUP

	2015		2014	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	<u>1,388,316</u>	<u>59,327</u>	<u>438,379</u>	<u>63,435</u>
-100 basis points	<u>(1,388,316)</u>	<u>(59,327)</u>	<u>(438,379)</u>	<u>(63,435)</u>

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (6) Capital management

The Group's and the Bank's objectives on capital management are to:

- safeguard the Group's and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's and the Bank's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) for systematically important banks, CBRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. During the reporting period, the Group is fully compliant with legal and regulatory requirements.

The risk-weighted assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculates the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by the CBRC.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. FINANCIAL RISK MANAGEMENT (Continued)

#### (6) Capital management (Continued)

##### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Core tier-one capital adequacy ratio	9.88%	10.12%
Tier-one capital adequacy ratio	9.89%	10.12%
Capital adequacy ratio	12.09%	12.45%
Components of capital base		
Core tier-one capital:		
Share capital	9,300,000	9,300,000
Valid portion of capital reserve	9,196,060	9,222,515
Surplus reserve and general reserve	15,815,262	13,450,528
Retained earnings	12,451,471	9,452,907
Valid portion of non-controlling interests	817,734	912,302
Total core tier-one capital	47,580,527	42,338,252
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(71,201)	(50,506)
Net core tier-one capital	47,069,197	41,847,617
Other tier-one capital:		
Non-controlling interests	27,228	7,673
Net tier-one capital	47,096,425	41,855,290
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	5,000,000	5,000,000
Surplus provision for loan impairment	5,413,852	4,559,544
Valid portion of non-controlling interests	77,134	35,657
Net capital base	57,587,411	51,450,491
Risk-weighted assets		
Credit risk-weighted assets	438,521,983	369,370,331
Market risk-weighted assets	1,821,635	12,918,581
Operational risk-weighted assets	36,069,110	31,098,186

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 54. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### **Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements is observable and the significance of the inputs to the fair value measurement in its entirety, which is described below.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 54. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

**Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)**

#### THE GROUP

Financial assets/ financial liabilities	Nature of assets/ liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2015	31/12/2014		
Financial assets held for trading	Debt securities issued by: – Corporations	178,025	168,102	Level 2	See note 1.
	– Financial institutions	1,068,587	–		
Financial assets designated at fair value through profit or loss	Unlisted debt instruments issued by financial institutions	1,600,000	8,047,493	Level 2	Based on fair value of underlying assets, mainly comprising bonds and money market financial instruments traded in the interbank market.
		1,309,700	8,774,353	Level 3	Based on the valuation reports from counterparties, according to fair value of underlying assets, mainly comprising bonds and money market financial instruments traded in the interbank market.
Derivatives	Assets	1,510	–	Level 3	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties.
	Liabilities	1,510	–		
Available-for-sale financial assets	Listed equity securities issued by: – Financial institutions	61,778	56,242	Level 2	Based on observable H-share market price and adjusted for the lack of marketability.
	Debt securities issued by: – Corporations	12,184,264	12,814,760	Level 2	See note 1.
	– Financial institutions	142,018	509,011		
Financial liabilities designated at fair value through profit or loss	Principal guaranteed wealth management products	–	500,000	Level 2	Discounted cash flows. Future cash flows are estimated and discounted using yield curve for similar quoted wealth management products issued by financial institutions.

**Note 1:** The debt securities traded on China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository And Clearing Co., Ltd., and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between all levels during the year of 2015 and 2014.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 54. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

##### THE GROUP

	2015
	Financial assets designated at fair value through profit or loss— Unlisted debt instruments issued by financial institutions
As at 1 January 2015	8,774,353
Total gains or losses:	
In profit or loss	292,488
In other comprehensive income	—
Purchases	—
Sales and settlements	(7,464,653)
Transfer in	—
As at 31 December 2015	<u>1,309,700</u>
Change in realised gains or losses for the year included in profit or loss	292,488
Change in unrealised gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	<u>—</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 54. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

**Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy (Continued)**

THE GROUP (Continued)

	2014
	Financial assets designated at fair value through profit or loss— Unlisted debt instruments issued by financial institutions
As at 1 January 2014	—
Total gains or losses:	
In profit or loss	558,526
In other comprehensive income	—
Purchases	20,456,353
Sales and settlements	(11,682,000)
Transfer in	—
As at 31 December 2014	8,774,353
Change in realised gains or losses for the year included in profit or loss	558,526
Change in unrealised gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	—

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 54. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and financial assets sold under repurchase agreements are not included in the tables below.

#### THE GROUP

	As at 31 December 2015		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	257,540,907	257,951,517	233,520,181	233,859,515
Held-to-maturity investments	63,649,584	66,654,325	62,843,254	63,560,204
Debt securities classified as receivables	133,076,127	135,731,969	41,504,852	42,361,759
Financial assets held under resale agreements	34,549,303	34,691,759	54,643,579	55,241,901
Total	<u>488,815,921</u>	<u>495,029,570</u>	<u>392,511,866</u>	<u>395,023,379</u>
Financial liabilities				
Deposits from customers	470,228,193	476,822,704	409,719,844	413,917,706
Debt securities issued	34,846,782	35,691,446	5,000,000	5,171,095
Total	<u>505,074,975</u>	<u>512,514,150</u>	<u>414,719,844</u>	<u>419,088,801</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 54. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

The following table gives the information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

#### THE GROUP

Financial assets/financial liabilities		Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2015	31/12/2014		
Loans and advances to customers		257,951,517	233,859,515	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using the yield curve with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.
Held-to-maturity investments		66,654,325	63,560,204	Level 2	See note 1.
Debt securities classified as receivables	Debt securities issued by financial institution and corporations	22,416,254	15,647,115	Level 2	See note 1.
	Government bonds	1,098,614	-	Level 2	See note 1.
	Debt instruments issued by financial institutions	112,217,102	26,714,644	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Financial assets held under resale agreements	Collateral type as: - Bills and trust beneficial rights and assets management plans	34,691,759	55,241,901	Level 3	Discounted cash flows. Future cash flows that are estimated based on contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Deposits from customers		476,822,704	413,917,706	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate with reference to the PBOC benchmark interest rates for deposits of similar remaining maturities.
Debt securities issued		35,691,446	5,171,095	Level 2	See note 1.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 54. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

*Note 1:* The debt securities traded on China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository And Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between levels during the year 2015 and 2014.

### 55. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK

	As at 31 December 2015	As at 31 December 2014
<b>Assets</b>		
Cash and balances with central bank	78,286,279	79,063,894
Deposits with banks and other financial institutions	44,371,409	28,792,167
Placements with banks and other financial institutions	75,080,584	77,553,768
Financial assets held for trading	1,246,612	168,102
Financial assets designated at fair value through profit or loss	2,909,700	16,821,846
Derivative financial assets	1,510	–
Financial assets held under resale agreements	34,549,303	54,643,579
Loans and advances to customers	243,974,065	226,100,549
Available-for-sale financial assets	11,900,771	13,388,013
Held-to-maturity investments	63,649,584	62,843,254
Debt securities classified as receivables	132,592,079	41,407,732
Interest in subsidiaries	2,465,000	2,363,000
Interest in associates	–	105,563
Property and equipment	5,090,234	4,232,722
Goodwill	440,129	440,129
Deferred tax assets	2,495,908	2,142,617
Other assets	5,717,767	5,344,109
<b>Total Assets</b>	<b>704,770,934</b>	<b>615,411,044</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

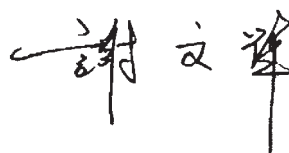
### 55. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	<i>Notes</i>	As at 31 December 2015	As at 31 December 2014
<b>Liabilities</b>			
Borrowings from central bank		5,374,040	6,400,000
Deposits from banks and other financial institutions		86,700,901	82,691,901
Placements from banks		6,698,055	12,547,414
Financial liabilities designated at fair value through profit or loss		–	500,000
Derivative financial liabilities		1,510	–
Financial assets sold under repurchase agreements		44,899,172	47,284,190
Deposits from customers		467,637,061	408,083,629
Accrued staff costs		3,955,457	3,455,861
Tax payable		898,567	763,516
Debt securities issued		34,846,782	5,000,000
Other liabilities		7,050,137	7,276,895
<b>Total liabilities</b>		<u>658,061,682</u>	<u>574,003,406</u>
<b>Equity</b>			
Share capital	41	9,300,000	9,300,000
Capital reserve	42	9,201,954	9,201,954
Investment revaluation reserve	43	105,835	36,718
Actuarial changes reserve		(111,729)	(16,157)
Surplus reserve	44	7,798,116	7,079,309
General reserve	45	7,946,259	6,371,219
Retained earnings	46	12,468,817	9,434,595
<b>Total equity</b>		<u>46,709,252</u>	<u>41,407,638</u>
<b>Total liabilities and equity</b>		<u><u>704,770,934</u></u>	<u><u>615,411,044</u></u>

Approved and authorised for issue by the Board of Directors on 18 March 2016.



**LIU JIANZHONG**  
CHAIRMAN



**XIE WENHUI**  
EXECUTIVE DIRECTOR  
AND PRESIDENT

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 55. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

#### Reserve movement of the Bank

	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
<b>As at 1 January 2015</b>	9,201,954	36,718	(16,157)	7,079,309	6,371,219	9,434,595
Profit for the year	–	–	–	–	–	7,188,069
Other comprehensive income	–	69,117	(95,572)	–	–	–
Total comprehensive income for the year	–	69,117	(95,572)	–	–	7,188,069
Appropriation to surplus reserve	–	–	–	718,807	–	(718,807)
Appropriation to general reserve	–	–	–	–	1,575,040	(1,575,040)
Dividend distribution	–	–	–	–	–	(1,860,000)
<b>As at 31 December 2015</b>	<u>9,201,954</u>	<u>105,835</u>	<u>(111,729)</u>	<u>7,798,116</u>	<u>7,946,259</u>	<u>12,468,817</u>
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
<b>As at 1 January 2014</b>	9,201,954	(135,945)	43,460	6,394,534	5,497,269	5,912,566
Profit for the year	–	–	–	–	–	6,847,754
Other comprehensive income	–	172,663	(59,617)	–	–	–
Total comprehensive income for the year	–	172,663	(59,617)	–	–	6,847,754
Appropriation to surplus reserve	–	–	–	684,775	–	(684,775)
Appropriation to general reserve	–	–	–	–	873,950	(873,950)
Dividend distribution	–	–	–	–	–	(1,767,000)
<b>As at 31 December 2014</b>	<u>9,201,954</u>	<u>36,718</u>	<u>(16,157)</u>	<u>7,079,309</u>	<u>6,371,219</u>	<u>9,434,595</u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

### 56. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) According to section 383 of the new Hong Kong Companies Ordinance (CO), Cap. 622., the emoluments and retirement benefits of directors are disclosed in Note 10, payments or benefits in respect of termination of directors' services, material interests of directors in transactions, arrangements or contracts entered into by the Bank or another company in the same group of companies, and consideration provided to or receivable by third parties for making available the services of a person as a director or in any other capacity is not material during the year 2015 and 2014.
- (2) Loans and credit transactions provided to certain controlled body corporates and connected entities of directors and supervisors

Name of the borrower	As at 31 December 2014	As at 31 December 2015	Maximum outstanding during the year 2015	Amounts fallen due but not been paid	Provisions as at 31 December 2015	Term	Interest Rate (%)	Security
Connected entities	3,027,600	4,247,000	4,755,000	-	147,371	1 to 10 years	4.35-7.34	Guarantee, certificates of deposits, constructions in progress, real estate, etc.

### 57. EVENT AFTER THE REPORTING PERIOD

- (1) Profits distribution for 2015 is disclosed in Note 14, Note 44 and Note 45.
- (2) On 11 March 2016, the Bank held an extraordinary general meeting, during which the proposals to issue preference shares and qualified Tier-2 capital instruments were approved.

## Unaudited Supplemental Financial Information

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

### LOANS AND ADVANCES TO CUSTOMERS (CONTRACTUAL AMOUNT)

For the year ended of 2014 and previous years, the following disclosures in relation to restructured loans and advances to customers have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the consolidated financial statements of the Group. As at 31 December 2015, these restructured loans and advances to customers have been expired, of which contractual amount is the same as its carrying amount stated in the consolidated financial statements of the Group.

**(1) Distributions of loans and advances to customers by corporate and by retail customers are set out as follow:**

**THE GROUP**

	As at 31 December 2015	As at 31 December 2014
Corporate loans and advances		
– Loans	164,114.3	138,881.4
– Discounted bills	6,982.4	5,461.2
– Trade financing	<u>1,187.8</u>	<u>703.9</u>
Subtotal	<u>172,284.5</u>	<u>145,046.5</u>
Retail loans and advances		
– Residential mortgages and personal commercial properties loans	44,099.7	45,898.9
– Loans to private business and re-employment loans	33,817.0	36,061.7
– Credit cards	6,373.1	3,887.1
– Others	<u>12,011.4</u>	<u>11,303.7</u>
Subtotal	<u>96,301.2</u>	<u>97,151.4</u>
Total loans and advances to customers	<u>268,585.7</u>	<u>242,197.9</u>
Allowance for impairment losses	<u>(11,044.8)</u>	<u>(8,677.7)</u>
Include: Individually assessed	(667.3)	(660.4)
Collectively assessed	<u>(10,377.5)</u>	<u>(8,017.3)</u>
Loans and advances to customers, net	<u>257,540.9</u>	<u>233,520.2</u>

## Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

### LOANS AND ADVANCES TO CUSTOMERS (CONTRACTUAL AMOUNT) (Continued)

#### (2) Analysis of loans and advances to customers by collective and individual assessments

##### THE GROUP

	Loans and advances for which allowance is collectively assessed <sup>(a)</sup>	Identified impaired loans and advances <sup>(b)</sup>			Total	Identified impaired loans and advances as a % of total loans and advances
		For which allowance is collectively assessed	For which allowance is Individually assessed	Sub-total		
As at 31 December 2015						
Gross loans and advances	265,956.2	1,399.7	1,229.8	2,629.5	268,585.7	0.98
Allowance for impairment losses	(9,282.5)	(1,095.0)	(667.3)	(1,762.3)	(11,044.8)	
Loans and advances to customers, net	<u>256,673.7</u>	<u>304.7</u>	<u>562.5</u>	<u>867.2</u>	<u>257,540.9</u>	
As at 31 December 2014						
Gross loans and advances	240,310.6	601.7	1,285.6	1,887.3	242,197.9	0.78
Allowance for impairment losses	(7,574.3)	(443.0)	(660.4)	(1,103.4)	(8,677.7)	
Loans and advances to customers, net	<u>232,736.3</u>	<u>158.7</u>	<u>625.2</u>	<u>783.9</u>	<u>233,520.2</u>	

- (a) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been individually identified as impaired.
- (b) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

## Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

### LOANS AND ADVANCES TO CUSTOMERS (CONTRACTUAL AMOUNT) (Continued)

#### (3) Movements of allowance for impairment losses on loans and advances to customers

##### THE GROUP

	Individually assessed allowance	Collectively allowance assessed	Total
As at 1 January 2015	660.4	8,017.3	8,677.7
Charge for the year	735.7	6,994.5	7,730.2
Reversal for the year	(264.8)	(4,487.1)	(4,751.9)
Written off	(496.2)	(266.5)	(762.7)
Recovery of loans and advances written off in previous years	83.7	146.2	229.9
Unwinding of discount on allowance	(51.5)	(26.9)	(78.4)
As at 31 December 2015	<u>667.3</u>	<u>10,377.5</u>	<u>11,044.8</u>
As at 1 January 2014	390.9	6,711.0	7,101.9
Charge for the year	710.2	4,320.1	5,030.3
Reversal for the year	(265.8)	(2,923.5)	(3,189.3)
Written off	(176.7)	(232.5)	(409.2)
Recovery of loans and advances written off in previous years	48.2	166.2	214.4
Unwinding of discount on allowance	(46.4)	(24.0)	(70.4)
As at 31 December 2014	<u>660.4</u>	<u>8,017.3</u>	<u>8,677.7</u>

## Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

### LIQUIDITY RATIOS

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
RMB current assets to RMB current liabilities	<u>32.83</u>	<u>30.52</u>
Foreign currencies current assets to foreign currency currencies liabilities	<u>40.58</u>	<u>37.48</u>

### LIQUIDITY COVERAGE RATIO

#### THE GROUP

	As at 31 December 2015
Qualified and high-quality current assets	22,318.8
Net cash outflows in next 30 days	24,787.3
Liquidity coverage (%)	<u>90.04</u>

### CORE DEBT RATIO

#### THE BANK

	As at 31 December 2015	As at 31 December 2014
Core debt ratio (%)	<u>61.40</u>	<u>60.04</u>

The liquidity ratio, liquidity coverage ratio, and core debt ratio are calculated based on the formula set by CBRC.

## Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

### CURRENCY CONCENTRATIONS

#### THE GROUP

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2015				
Spot assets	4,547.9	606.0	119.8	5,273.7
Spot liabilities	(4,352.9)	(450.1)	(116.8)	(4,919.8)
Forward purchases	–	–	–	–
Forward sales	–	–	–	–
Net position	<u>195.0</u>	<u>155.9</u>	<u>3.0</u>	<u>353.9</u>
As at 31 December 2014				
Spot assets	2,797.4	510.8	28.4	3,336.6
Spot liabilities	(2,635.5)	(362.4)	(27.1)	(3,025.0)
Forward purchases	–	–	–	–
Forward sales	–	–	–	–
Net position	<u>161.9</u>	<u>148.4</u>	<u>1.3</u>	<u>311.6</u>

## Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

### INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and the Group's international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sector	Total
As at 31 December 2015			
Asia Pacific (excluding mainland China)	2,479.6	1,832.1	4,311.7
– of which attributed to Hong Kong	106.6	–	106.6
North America	320.4	–	320.4
Europe	14.8	–	14.8
Total	<u>2,814.8</u>	<u>1,832.1</u>	<u>4,646.9</u>
As at 31 December 2014			
Asia Pacific (excluding mainland China)	2,395.2	750.7	3,145.9
– of which attributed to Hong Kong	19.0	–	19.0
North America	95.9	–	95.9
Europe	9.6	–	9.6
Total	<u>2,500.7</u>	<u>750.7</u>	<u>3,251.4</u>

## Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

### OVERDUE ASSETS

Total loans and advances to customers which have been overdue are set out as follow:

#### THE GROUP

	As at 31 December 2015	As at 31 December 2014
Less than 3 months (inclusive)	2,299.9	1,686.4
Between 3 and 6 months	686.2	378.0
Between 6 and 12 months	1,192.3	507.1
Over 12 months	<u>722.5</u>	<u>448.3</u>
Total	<u><u>4,900.9</u></u>	<u><u>3,019.8</u></u>
Percentage		
Less than 3 months (inclusive)	0.86	0.70
Between 3 and 6 months	0.25	0.16
Between 6 and 12 months	0.44	0.21
Over 12 months	<u>0.27</u>	<u>0.18</u>
Total	<u><u>1.82</u></u>	<u><u>1.25</u></u>

Loans and advances with a specific repayment date are classified as overdue when, either the principal or interest is overdue.



## Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

### SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

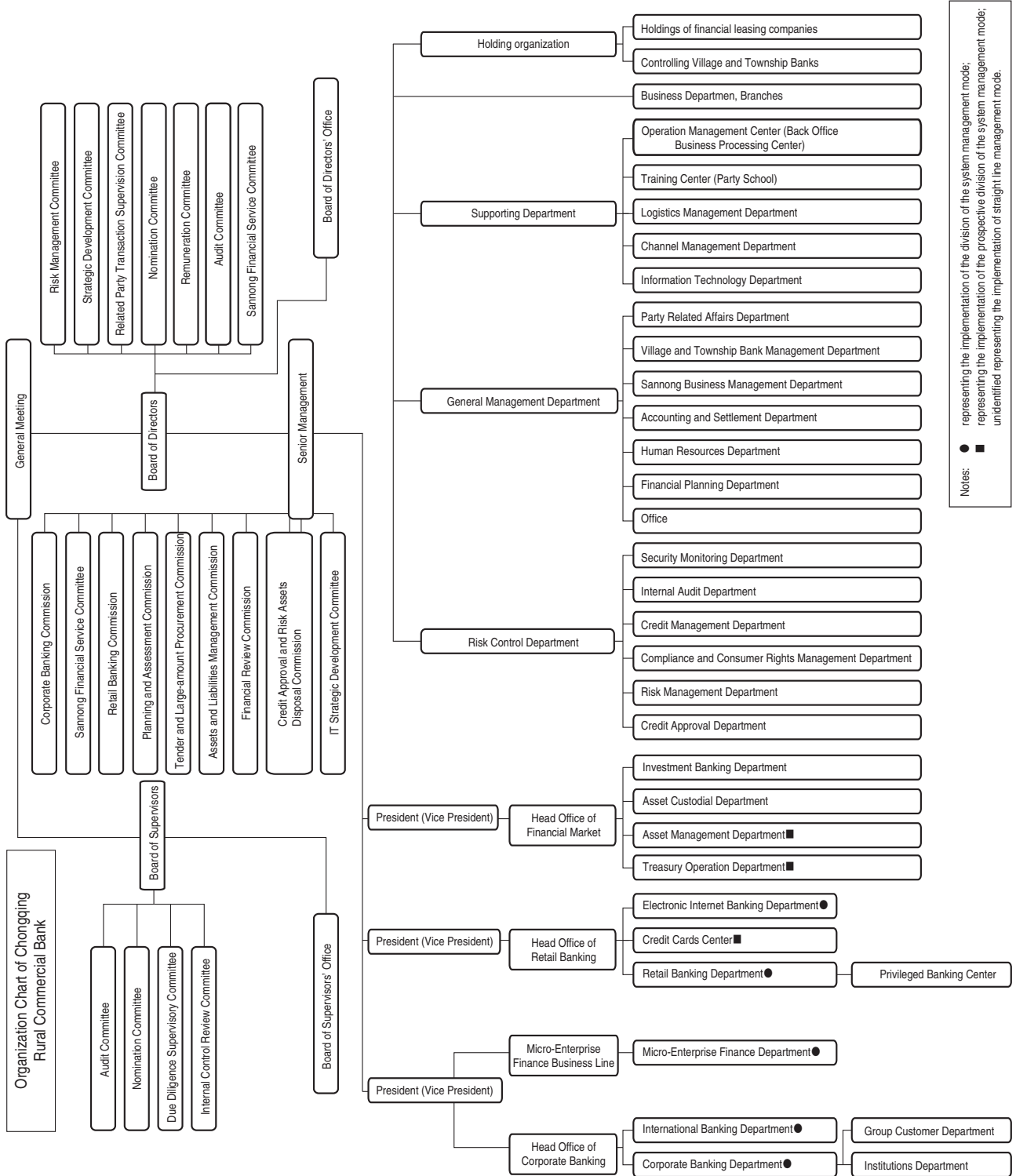
	For the year ended 31 December 2015			For the year ended 31 December 2014		
	County Area <sup>(1)</sup>	Urban Area	Total	County Area <sup>(1)</sup>	Urban Area	Total
Net interest income	4,119.7	16,046.8	20,166.5	3,510.3	14,838.4	18,348.7
Net fee and commission income	617.4	877.5	1,494.9	413.9	655.7	1,069.6
Net trading gains	–	19.8	19.8	–	240.0	240.0
Share of profit of associates	–	–	–	–	5.3	5.3
Other operating income, net	132.8	75.0	207.8	93.8	45.0	138.8
Total operating income	4,869.9	17,019.1	21,889.0	4,018.0	15,784.4	19,802.4
Internal transfer of income and expense	6,156.7	(6,156.7)	–	6,115.9	(6,115.9)	–
Income after adjustment	11,026.6	10,862.4	21,889.0	10,133.9	9,668.5	19,802.4

(1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the eleven village and township banking subsidiaries and the information of Qujing Branch.

### Summary of geographical segment

(Expressed in percentage)	As at 31 December									
	2015		2014		2013		2012		2011	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	66.52	33.48	66.30	33.70	68.01	31.99	67.48	32.52	66.79	33.21
Loans	47.87	52.13	50.18	49.82	52.60	47.40	48.28	51.72	46.80	53.20
Assets	46.73	53.27	44.86	55.14	47.77	52.23	46.33	53.67	46.67	53.33
Loan-deposit ratio	41.10	88.95	44.74	87.40	45.63	87.43	42.16	93.74	41.09	93.94
Return on average total assets	1.06	1.10	1.20	1.23	1.29	1.28	1.43	1.34	1.34	1.35
Net fee and commission income to operating income	5.60	8.08	4.18	6.62	2.90	5.57	2.86	3.55	5.81	5.62
Cost-to-income ratio	35.35	34.01	41.27	35.17	41.46	33.47	40.46	34.73	38.61	34.69

# Organization Chart



# Branches and Subsidiaries

## Branches

### Qujing Branch

Address: Block 2 and 3, "Renhe Garden, Yunding Town Center" Dahua Bridge, Qilin West Road, Qilin District, Qujing City, Yunnan Province, China

Postal Code: 655000  
Tel: 0874-3193599  
Fax: 0874-3193565

### Dadukou Branch

Address: 13/F, Block A, Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City, China

Postal Code: 400084  
Tel: 023-68917939  
Fax: 023-68901484

## Sub-branches

### Yuzhong Branch

Address: No. 142 Xinhua Road, Yuzhong District, Chongqing City, China

Postal Code: 400011  
Tel: 023-63702177  
Fax: 023-63716557

### Jiangbei Branch

Address: 8-1, No. 7, Buxing Street, Guanyin Bridge, Jiangbei District, Chongqing City, China

Postal Code: 400020  
Tel: 023-67721582  
Fax: 023-67723755

### Shapingba Branch

Address: No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City, China

Postal Code: 400030  
Tel: 023-65330998  
Fax: 023-65332566

### Xiyong Branch

Address: No. 28 Xiyong Avenue, Shapingba District, Chongqing City, China

Postal Code: 401333  
Tel: 023-65518880  
Fax: 023-65518880

### Nan'an Branch

Address: No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City, China

Postal Code: 400060  
Tel: 023-62947564  
Fax: 023-62947517

### Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City, China

Postal Code: 400050  
Tel: 023-86105779  
Fax: 023-68437557

### Beibei District

Address: No. 20 Beixia West Road, Beibei, District, Chongqing City, China

Postal Code: 400700  
Tel: 023-68864083  
Fax: 023-68862728

### Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City, China

Postal Code: 401120  
Tel: 023-67813712  
Fax: 023-67813711

## Branches and Subsidiaries

### Liangjiang New Zone Branch

Address: No. 21, 23, 25 Jintong Road, New  
North Zone, Chongqing City, China  
Postal Code: 401122  
Tel: 023-88502278  
Fax: 023-88502276

### Ba'nan Branch

Address: No. 145 Longzhou Avenue, Ba'nan  
District, Chongqing City, China  
Postal Code: 401320  
Tel: 023-66212977  
Fax: 023-66222960

### Wansheng Branch

Address: No. 36 Wandong North Road, Wansheng  
District, Chongqing City, China  
Postal Code: 400800  
Tel: 023-48299505  
Fax: 023-48299504

### Shuangqiao Branch

Address: Fu No.6, No. 2 Shuangbei Road,  
Shuangqiao Economic and  
DevelopmentZone, Chongqing City, China  
Postal Code: 400900  
Tel: 023-43336060  
Fax: 023-43336060

### Fuling Branch

Address: Block 1, Hongfu Building No. 55 Xinghua  
Middle Road, Fuling District, Chongqing  
City, China  
Postal Code: 408000  
Tel: 023-72229797  
Fax: 023-72237722

### Changshou Branch

Address: No. 13 Xiangyang Road, Fengcheng  
Street Office, Changshou District,  
Chongqing City, China  
Postal Code: 401220  
Tel: 023-40245293  
Fax: 023-40258075

### Jiangjin Branch

Address: Block E, Jinhui Garden, Binjiang West  
Road, Jijiang Street Office, Jiangjin  
District, Chongqing City, China  
Postal Code: 402260  
Tel: 023-47538041  
Fax: 023-47522632

### Hechuan Branch

Address: No. 2 Jiuchang Road, Hechuan  
District, Chongqing City, China  
Postal Code: 401520  
Tel: 023-42835168  
Fax: 023-42841214

### Yongchuan Branch

Address: No. 399, Honghe Middle Road,,  
Yongchuan District, Chongqing  
City, China  
Postal Code: 402160  
Tel: 023-49863765  
Fax: 023-49885099

### Nanchuan Branch

Address: No. 28 Jinfo Avenue, Nanchuan  
District, Chongqing City, China  
Postal Code: 408400  
Tel: 023-71423626  
Fax: 023-71429898

### Qijiang Branch

Address: No. 38 Longjiao Road, Gunan Town,  
Qijiang County, Chongqing City,  
China  
Postal Code: 401420  
Tel: 023-48663010  
Fax: 023-48658598

### Tongnan Branch

Address: No. 4, Xingtong Avenue, Guilin Street  
Office, Tongnan County, Chongqing  
City, China  
Postal Code: 402660  
Tel: 023-44553817  
Fax: 023-44554249

**Tongliang Branch**

Address: No. 102 Zhongxing Road, Bachuan Street, Tongliang County, Chongqing City, China

Postal Code: 402560

Tel: 023-45689247

Fax: 023-45682975

**Dazu Branch**

Address: Fu No. 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu County, Chongqing City, China

Postal Code: 402360

Tel: 023-43789737

Fax: 023-43722323

**Rongchang Branch**

Address: No. 106 Haitang Avenue, Changzhou Street Office, Rongchang County, Chongqing City, China

Postal Code: 402460

Tel: 023-46730454

Fax: 023-46739122

**Bishan Branch**

Address: No. 4 Bitong Road, Bicheng Street Office, Bishan County, Chongqing City China

Postal Code: 402760

Tel: 023-41401133

Fax: 023-41427834

**Wanzhou Branch**

Address: No. 99 Taibai Road, Wanzhou District, Chongqing City, China

Postal Code: 404100

Tel: 023-58156268

Fax: 023-58156260

**Liangping Branch**

Address: No. 1, Block 26, Minghao Commercial Area, Liangshan Town, Liangping County, Chongqing City, China

Postal Code: 405200

Tel: 023-53223401

Fax: 023-53223401

**Chengkou Branch**

Address: No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City, China

Postal Code: 405900

Tel: 023-59221503

Fax: 023-59221093

**Fengdu Branch**

Address: No. 187 2nd Shangye Road, Sanhe Town, Fengdu County, Chongqing City, China

Postal Code: 408200

Tel: 023-70736444

Fax: 023-70736533

**Dianjiang Branch**

Address: No. 12 Renmin East Road, Guixi Town, Dianjiang County, Chongqing City, China

Postal Code: 408300

Tel: 023-74511543

Fax: 023-74685719

**Zhong County Branch**

Address: No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City, China

Postal Code: 404300

Tel: 023-54243943

Fax: 023-54243942

**Kai County Branch**

Address: (Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kai County, Chongqing City, China

Postal Code: 405400

Tel: 023-52250701

Fax: 023-52250853

**Yunyang Branch**

Address: No. 1335 Yunjiang Avenue, Shuangjiang Town, Yunyang County, Chongqing City, China

Postal Code: 404500

Tel: 023-55161488

Fax: 023-55161499

## Branches and Subsidiaries

### Fengjie Branch

Address: No. 32 Gongping Lane, Yufujie Road,  
Fengjie County, Chongqing City,  
China

Postal Code: 404600

Tel: 023-56560397

Fax: 023-56560229

### Wushan Branch

Address: No. 258 Guangdong East Road,  
Wushan County, Chongqing City,  
China

Postal Code: 404700

Tel: 023-57680904

Fax: 023-57680901

### Wuxi Branch

Address: Unit 1-1, No.7 Yanghe Garden, No.25,  
Binhe Zhilu, Boyang Street, Wuxi County,  
Chongqing City, China

Postal Code: 405800

Tel: 023-51520567

Fax: 023-51520766

### Qianjiang Branch

Address: No. 599 Jiefang Road, Qianjiang District,  
Chongqing City, China

Postal Code: 409000

Tel: 023-79237426

Fax: 023-79236496

### Shizhu Branch

Address: No. 41 Xinkai Road, Nanbin Town,  
Shizhu Tujia Autonomous County,  
Chongqing City, China

Postal Code: 409100

Tel: 023-73332466

Fax: 023-73337976

### Wulong Branch

Address: No. 36 Furong Middle Road, Xiangkou  
Town, Wulong County, Chongqing City,  
China

Postal Code: 408500

Tel: 023-77723233

Fax: 023-77722595

### Xiushan Branch

Address: Shizi Street, Yuxiu Avenue, Zhonghe  
Town, Xiushan Tujia and Miao  
Autonomous County, Chongqing  
City, China

Postal Code: 409900

Tel: 023-76664159 Fax: 023-76671163

### Youyang Branch Co., Ltd.

Address: No. 5, Taohuayuan Middle Road,  
Taohuayuan Town, Youyang Tujia  
and Miao Autonomous County,  
Chongqing City, China

Postal Code: 409800

Tel: 023-75532959

Fax: 023-75552534

### Pengshui Branch

Address: Fu No. 4, 2 Shizui Street, Hanjia  
Street, Pengshui Miao and Tujia  
Autonomous County, Chongqing  
City, China

Postal Code: 409600

Tel: 023-78492863

Fax: 023-78849965

### Xuanwei Branch

Address: No. 1-104, 1st Floor, Xintiandi  
International Furniture Expo Centre,  
Wenhua Road, Xuanwei City Yunnan  
Province, China

Postal Code: 655400

Tel: 0874-7147111

Fax: 0874-7147111

**Qujing Qilin Branch**

Address: Block B, Qinlin Jiacheng Three,  
Yintun Road East, Qilin District,  
Qujing City, Yunnan Province, China  
Postal Code: 655000  
Tel: 0874-3193599  
Fax: 0874-3193565

**Village and Township Banks**

**Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.**

(江蘇張家港渝農商村鎮銀行股份有限公司)  
Address: No. 487 and 489 Chang'an Road,  
Zhangjiagang City, Jiangsu Province  
Postal Code: 215600  
Tel: 0512-58918959  
Fax: 0512-58918969

**Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.**

(四川大竹渝農商村鎮銀行股份有限公司)  
Address: Block H8/9, Huangge Commercial Plaza,  
Xinhua Road East, Zhuyang Town,  
Dazhu County, Sichuan Province  
Postal Code: 635100  
Tel: 0818-6256123  
Fax: 0818-6256616

**Yunnan Dali CQRC Village and Township Bank (雲南大理渝農商村鎮銀行有限責任公司)**

Address: No. 176 Yangbi Road, Economic  
Development Zone, Dali Prefecture,  
Yunnan Province  
Postal Code: 671000  
Tel: 0872-2188319  
Fax: 0872-2188667

**Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.**

(雲南祥雲渝農商村鎮銀行有限責任公司)  
Address: No. 16, Block 11, "Xiangyun Yinxiang  
Garden", Wenyuan Road north side,  
Xiangcheng Town, Xiangyun County,  
Dali Prefecture, Yunnan Province  
Postal Code: 672100  
Tel: 0872-3997552  
Fax: 0872-3122977

**Yunnan Heqing CQRC Village and Township Bank Co., Ltd.**

(雲南鶴慶渝農商村鎮銀行有限責任公司)  
Address: 15 Xinghe Road, Yunhe Town, Hexing  
County, Dali Prefecture, Yunnan  
Province  
Postal Code: 671500  
Tel: 0872-4125480  
Fax: 0872-4123500

**Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.**

(廣西鹿寨渝農商村鎮銀行有限責任公司)  
Address: 8 Guiyuan Road, Nanxin District,  
Luzhai County, Liuzhou City,  
Guangxi Province  
Postal Code: 545600  
Tel: 0772-6822818  
Fax: 0772-6663029

**Fujian Shaxian CQRC Village and Township Bank Co., Ltd.**

(福建沙縣渝農商村鎮銀行有限責任公司)  
Address: Floor 1 & 2, North Tower of Yongshun  
Building, Xincheng Central Road,  
Sha County, Sanming City, Fujian  
Province  
Postal Code: 365500  
Tel: 0598-5758880  
Fax: 0598-5758880

## Branches and Subsidiaries

### **Fujian Fuan CQRC Village and Township Bank Co., Ltd.**

(福建福安渝農商村鎮銀行有限責任公司)

Address: 1 Guanhang Road, Cheng Bei, Fu'an City, Fujian Province

Postal Code: 355000

Tel: 0593-8988916

Fax: 0593-8988920

### **Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.**

(雲南香格里拉渝農商村鎮銀行有限責任公司)

Address: 3AS-1-1, No. 7 Huajun Plaza, Changzheng Da Road, Xianggelila County, Yunnan Province

Postal Code: 674400

Tel: 0887-8980066

Fax: 0887-8989811

### **Fujian Shi Shi CQRC Village and Township Bank Co., Ltd.**

(福建石獅渝農商村鎮銀行有限責任公司)

Address: No. 2454、2456、2458· Hong Xing International Building, Baqi Road, Shishi City, Fujian Province

Postal Code: 362700

Tel: 0595-82269866

Fax: 0595-82268858

### **Fujian Pingtan CQRC Village and Township Bank Co., Ltd.**

(福建平潭渝農商村鎮銀行有限責任公司)

Address: A3-A6, 19th Pai, Kangde Huayuan Villa, Tancheng Town, Pingtan County, Fujian Province

Postal Code: 350400

Tel: 0591-86175991

Fax: 0591-86175991



## Definitions

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

Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
Banking Regulatory Commission Chongqing Bureau	China Banking Regulatory Commission Chongqing Regulatory Bureau (中國銀行業監督管理委員會重慶監管局)
Board of Director of the Board or the Board	the board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
CBRC	China Banking Regulatory Commission (中國銀行業監督管理委員會)
County Area	the regions other than Urban Area of Chongqing City, including 29 districts and counties
Articles of Association	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.*, as amended from time to time
Domestic Shares	the ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
Group	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
RMB or Renminbi	Renminbi, the lawful currency of the PRC
Yuan	RMB yuan
HKD or HK\$ or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
PRC or China	the People's Republic of China
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
Two Highs and One Surplus Industry	indicates with high pollution, high energy consumption and excess capacity

## Definitions

Listing	the listing of H shares on the Main Board of the Hong Kong Stock Exchange
rural commercial bank	a short-hand reference to rural and commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
three-transformation	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
village and township banks	bank institutions that are approved by CBRC (中國銀監會) to be incorporated in rural areas to provide services to local farmers or enterprises
Five Major Functional Regions	the third meeting of the fourth session of Chongqing Committee of the Chinese Communist Party (中共重慶市委四屆三次全會) studied and planned the functional regions of Chongqing City and the reforms of administrative systems by considering factors such as population, resources, environment, economy, society and culture. Chongqing City will be divided into five functional regions, e.g. urban function core region (都市功能核心區), urban function expanding region (都市功能拓展區), urban development new region (城市發展新區), North of Yudong ecological conservation development region (渝東北生態涵養發展區) and South of Yudong ecological protection region (渝東南生態保護發展區).
One Belt and One Road	Silk Road Economic Belt and the 21th Century Maritime Silk Road
ETC	Electronic Toll Collection System
P2P	Peer-to-peer internet financing platform
Shareholder(s)	Shareholder(s) of the Bank
IFRSs	International Financial Reporting Standards
Central bank	the People’s Bank of China



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