



盛京銀行
SHENGJING BANK

Shengjing Bank Co., Ltd.*

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

Stock Code: 02066

2015 ANNUAL REPORT

盛京





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

COMPANY INFORMATION

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

COMPANY INFORMATION (Continued)

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



FINANCIAL HIGHLIGHTS

| (Expressed in thousands of Renminbi, unless otherwise stated) | Year-on-year change between 2015 and 2014 | | | | | |
|--|--|------------------|--------------------------|------------------|------------------|------------------|
| | 2015 | 2014 | Rate of change (%) | 2013 | 2012 | 2011 |
| Operating Results | | | | | | |
| Interest income | 31,479,529 | 25,415,004 | 23.9 | 18,038,013 | 13,835,459 | 10,176,750 |
| Interest expense | (19,530,998) | (15,513,832) | 25.9 | (10,193,830) | (7,050,533) | (4,832,439) |
| Net interest income | 11,948,531 | 9,901,172 | 20.7 | 7,844,183 | 6,784,926 | 5,344,311 |
| Net fee and commission income | 1,204,189 | 1,368,431 | (12.0) | 770,141 | 112,246 | 65,079 |
| Net trading gains/(losses), net gains/ (losses) arising from investments, Net foreign exchange gains/(losses), other operating income | 1,031,436 | (64,840) | (1,690.7) | 291,470 | 11,119 | 3,920 |
| Operating income | 14,184,156 | 11,204,763 | 26.6 | 8,905,794 | 6,908,291 | 5,413,310 |
| Operating expenses | (4,102,162) | (3,211,887) | 27.7 | (2,445,727) | (2,017,380) | (1,726,605) |
| Impairment losses on assets | (1,955,377) | (934,151) | 109.3 | (171,860) | (431,714) | (445,643) |
| Operating profit | 8,126,617 | 7,058,725 | 15.1 | 6,288,207 | 4,459,197 | 3,241,062 |
| Share of profits of associates | – | 2,338 | (100.0) | 19,719 | 23,795 | 34,411 |
| Profit before taxation | 8,126,617 | 7,061,063 | 15.1 | 6,307,926 | 4,482,992 | 3,275,473 |
| Income tax expense | (1,902,790) | (1,637,225) | 16.2 | (1,419,125) | (973,653) | (663,147) |
| Net profit | 6,223,827 | 5,423,838 | 14.7 | 4,888,801 | 3,509,339 | 2,612,326 |
| Net profit attributable to equity shareholders of the Bank | <u>6,211,334</u> | <u>5,404,933</u> | <u>14.9</u> | <u>4,865,531</u> | <u>3,496,626</u> | <u>2,612,326</u> |

FINANCIAL HIGHLIGHTS (Continued)

| (Expressed in thousands of Renminbi, unless otherwise stated) | 2015 | 2014 | Year-on-year change between 2015 and 2014 | 2013 | 2012 | 2011 |
|--|-------------------|-------------------|--|-------------------|-------------------|-------------------|
| | | | Change | | | |
| Calculated on a per share basis (RMB) | | | | | | |
| Basic earnings per share | 1.07 | 1.25 | (0.18) | 1.31 | 0.95 | 0.77 |
| Dividend per share | 0.280 | 0.275 | 0.005 | 0.10 | – | 0.10 |
| | | | Rate of change (%) | | | |
| Major indicators of assets/liabilities | | | | | | |
| Total assets | 701,628,500 | 503,370,514 | 39.4 | 355,432,167 | 313,241,579 | 221,206,792 |
| Of which: loans and advances | | | | | | |
| to customers | 191,531,735 | 155,946,864 | 22.8 | 131,557,892 | 112,271,202 | 96,762,453 |
| Total liabilities | 659,913,547 | 467,237,029 | 41.2 | 333,961,729 | 298,583,755 | 209,849,112 |
| Of which: deposits from customers | 402,379,086 | 315,943,789 | 27.4 | 262,912,728 | 207,987,227 | 171,474,491 |
| Share capital | 5,796,680 | 5,646,005 | 2.7 | 4,096,005 | 3,696,005 | 3,696,005 |
| Equity attributable to equity shareholders of the Bank | 41,268,528 | 35,699,553 | 15.6 | 21,055,411 | 14,266,067 | 11,357,680 |
| Total equity | <u>41,714,953</u> | <u>36,133,485</u> | <u>15.4</u> | <u>21,470,438</u> | <u>14,657,824</u> | <u>11,357,680</u> |



FINANCIAL HIGHLIGHTS (Continued)

| (Expressed in thousands of Renminbi, unless otherwise stated) | 2015 | 2014 | Year-on-year change between 2015 and 2014 | 2013 | 2012 | 2011 |
|--|--------|--------|--|--------|--------|--------|
| | | | Change | | | |
| Profitability Indicators (%) | | | | | | |
| Return on average total assets ⁽¹⁾ | 1.03 | 1.26 | (0.23) | 1.46 | 1.31 | 1.24 |
| Return on average equity ⁽²⁾ | 15.99 | 18.83 | (2.84) | 27.06 | 26.98 | 23.00 |
| Net interest spread ⁽³⁾ | 2.00 | 2.07 | (0.07) | 2.17 | 2.51 | 2.58 |
| Net interest margin ⁽⁴⁾ | 2.14 | 2.32 | (0.18) | 2.39 | 2.68 | 2.70 |
| Net fee and commission income to operating income | 8.49 | 12.21 | (3.72) | 8.65 | 1.62 | 1.20 |
| Cost-to-income ratio ⁽⁵⁾ | 19.04 | 19.06 | (0.02) | 19.01 | 20.80 | 23.97 |
| Asset quality indicators (%) | | | | | | |
| Non-performing loan ratio ⁽⁶⁾ | 0.42 | 0.44 | (0.02) | 0.46 | 0.54 | 0.63 |
| Allowance to non-performing loans ⁽⁷⁾ | 482.38 | 387.42 | 94.96 | 306.12 | 302.58 | 260.78 |
| Allowance to total loans ⁽⁸⁾ | 2.01 | 1.70 | 0.31 | 1.41 | 1.63 | 1.64 |
| Capital adequacy indicators (%) | | | | | | |
| Calculated based on Capital Adequacy Ratio | | | | | | |
| Core capital adequacy ratio | N/A | N/A | N/A | N/A | 9.39 | 8.92 |
| Capital adequacy ratio | N/A | N/A | N/A | N/A | 11.92 | 12.02 |
| Calculated based on Capital Administrative Measures | | | | | | |
| Core Tier-one capital adequacy ratio ⁽⁹⁾ | 9.42 | 11.04 | (1.62) | 10.07 | N/A | N/A |
| Tier-one capital adequacy ratio ⁽⁹⁾ | 9.42 | 11.04 | (1.62) | 10.07 | N/A | N/A |
| Capital adequacy ratio | 13.03 | 12.65 | 0.38 | 11.17 | N/A | N/A |
| Total equity to total assets ratio | 5.95 | 7.18 | (1.23) | 6.04 | 4.68 | 5.13 |
| | | | Change | | | |
| Other indicators (%) | | | | | | |
| Loan-to-deposit ratio ⁽¹⁰⁾ | 48.58 | 50.21 | (1.63) | 50.75 | 54.87 | 57.37 |

FINANCIAL HIGHLIGHTS (Continued)

- (1) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (2) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (3) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (4) Calculated by dividing net interest income by the average interest-earning assets.
- (5) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.
- (6) Calculated by dividing the balance of non-performing loans by total balance of loans and advances to customers.
- (7) Calculated by dividing the balance of provision for impairment on loans by the balance of non-performing loans.
- (8) Calculated by dividing the balance of the provision for impairment on loans by the total balance of loans and advances to customers.
- (9) Core Tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio for 2015, 2014 and 2013 were calculated in accordance with the latest guidance promulgated by the “CBRC” (effective from 1 January 2013), while the core capital adequacy ratio and capital adequacy ratio for 2012 and 2011 were calculated in accordance with the Measures for the Management of Capital Adequacy Ratios of Commercial Banks (amended in 2007) (invalid from 1 January 2013).
- (10) The loan-to-deposit ratio is calculated by dividing the total balance of loans and advances to customers by total deposits from customers.



CHAIRMAN'S STATEMENT



Chairperson

2015 was the opening year after the listing of the Bank's H Shares. It was also a key year of strategic transformation and innovative development. Facing the difficult and complex macro financial environment, the Bank seized the reform opportunities of financial marketisation to deepen the transformation of operation model and reform of systems and mechanisms, accelerate business innovation and comprehensive operations and reinforce the construction of a comprehensive risk management system. As a result, the scale of assets continued to grow, the balance of deposits significantly increased, the profitability was steadily enhanced, the main operational indexes achieved a historic high level and the overall competitiveness and shareholder return were increased. The Bank opened a new chapter in the beginning year after the listing in the international capital market.

As at 31 December 2015, the Bank's total assets were RMB701.629 billion, representing an increase of RMB198.258 billion compared to the beginning of the year; the balance of deposits was RMB402.379 billion, representing an increase of RMB86.435 billion compared to the beginning of the year; balance of total loans and advances to customers amounted to RMB195.460 billion, representing an increase of RMB36.816 billion compared to the beginning of the year; the non-performing loan ratio was 0.42%, representing a decrease of 0.02% compared to the beginning of the year. The Bank realised a net profit of RMB6.224 billion in 2015, representing a year-on-year increase of RMB0.800 billion, and the cost-to-income ratio continued to maintain a leading position in the industry. The Bank has successfully obtained more than ten business qualifications, including fund sales, certificate of deposit, international factoring, credit asset securitisation,

CHAIRMAN'S STATEMENT (Continued)



wealth management scheme, direct financing products and membership of interest-rate pricing self-discipline mechanism. The Bank has put into operations the asset operation centre, the small enterprise financial service centre and the credit card centre. The Bank has also received the approval to establish Shengjing Bank Consumer Finance Co., Ltd, which has benefited the comprehensive operations of the Bank. The Bank has obtained a number of awards, such as the best mid- and small-sized bank for the year, the best city commercial bank in terms of risk management and the best listed company, and has obtained the AAA credit rating by China Lianhe Credit Rating Co., Ltd, thereby enhancing the brand name and profile of the Bank.

Facing the historical opportunities along with the implementation of the 13th Five-year Plan, the Bank will adhere to the development concepts of “Innovation, Coordination, Green, Opening-up and Sharing” and continue to deepen the system and mechanism reform with mixed-ownership reform as the key, push forward the strategic arrangement of comprehensive operations, continue to optimise management of assets and liabilities and utilisation of operational and management resources, and continue to strengthen the risk control capabilities for comprehensive operations. The Bank aims to deliver stronger operational performance to its shareholders, investors and other parties for their trust and support!

ZHANG Yukun
Chairperson

PRESIDENT'S STATEMENT

In the past year, the Bank developed the traditional businesses on a solid basis, carried out innovations and transformations progressively and steadily, kept profit contributions rising, and made significant breakthroughs at various fronts in the first year after the listing with a rapid expansion of the operation scale, a significant improvement of profitability, the maintenance of excellence of asset quality and the reinforcement of capital-raising capabilities. It was also a vital year for the Bank to achieve breakthroughs in terms of innovative operations. As at 31 December 2015, the Bank's total assets were RMB701.629 billion, representing an increase of RMB198.258 billion compared to the beginning of the year; the balance of deposits was RMB402.379 billion, representing an increase of RMB86.435 billion compared to the beginning of the year; balance of total loans and advances to customers amounted to RMB195.460 billion, representing an increase of RMB36.816 billion compared to the beginning of the year. The Bank realised a net profit of RMB6.224 billion in 2015, representing a year-on-year increase of RMB0.800 billion. The consensus on innovative operation and further understanding of necessity and urgency of comprehensive operations were achieved among staff throughout the Bank. The customer base was further optimised by deepening cooperation with strategic customers, promoting cooperation in utilities, actively aligning with national major strategic and key projects, and actively arranging for strategic emerging industries, such as new energy, new materials, high-end equipment manufacturing, information technology, energy conservation and environmental protection. Efforts were continuously put into channel transformation and product innovation, promoting intelligentisation of traditional outlets, accelerating channel expansion of electronic banking and carrying out the businesses of wealth management, credit card and small and micro credit, with the efficiency and quality of services further improved. The capabilities in transformation and innovation were gradually improved by deep exploration in investment and financing, consolidation and expansion of business cooperations with non-bank financial institutions, development of new fields for asset investment, and promotion of diversified business development in financial market.

In 2016, the Bank will continue to develop in the innovation-driven and transformation-centred mode to accelerate strategic implementation of comprehensive operations, promote transformation of the operation model and reconstruction of systems and mechanisms, proactively establish its risk management system for comprehensive operations and reform the human resource management mode in an innovative manner so as to achieve the strategic goal of an outstanding listed bank!

WANG Chunsheng

President

HONOURS AND AWARDS

| Honours and Awards | Awarding Departments |
|--|---|
| Best Mid- and Small-sized Bank– China Financial Institution List 2015 | Financial News Institute of Finance and Banking of Chinese Academy of Social Sciences |
| Best Listed Company of China Financial Market Listed Company Award 2015 | China Financial Market, a financial magazine in Hong Kong |
| Best Risk Control City Commercial Bank 2014 | The Banker Magazine |
| Ranked 13th in terms of comprehensive competitiveness and 2nd in terms of income index by Asian Banks’ Competitiveness Report 2014 | 21st Century Business Herald The Chinese University of Hong Kong |
| Credit rating of AAA | China Lianhe Credit Rating Co., Ltd. |
| Excellent Issuer – Financial Bond Issuer by China Bond Market Excellent Member Ranking 2015 | China Central Depository & Clearing Co., Ltd. |
| Excellent Issuer – Assets Backed Securitisation by China Bond Market Excellent Member Ranking 2015 | China Central Depository & Clearing Co., Ltd. |
| Excellent Self-operating Institution Prize by China Bond Market Excellent Member Ranking 2015 | China Central Depository & Clearing Co., Ltd. |
| Accredited as Class A for implementation of foreign currency regulations 2015 | State Administration of Foreign Exchange Liaoning Branch |
| Advanced Unit of Statistics Information Work of Banking Industry of Liaoning 2015 | CBRC Liaoning Bureau |
| Best Quality Award of System Operation 2015 | China Unionpay Liaoning Branch |
| Extraordinary Contributor of Technology Innovation of the Financial Industry 2015 | The Financial Computerising Magazine |



HONOURS AND AWARDS (Continued)

| Honours and Awards | Awarding Departments |
|--|--|
| Extraordinary Contributor of Channel Innovation of the Financial Industry 2015 | The Financial Computerising Magazine |
| Satisfactory Enterprise of Liaoning Province | Liaoning Association of Quality Liaoning Committee of Users |
| Satisfactory Service of Liaoning Users | Liaoning Association of Quality Liaoning Committee of Users |
| Outstanding Contribution Award for Credit Reporting Work of Shenyang | Business Management Department of the PBOC Shenyang Branch |

MANAGEMENT DISCUSSION AND ANALYSIS

6.1 ENVIRONMENT AND PROSPECTS

In 2015, the global economy recovered with twists and turns. As China's economy is under the concurrent influence of both the periodic economic slowdown and structural issues, the pressure of economic slowdown has increased and the excess capacities continue to cause the deterioration in industrial performances. As a result, it is increasingly difficult for the market to absorb the excess capacities and to drive out the "zombie" enterprises. Moreover, along with the trends of interest rate liberalisation and financial dis-intermediation, the banking sector is facing not only the challenges of rising costs, reduced income and higher risk level, but also the impacts of its functions being substituted by other sources, customer loss and a decline in its competitive advantages. Accordingly, the traditional mode of operating deposits and loans has been increasingly difficult to sustain. In short, the operation and development of the banking sector are confronted with unparalleled challenges.

Nevertheless, the banking sector is also facing unprecedented opportunities for development due to the establishment of the five major concepts of "Innovation, Coordination, Green, Open and Sharing" and the promotion of the five major tasks of "Cutting Excessive Industrial Capacity, De-stocking, De-leveraging, Lowering Corporate Costs and Improving Weak Links", as well as the deepened progress of national strategies including "Made in China 2025", "One Belt and One Road", Coordinated Development for the Beijing-Tianjin-Hebei Region, Yangtze River Economic Belt, etc. To deal with the great opportunities and challenges, the Bank will further reform its operating concepts, strengthen its strategic management, and continue to construct a complete corporate governance system. The Bank will accelerate the implementation of its strategy to operate and develop on a comprehensive basis. The Bank will also continue to promote transformation of the operational mode and reconstruct the relevant systems as well as establish a risk management system for comprehensive operations. In addition, the Bank will adopt more innovative measures to reform human resource management and proactively explore the path of comprehensive development that endorses the Bank's unique features.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.2 DEVELOPMENT STRATEGIES

In the next two to three years, the Bank will seize the macro economy and development trend of the banking sector and continue to operate as a bank that “elevates regional strategic economic development”, “nurtures emerging industry”, “supports small and medium enterprises” and “provides accessible services to residents”. The Bank will promote its development and focus on innovation. The goal is to grow the Bank into a modern joint stock commercial bank that has a well-organised operation system and developed management system and is able to achieve a strong growth rate and pursue maximised benefits.

To achieve these objectives, the Bank will adopt the following measures: first, the Bank will actively reform its development concepts and operational mode and promote the system reform centered on the concept of comprehensive operation. Meanwhile, the Bank will develop new businesses and profit growth points so that its development will be innovation-driven and in turn promote innovation; second, the Bank will proceed to construct the strategic systems of “large-scale financing source” and “large-scale assets application” to form a large-scale financing structure by coordinating its operation of corporate deposits, saving deposits, wealth management funds and interbank funds. The Bank will proceed to further diversify its loans and credit assets, transaction assets, interbank assets, and investment assets to achieve the optimal allocation of assets and liabilities; third, the Bank will work to refine the system for comprehensive cost management by means of strengthening its cost control and internal fund administration, improving its overall cost control system, reinforcing its accounting and financial analysis, accelerating the internal fund management system reform and optimising the pricing models for internal capital transfers to facilitate the rapid growth of economic benefits; and fourth, the Bank will further develop a comprehensive risk management system by setting up a long-term mechanism for risk prevention and control to improve the comprehensive competitive advantages and lay a solid foundation for long-term development.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

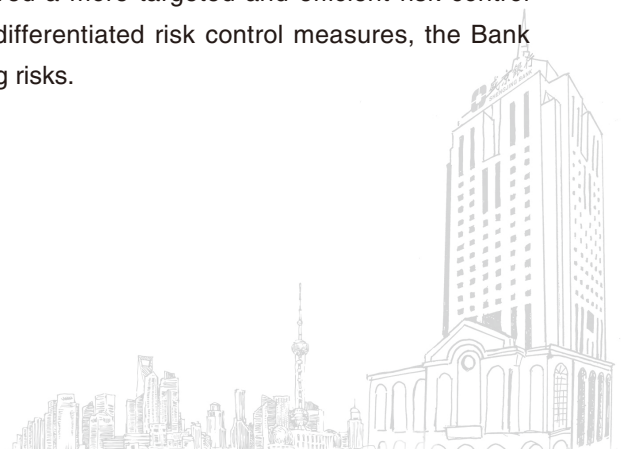
6.3 BUSINESS REVIEW

The year of 2015 was the beginning of Shengjing Bank's march into the international capital market. Faced with a complex and changing macro economic environment combined with the effect of interest rate liberalisation progress and the increasingly fierce competition, the Bank has accelerated the progress of innovation reform and fully implemented the strategy of comprehensive operations. The Bank has also made great efforts to construct more specialised institutions and to further develop an all-round and full-process risk control system. As a result, the Bank has entered into a positive position where its traditional business operation remains strong, its innovation reform is enhanced gradually, and its profit contributions continue to boost, causing the operation data to reach a historic peak. All these developments have laid a strong foundation for its long-term development in the future.

As at 31 December 2015, the Bank had total assets of RMB701.629 billion, representing an increase of RMB198.258 billion compared to the beginning of the year; balance of total deposits from customers amounted to RMB402.379 billion, representing an increase of RMB86.435 billion compared to the beginning of the year; balance of total loans and advances to customers amounted to RMB195.460 billion, representing an increase of RMB36.816 billion compared to the beginning of the year; and net profit for 2015 was RMB6.224 billion, representing a year-on-year increase of RMB0.800 billion.

The Bank enhanced its corporate banking business through business development and structure optimisation. The Bank also strengthened its competitive advantages in retail banking business by means of developing distribution channels and offering innovative products. Meanwhile, the Bank has enhanced its risk control measures and earning efficiency to promote the innovation of its financing and investment business. In addition, the Bank has achieved a faster speed to construct a comprehensive operation system by means of improving business qualification and building more specialised institutions. All the measures taken have led to a substantial increase in the Bank's overall strength.

The Bank continued to explore innovative solutions to risk control and compliance measures, insisted on adhering to the rigid principle of preventing ultimate loss of assets, and strictly complied with the bottom line of business innovation risks. The Bank has achieved a more targeted and efficient risk control system in the key industries and fields. Having taken differentiated risk control measures, the Bank further improved its capability of identifying and controlling risks.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Bank continued deepening the reform on its mechanisms and systems as a listed company and perfecting an organisational structure that matches with its comprehensive operations. It also accelerated the construction and expansion of specialised institutions, optimised geographical distribution of such institutions, steadily improved the Bank's capability of providing financial services to communities, and continued to expand its electronic banking network. Accordingly, the Bank has extended the areas of financial services and improved the financial service functions. In addition, the Bank has strengthened its overall management of financial revenues and budget as well as input and output to improve the efficiency of resources allocation in support of an intensive and meaningful method of business development.

6.4 FINANCIAL REVIEW

As at 31 December 2015, the total assets of the Bank reached RMB701.629 billion by a year-on-year increase of 39.4%; balance of loans and advances to customers amounted to RMB195.460 billion, representing a year-on-year increase of 23.2%; and the non-performing loan ratio was 0.42%. The balance of deposits from customers of the Bank reached RMB402.379 billion by a year-on-year increase of 27.4%. The operating income of the Bank reached RMB14.184 billion, representing a year-on-year increase of 26.6%; and the net profit amounted to RMB6.224 billion, representing a year-on-year increase of 14.7%.

The scale of the global offering of H Shares of the Bank on 29 December 2014 was 1,375,000,000 Shares (comprising 1,250,000,000 H Shares offered by the Bank and 125,000,000 sale shares offered by the selling shareholders, excluding the partial exercise of the over-allotment option); on 21 January 2015, the joint global coordinators of the global offering partially exercised the over-allotment option on behalf of the international underwriters of the global offering in respect of 165,742,500 H Shares (including 150,675,000 H Shares offered by the Bank and 15,067,500 sale shares offered by selling shareholders). All the proceeds were used to replenish the capital base of the Bank. As at 31 December 2015, the capital adequacy ratio, Tier-one adequacy ratio and core Tier-one capital adequacy ratio of the Bank increased to 13.03%, 9.42% and 9.42%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.1 Analysis of the Income Statement

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|--|--------------------------------|------------------|---------------------|--------------------------|
| | 2015 | 2014 | Change in amount | Rate of change (%) |
| Interest income | 31,479,529 | 25,415,004 | 6,064,525 | 23.9 |
| Interest expense | (19,530,998) | (15,513,832) | (4,017,166) | 25.9 |
| Net interest income | 11,948,531 | 9,901,172 | 2,047,359 | 20.7 |
| Net fee and commission income | 1,204,189 | 1,368,431 | (164,242) | (12.0) |
| Net trading losses | (71,645) | (1,461) | (70,184) | 4,803.8 |
| Net gains/(losses) arising from investments | 653,510 | (112,267) | 765,777 | (682.1) |
| Net foreign exchange gains/(losses) | 426,159 | (384) | 426,543 | (111,078.9) |
| Other operating income | 23,412 | 49,272 | (25,860) | (52.5) |
| Operating income | 14,184,156 | 11,204,763 | 2,979,393 | 26.6 |
| Operating expenses | (4,102,162) | (3,211,887) | (890,275) | 27.7 |
| Impairment losses on assets | (1,955,377) | (934,151) | (1,021,226) | 109.3 |
| Share of profits of associate | – | 2,338 | (2,338) | (100.0) |
| Profit before taxation | 8,126,617 | 7,061,063 | 1,065,554 | 15.1 |
| Income tax expense | (1,902,790) | (1,637,225) | (265,565) | 16.2 |
| Net profit | 6,223,827 | 5,423,838 | 799,989 | 14.7 |

In 2015, the Bank's profit before taxation was RMB8.127 billion, representing a year-on-year increase of 15.1%; net profit was RMB6.224 billion, representing a year-on-year increase of 14.7%, mainly attributable to the stable growth of interest-earning assets. Net interest income achieved a year-on-year increase of RMB2.047 billion or 20.7%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.1.1 Net Interest Income

Net interest income constitutes the largest component of the operating income of the Bank, accounting for 84.2% and 88.4% of the operating income of the year of 2015 and 2014, respectively. The following table sets forth the interest income, interest expense and net interest income of the Bank for the years indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|---|--------------------------------|------------------|------------------|--------------------|
| | 2015 | 2014 | Change in amount | Rate of change (%) |
| Interest income | 31,479,529 | 25,415,004 | 6,064,525 | 23.9 |
| Interest expense | (19,530,998) | (15,513,832) | (4,017,166) | 25.9 |
| Net interest income | 11,948,531 | 9,901,172 | 2,047,359 | 20.7 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on interest-earning assets or the related average costs of interest bearing liabilities for the years indicated. The average balances of the interest-earning assets and interest-bearing liabilities for the year of 2015 and 2014 are the average balances derived from the Bank's management accounts and have not been audited:

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December 2015 | | | For the year ended 31 December 2014 | | |
|--|-------------------------------------|-----------------------------|------------------------------|-------------------------------------|-----------------------------|------------------------------|
| | Average balance | Interest income/ expense | Average yield/cost (%) | Average balance | Interest income/ expense | Average yield/cost (%) |
| Interest-earning assets | | | | | | |
| Loans and advances to customers | 183,278,866 | 13,669,050 | 7.46 | 151,305,750 | 12,043,903 | 7.96 |
| Financial investments | 214,461,859 | 11,822,919 | 5.51 | 110,176,248 | 6,105,788 | 5.54 |
| Deposits with central bank | 56,893,383 | 854,329 | 1.50 | 57,329,727 | 871,495 | 1.52 |
| Deposits with banks and other financial institutions | 75,158,827 | 4,082,138 | 5.43 | 94,740,752 | 5,690,458 | 6.01 |
| Financial assets held under resale agreements | 22,851,743 | 855,054 | 3.74 | 12,349,645 | 686,238 | 5.56 |
| Placements with banks and other financial institutions | 600,484 | 7,567 | 1.26 | 307,965 | 10,600 | 3.44 |
| Financial assets at fair value through profit or loss | 4,756,075 | 188,472 | 3.96 | 144,747 | 6,522 | 4.51 |
| Total interest-earning assets | 558,001,237 | 31,479,529 | 5.64 | 426,354,834 | 25,415,004 | 5.96 |



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

| (Expressed in thousands of Renminbi, 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 (%) |
| Interest-bearing liabilities | | | | | | |
| Deposits from customers | 371,364,826 | 12,150,221 | 3.27 | 280,392,650 | 9,314,634 | 3.32 |
| Deposits from banks and other financial institutions | 105,183,269 | 5,575,196 | 5.30 | 78,326,805 | 4,502,720 | 5.75 |
| Financial assets sold under repurchase agreements | 37,321,443 | 1,043,776 | 2.80 | 34,867,298 | 1,464,986 | 4.20 |
| Placements from banks and other financial institutions | 5,046,719 | 80,119 | 1.59 | 3,401,695 | 92,171 | 2.71 |
| Debt securities issued | 17,373,126 | 681,686 | 3.92 | 2,201,918 | 139,321 | 6.33 |
| Total interest-bearing liabilities | 536,289,383 | 19,530,998 | 3.64 | 399,190,366 | 15,513,832 | 3.89 |
| Net interest income | | 11,948,531 | | | 9,901,172 | |
| Net interest margin ⁽¹⁾ | | | 2.00 | | | 2.07 |
| Net interest yield ⁽²⁾ | | | 2.14 | | | 2.32 |

Notes:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | |
|--|--|----------------------------|--|
| | 2015 vs. 2014 | | |
| | Increase/ (decrease) Volume ⁽¹⁾ | Due to Rate ⁽²⁾ | Net increase/ (decrease) ⁽³⁾ |
| Interest-earning assets | | | |
| Loans and advances to customers | 2,545,060 | (919,913) | 1,625,147 |
| Financial investments | 5,777,423 | (60,292) | 5,717,131 |
| Deposits with central bank | (6,632) | (10,534) | (17,166) |
| Deposits with banks and other financial institutions | (1,176,874) | (431,446) | (1,608,320) |
| Financial assets held under resale agreements | 583,917 | (415,101) | 168,816 |
| Placements with banks and other financial institutions | 10,063 | (13,096) | (3,033) |
| Financial assets at fair value through profit or loss | 207,971 | (26,021) | 181,950 |
| Changes in interest income | <u>7,940,928</u> | <u>(1,876,403)</u> | <u>6,064,525</u> |
| Interest-bearing liabilities | | | |
| Deposits from customers | 3,020,276 | (184,689) | 2,835,587 |
| Deposits from banks and other financial institutions | 1,544,247 | (471,771) | 1,072,476 |
| Financial assets sold under repurchase agreements | 103,074 | (524,284) | (421,210) |
| Placements from banks and other financial institutions | 44,580 | (56,632) | (12,052) |
| Debt securities issued | <u>960,337</u> | <u>(417,972)</u> | <u>542,365</u> |
| Changes in interest expense | <u>5,672,514</u> | <u>(1,655,348)</u> | <u>4,017,166</u> |
| Changes in net interest income | <u>2,268,414</u> | <u>(221,055)</u> | <u>2,047,359</u> |

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.1.2 Interest Income

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|--|--------------------------------|---------------------|--------------------------|---------------------|
| | 2015 | | 2014 | |
| | Amount | (%) of the total | Amount | (%) of the total |
| Loans and advances to customers | | | | |
| Corporate loans (including discounted bills) | 13,308,511 | 42.3 | 11,775,525 | 46.3 |
| Personal loans | 360,539 | 1.1 | 268,378 | 1.1 |
| Subtotal | <u>13,669,050</u> | <u>43.4</u> | <u>12,043,903</u> | <u>47.4</u> |
| Financial investments | 11,822,919 | 37.6 | 6,105,788 | 24.0 |
| Deposits with central bank | 854,329 | 2.7 | 871,495 | 3.4 |
| Deposits with banks and other financial institutions | 4,082,138 | 13.0 | 5,690,458 | 22.4 |
| Financial assets held under resale agreements | 855,054 | 2.7 | 686,238 | 2.7 |
| Placements with banks and other financial institutions | 7,567 | 0.0 | 10,600 | 0.1 |
| Financial assets at fair value through profit or loss | <u>188,472</u> | <u>0.6</u> | <u>6,522</u> | <u>0.0</u> |
| Total | <u>31,479,529</u> | <u>100.0</u> | <u>25,415,004</u> | <u>100.0</u> |

The Bank's interest income increased by 23.9% from RMB25,415 million for the year of 2014 to RMB31.480 billion for the year of 2015, primarily due to (i) an increase in the volume of loans and advances to customers and (ii) an increase in the volume of financial investments.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers is the largest component of the Bank's interest income, accounting for 43.4% and 47.4% of the interest income for the years of 2015 and 2014, respectively. The following table sets forth the average balances of the loans and advances to customers and the average yields of related interests income and loans and advances to customers:

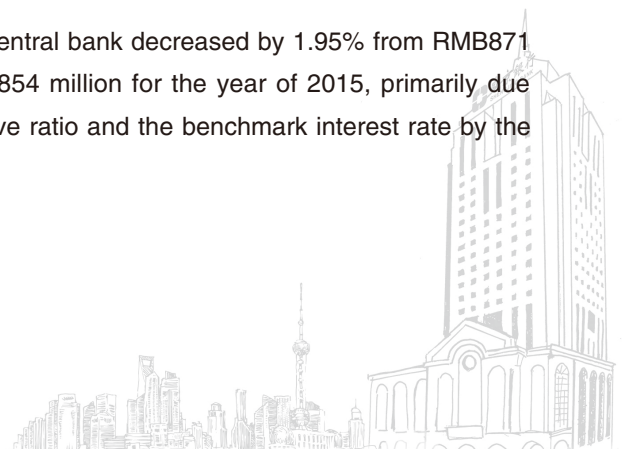
| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | | | |
|---|--------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | 2015 | | | 2014 | | |
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Corporate loans (including discounted bills) | 176,926,314 | 13,308,511 | 7.52 | 146,785,993 | 11,775,525 | 8.02 |
| Personal loans | 6,352,552 | 360,539 | 5.68 | 4,519,757 | 268,378 | 5.94 |
| Total | 183,278,866 | 13,669,050 | 7.46 | 151,305,750 | 12,043,903 | 7.96 |

2. Interest Income from Financial Investments

Interest income from financial investments increased by 93.6% from RMB6,106 million for the year of 2014 to RMB11,823 million for the year of 2015, mainly due to an increase in the average balance of our financial investments as a result of the increase in the scale of asset management schemes and trust beneficiary rights.

3. Interest Income from Deposits with Central Bank

Interest income from deposits with central bank decreased by 1.95% from RMB871 million for the year of 2014 to RMB854 million for the year of 2015, primarily due to the reduction of the deposit reserve ratio and the benchmark interest rate by the PBOC during the year.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. Interest Income from Deposits with Banks and Other Financial Institutions

Interest income from deposits with banks and other financial institutions decreased from RMB5,690 million for the year of 2014 to RMB4,082 million for the year of 2015, mainly due to the decrease in the amount of average balance and average yield of the deposits with banks and other financial institutions.

5. Interest Income from Financial Assets Held under Resale Agreements

Interest income from financial assets held under resale agreements increased significantly from RMB686 million for the year of 2014 to RMB855 million for the year of 2015, mainly because the Bank increased its investment in financial assets held under resale agreements in accordance with the general financial position and market interest rates, resulting in the increase in its average balance of 85.0% from RMB12,350 million for the year of 2014 to RMB22,852 million for the year of 2015.

6.4.1.3 Interest Expense

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|--|--------------------------------|------------------|-------------------|------------------|
| | 2015 | | 2014 | |
| | Amount | (%) of the total | Amount | (%) of the total |
| Deposits from customers | 12,150,221 | 62.3 | 9,314,634 | 60.1 |
| Deposits from banks and other financial institutions | 5,575,196 | 28.5 | 4,502,720 | 29.0 |
| Financial assets sold under repurchase agreements | 1,043,776 | 5.3 | 1,464,986 | 9.4 |
| Placements from banks and other financial institutions | 80,119 | 0.4 | 92,171 | 0.6 |
| Debt securities issued | 681,686 | 3.5 | 139,321 | 0.9 |
| Total | 19,530,998 | 100.0 | 15,513,832 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. Interest Expense on Deposits from Customers

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December 2015 | | | For the year ended 31 December 2014 | | |
|---|-------------------------------------|-------------------|------------------|-------------------------------------|------------------|------------------|
| | Average balance | Interest expense | Average cost (%) | Average balance | Interest expense | Average cost (%) |
| Corporate deposits | | | | | | |
| Demand | 69,327,924 | 658,416 | 0.95 | 69,171,075 | 605,465 | 0.88 |
| Time | 196,918,219 | 7,897,192 | 4.01 | 130,087,287 | 5,899,237 | 4.53 |
| Subtotal | 266,246,143 | 8,555,608 | 3.21 | 199,258,362 | 6,504,702 | 3.26 |
| Personal deposits | | | | | | |
| Demand | 10,678,935 | 50,308 | 0.47 | 10,543,724 | 43,861 | 0.42 |
| Time | 94,439,748 | 3,544,305 | 3.75 | 70,590,564 | 2,766,071 | 3.92 |
| Subtotal | 105,118,683 | 3,594,613 | 3.42 | 81,134,288 | 2,809,932 | 3.46 |
| Total deposits from customers | 371,364,826 | 12,150,221 | 3.27 | 280,392,650 | 9,314,634 | 3.32 |

Interest expense on deposits from customers increased by 30.4% from RMB9,315 million for the year of 2014 to RMB12,150 million for the year of 2015, primarily due to the continued growth of the deposit business of the Bank.

2. Interest Expense on Deposits from Banks and Other Financial Institutions

Interest expense on deposits from banks and other financial institutions increased significantly from RMB4,503 million for the year of 2014 to RMB5,575 million for the year of 2015, primarily due to an increase in the average balance of deposits from banks and other financial institutions of RMB26,856 million.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3. *Interest Expense on Financial Assets Sold under Repurchase Agreements*

Interest expense on financial assets sold under repurchase agreements decreased by 28.7% from RMB1,465 million for the year of 2014 to RMB1,044 million for the year of 2015, primarily due to the reduction of the inter-bank market interest rate resulting in a decrease in the average cost of financial assets sold under repurchase agreements from 4.20% for the year of 2014 to 2.80% for the year of 2015.

4. *Interest Expense on Placements from Banks and Other Financial Institutions*

Interest expense on placements from banks and other financial institutions decreased by 13.1% from RMB92.17 million for the year of 2014 to RMB80.12 million for the year of 2015, mainly due to the decrease in the average cost of placements from banks and other financial institutions.

5. *Interest Expense on Debt Securities Issued*

In 2015, the interest expense on debt securities issued of the Bank was RMB682 million, representing an increase of RMB543 million as compared with the preceding year. This was mainly caused by a large increase in the average balance of the debt securities issued.

6.4.1.4 Net Interest Spread and Net Interest Margin

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

The net interest spread of the Bank decreased from 2.07% for the year of 2014 to 2.00% for the year of 2015 and the net interest margin decreased from 2.32% for the year of 2014 to 2.14% for the year of 2015, primarily due to the reduction of the average yield on assets. This was because that, as the PBOC cut the benchmark interest rate, (i) the yield on loans and advances (which have a higher yield than other interest-earning assets) decreased; (ii) the yield on deposits with banks and other financial institutions also decreased comparing to the same period of the last year, the combined effect of which resulted in a lower average yield on interest-earning assets in 2015 than that in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.1.5 Non-interest Income

1. Net Fee and Commission Income

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|--|--------------------------------|------------------|---------------------|--------------------------|
| | 2015 | 2014 | Change in amount | Rate of change (%) |
| Fee and commission income | | | | |
| Agency and custody services fees | 1,146,861 | 1,320,467 | (173,606) | (13.1) |
| Settlement and clearing services fees | 175,124 | 114,776 | 60,348 | 52.6 |
| Bank card services fees | 28,230 | 36,451 | (8,221) | (22.6) |
| Fee and commission expense | (146,026) | (103,263) | (42,763) | 41.4 |
| Net fee and commission income | 1,204,189 | 1,368,431 | (164,242) | (12.0) |

The Bank's net fee and commission income decreased from RMB1,368 million for the year of 2014 to RMB1,204 million for the year of 2015.

Fee and commission expenses primarily include fees paid to third parties for the provision of intermediary services that can be directly classified as expenses related to the provision of such services. Fee and commission expenses of the Bank increased by 41.4% from RMB103 million for the year of 2014 to RMB146 million for the year of 2015. Fee and commission expenses increased primarily due to an increase of international interbank settlement business, an increase in the volume of financial assets sold under repurchase agreements, and the fees paid to asset management companies for the new targeted asset management plan.

2. Net Trading Losses

In 2015, the losses on financial assets at fair value through profit or loss for the period held by the Bank were RMB71.65 million, which were primarily due to the fluctuations in the bond market.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3. Net Gains/(Losses) Arising from Investments

In 2015, the net gains arising from investments amounted to RMB654 million, representing an increase of 682.1% as compared with the same period in 2014. This was mainly because the Bank seized the opportunities of market fluctuations and benefited from selling the bonds with floating profits held in the account during the period of a bull market in 2015 caused by the decrease in market interest rates and the increase in bond prices.

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|--|--------------------------------|------------------|------------------|--------------------|
| | 2015 | 2014 | Change in amount | Rate of change (%) |
| Dividends from available-for-sale equity investments | 440 | 10,510 | (10,070) | (95.8) |
| Net gains on disposal of available-for-sale financial assets | 653,070 | 4,211 | 648,859 | 15,408.7 |
| Losses from cessation of significant influence over investment in an associate | – | (126,988) | 126,988 | (100.0) |
| Total | 653,510 | (112,267) | 765,777 | (682.1) |

4. Net Foreign Exchange Gains/(Losses)

In 2015, the net exchange gains amounted to RMB426 million, representing a significant increase of RMB427 million as compared with the same period in 2014. The increase was mainly because: first, repatriation of listing funds generated a large amount of exchange gains; second, the Bank timely enlarged its trading volume of foreign currencies throughout the year due to its demand for business expansion and the fluctuations in currency exchange rates.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.1.6 Operating Expenses

In 2015, the operating expense of the Bank amounted to RMB4,102 million, representing a year-on-year increase of RMB890 million or 27.7%.

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|--|--------------------------------|------------------|---------------------|--------------------------|
| | 2015 | 2014 | Change in amount | Rate of change (%) |
| Staff costs | 1,652,345 | 1,289,613 | 362,732 | 28.1 |
| Business tax and surcharges | 1,401,267 | 1,076,697 | 324,570 | 30.1 |
| Depreciation and amortisation | 306,746 | 252,723 | 54,023 | 21.4 |
| Rental and property management expenses | 189,863 | 182,690 | 7,173 | 3.9 |
| Office expenses | 250,935 | 209,387 | 41,548 | 19.8 |
| Other general and administrative expenses | 301,006 | 200,777 | 100,229 | 49.9 |
| Total operating expenses | 4,102,162 | 3,211,887 | 890,275 | 27.7 |



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. Staff Costs

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|--|--------------------------------|------------------|---------------------|--------------------------|
| | 2015 | 2014 | Change in amount | Rate of change (%) |
| – Salaries, bonuses and allowances | 1,209,652 | 952,670 | 256,982 | 27.0 |
| – Pension and annuity | 172,165 | 136,545 | 35,620 | 26.1 |
| – Other social insurance | 120,759 | 73,983 | 46,776 | 63.2 |
| – Housing allowances | 66,796 | 53,632 | 13,164 | 24.5 |
| – Supplementary retirement benefits | 12,312 | 11,010 | 1,302 | 11.8 |
| – Others | 70,661 | 61,773 | 8,888 | 14.4 |
| Total staff costs | 1,652,345 | 1,289,613 | 362,732 | 28.1 |

In 2015, total staff costs of the Bank amounted to RMB1,652 million, representing a year-on-year increase of RMB363 million or 28.1%, primarily due to an increase in the number of staff of the Bank.

2. Business Tax and Surcharges

The business taxes and surcharges increased by 30.1% from RMB1,077 million for the year of 2014 to RMB1,401 million for the year of 2015, which was in line with the increase in interest income and fee and commission income.

3. Office Expenses, Rental and Property Management Expenses

Office expenses, rental and property management expenses mainly include office supplies, property rents, maintenance fees for electronic devices and security fees, conference fees and postal, telecom and printing fees. Office expenses, rental and property management expenses for the year of 2015 and 2014 were RMB441 million and RMB392 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. Depreciation and Amortisation

Depreciation and amortisation increased by 21.4% from RMB253 million for the year of 2014 to RMB307 million for the year of 2015. The increase in depreciation and amortisation was primarily due to the increase in the depreciation of fixed assets resulting from expanded properties and equipment and the increase in long-term prepaid expenses of the Bank, in particular the renovation costs of leased properties and the expenses for opening operation outlets.

5. Other General and Administrative Expenses

Other general and administrative expense increased by 49.9% from RMB201 million in 2014 to RMB301 million in 2015.

6.4.1.7 Impairment Losses on Assets

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|--|--------------------------------|----------------|---------------------|--------------------------|
| | 2015 | 2014 | Change in amount | Rate of change (%) |
| Loans and advances to customers | 1,416,953 | 860,942 | 556,011 | 64.6 |
| Loans and receivables | 543,000 | 90,000 | 453,000 | 503.3 |
| Others | (4,576) | (16,791) | 12,215 | (72.7) |
| Total | 1,955,377 | 934,151 | 1,021,226 | 109.3 |

6.4.1.8 Income Tax Expense

During the year of 2015, income tax expense of the Bank amounted to RMB1,903 million, representing an increase of 16.2% or RMB266 million compared with the previous year. The effective tax rate of the Bank was 23.41%, representing an increase of 0.22% compared with the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.2. Analysis of the Statement of Financial Position

6.4.2.1 Assets

Total assets of the Bank as at 31 December 2015 and 2014 were RMB701,629 million and RMB503,371 million, respectively. The principal components of our assets are (i) loans and advances to customers, (ii) financial investments, (iii) deposits with banks and other financial institutions, and (iv) cash and deposits with central bank, which accounted for 27.3%, 44.7%, 12.1% and 9.1%, respectively, of the total assets of the Bank as at 31 December 2015. The following table sets forth the balances of principal components of the total assets of the Bank as at the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|--|------------------------|------------------|------------------------|------------------|
| | Amount | (%) of the total | Amount | (%) of the total |
| Assets | | | | |
| Gross loans and advances to customers | 195,460,365 | 27.9 | 158,644,499 | 31.5 |
| Provision for impairment losses | (3,928,630) | (0.6) | (2,697,635) | (0.5) |
| Net loans and advances to customers | 191,531,735 | 27.3 | 155,946,864 | 31.0 |
| Financial investments ⁽¹⁾ | 313,629,383 | 44.7 | 152,186,804 | 30.2 |
| Deposits with banks and other financial institutions | 84,618,382 | 12.1 | 85,560,982 | 17.0 |
| Cash and deposits with central bank | 63,787,726 | 9.1 | 72,079,244 | 14.3 |
| Financial assets held under resale agreements | 32,252,183 | 4.6 | 25,941,589 | 5.2 |
| Placements with banks and other financial Institutions | 1,017,289 | 0.1 | 1,513,868 | 0.3 |
| Financial assets at fair value through profit or loss | 1,462,016 | 0.2 | – | 0.0 |
| Other assets ⁽²⁾ | 13,329,786 | 1.9 | 10,141,163 | 2.0 |
| Total assets | 701,628,500 | 100.0 | 503,370,514 | 100.0 |

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Total assets of the Bank increased by 39.4% from RMB503,371 million as at 31 December 2014, to RMB701,629 million as at 31 December 2015. The growth in total assets of the Bank from 31 December 2014 to 31 December 2015 was largely the result of an increase in our loans and advances to customers and financial investments, which is attributable to the rapid development of our customer base and various businesses due to the macroeconomic policies focused on steady growth, structure adjustment, reform motivation and public welfare as well as implementation of the Bank's cross-region operations.

1 Loans and Advances to Customers

Loans and advances to customers are a significant component of the assets of the Bank. The total loans and advances to customers made by the Bank as at 31 December 2015 amounted to RMB195.460 billion, representing an increase of 23.2% compared with that at the end of the previous year. The total loans and advances to customers accounted for 27.9% of the total assets, representing a decrease of 3.6% compared with that at the end of the previous year.

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|--|------------------------|----------------|------------------------|----------------|
| | Amount | % of the total | Amount | % of the total |
| Corporate loans | | | | |
| – Corporate loans | 188,488,441 | 96.5 | 152,782,561 | 96.3 |
| – Discounted bills | 74,860 | 0.0 | 586,296 | 0.4 |
| Personal loans | | | | |
| – Residential mortgage | 4,024,944 | 2.1 | 3,478,119 | 2.2 |
| – Personal consumption loans | 1,255,590 | 0.6 | 695,358 | 0.4 |
| – Credit cards | 634,569 | 0.3 | 586,871 | 0.4 |
| – Personal business loans | 893,651 | 0.5 | 449,424 | 0.3 |
| – Others | 88,310 | 0.0 | 65,870 | 0.0 |
| Total loans and advances to customers | 195,460,365 | 100.0 | 158,644,499 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The loans and advances to customers made by the Bank consist mainly of corporate loans (including discounted bills) and personal loans. Corporate loans constitute the largest component of the Bank's loan portfolio. The Bank's corporate loans as at 31 December 2015 and 31 December 2014 amounted to RMB188.563 billion and RMB153.369 billion, respectively, and accounted for 96.5% and 96.7%, respectively, of the total loans and advances to customers made by the Bank.

The corporate loans of the Bank increased by 22.9% from RMB153.369 billion as at 31 December 2014 to RMB188.563 billion as at 31 December 2015, mainly attributable to (i) the Bank's continuous focus on extending loans to enterprises in key industries, such as the wholesale and retail industry and manufacturing industry; and (ii) increases in related loan balance as a result of the Bank's continuous efforts to strengthen the business cooperation with key quality corporate clients.

The personal loans of the Bank mainly include residential mortgage, personal consumption loans, credit cards, personal business loans and other personal loans. The balance of personal loans amounted to RMB6.897 billion, representing an increase of 30.7% or RMB1.621 billion when compared to that at the end of the previous year, and accounted for 3.5% of the total loans and advances to customers with a 0.2 percentage point rise when compared to that at the end of the previous year. Among personal loans, residential mortgage increased by RMB547 million or 15.7% when compared to that at the end of the previous year, mainly driven by the demand from the personal residential mortgage loan market; personal consumption loans increased by RMB560 million or 80.6% when compared to that at the end of the previous year. The Bank increased its efforts to promote personal consumption loans as both income and spending of residents increased as a result of the national economic development. By increasing the number of the Bank's distribution outlets, the growth of personal consumption loans was also promoted.

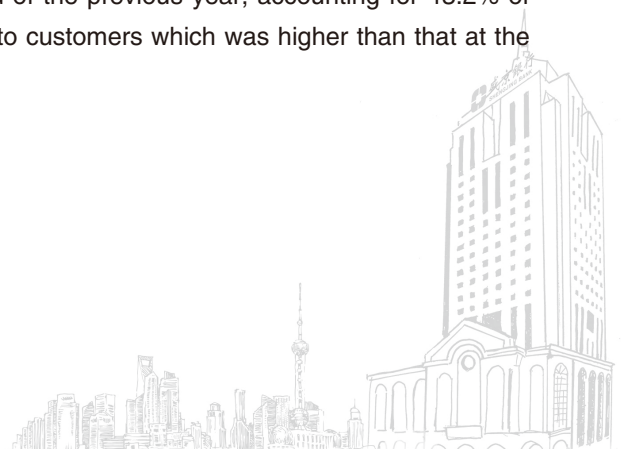
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1) Loans by collateral

As at 31 December 2015 and 31 December 2014, loans secured by mortgages, pledges or guarantees, in aggregate, represented 90.9% and 89.1% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by collateral type as at the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|--|------------------------|----------------|------------------------|----------------|
| | Amount | % of the total | Amount | % of the total |
| Loans secured by mortgages | 95,958,742 | 49.1 | 79,391,566 | 50.0 |
| Loans secured by pledges | 15,013,506 | 7.7 | 11,572,043 | 7.3 |
| Guaranteed loans | 66,621,901 | 34.1 | 50,458,245 | 31.8 |
| Unsecured loans | 17,866,216 | 9.1 | 17,222,645 | 10.9 |
| Total loans and advances to customers | 195,460,365 | 100.0 | 158,644,499 | 100.0 |

The structure of collaterals of the Bank's loans and advances to customers is stable and the Bank's capability of mitigating risks is solid. As at 31 December 2015, the balance of loans secured by mortgages and pledges amounted to RMB110.972 billion, representing an increase of RMB20.009 billion or 22.0% compared with that at the end of the previous year, accounting for 56.8% of the total loans and advances to customers which was lower than that at the end of the previous year; the balance of unsecured and guaranteed loans was RMB84.488 billion, representing an increase of RMB16.807 billion when compared with that at the end of the previous year, accounting for 43.2% of the total loans and advances to customers which was higher than that at the end of the previous year.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2) Changes in provision for the impairment losses on loans and advances to customers

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | | | As at 31 December 2014 | | | |
|---|--|---|---|------------------|--|---|---|------------------|
| | Provision for impairment on loans and advances which are collectively assessed | Provision for impaired loans and advances – which are collectively assessed | Provision for impaired loans and advances – which are individually assessed | Total | Provision for impairment on loans and advances which are collectively assessed | Provision for impaired loans and advances – which are collectively assessed | Provision for impaired loans and advances – which are individually assessed | Total |
| Balance as at the beginning of the year | 2,380,044 | 53,000 | 264,591 | 2,697,635 | 1,614,987 | 35,435 | 228,496 | 1,878,918 |
| Charge for the year | 1,960,475 | 27,526 | 351,375 | 2,339,376 | 777,661 | 17,565 | 79,040 | 874,266 |
| Release for the year | (517,785) | (37,068) | (157,570) | (712,423) | (12,604) | – | (720) | (13,324) |
| Disposal for the year | (210,000) | – | – | (210,000) | – | – | – | – |
| Unwinding of discount | – | – | (26,074) | (26,074) | – | – | (12,402) | (12,402) |
| Write-offs | – | (14,316) | (151,000) | (165,316) | – | – | (31,389) | (31,389) |
| Recoveries | – | – | 5,432 | 5,432 | – | – | 1,566 | 1,566 |
| Balance as at the end of the year | 3,612,734 | 29,142 | 286,754 | 3,928,630 | 2,380,044 | 53,000 | 264,591 | 2,697,635 |

Provision for impairment losses on loans and advances to customers increased by 45.6% from RMB2.698 billion as at 31 December 2014 to RMB3.929 billion as at 31 December 2015, mainly because the Bank increased the loan provision ratio in appropriate manner as a result of changes in the macroeconomic climate and the relevant requirements of the regulatory authorities.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2. Financial Investments

As at 31 December 2015 and 31 December 2014, the respective financial investments (including loans and receivables, available-for-sale financial assets and held-to-maturity investments, but excluding financial assets at fair value through profit or loss) of the Bank amounted to RMB313.629 billion and RMB152.187 billion, respectively, representing 44.7% and 30.2% of the total assets of the Bank, respectively.

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|--|------------------------|----------------|------------------------|----------------|
| | Amount | % of the total | Amount | % of the total |
| Available-for-sale investments | 27,359,926 | 8.7 | 25,437,142 | 16.7 |
| – Bonds issued by policy banks | 20,186,078 | 6.4 | 17,400,409 | 11.4 |
| – Government bonds | 5,144,025 | 1.6 | 5,290,437 | 3.5 |
| – Bonds issued by other banks and financial institutions | 550,447 | 0.2 | 2,165,870 | 1.4 |
| – Corporate bonds | 1,203,451 | 0.4 | 304,501 | 0.2 |
| – Equity investment | 275,925 | 0.1 | 275,925 | 0.2 |
| Held-to-maturity investments | 51,761,238 | 16.5 | 40,627,467 | 26.7 |
| – Bonds issued by policy banks | 30,504,007 | 9.7 | 25,867,731 | 17.0 |
| – Government bonds | 14,188,964 | 4.5 | 12,812,548 | 8.4 |
| – Bonds issued by other banks and financial institutions | 3,348,001 | 1.1 | 1,027,218 | 0.7 |
| – Corporate bonds | 3,720,266 | 1.2 | 919,970 | 0.6 |
| Loans and receivables | 234,508,219 | 74.8 | 86,122,195 | 56.6 |
| – Investment management products managed by securities companies | 157,543,148 | 50.3 | 60,179,090 | 39.5 |
| – Investment management products under trust scheme | 54,968,071 | 17.5 | 24,603,105 | 16.2 |
| – Debt securities | – | – | 600,000 | 0.4 |
| – Wealth management products issued by financial institutions | 22,630,000 | 7.2 | 830,000 | 0.5 |
| Less: provision for loans and receivables | (633,000) | (0.2) | (90,000) | (0.1) |
| Total | 313,629,383 | 100.0 | 152,186,804 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The total financial investments of the Bank increased by 106.1% from RMB152.187 billion as at 31 December 2014 to RMB313.629 billion as at 31 December 2015. Available-for-sale investments increased by RMB1.923 billion compared to the number recorded at the end of the previous year. One major objective behind this move was to increase the liquidity reserves of the Bank by increasing the Bank's holding of bonds issued by policy banks which are of high liquidity and low risks. Financial investments in relation to loans and receivables rose by RMB148.386 billion compared with that at the end of the previous year, mainly attributable to the increase in the Bank's continuous holding of asset management plans and investments in trust beneficiary rights.

2.1 Changes in the provision for loans and receivables

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | As at 31 December 2014 |
|--|---------------------------|---------------------------|
| Balance at the beginning of the year | (90,000) | – |
| Provision for the year | (543,000) | (90,000) |
| Write-offs for the year | – | – |
| Balance as at the end of the year | (633,000) | (90,000) |

6.4.2.2 Liabilities

As at 31 December 2015 and 31 December 2014, the total liabilities of the Bank were RMB659.914 billion and RMB467.237 billion, respectively. The Bank's liabilities mainly consist of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 61.0%, 15.2% and 11.9%, respectively, with respect to the Bank's total liabilities as at 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|--|------------------------|----------------|------------------------|----------------|
| | Amount | % of the total | Amount | % of the total |
| Borrowings from central bank | 6,800,000 | 1.0 | – | – |
| Deposits from customers | 402,379,086 | 61.0 | 315,943,789 | 67.6 |
| Deposits from banks and other financial institutions | 100,617,153 | 15.2 | 92,072,923 | 19.7 |
| Financial assets sold under repurchase agreements | 47,085,568 | 7.1 | 42,089,973 | 9.0 |
| Debt securities issued | 78,485,436 | 11.9 | 3,100,000 | 0.7 |
| Placements from banks and other financial institutions | 11,370,469 | 1.7 | 3,667,715 | 0.8 |
| Other liabilities ⁽¹⁾ | 13,175,835 | 2.1 | 10,362,629 | 2.2 |
| Total | 659,913,547 | 100.0 | 467,237,029 | 100.0 |

Note:

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



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. Deposits from Customers

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|--|------------------------|------------------|------------------------|------------------|
| | Amount | (%) of the total | Amount | (%) of the total |
| Corporate deposits | | | | |
| Demand deposits | 72,780,720 | 18.1 | 73,249,527 | 23.2 |
| Time deposits | 168,423,885 | 41.9 | 117,297,799 | 37.1 |
| Sub-total | 241,204,605 | 60.0 | 190,547,326 | 60.3 |
| Personal deposits | | | | |
| Demand deposits | 11,771,895 | 2.9 | 11,499,217 | 3.6 |
| Time deposits | 96,685,647 | 24.0 | 75,193,690 | 23.8 |
| Sub-total | 108,457,542 | 26.9 | 86,692,907 | 27.4 |
| Other deposits ⁽¹⁾ | 52,716,939 | 13.1 | 38,703,556 | 12.3 |
| Total | 402,379,086 | 100.0 | 315,943,789 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Note:

(1) Mainly includes margin deposits.

As at 31 December 2015, the Bank's total deposits from customers amounted to RMB402.379 billion, representing an increase of RMB86.435 billion compared with that at the end of the previous year and a growth by 27.4%. Such total deposits from customers accounted for 61.0% with respect to the total liabilities, representing a decrease of 6.6% compared with that at the end of the previous year.

In 2015, the Bank's deposits from customers experienced an increase in time deposits percentage, reflecting the change in customers' preference regarding deposits. Moreover, the Bank moderately increased the proportion of time deposits to improve the stability of the Bank's deposit portfolio.

2.2 Debt Securities Issued

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

| | As at 31 December 2015 Amount | As at 31 December 2014 Amount |
|--|--|--|
| (Expressed in thousands of Renminbi, unless otherwise stated) | | |
| Subordinated fixed rate debts maturing in November 2021 | 900,000 | 900,000 |
| Tier two capital fixed rate debts maturing in May 2024 | 2,200,000 | 2,200,000 |
| Tier two capital fixed rate debts maturing in December 2025 | 10,000,000 | — |
| Certificates of interbank deposits | 65,385,436 | — |
| Total | 78,485,436 | 3,100,000 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

The Bank issued Tier 2 capital bonds of commercial banks in the aggregate of RMB10 billion in the national inter-bank bond market on 4 December 2015. The term of maturity of such bonds is 10 years. The interest rate was calculated based on fixed interest rate per annum. The coupon rate was interest-bearing fixed rate of 4.57%. Interest on such bonds shall be paid once per year. Upon approval by the CBRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

In 2015, the Bank issued a total of RMB102.8 billion worth of interbank deposits at the nominal rate of 2.65%-4.00% with one-off interest payment on a term all within one year. As at 31 December 2015, the balance of interbank deposits issued by the Bank was RMB65.385 billion.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.2.3 Equity

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|--|------------------------|----------------|------------------------|----------------|
| | Amount | % of the total | Amount | % of the total |
| Share capital | 5,796,680 | 13.9 | 5,646,005 | 15.6 |
| Capital reserve | 11,855,505 | 28.4 | 11,106,917 | 30.7 |
| Surplus reserve | 3,893,846 | 9.3 | 2,733,397 | 7.6 |
| General reserve | 6,176,638 | 14.8 | 3,545,733 | 9.8 |
| Investment revaluation reserve | 623,163 | 1.5 | 567,881 | 1.6 |
| Deficit on remeasurement of net defined benefit liability | (5,126) | 0.0 | (2,309) | 0.0 |
| Retained earnings | 12,927,822 | 31.0 | 12,101,929 | 33.5 |
| Non-controlling interests | 446,425 | 1.1 | 433,932 | 1.2 |
| Total equity | 41,714,953 | 100.0 | 36,133,485 | 100.0 |

On 21 January 2015, the over-allotment option was partially exercised and the registered capital contribution was increased by RMB150,675,000 and the capital reserve was increased by RMB748,587,562. As a result, the registered capital increased from RMB5,646,005,200 to RMB5,796,680,200, and the capital reserve increased from RMB11,106,916,943 to RMB11,855,504,505.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.3 Loan Quality Analysis

6.4.3.1 Breakdown of Loans by the Five-Category Classification

The following table sets forth the distribution of the Bank's loans and advances to customer by the five-category loan classification as at the dates indicated. For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at 31 December 2015, the non-performing loans recorded by the Bank amounted to RMB814 million and the total amount of the Bank's provision for impairment losses on loans and advances to customers was RMB3.929 billion. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|--|------------------------|------------------|------------------------|------------------|
| | Amount | (%) of the total | Amount | (%) of the total |
| Normal | 191,852,436 | 98.2 | 156,970,166 | 99.0 |
| Special mention | 2,793,502 | 1.4 | 978,027 | 0.6 |
| Substandard | 630,615 | 0.3 | 583,985 | 0.4 |
| Doubtful | 159,959 | 0.1 | 68,938 | 0.0 |
| Loss | 23,853 | 0.0 | 43,383 | 0.0 |
| Total loans and advance to customers | 195,460,365 | 100.0 | 158,644,499 | 100.0 |
| Non-performing loan | 814,427 | 0.42 | 696,306 | 0.44 |

As at 31 December 2015 and 31 December 2014, the non-performing loan ratios of the Bank's total loan portfolio were 0.42% and 0.44% respectively. The decrease of the Bank's non-performing loan ratios was mainly due to the reason that the Bank continued to optimise entrance standards of industries, regions and customers, improved the risk supervision over the whole process, and continued to push for collection of existing non-performing loans, which improved the asset structure.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.3.2 Concentration of Loans

1 Concentration by industry and distribution of non-performing loans

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | | | As at 31 December 2014 | | | |
|---|------------------------|----------------|----------------------------|-------------------------------|------------------------|----------------|----------------------------|-------------------------------|
| | Loan amount | % of the total | Non-performing loan amount | Non-performing loan ratio (%) | Loan amount | % of the total | Non-performing loan amount | Non-performing loan ratio (%) |
| Wholesale and retail trade | 49,379,811 | 25.4 | 91,029 | 0.18 | 34,341,961 | 21.6 | 20,529 | 0.06 |
| Manufacturing | 32,235,242 | 16.5 | 415,424 | 1.29 | 30,069,918 | 19.0 | 278,716 | 0.93 |
| Renting and business activities | 30,560,093 | 15.6 | – | – | 19,311,391 | 12.2 | – | – |
| Real estate | 27,733,878 | 14.2 | 129,812 | 0.47 | 27,654,699 | 17.4 | 228,522 | 0.83 |
| Construction | 9,639,581 | 4.9 | 12,000 | 0.12 | 10,093,958 | 6.4 | 24,000 | 0.24 |
| Public administration and social organisation | 3,734,860 | 1.9 | – | – | 4,198,260 | 2.6 | – | – |
| Transportation, storage and postal service | 6,961,097 | 3.6 | 26,000 | 0.37 | 4,847,454 | 3.1 | – | – |
| Production and supply of electric power, gas and water | 3,371,205 | 1.7 | – | – | 4,461,550 | 2.8 | – | – |
| Mining | 3,969,500 | 2.0 | – | – | 3,539,000 | 2.2 | – | – |
| Culture, sports and entertainment | 1,936,105 | 1.0 | – | – | 3,155,900 | 2.0 | – | – |
| Accommodation and catering | 6,164,209 | 3.2 | 43,859 | 0.71 | 2,360,380 | 1.5 | 43,900 | 1.86 |
| Agriculture, forestry, animal husbandry and fishery | 1,615,558 | 0.8 | 34,000 | 2.10 | 1,493,140 | 0.9 | 15,000 | 1.00 |
| Household and other services | 2,598,400 | 1.3 | 30,000 | 1.15 | 883,350 | 0.6 | 30,000 | 3.40 |
| Others | 8,588,902 | 4.4 | 2,300 | 0.03 | 6,371,600 | 4.0 | 2,400 | 0.04 |
| Discounted bills | 74,860 | 0.0 | – | – | 586,296 | 0.4 | – | – |
| Personal loans | 6,897,064 | 3.5 | 30,003 | 0.44 | 5,275,642 | 3.3 | 53,239 | 1.01 |
| Total | 195,460,365 | 100.0 | 814,427 | 0.42 | 158,644,499 | 100.0 | 696,306 | 0.44 |

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2015, loans provided to customers of (i) wholesale and retail trade, (ii) manufacturing, (iii) renting and business activities industries and (iv) real estate represented the largest components of the Bank's corporate loans. As at 31 December 2015 and 31 December 2014, the balance of loans provided to the corporate customers in the four industries mentioned in the above were RMB139.909 billion and RMB111.378 billion, respectively, accounting for 74.2% and 72.6%, respectively, with respect to the Bank's total corporate loans. From the perspective of the structure of increased quantity, the abovesaid industries excluding real estate experienced the largest increment. The increased quantity was RMB15.038 billion, RMB2.165 billion and RMB11.249 billion, respectively, and increment was 43.8%, 7.2% and 58.2%, respectively. The Bank has noted the relevant loan portfolio of the industry and gradually optimised the industry structure of loans.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2 Concentration of borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as at 31 December 2015. As at the same date, all such loans were classified as pass loans.

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | |
|---|---|-----------|----------------|
| | Industry involved | Amount | % of the total |
| Customer | | | |
| Customer A | Transportation, storage and postal services | 2,830,000 | 1.5 |
| Customer B | Manufacturing | 2,474,040 | 1.3 |
| Customer C | Wholesale and retail trade | 2,390,000 | 1.3 |
| Customer D | Manufacturing | 2,100,000 | 1.1 |
| Customer E | Manufacturing | 2,100,000 | 1.1 |
| Customer F | Accommodation and catering | 1,850,000 | 1.0 |
| Customer G | Wholesale and retail trade | 1,700,000 | 0.9 |
| Customer H | Wholesale and retail trade | 1,680,000 | 0.9 |
| Customer I | Wholesale and retail trade | 1,570,000 | 0.8 |
| Customer J | Mining | 1,500,000 | 0.8 |



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3 Distribution of Non-Performing Loans by Product Type

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | | As at 31 December 2014 | | |
|---|------------------------|----------------|----------------|------------------------|----------------|----------------|
| | Loan amount | Non-performing | Non-performing | Loan amount | Non-performing | Non-performing |
| | | Loan amount | Loan ratio | | Loan amount | Loan ratio |
| | | | (%) | | | (%) |
| Corporate loans | 188,563,301 | 784,424 | 0.42 | 153,368,857 | 643,067 | 0.42 |
| Short-term loans | 76,623,808 | 658,825 | 0.86 | 64,327,098 | 339,467 | 0.53 |
| Medium and long term loans | 111,864,633 | 125,599 | 0.11 | 88,455,463 | 303,600 | 0.34 |
| Discounted bills | 74,860 | – | 0.00 | 586,296 | – | 0.00 |
| Personal loans | 6,897,064 | 30,003 | 0.44 | 5,275,642 | 53,239 | 1.01 |
| Residential mortgage | 4,024,944 | 15,164 | 0.38 | 3,478,119 | 24,796 | 0.71 |
| Personal business loans | 893,651 | – | 0.00 | 449,424 | – | 0.00 |
| Personal consumption loans | 1,255,590 | – | 0.00 | 695,358 | – | 0.00 |
| Credit card | 634,569 | 14,839 | 2.34 | 586,871 | 28,443 | 4.85 |
| Others | 88,310 | – | 0.00 | 65,870 | – | 0.00 |
| Total | 195,460,365 | 814,427 | 0.42 | 158,644,499 | 696,306 | 0.44 |

The non-performing loan ratios, defined as non-performing loans divided by the Bank's total loans and advances to customers, were 0.42% as at 31 December 2015 and 0.44% as at 31 December 2014.

As at 31 December 2015 and 31 December 2014, the non-performing loan ratios of the Bank's corporate loans (including discounted bills) were 0.42% and 0.42%, respectively.

As at 31 December 2015 and 31 December 2014, the non-performing loan ratios of the Bank's personal loans were 0.44% and 1.01%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4 Overdue Loans and Advances to Customers

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|---|------------------------|----------------|------------------------|----------------|
| | Amount | % of the total | Amount | % of the total |
| Overdue within 3 months (inclusive) | 476,100 | 45.3 | 26,898 | 5.4 |
| Overdue more than 3 months to 1 year (inclusive) | 401,284 | 38.2 | 250,757 | 50.8 |
| Overdue more than 1 year and within 3 years (inclusive) | 96,619 | 9.2 | 96,093 | 19.5 |
| Overdue more than 3 years | 76,915 | 7.3 | 120,187 | 24.3 |
| Total overdue loans and advances to customers | 1,050,918 | 100.0 | 493,935 | 100.0 |

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

6.4.4 Segment Information

6.4.4.1 Summary of Geographical Segment

The Bank is mainly operating in China. Its 18 branches are distributed over five provinces and municipalities directly under the central government. It also established six subsidiaries in Liaoning Province, Shanghai and Zhejiang Province.

| (Expressed in thousands of Renminbi, unless otherwise stated) | Operating Revenue | | | | Non-current Assets | | | |
|---|-------------------|----------------------|-------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| | 2015 | | 2014 | | As at 31 December 2015 | | As at 31 December 2014 | |
| | Amount | (%) accounted for | Amount | (%) accounted for | Amount | (%) accounted for | Amount | (%) accounted for |
| Northeast China | 11,767,102 | 83.0 | 9,182,174 | 81.9 | 4,003,911 | 90.9 | 3,305,505 | 88.8 |
| North China | 2,100,290 | 14.8 | 1,723,882 | 15.4 | 369,930 | 8.4 | 390,082 | 10.5 |
| Others | 316,764 | 2.2 | 298,707 | 2.7 | 31,925 | 0.7 | 28,314 | 0.7 |
| Total | 14,184,156 | 100.0 | 11,204,763 | 100.0 | 4,405,766 | 100.0 | 3,723,901 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.4.2 Summary of Business Segment

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | | |
|---|--------------------------------|---|-------------------|---|
| | 2015 | | 2014 | |
| | Amount | (%) accounted for with respect to the total | Amount | (%) accounted for with respect to the total |
| Operating Revenue | | | | |
| Corporate banking | 9,848,544 | 69.4 | 8,434,913 | 75.3 |
| Retail banking | 704,411 | 5.0 | 507,345 | 4.5 |
| Treasury business | 3,620,632 | 25.5 | 2,347,205 | 20.9 |
| Others | 10,569 | 0.1 | (84,700) | (0.7) |
| Total | 14,184,156 | 100.0 | 11,204,763 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.4.5 Analysis of Off-Balance Sheet Items

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | As at 31 December 2014 |
|--|------------------------------|------------------------------|
| Unused credit card commitments | 2,037,361 | 1,975,783 |
| Guarantees, acceptances and letters of credit | 144,883,187 | 93,408,152 |
| Operating lease commitments | 645,323 | 567,078 |
| Capital commitments | 1,900,897 | 2,296,705 |
| Pledged assets | 56,782,506 | 54,139,628 |
| Total | 206,249,274 | 152,387,346 |



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.5 BUSINESS OVERVIEW

6.5.1 Corporate Banking Business

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | Rate of change (%) |
|---|--------------------------------|------------------|--------------------|
| | 2015 | 2014 | |
| External net interest income | 5,733,876 | 5,270,709 | 8.8 |
| Internal net interest income | 2,959,541 | 1,765,409 | 67.6 |
| Net interest income | 8,693,417 | 7,036,118 | 23.6 |
| Net fee and commission income | 1,144,084 | 1,373,068 | (16.7) |
| Other operating income | 11,043 | 25,727 | (57.1) |
| Impairment losses on assets | (1,402,394) | (841,857) | 66.6 |
| Operating expenses | (2,647,868) | (2,150,644) | 23.1 |
| – Depreciation and amortisation | (230,399) | (192,760) | 19.5 |
| – Others | (2,417,469) | (1,957,884) | 23.5 |
| Profit before tax | 5,798,282 | 5,442,412 | 6.5 |
| Capital expenditure | 742,606 | 1,085,190 | (31.6) |

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 | As at 31 | Rate of change (%) |
|---|--------------------|--------------------|--------------------|
| | December 2015 | December 2014 | |
| Segment assets | 228,513,606 | 195,816,879 | 16.7 |
| Segment liabilities | 299,438,476 | 233,986,039 | 28.0 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

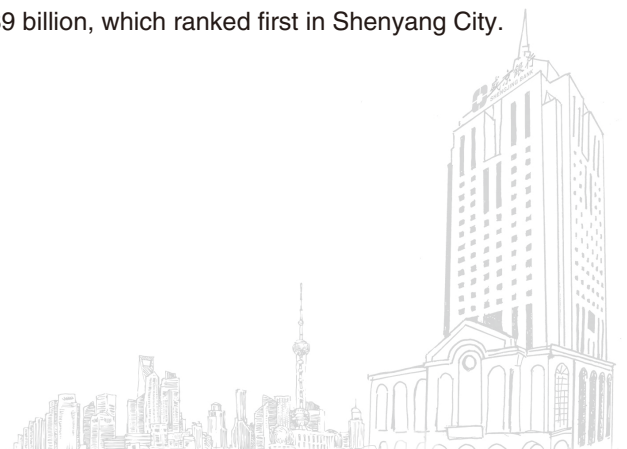
6.5.1.1 Corporate Deposits

Corporate deposits maintained a rapid and steady growth. The Bank implemented a positive strategy for customer development as well as customer-centred marketing strategies, continuously promoted the list-based customer management and menu-style marketing to expand the scale of cash sweep and agent settlement for customers. As at 31 December 2015, the balance of our corporate deposits amounted to RMB241.205 billion, accounting for 60.0% of the balance of total deposits and representing an increase of RMB50.657 billion or 26.6% compared with the previous year.

The Bank made every effort to build “an agency bank for public utilities with full functions” and continued to expand the coverage of agency for public utilities. As at 2015, the Bank’s agency business had covered the key livelihood-related areas including supplies of coal, water, electricity and gas, communication fees, cable TV, medical insurance, housing maintenance funds, provident funds and traffic, which made the Bank an essential part of people’s daily lives.

In July 2015, the Bank became a member of the interest-rate pricing self-discipline mechanism, and issued initial certificates of deposit for corporate in September 2015. With effective promotion of certificates of deposit for corporate, marketing breakthroughs were made in attracting key customers. RMB20.071 billion worth of certificates of deposit for corporate in total were issued in the year.

According to the Operation Management Department of the PBOC, as at 31 December 2015, the balance of Renminbi corporate deposits of the Bank in Shenyang amounted to RMB131,063 million, ranking first among the banks in the Shenyang area for four consecutive years. The Renminbi corporate deposits of the Bank in the Shenyang area held a share of 16.43% of the market, increased by 2.83% from the end of last year (13.6%). Compared with the beginning of the year, the Renminbi corporate deposits of the Bank in the Shenyang area increased by RMB46.389 billion, which ranked first in Shenyang City.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.5.1.2 *Corporate Loans*

The Bank's corporate loans were extended in a prudent and appropriate manner. The Bank seized the direction of regional structural transformation of economy to optimise the allocation of its credit resources in adaptation to economic development of the local area. As at 31 December 2015, the balance of our corporate loans (excluding discounted bills) amounted to RMB188.488 billion, representing a year-on-year growth of RMB35.706 billion or 23.4%.

First, the Bank took advantage of the development opportunities brought along by Coordinated Development for the Beijing-Tianjin-Hebei Region, construction of free trade areas and second revitalisation of Northeast China, proactively aligned with major national strategies and key projects, and continued to optimise the orientation and structure of loans. Second, the Bank provided active support for customers of public utilities and increased the amount of loans extended to customers in the fields of public utilities including supply of coal, water, electricity and gas as well as customers in the fields relating to modern life such as culture, education and public health. Third, the Bank increased the loans granted to strategic emerging industries and strongly supported the developments of modern services, technological finance and green finance. Fourth, the Bank implemented prudent policies towards housing loans and insisted on list-based management for housing loans and mortgage of valid projects to effectively prevent industrial risks. Fifth, the Bank further strengthened risk management for industries with "high consumption and pollution and excessive capacity"; and refused to provide any additional credit in any form to projects illegally conducted in the industries with excessive capacity or disapproved as a result of environmental protection assessment in order to effectively prevent credit risks.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.5.2 Retail Banking

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | Rate of change (%) |
|---|--------------------------------|----------------|--------------------|
| | 2015 | 2014 | |
| External net interest income | (3,234,074) | (2,541,554) | 27.2 |
| Internal net interest income | 3,871,214 | 3,036,472 | 27.5 |
| Net interest income | 637,140 | 494,918 | 28.7 |
| Net fee and commission income | 65,031 | 7,303 | 790.5 |
| Other operating income | 2,240 | 5,124 | (56.3) |
| Impairment losses on assets | (9,983) | (2,294) | 335.2 |
| Operating expenses | (580,972) | (432,132) | 34.4 |
| – Depreciation and amortisation | (64,189) | (50,121) | 28.1 |
| – Others | (516,783) | (382,011) | 35.3 |
| Profit before tax | 113,456 | 72,919 | 55.6 |
| Capital expenditure | 206,891 | 282,171 | (26.7) |

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 | As at 31 | Rate of change (%) |
|---|--------------------|-------------------|--------------------|
| | December 2015 | December 2014 | |
| Segment assets | 16,556,167 | 18,561,091 | (10.8) |
| Segment liabilities | 112,837,587 | 90,106,019 | 25.2 |



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.5.2.1 *Personal Deposits*

The Bank adhered to integrating its brand value services and key account sales. The Bank fully utilised its regional brand advantages to carry out services and marketing activities mainly towards mid- to high-end customer groups. As at 31 December 2015, the balance of personal deposits amounted to RMB108.458 billion, representing an increase of RMB21.765 billion or 25.1% compared to the end of the previous year. The volume of increase ranked the first in Shenyang for five consecutive years, and the personal deposits maintained a relatively high growth rate.

6.5.2.2 *Personal Loans*

Personal loans grew steadily with a rapid growth in residential mortgage loans and personal consumption loans. The Bank continuously optimised its loan structure, introduced innovative personal loan products, refined customer structure and product structure, and increased personal business loans. Personal loans (including mortgage loans, personal consumption loans, credit card and personal business loans) increased by RMB1,621 million or 30.7% to RMB6,897 million as compared to the end of the previous year, of which personal mortgage loans increased by RMB547 million to RMB4,025 million compared to the end of the previous year, personal consumption loans increased by RMB560 million to RMB1,256 million compared to the end of the previous year, and personal business loans increased by RMB444 million to RMB894 million compared to the end of the previous year.

6.5.2.3 *Bank Cards*

As at 31 December 2015, the Bank issued 8,262.1 thousand debit cards in total, representing an increase of 708.5 thousand compared to the beginning of the year, with total spending amounts of RMB17.299 billion. The Bank has been committed to broadening the functions of bank cards, such as consumption and settlement, and to enhancing the security level of bank cards. In December 2012, the Bank issued to the public financial integrated circuit (IC) cards and social security cards, becoming one of the early movers among the city commercial banks which issued financial IC cards.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.5.3 Capital Business and Investment Banking

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the year ended 31 December | | Rate of change (%) |
|--|--------------------------------|------------------|--------------------------|
| | 2015 | 2014 | |
| External net interest income | 9,448,729 | 7,172,017 | 31.7 |
| Internal net interest income | (6,830,755) | (4,801,881) | 42.3 |
| Net interest income | 2,617,974 | 2,370,136 | 10.5 |
| Net fee and commission expense | (4,926) | (11,940) | (58.7) |
| Net trading losses | (71,645) | (1,461) | 4,803.8 |
| Net gains/(losses) arising from investment | 653,070 | (9,146) | (7,240.5) |
| Net foreign exchange gains/(losses) | 426,159 | (384) | (111,078.9) |
| Other operating income | – | – | N/A |
| Impairment losses on assets | (543,000) | (90,000) | 503.3 |
| Operating expenses | (868,461) | (618,838) | 40.3 |
| – Depreciation and amortisation | (12,158) | (9,842) | 23.5 |
| – Others | (856,303) | (608,996) | 40.6 |
| Profit before tax | 2,209,171 | 1,638,367 | 34.8 |
| Capital expenditure | 39,188 | 55,409 | (29.3) |

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 | As at 31 | Rate of change (%) |
|--|--------------------|--------------------|--------------------------|
| | December 2015 | December 2014 | |
| Segment assets | 455,817,913 | 288,575,532 | 58.0 |
| Segment liabilities | 247,532,863 | 143,088,713 | 73.0 |



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.5.3.1 Treasury Business

In 2015, the Bank strengthened the study, judgment and analysis of macroeconomic situations, market dynamics and regulatory policy impact. The Bank timely adjusted its operation strategy for treasury business, enhanced business guidance and management, orderly promote business development and customer development, and minimised the unfavourable impact under the market risks, thereby ensuring a steady growth in return of the Bank's treasury business. As at 31 December 2015, the operating income from the Bank's treasury business was RMB3.621 billion, accounting for 25.5% of the Bank's operating income and representing a year-on-year increase of 54.3%.

1. Money Market Transactions

In 2015, the People's Bank of China introduced a package of easing monetary policies, including multiple deposit reserve ratio cuts and interest rate cuts and various medium- and short-term liquidity supplementary instruments frequently used in regulation of the capital market to hedge the impact of fund outstanding for foreign exchange reduction on capital market. Throughout the year, market liquidity was maintained at an easing level and capital market interest rates decreased significantly. The Bank set down rational financing strategies based on its study and judgement of the trend of capital interest rates in 2015. On one hand, the Bank expanded financing channels and issued interbank deposits to ensure stable financing resources in the medium and long terms. On the other hand, under the condition of guaranteeing liquidity safety, the Bank adjusted its financing structure flexibly by increasing short-term funds to reduce financing costs and increase profit margins. As at 31 December 2015, the balance of the Bank issued interbank deposits in an amount of RMB65.385 billion, representing 9.9% of total liabilities of the Bank. The balance of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements was RMB159.073 billion, representing 24.1% of total liabilities of the Bank. The balance of deposits and placements with banks and other financial institutions and financial assets held under resale agreements was RMB117,888 billion, representing 16.8% of the total assets of the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2. Investments in Securities and Other Financial Assets

In 2015, after analysing the factors in aspects of macro-economy, policy and capital, the Bank concluded that financial and monetary policies would remain positive and steady in light of the increasing pressure of economic downturn of China and that an easing funds policy will continue to cause declination of yield rates of bonds. Accordingly, the Bank carried out flexible bond investment business and adopted reasonable operational strategies. By means of bilateral market-making and dialogue quotation, the Bank conducted band operation to achieve favourable differential gains; along with the expansion of financing channels, the Bank properly increased the investment on targeted assets management plan and trust beneficiary rights to further optimise the financial investment structure. The Bank has maintained its financial investment level while the return on assets is generally decreasing in the market.

1) Securities investment by holding purpose

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|---|------------------------|----------------------|------------------------|----------------------|
| | Amount | (%) accounted for | Amount | (%) accounted for |
| Financial assets at fair value through profit or loss | 1,462,016 | 0.5 | – | – |
| Available-for-sale financial assets | 27,359,926 | 8.7 | 25,437,142 | 16.7 |
| Held-to-maturity investments | 51,761,238 | 16.4 | 40,627,467 | 26.7 |
| Loans and receivables | 234,508,219 | 74.4 | 86,122,195 | 56.6 |
| Total | 315,091,399 | 100.0 | 152,186,804 | 100.0 |

As at 31 December 2015, available-for-sale financial assets held by the Bank increased by RMB1.923 billion compared to the end of the previous year, representing a decrease of 8.0% in the proportion to the total securities investment. Held-to-maturity investments increased by RMB11.134 billion compared to the end of the previous year, representing a decrease of 10.3% in the proportion to the total securities investment. Loans and receivables increased by RMB148.386 billion compared to the end of the previous year, representing an increase of 17.8% in the proportion to the total securities investment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2) Securities investment by remaining maturity

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | | As at 31 December 2014 | |
|---|------------------------|-------------------------|------------------------|-------------------------|
| | Amount | (%) accounted for | Amount | (%) accounted for |
| Less than three months | 63,120,171 | 20.0 | 32,087,149 | 21.1 |
| Between three months and twelve months | 124,962,440 | 39.7 | 41,084,584 | 27.0 |
| Between one year and five years | 99,957,324 | 31.7 | 54,056,821 | 35.5 |
| More than five years | <u>27,051,464</u> | 8.6 | <u>24,958,250</u> | 16.4 |
| Total | <u>315,091,399</u> | 100.0 | <u>152,186,804</u> | 100.0 |

As at 31 December 2015, the Bank's securities investment with a remaining maturity of less than 12 months increased by RMB114.911 billion compared to the end of the previous year, representing an increase of 11.6% in the proportion to the total securities investment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3) Holding of government bonds

As at 31 December 2015, the balance of nominal value of the government bonds held by the Bank amounted to RMB12.92 billion. The table below sets out the top ten government bonds with the highest nominal value held by the Bank as at 31 December 2015:

| Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated) | Nominal value | Interest rate per annum (%) | Maturity date |
|---|------------------|--------------------------------------|----------------------|
| 2009 Government Bonds | 3,050,000 | 3.44 | 17 September 2019 |
| 2010 Government Bonds | 1,990,000 | 3.41 | 24 June 2020 |
| 2013 Government Bonds | 1,535,000 | 4.08 | 22 August 2023 |
| 2009 Government Bonds | 1,130,000 | 4.00 | 27 August 2029 |
| 2008 Government Bonds | 850,000 | 3.62 | 27 November 2023 |
| 2008 Government Bonds | 805,000 | 4.07 | 20 March 2018 |
| 2009 Government Bonds | 640,000 | 3.69 | 11 June 2024 |
| 2008 Government Bonds | 570,000 | 3.68 | 22 September 2018 |
| 2007 Government Bonds | 530,000 | 4.49 | 5 November 2017 |
| 2010 Government Bonds | 360,000 | 2.92 | 11 March 2017 |



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4) Holding of financial bonds

As at 31 December 2015, the balance of nominal value of the financial bonds (mainly the financial bonds issued by policy banks) held by the Bank amounted to RMB53.943 billion. The table below sets out the top ten financial bonds with the highest nominal value held by the Bank as at 31 December 2015:

| Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated) | Nominal value | Interest rate per annum (%) | Maturity date |
|---|------------------|--------------------------------------|----------------------|
| 2014 Policy Financial Bonds | 2,510,000 | 4.50 | 26 June 2017 |
| 2010 Policy Financial Bonds | 2,440,000 | 4.00 | 4 November 2020 |
| 2015 Policy Financial Bonds | 2,190,000 | 2.98 | 4 November 2018 |
| 2015 Policy Financial Bonds | 2,030,000 | 3.97 | 27 February 2025 |
| 2014 Policy Financial Bonds | 1,740,000 | 4.83 | 14 May 2017 |
| 2013 Policy Financial Bonds | 1,650,000 | 3.95 | 1 February 2018 |
| 2015 Policy Financial Bonds | 1,550,000 | 4.02 | 14 January 2020 |
| 2015 Policy Financial Bonds | 1,493,528 | 1.33 | 29 September 2018 |
| 2014 Policy Financial Bonds | 1,441,000 | 4.69 | 7 August 2017 |
| 2015 Policy Financial Bonds | 1,400,000 | 3.99 | 9 February 2025 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.5.4 Distribution Channels

6.5.4.1 *Physical Outlets*

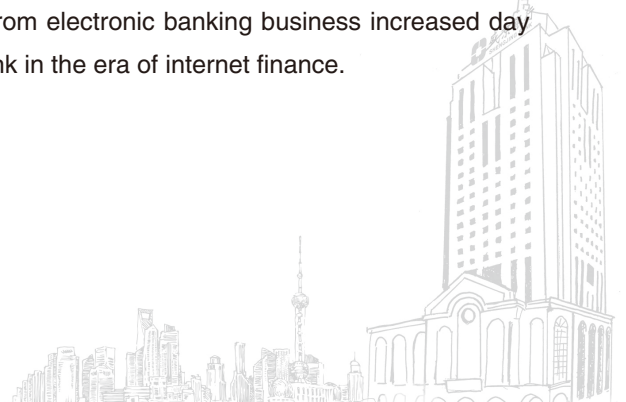
As at 31 December 2015, we operated businesses in 18 cities, including Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian and other cities in Liaoning Province, through our head office in Shenyang and 170 branches and sub-branches. Most of these 18 cities are located in economically developed regions such as Northeast China and the Bohai and Yangtze River Delta Economic Rims which enjoy special policy advantages and huge market opportunities.

6.5.4.2 *Self-service Banking*

The Bank's self-service banking facilities include ATMs, cash recycling machines, inquiry and payment machines and community smart terminals, which provide customers with convenient and safe services around the clock to increase the Bank's income. As at 31 December 2015, the Bank owned 1,487 self-service terminals, including 301 ATMs, 159 cash recycling machines, 107 inquiry and payment machines, and 920 community smart terminals, to provide customers with cash withdrawal, account inquiry, cash deposit, change of password, fund transfer and other services. In 2015, approximately 6.91 million banking transactions were processed through our self-service banking facilities with a total transaction volume of RMB12.2 billion.

6.5.4.3 *Electronic Banking*

In 2015, focusing on customers' demand for electronic banking, the Bank continuously improved user experience and application environment, proactively increased the number of electronic banking customers and enriched product sales channels. The Bank maintained a good trend with respect to operation and management of electronic banking business. The number of customers, transaction volume and other indicators continued to grow rapidly. The comprehensive income from electronic banking business increased day by day, forming a new advantage of the Bank in the era of internet finance.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. *Online Banking*

1) Corporate online banking

Based on customers' needs, the Bank further enriched the electronic corporate fund management services and introduced centralised fund management, fund pool management and other services for conglomerate customers. As at 31 December 2015, we had 10,369 corporate online banking customers in aggregate, representing an increase of 47% compared to the end of the previous year. The total transaction volume amounted to RMB1,149.779 billion, representing an increase of 42% compared to the previous year, and the number of transactions increased by 30% to 509,500 compared to the previous year.

2) Personal online banking

In 2015, a new function — certificate of deposit — was added to personal online banking and more public utilities payment items were made available for public. With continuously improved service functions of the online banking, the Bank will provide better experience for customers. As at 31 December 2015, we had 115,168 personal online banking customers in aggregate, representing an increase of 69% compared to the end of the previous year. The total number of transactions for the year increased by 20% on a year-on-year basis to 400,500, and the total transaction volume for the year increased by 41% to RMB10.499 billion compared to the previous year. For the customer-centred online banking, the Bank continuously improved user experience and satisfaction by continuously optimising and upgrading services through innovation.

2. *Mobile Banking*

In 2015, new functions including certificate of deposit and login gesture password were added to the mobile banking. More functions of the mobile banking are developed to provide value-added and high-efficiency mobile financial services to customers. As at 31 December 2015, we had 145,762 mobile banking customers in aggregate. The total transaction volume for the year amounted to RMB2.216 billion and the number of transactions reached 688,200.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3. Television Banking

The Bank was the first to provide television banking services in Liaoshen region. Leveraging the cooperation agreement between the Bank and North United Cable Network Inc. (北方聯合廣播電視網絡股份有限公司) which has a ten-year term and guarantees an exclusive cooperation for the first five years, the Bank aims to provide its customers with its professional financial services without stepping out of their household.

6.5.5 Subsidiaries

6.5.5.1 Investments in Subsidiaries

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 31 December 2015 | As at 31 December 2014 |
|---|------------------------------|------------------------------|
| Shenyang Shenbei Fumin Village Bank Co., Ltd. ("Shenyang Shenbei") | 35,321 | 35,321 |
| Shenyang Xinmin Fumin Village Bank Co., Ltd. ("Shenyang Xinmin") | 6,230 | 6,230 |
| Shenyang Faku Fumin Village Bank Co., Ltd. ("Shenyang Faku") | 6,262 | 6,262 |
| Shenyang Liaozhong Fumin Village Bank Co., Ltd. ("Shenyang Liaozhong") | 6,097 | 6,097 |
| Ningbo Jiangbei Fumin Rural Bank Co., Ltd. ("Ningbo Jiangbei") | 30,039 | 30,039 |
| Shanghai Baoshan Fumin Rural Bank Co., Ltd. ("Shanghai Baoshan") | 62,208 | 62,208 |
| Total | 146,157 | 146,157 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2015, the background of the subsidiaries is as follows:

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

6.6 RISK MANAGEMENT

Major risks to which the Bank is exposed mainly include: credit risk, operational risk, market risk and liquidity risk. Having profoundly recognised the complexities of economy in 2015, the Bank established a firm principle that a prudent and stable risk control strategy would constitute a company's core competitive advantage and adhered to the rigid principle of preventing eventual loss of assets in continuous promotion of an comprehensive risk management system that matches the development strategies, business scale, scope of business and characteristics of risks of the Bank. The Bank attached great importance to reasonable distribution of capital, gains and risks, enhanced a forward-looking theory and risks control of traditional and innovative businesses, and fully endorsed the expertise and independency of expert appraisal for major questionable assets to improve its capability in identifying and managing risks. Meanwhile, the Bank continued to strengthen the risk inspection and prevention measures for inventory asset businesses and its quality of assets remains high.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

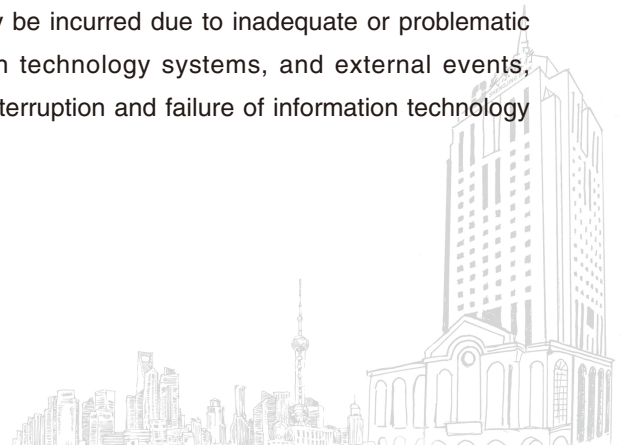
6.6.1 Credit Risk

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

The Bank has consistently abided by the rigid principle of preventing eventual loss of assets and attached great importance to proactive and forward-looking risk management. By carefully analysing and predicting the macro economy development and trends of policy making, the Bank continued conducting risk analysis and strategic research, implemented a multi-dimensional, differentiated and refined risk management and control system, properly adjusted guidance for risk management as well as its strategies for risk management according to constantly varying external environment and risk exposure. All these measures resulted in a refined and standardised risk control system that was more closely targeted on effectiveness. In addition, the Bank continued to enhance early warning and management measures of reserved asset risks, carried out risk assessment and inspection regularly, applied risk mitigation measures including mortgage of valid assets, pledge of shares, and guarantor, which would further improve the risk-resisting capability of assets business. The Bank further improved the coordination and supervision interactions between the headquarters and related branches in order to screen risk more effectively and slow down its release. Accordingly, the quality of the Bank's assets was further enhanced. In addition, having considered the combined effect of its business development strategy and its ability to conduct risk control on the branch level, the Bank implemented a differentiated system for credit approval and authorisation, enhanced its performance appraisal standards of credit approval and authorisation, and adjusted those standards to reflect the recent dynamics. This way, the Bank achieved a series of strict measures to control the risks of its authorised businesses in prevention of eventual asset loss.

6.6.2 Operational Risk

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



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Bank attached great importance to managing operational risks. It continued to upgrade operational risks management and construct a standardised operation procedure by closely monitoring any development in regulatory regime, change of regulatory focus and priorities, and the current status of its business operation. The Bank also timely updated the operating risks control guidelines that covered all operation lines, positions, and products. The Bank insisted that the control system should cover all businesses areas to ensure there existing a clearly defined procedure for business operation that thoroughly detects the system's risks and takes proper and correspondent measures, keeping the operational risks to a reasonable level. The Bank conducted operational risk trainings to further strengthen the risk awareness of all staff in respect of risk prevention in capital operation against clients fraud in observation of strict procedures. The Bank strictly regulated counter services accounting, specified authorisation control, separated front office from back office operations, conducted cross verification and carried out routine inspections and risk screening. The supervision and examination system was fully adopted to combine field and non-field inspections, regular and irregular inspections as well as self-inspections and inspections by others. Unified operational risk control tools were adopted to identify and monitor risk factors and issues occurred in operational activities, and the adequacy and effectiveness of its operational risk management were regularly supervised and assessed as well. The Bank also intensified the application of rewards and punishments to fully improve employee's awareness of risk prevention and control and continuously improve the quality of operational risk management.

6.6.3 Market Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.6.3.1 Market Risk of Trading Accounts

1. Interest Rate Risk

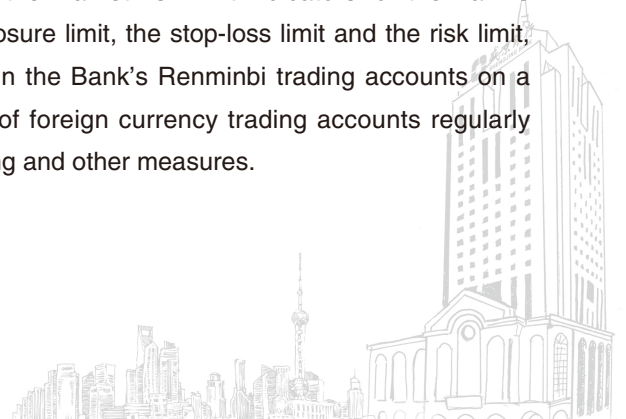
The interest rate risk of the banking book arises primarily from the mismatch of the maturity and repricing dates of the Bank's interest rate-sensitive assets and liabilities. The Bank manages the interest rate risk of the trading book primarily through optimising the maturity portfolio of the Bank's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

2. Exchange rate Risk

Exchange rate risk refers to the risk arising from mismatches of the currency denominations of assets and liabilities. The Bank's exposure to the exchange rate risk arises from the Bank's loans and deposits denominated in currencies other than Renminbi. The Bank carries out risk control mainly by closing out market positions, regularly re-evaluating the market value of the Bank's own foreign exchange capital, timely adjusting the profit and loss from foreign exchange exposures, conducting sensitivity analysis on foreign exchange exposures and stress testing on exchange rate risk on a regular basis, thereby effectively preventing the exchange rate risk and protecting the Bank's foreign exchange assets.

6.6.3.2 Market risk of trading accounts

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



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.6.4 Liquidity Risk Management

Liquidity risk occurs when a bank can not obtain sufficient funds at reasonable costs to pay due debts, fulfill other obligations of payment or meet other capital needs for normal operation of businesses.

The Bank highly valued management of liquidity risk, fully recognised the importance and severity for liquidity risk management and included it into the scope of its strategic management. As the Bank further improved its ability to make prudent judgment of macroeconomy and financial situation, it reasonably allocated its assets structures and terms, prepared for liquidity necessity in advance and properly distributed liquidity reserve to improve the capability of preventing and controlling liquidity risks. The Bank continued to improve the two-pronged management of assets and liabilities, applied multiple channels to increase the liquidity of assets, and diversified sources of debt financing to enhance the system's stability. The Bank also paid close attention to liquidity changes and adopted various monitoring methods, including conducting daily monitoring, weekly prediction, monthly analysis, and stress test on a quarterly basis. The Bank set down a slow-release mechanism for liquidity risks to strengthen the full-range management of liquidity risks in respect of identification, measuring, monitoring process to further improve liquidity risks management.

6.6.4.1 *Liquidity Risk Analysis*

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The analysis on the Bank's assets and liabilities as at 31 December 2015 and 31 December 2014 based on the relevant remaining due date for repayment is as follows:

| (Expressed in thousands of Renminbi, unless otherwise stated) | 31 December 2015 | | | | | | | Total |
|---|------------------|---------------------|------------------|------------------------------------|-----------------------------------|---------------------------------|----------------------|---------------|
| | Indefinite | Repayable on demand | Within one month | Between one month and three months | Between three months and one year | Between one year and five years | More than five years | |
| | | | | (inclusive) | (inclusive) | (inclusive) | | |
| Total assets | 51,714,576 | 20,529,105 | 75,250,147 | 86,071,268 | 257,552,791 | 174,022,447 | 36,488,166 | 701,628,500 |
| Total liabilities | - | (96,391,782) | (97,649,038) | (66,833,090) | (167,961,736) | (209,687,601) | (21,390,300) | (659,913,547) |
| Net Position | 51,714,576 | (75,862,677) | (22,398,891) | 19,238,178 | 89,591,055 | (35,665,154) | 15,097,866 | 41,714,953 |

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

6.6.5 Market Risk Management

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.6.5.1 Market Risk Management of Trading Accounts

1. Interest Rate Risk Management

The interest rate risk of the banking book arises primarily from the mismatch of the maturity and repricing maturity of the Bank's interest rate-sensitive assets and liabilities. The Bank managed interest rate risks of its accounts by allocation of maturities for assets and liabilities. Meanwhile, by adopting analysis tools including interest rate exposure analysis, the Bank strengthened the limit management and continued monitoring risks of the interest rate market. The Bank also simulated the stress test in the interest rate scenario based on analysed data to prepare corresponding emergency plans. Meanwhile, the Bank continued to perfect the fund pricing mechanism for interbank financial business and reinforced internal fund pricing control by referring to the SHIBOR terms so as to improve the capability of controlling interest rate risks.

2. Exchange Rate Risk Management

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

In 2015, affected by the international situation, foreign exchange rate fluctuated frequently. Under such a background, the Bank enhanced the ability to forecast macrosituation and foreign exchange trends and adopted a series of means of risk control, including closing out market positions, regularly re-evaluating the market value of the Bank's own foreign exchange capital, timely adjusting foreign exchange exposures, conducting sensitivity analysis on foreign exchange exposures, using derivatives and stress testing on exchange rate risk on a regular basis, there by effectively preventing the exchange rate risk and protecting its foreign exchange assets.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.6.5.2 *Market Risk Management of Trading Accounts*

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

6.6.5.3 *Interest Rate Risk*

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | 31 December 2015 | | | | | |
|---|-------------------|----------------------|--------------------|---------------------|----------------------|------------------|
| | Total | Non-interest bearing | Less than | Between three | Between one | More than |
| | | | three months | months and one year | year and five years | |
| | | | (inclusive) | (inclusive) | (inclusive) | five years |
| Total assets | 701,628,500 | 14,224,954 | 368,265,899 | 191,815,690 | 98,662,119 | 28,659,838 |
| Total liabilities | (659,913,547) | (13,175,835) | (254,632,664) | (165,328,242) | (205,669,825) | (21,106,981) |
| Asset-liability gap | <u>41,714,953</u> | <u>1,049,119</u> | <u>113,633,235</u> | <u>26,487,448</u> | <u>(107,007,706)</u> | <u>7,552,857</u> |

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.6.5.4 Interest Rate Sensitivity Analysis

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

| | 31 December 2015 | 31 December 2014 |
|--|-------------------------|-------------------------|
| (Expressed in thousands of Renminbi, unless otherwise stated) | Increase/ (decrease) | Increase/ (decrease) |
| Change in profit after taxation | | |
| Up 100 basis points parallel shift in yield curves | 796,844 | 295,372 |
| Down 100 basis points parallel shift in yield curves | (796,844) | (295,372) |

| | 31 December 2015 | 31 December 2014 |
|--|-------------------------|-------------------------|
| (Expressed in thousands of Renminbi, unless otherwise stated) | Increase/ (decrease) | Increase/ (decrease) |
| Change in equity | | |
| Up 100 basis points parallel shift in yield curves | 161,122 | (315,622) |
| Down 100 basis points parallel shift in yield curves | (117,919) | 358,558 |



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6.6.5.5 Exchange Rate Sensitivity Analysis

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

| | 31 December 2015 | 31 December 2014 |
|--|-------------------------|-------------------------|
| (Expressed in thousands of Renminbi, unless otherwise stated) | Increase/ (decrease) | Increase/ (decrease) |
| Change in profit after taxation and equity | | |
| Up 100 basis points change of foreign exchange rate | 876 | 8,994 |
| Down 100 basis points change of foreign exchange rate | (876) | (8,994) |

6.7 ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本(管理辦法(試行))》) (effective since 1 January 2013) promulgated by the CBRC. As at 31 December 2015, the Bank's capital adequacy ratios at all tiers met, on average, the regulatory requirements under such new regulation. As at 31 December 2015, the Bank's Core Tier-one capital adequacy ratio and Tier-one capital adequacy ratio were both 9.42%, which was 1.62 percentage point lower than those at the end of the previous year; the capital adequacy ratio was 13.03%, which was 0.38 percentage points higher than that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Core capital | | |
| – Share capital | 5,796,680 | 5,646,005 |
| – Qualifying portion of capital reserve | 11,855,505 | 11,106,917 |
| – Surplus reserve | 3,893,846 | 2,733,397 |
| – General reserve | 6,176,638 | 3,545,733 |
| – Investment revaluation reserve | 623,163 | 567,881 |
| – Retained earnings | 12,927,822 | 12,101,929 |
| – Qualifying portions of non-controlling interests | 348,314 | 351,811 |
| – Others | (5,126) | (2,309) |
| Core Tier-one Capital | 41,616,842 | 36,051,364 |
| Core Tier-one Capital deductions | (61,209) | (55,966) |
| Net Core Tier-one Capital | 41,555,633 | 35,995,398 |
| Other Tier-one Capital | – | – |
| Net Tier-one Capital | 41,555,633 | 35,995,398 |
| Tier-two Capital | | |
| – Qualifying portions of tier-two capital instruments issued | 12,830,000 | 2,920,000 |
| – Surplus provision for loan impairment | 3,114,204 | 2,318,931 |
| – Core Tier-two Capital deductions | – | – |
| Net Tier-two Capital | 15,944,204 | 5,238,931 |
| Net Capital base | 57,499,837 | 41,234,329 |
| Total risk weighted assets | 441,206,838 | 325,922,846 |
| Core Tier-one Capital adequacy ratio | 9.42 | 11.04 |
| Tier-one Capital adequacy ratio | 9.42 | 11.04 |
| Capital adequacy ratio | 13.03 | 12.65 |

SIGNIFICANT EVENTS

RELATED PARTY TRANSACTIONS

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

MATERIAL LITIGATION AND ARBITRATION

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

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

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

ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

On 1 April 2015, the Bank and Huaxin Huiton Group Limited ("Huaxin Huiton Group") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Bank has agreed to acquire, and Huaxin Huiton Group has agreed to sell, 20% of the entire issued and paid-up share capital of Huaxin Trust Co., Ltd. (the "Acquisition"). The consideration for the Acquisition is RMB3,168 million (equivalent to approximately HK\$3,960 million), which was decided and negotiated on an arm's length basis between the Bank and Huaxin Huiton Group.

Upon mutual agreement of both parties, the Bank and Huaxin Huiton Group have entered into a termination agreement on 5 January 2016 to terminate the Sale and Purchase Agreement. Huaxin Huiton Group has refunded the deposit as set out in the Sale and Purchase Agreement to the Bank in accordance with the terms of the Sale and Purchase Agreement. Each party to the Sale and Purchase Agreement has released and discharged the other party from all claims under or in connection with the Sale and Purchase Agreement.

SUBSEQUENT EVENTS

The operation approval for Shengjing Bank Consumer Finance Co., Ltd has been granted by the CBRC Liaoning Bureau. The CBRC Liaoning Bureau issued the Approval for the Commencement of Operation of Shengjing Bank Consumer Finance Co., Ltd (《關於盛銀消費金融有限公司開業的批覆》) and the financial permit on 24 February 2016.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

| | 31 December 2014 | | Changes during the Reporting Period | | | 31 December 2015 | |
|--|----------------------|----------------|-------------------------------------|-----------------------------|-----------------------------|----------------------|----------------|
| | Number | Percentage (%) | Issue of new shares | Others | Sub-total | Number | Percentage (%) |
| 1. Shareholding of Domestic Shares legal persons | 4,149,256,639 | 73.49 | nil | (15,067,500) ⁽²⁾ | (15,067,500) ⁽²⁾ | 4,134,189,139 | 71.32 |
| Of which: | | | | | | | |
| 1. Shareholding of state-owned legal persons | 730,810,600 | 12.94 | nil | (15,067,500) ⁽²⁾ | (15,067,500) ⁽²⁾ | 715,743,100 | 12.35 |
| 2. Shareholding of private legal persons | 3,418,446,039 | 60.55 | nil | nil | nil | 3,418,446,039 | 58.97 |
| 2. Shareholding of Domestic Shares natural persons | 121,748,561 | 2.16 | nil | nil | nil | 121,748,561 | 2.10 |
| 3. H Shares | 1,375,000,000 | 24.35 | 150,675,000 | 15,067,500 | 165,742,500 ⁽¹⁾ | 1,540,742,500 | 26.58 |
| Total | 5,646,005,200 | 100.00 | 150,675,000 | nil | 150,675,000 | 5,796,680,200 | 100.00 |

Notes: (1) On 16 January 2015, the over-allotment option was partially exercised in respect of 165,742,500 H Shares.

(2) In accordance with the relevant PRC rules regarding disposal of state-owned shares, 37 state-owned Shareholders, including Shenyang Hengxin, Shenyang Wuai Industry Company Limited (瀋陽五愛實業有限公司) and Shenyang Hengxin Investment Management Company Limited (瀋陽恒信投資管理有限公司) transferred 15,067,500 Shares to the National Council for Social Security Fund of the PRC upon the partial exercise of the over-allotment option.

ISSUANCE AND LISTING OF SECURITIES

Reference is made to the announcement published by the Bank on 16 January 2015 in respect of partial exercise of the over-allotment option. The over-allotment option was partially exercised in respect of an aggregate of 165,742,500 H Shares. At the end of the Reporting Period, the Bank had a total of 5,796,680,200 Shares, comprising 4,255,937,700 Domestic Shares and 1,540,742,500 H Shares.

In addition, the Board has resolved and the Shareholders have approved at the 2015 first extraordinary general meeting of the Bank that, the Bank will implement the A Share Offering in order to further expand fund-raising resources, optimise the corporate governance structure of the Bank and enhance the Bank's core competitiveness. Reference is made to the announcement dated 27 November 2015 of the Bank. China Securities Regulatory Commission has accepted the application materials for the A Share Offering. A copy of the A Share prospectus has been made available on the official website of CSRC (www.csrc.gov.cn) for preliminary publication.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

The number of A Shares planned to be issued will be not more than 600,000,000 Shares, representing approximately 14.10% and 10.35% of the Domestic Shares in issue and total issued share capital of the Bank as at the end of the Reporting Period, respectively.

The actual total offering size will be determined based on capital requirements of the Bank, communications with the regulatory authorities and the prevailing market conditions at the time of the offering by the Board with the Shareholders' authorisation after negotiation with the sponsor(s) (the lead underwriter(s)).

ISSUANCE OF DEBT SECURITIES

1. Debt Securities Issued

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

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

The Board has resolved, and the Shareholders have approved at the 2015 first extraordinary general meeting of the Bank that, subject to obtaining necessary approvals from the CBRC and other relevant regulatory authorities, the Bank will issue tier 2 capital bonds in the aggregate principal amount of up to RMB10 billion to members of the inter-bank bond market in China, with a term of maturity of not more than 15 years and a redemption right from the end of the fifth year. The bonds will have a fixed interest rate to be determined through a public tender process payable on an annual basis. The proceeds from the issuance of the Bonds will be used to replenish the Bank's tier two capital and enhance capital adequacy ratio. In December 2015, the Bank issued ten-year Tier 2 capital bonds, with an aggregate principal amount of RMB10 billion and an annual interest rate of 4.57%. Such Tier 2 capital bonds will be due on 8 December 2025.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

2. Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2014 annual general meeting of the Bank held on 26 May 2015 that, subject to obtaining necessary governmental and regulatory authorities, the Bank will issue the following debt securities:

- 2.1 financial bonds in an aggregate principal amount of up to RMB7 billion to the members of the inter-bank bond market in China, with a term of maturity of less than five years (inclusive) and a fixed interest rate to be determined through a public tender process. The proceeds from the issuance of such bonds will be used for loans to small and miniature enterprises;
- 2.2 financial bonds in an aggregate principal amount of up to RMB10 billion to the members of the inter-bank bond market in China, with a term of maturity of less than five years (inclusive) and an interest rate to be determined by the senior management of the Bank, subject to the authorisation by the Board and based on the investors' demand, the market environment and the operation of the Bank at the time of issuance of such bonds. The proceeds from the issuance of such bonds will be used to replenish the Bank's medium-and long-term liquidity; and
- 2.3 Renminbi-denominated bonds in an aggregate principal amount of up to RMB1.5 billion to overseas investors, with a term of maturity of less than five years (inclusive) and an interest rate to be determined by the senior management of the Bank, subject to the authorisation by the Board and based on the investors' demand, the market environment and the operation of the Bank at the time of issuance of such bonds. The proceeds from the issuance of such bonds will be used to replenish the Bank's medium-and long-term liquidity.

The Board has resolved that, subject to obtaining shareholders' approval at the 2015 annual general meeting of the Bank and obtaining necessary approvals from the CBRC and other regulatory authorities, the Bank will issue tier 2 capital bonds in the aggregate principal amount of up to RMB6 billion to members of the interbank bond market in China. The bonds will have a term of maturity of not more than 15 years with a redemption right from the end of the fifth year. The bonds will have a fixed interest rate payable on an annual basis to be determined through a public tender process. The proceeds from the issuance of the bonds will be used to replenish the Bank's tier two capital and enhance capital adequacy ratio. An announcement regarding such proposed issuance of tier 2 capital bonds has been published by the Bank on 18 March 2016.

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

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

PARTICULARS OF SHAREHOLDINGS

At the end of the Reporting Period, the Bank had a total of 5,796,680,200 Shares, comprising 4,255,937,700 Domestic Shares and 1,540,742,500 H Shares.

Particulars of Shareholdings of the Top Ten Shareholders of Domestic Shares on 31 December 2015

| No. | Name of Shareholder | Nature of Shareholder | Total number of Shares held | Shareholding percentage (%) | Number of Shares pledged |
|-----|---|-----------------------|-----------------------------|-----------------------------|--------------------------|
| 1 | Shenyang Hengxin State-owned Assets Management Group Co., Ltd. ("Shenyang Hengxin") | State-owned | 479,836,334 | 8.28 | 0 |
| 2 | Liaoning Huibao International Investment Group Co., Ltd. ("Huibao International") | Private | 400,000,000 | 6.90 | 0 |
| 3 | Xinhu Zhongbao Co., Ltd. ("Xinhu Zhongbao") | Private | 300,000,000 | 5.18 | 0 |
| 4 | Founder Securities Co., Ltd. ("Founder Securities") | Private | 300,000,000 | 5.18 | 0 |
| 5 | Beijing Zhaotai Group Co., Ltd. ("Beijing Zhaotai") | Private | 300,000,000 | 5.18 | 0 |
| 6 | Shenyang Zhongyou Tianbao (Group) Materials and Equipment Co., Ltd. ("Zhongyou Tianbao") | Private | 230,000,000 | 3.97 | 0 |
| 7 | Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司) | Private | 200,000,000 | 3.45 | 0 |
| 8 | Luenmei Group Co., Ltd (聯美集團有限公司) | Private | 200,000,000 | 3.45 | 0 |
| 9 | Jilin Huahai Energy Group Co., Ltd. (吉林華海能源集團有限公司) | Private | 200,000,000 | 3.45 | 200,000,000 |
| 10 | Shenyang Tonglian Group Co., Ltd. (瀋陽同聯集團有限公司) | Private | 150,000,000 | 2.59 | 150,000,000 |
| 11 | Beijing Aojitong Investment (Group) Co., Ltd. (北京奧吉通投資(集團)有限公司) | Private | 150,000,000 | 2.59 | 150,000,000 |
| | | | 2,909,836,334 | 50.20 | 500,000,000 |

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2015, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the H Shares and underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name of Shareholder | Nature of interests | Number of H Shares held | Percentage of the total number of H Shares (%) | Percentage of the total share capital of the Bank (%) |
|---|--------------------------------------|--------------------------------|--|---|
| Bondic International Holdings Limited | Beneficial owner | 235,153,000 (Long position) | 15.26 | 4.06 |
| Cheung Chung Kiu ⁽¹⁾ | Interest of a controlled corporation | 235,153,000 (Long position) | 15.26 | 4.06 |
| Global High Growth Industries Fund Series SPC | Interest of a trustee | 203,106,500 (Long position) | 13.18 | 3.50 |
| Shanghai International Trust Corp., Ltd. | Interest of a trustee | 103,000,000 (Long position) | 6.69 | 1.78 |
| Cheng Yu Tung Family (Holdings) Limited ⁽²⁾ | Interest of a controlled corporation | 102,576,500 (Long position) | 6.66 | 1.77 |
| Cheng Yu Tung Family (Holdings II) Limited ⁽²⁾ | Interest of a controlled corporation | 102,576,500 (Long position) | 6.66 | 1.77 |
| Chow Tai Fook Capital Limited ⁽²⁾ | Interest of a controlled corporation | 102,576,500 (Long position) | 6.66 | 1.77 |
| Chow Tai Fook (Holding) Limited ⁽²⁾ | Interest of a controlled corporation | 102,576,500 (Long position) | 6.66 | 1.77 |
| Chow Tai Fook Nominee Limited | Beneficial owner | 102,576,500 (Long position) | 6.66 | 1.77 |
| Zhang Xingmei | Beneficial owner | 101,550,000 (Long position) | 6.59 | 1.75 |
| Shunyi International Trade Co., Ltd. | Beneficial owner | 92,785,000 (Long position) | 6.02 | 1.60 |
| Hwabao Trust Co., Ltd. | Interest of a trustee | 90,000,000 (Long position) | 5.84 | 1.55 |

Notes: (1) Bondic International Holdings Limited held 235,153,000 H Shares of the Bank. Bondic International Holdings Limited was wholly owned by Cheung Chung Kiu. By virtue of the SFO, Cheung Chung Kiu is deemed to be interested in the Shares held by Bondic International Holdings Limited.

(2) Chow Tai Fook Nominee Limited held 102,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was controlled as to 99.80% by Chow Tai Fook (Holding) Limited; Chow Tai Fook (Holding) Limited was controlled as to 78.58% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was owned as to 48.98% by Cheng Yu Tung Family (Holdings) Limited; Chow Tai Fook Capital Limited was owned as to 46.65% by Cheng Yu Tung Family (Holdings II) Limited. By virtue of the SFO, each of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited and Chow Tai Fook (Holding) Limited is deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

As at 31 December 2015, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the Domestic Shares and underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name of Shareholder | Nature of interests | Number of Domestic Shares held | Percentage of the total number of Domestic Shares (%) | Percentage of the total share capital of the Bank (%) |
|---|--------------------------------------|---|---|---|
| Shenyang Hengxin | Beneficial owner | 479,836,334 ⁽¹⁾ (Long position) | 11.27 | 8.28 |
| Shenyang Industrial Investment Development Group Co., Ltd. ⁽²⁾ | Interest of a controlled corporation | 479,836,334 ⁽¹⁾ (Long position) | 11.27 | 8.28 |
| Huibao International | Beneficial owner | 400,000,000 (Long position) | 9.40 | 6.90 |
| Beijing Jiutai Group Co., Ltd. ⁽³⁾ | Interest of a controlled corporation | 400,000,000 (Long position) | 9.40 | 6.90 |
| Li Yuguo ⁽³⁾ | Interest of a controlled corporation | 400,000,000 (Long position) | 9.40 | 6.90 |
| Xinhu Zhongbao | Beneficial owner | 300,000,000 (Long position) | 7.05 | 5.18 |
| Zhejiang Xinhu Group Co., Ltd. ⁽⁴⁾ | Interest of a controlled corporation | 300,000,000 (Long position) | 7.05 | 5.18 |
| Huang Wei ⁽⁴⁾ | Interest of a controlled corporation | 300,000,000 (Long position) | 7.05 | 5.18 |
| Founder Securities | Beneficial owner | 300,000,000 (Long position) | 7.05 | 5.18 |
| Peking University Founder Group Co., Ltd. ⁽⁵⁾ | Interest of a controlled corporation | 300,000,000 (Long position) | 7.05 | 5.18 |
| Peking University Asset Management Company Limited ⁽⁵⁾ | Interest of a controlled corporation | 300,000,000 (Long position) | 7.05 | 5.18 |
| Beijing Zhaotai | Beneficial owner | 300,000,000 (Long position) | 7.05 | 5.18 |
| Beijing Zhaotai Holding Co., Ltd. ⁽⁶⁾ | Interest of a controlled corporation | 300,000,000 (Long position) | 7.05 | 5.18 |

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

| Name of Shareholder | Nature of interests | Number of Domestic Shares held | Percentage of the total number of Domestic Shares (%) | Percentage of the total share capital of the Bank (%) |
|--------------------------|--------------------------------------|--------------------------------|---|---|
| Mu Qiru ⁽⁶⁾ | Interest of a controlled corporation | 300,000,000 (Long position) | 7.05 | 5.18 |
| Zhongyou Tianbao | Beneficial owner | 230,000,000 (Long position) | 5.40 | 3.97 |
| Liu Xinfu ⁽⁷⁾ | Interest of a controlled corporation | 230,000,000 (Long position) | 5.40 | 3.97 |

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2015, Shenyang Hengxin held 479,836,334 Domestic Shares.

(2) Shenyang Hengxin was wholly owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. is deemed to be interested in the Shares held by Shenyang Hengxin.

(3) Huibao International was wholly owned by Beijing Jiutai Group Co., Ltd. (北京九台集團有限公司), which was in turn owned as to 70% by Li Yuguo (李玉國). By virtue of the SFO, each of Beijing Jiutai Group Co., Ltd. and Li Yuguo is deemed to be interested in the Shares held by Huibao International.

(4) Xinhua Zhongbao was owned as to 55.76% by Zhejiang Xinhua Group Co., Ltd. (浙江新湖集團股份有限公司), which was in turn owned as to 67.22% by Huang Wei (黃偉). By virtue of the SFO, each of Zhejiang Xinhua Group Co., Ltd. and Huang Wei is deemed to be interested in the Shares held by Xinhua Zhongbao.

(5) Founder Securities was owned as to 30.55% by Peking University Founder Group Co., Ltd. (北大方正集團有限公司), which was in turn owned as to 70% by Peking University Asset Management Company Limited (北大資產經營有限公司). By virtue of the SFO, each of Peking University Founder Group Co., Ltd. and Peking University Asset Management Company Limited is deemed to be interested in the Shares held by Founder Securities.

(6) Beijing Zhaotai was owned as to 41.60% and 38.50% by Mu Qiru (穆麒麟) and Beijing Zhaotai Holding Co., Ltd. (北京兆泰控股有限公司), which was in turn owned as to 70% by Mu Qiru (穆麒麟). By virtue of the SFO, each of Beijing Zhaotai Holding Co., Ltd. and Mu Qiru is deemed to be interested in the Shares held by Beijing Zhaotai.

(7) Zhongyou Tianbao was owned as to 80% by Liu Xinfu (劉新發). By virtue of the SFO, Liu Xinfu is deemed to be interested in the Shares held by Zhongyou Tianbao.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2015 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

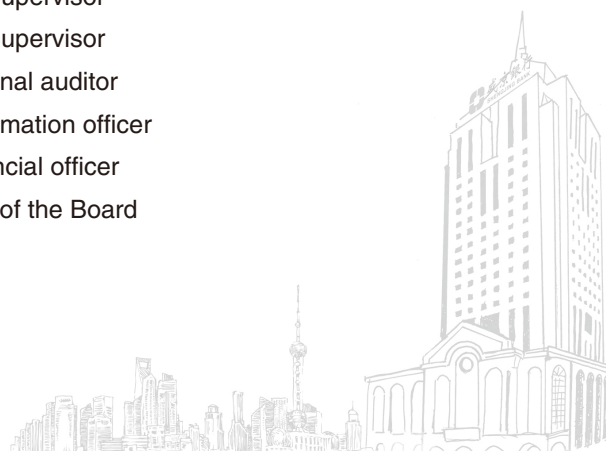
SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Shenyang Hengxin, Huibao International, Xinhua Zhongbao, Founder Securities and Beijing Zhaotai held 479,836,334 Shares, 400,000,000 Shares, 300,000,000 Shares, 300,000,000 Shares and 300,000,000 Shares of the Bank, respectively, representing 8.28%, 6.90%, 5.18%, 5.18% and 5.18% of the Bank's total share capital, respectively.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Basic Information of Directors, Supervisors and Senior Management as at 31 December 2015

| Name | Age | Position |
|---------------------------|-----|---|
| Ms. ZHANG Yukun (張玉坤) | 59 | Executive Director, Chairperson of the Board |
| Mr. WANG Chunsheng (王春生) | 54 | Executive Director, President |
| Mr. WANG Yigong (王亦工) | 49 | Executive Director, Vice President and chief risk officer |
| Mr. WU Gang (吳剛) | 45 | Executive Director, Vice President |
| Mr. SUN Yongsheng (孫永生) | 55 | Executive Director, Vice President |
| Mr. LI Jianwei (李建偉) | 55 | Non-executive Director |
| Mr. LI Yuguo (李玉國) | 61 | Non-executive Director, Vice Chairman of the Board |
| Mr. ZHAO Weiqing (趙偉卿) | 56 | Non-executive Director |
| Ms. YANG Yuhua (楊玉華) | 52 | Non-executive Director |
| Mr. LIU Xinfu (劉新發) | 56 | Non-executive Director |
| Mr. YU Yongshun (于永順) | 65 | Independent Non-executive Director |
| Mr. LAU Chi Pang (劉智鵬) | 55 | Independent Non-executive Director |
| Mr. BA Junyu (巴俊宇) | 60 | Independent Non-executive Director |
| Mr. SUN Hang (孫航) | 49 | Independent Non-executive Director |
| Mr. DING Jiming (丁繼明) | 51 | Independent Non-executive Director |
| Mr. YANG Lin (楊林) | 55 | Employee Representative Supervisor, Chairman of the Board of Supervisors |
| Mr. HAN Xuefeng (韓學豐) | 45 | Employee Representative Supervisor, Vice Chairman of the Board of Supervisors |
| Mr. SHI Yang (石陽) | 50 | Employee Representative Supervisor |
| Mr. CHEN Zhaogui (陳招貴) | 58 | Shareholder Representative Supervisor |
| Mr. PAN Wenge (潘文戈) | 49 | Shareholder Representative Supervisor |
| Ms. SUN Yi (孫奕) | 61 | Shareholder Representative Supervisor |
| Mr. HUANG Liangkuai (黃良快) | 73 | External Supervisor |
| Mr. ZHOU Zheren (周喆人) | 38 | External Supervisor |
| Mr. WEN Zhaoye (溫兆擘) | 41 | External Supervisor |
| Mr. HU Guang (胡光) | 56 | Chief internal auditor |
| Mr. ZHANG Yi (張翼) | 45 | Chief information officer |
| Mr. LIU Zhiyan (劉志岩) | 56 | Chief financial officer |
| Mr. ZHOU Zhi (周峙) | 47 | Secretary of the Board |



CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors

On 1 July 2015, due to other work arrangement, Mr. ZHAO Guangwei tendered his resignation as an executive director and a vice president of the Bank, and a member of the risk control committee of the Board.

Reference is made to the announcement on the proposed election of director of the Bank dated 5 July 2015 and the announcement on the poll results of the 2015 first extraordinary general meeting of the Bank dated 27 August 2015. Mr. SUN Yongsheng was nominated by the nomination and remuneration committee of the Board of Directors as a candidate for executive Director at the meeting of the Board on 5 July 2015 and approved at the 2015 first extraordinary general meeting of the Bank on 27 August 2015, subject to the ratification of his eligibility by CBRC Liaoning Bureau.

The Bank has received the Approval on the Eligibility of Mr. SUN Yonsheng (Liao Yin Jian Fu [2015] No. 285) from the CBRC Liaoning Bureau. According to the relevant regulation, the CBRC Liaoning Bureau has ratified the eligibility of Mr. SUN Yongsheng to serve as an executive director of the Bank. The term of office of Mr. SUN Yongsheng commenced from 28 October 2015.

2. Changes in Supervisors

During the Reporting Period, there was no change in Supervisors.

3. Changes in Senior Management

Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management – Change in Directors”.

4. Change in Secretary of the Board

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Biographies of Directors

Executive Directors

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

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

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

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

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

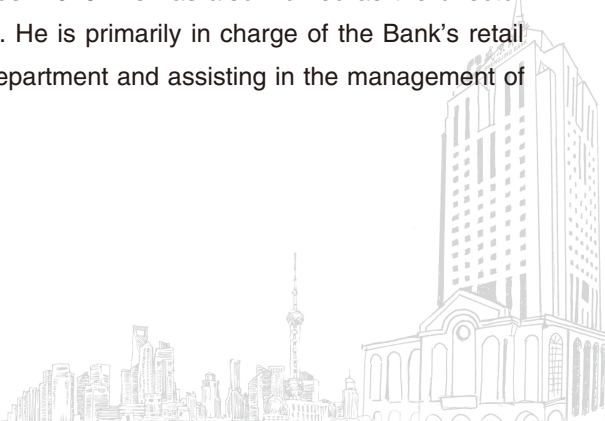
Mr. Wang graduated from The Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in November 2002, majoring in finance. He has been an economist as accredited by the PRC Ministry of Personnel since June 1995. He has obtained the “Shenyang May 1 Labor Medal” by Shenyang General Labor Union in April 2015.

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

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

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

Mr. SUN Yongsheng (孫永生), aged 55, has been appointed as a vice president of the Bank since June 2014 and an executive Director of the Bank since October 2015. He has also worked as the director of the president’s office of the Bank since January 2014. He is primarily in charge of the Bank’s retail business department and consumer interest protection department and assisting in the management of the Bank’s planning and accounting department.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. Sun has over 20 years of experience in banking business operation and management. He joined the Huashan Sub-branch of the Bank in September 1997. From September 1997 to July 2006, he successively served as president of the Huashan Sub-branch of the Bank and president of the Bank's Binhe Sub-branch. He held the positions of general manager of the business department and (managing) deputy general manager of Shenyang operation and administration department of the Bank from July 2006 to February 2012, during which he also worked as president of the Bank's Shenhe Sub-branch from January 2010 to February 2012. From February 2012 to January 2013, he served as director of the president's office and director of the board's office at the Bank. From January 2013 to January 2014, he worked as president of the Bank's Shanghai Branch. From January 2014 to July 2014, he served as general manager of the retail business department of the Bank. From January 2014 to January 2015, he served as the managing vice chairman of the labour union of the Bank. Prior to joining the Bank, he worked successively as an administrative accountant, deputy chief of the general affairs division, chief of the accounting division at Liaoning Financial Vocational College (遼寧金融職業學院, formerly known as 遼寧省金融職工大學) and general manager of Shenyang Huashan Credit Cooperative from August 1983 to August 1997.

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

Non-executive Directors

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

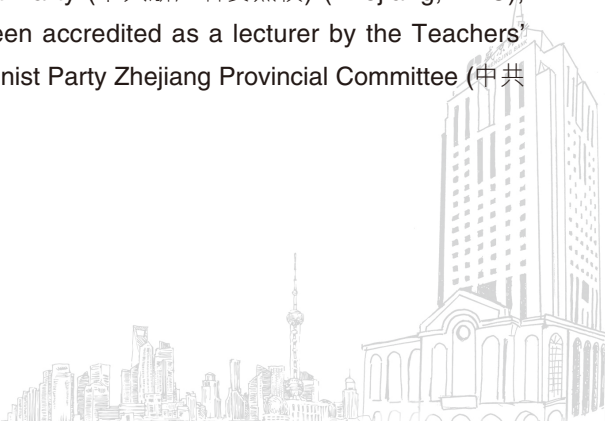
Mr. Li graduated from Liaoning University (Liaoning, PRC) in December 1991, majoring in industrial enterprise management, and received a master's degree in philosophy of Marxism from Liaoning University (Liaoning, PRC) in June 2000. He has been a non-practising member of Liaoning Public Certified Accountants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

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

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

Mr. ZHAO Weiqing (趙偉卿), aged 56, has been appointed as a non-executive Director of our Bank since May 2014. He also served as our shareholders representative Supervisor from March 2008 to May 2014. He has been the president and a director of Xinhua Zhongbao since October 2009 and the vice chairman of the board of Xinhua Zhongbao from October 2009 to November 2015 and was the vice president of Xinhua Zhongbao from May 2007 to October 2009. He has been the general manager of Shenyang Xinhua Real Estate Development Co., Ltd. (瀋陽新湖房地產開發有限公司) since September 2002 and served as the executive deputy manager of Zhejiang Xinhua Real Estate Group Co., Ltd. (浙江新湖房地產集團有限公司) from October 1998 to September 2002. He worked as a teacher and director of the training department at Zhejiang Provincial Government School of the Chinese Communist Party (中共浙江省委省級機關黨校) from July 1986 to October 1998.

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

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

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

Independent Non-executive Directors

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

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

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

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. SUN Hang (孫航), aged 49, has been appointed as an independent non-executive Director of our Bank since May 2014. He has been the director of the Enterprise Management Research Centre of Liaoning Academy of Social Sciences since April 2014. Prior to that, he served as the principal of the Human Resources Research Institute of Liaoning Academy of Social Sciences from April 2007 to March 2016, the general manager at Shenyang Yuhuang Health Products Co., Ltd. (瀋陽玉皇保健品有限公司) from March 2002 to April 2007, worked as deputy principal of the Applied Technology Research Institute of Chinese Academy of Management Science (中國管理科學研究院) from March 1998 to March 2002, and was a deputy director staff at the enterprise department of Changchun Industry and Commerce Association and manager of Xunda Motorcycle Co., Ltd. (迅達摩托車公司) from October 1988 to March 1998.

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

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

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

2. Biographies of Supervisors

Employee Representative Supervisors

Mr. YANG Lin (楊林), aged 55, has been appointed as an employee representative Supervisor of our Bank since February 2008 and chairman of our Board of Supervisors since March 2008.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

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

Mr. HAN Xuefeng (韓學豐), aged 45, has been appointed as an employee representative Supervisor of our Bank since May 2010, and vice chairman of our Board of Supervisors since June 2014. He has also been deputy secretary to the discipline committee and chief of the party committee department of our Bank since January 2012, and chief of our human resources department since October 2015. He is primarily responsible for management of human resources.

Mr. Han joined the Huashan Sub-branch of our Bank in September 1997 and has held a number of positions in our Bank since then. From September 1997 to January 1998, he successively worked as deputy director of the office and manager of the market development department of the Huashan Sub-branch of our Bank. From January 1998 to October 2009, he successively worked at our Bank as secretary to the president's office, chief of the secretarial section, assistant to director of the discipline supervision and inspection office, deputy director of the discipline supervision and inspection office, and deputy director of the president's office. From October 2009 to January 2012, he successively served as managing deputy director of the inspection office, director of the president's office and first deputy chief of the party committee department at our Bank. From April 2014 to January 2015, he served concurrently as chief of our human resources department.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Mr. SHI Yang (石陽), aged 50, has been appointed as an employee representative Supervisor of our Bank since June 2014. He has also served as the president of our Shenyang Branch since January 2015 and secretary to the party committee of our Shenyang Branch since July 2015. He joined the Huigong Credit Cooperative, one of our predecessors, in March 1987 and has held a number of positions in our Bank (including its predecessors) since then. From March 1987 to April 1992, he successively worked as a credit clerk of the Huigong Credit Cooperative and a credit clerk at the credit and loan division of the headquarters. From April 1992 to February 2000, he served as vice president of our Tiexi Sub-branch. From February 2000 to January 2003, he held the positions of assistant to the president and vice president of our Yuanlu Sub-branch. From January 2003 to July 2008, he served as vice president of our Yuhong Sub-branch. From July 2008 to January 2015, he successively worked as the president of Yuhong Sub-branch, the vice president of Shenyang Branch and the president of Dandong Branch of our Bank. From January 2014 to September 2014, he served concurrently as the director of Preparatory Office of Dandong Branch, and from January 2015 to July 2015 acted as the deputy secretary to the party committee of Shenyang Branch of our Bank.

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

Shareholder Representative Supervisors

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

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

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

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

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

External Supervisors

Mr. HUANG Lianguai (黃良快), aged 73, has been appointed as an external Supervisor of our Bank since May 2014. He has been the chief representative of the Shenzhen Research Institute of Xiamen University (廈門大學深圳研究院) since August 1999 and an honourable council member of Xiamen University Alumni General Association since April 2015. Prior to that, Mr. Huang acted as the vice chairman of Xiamen University Alumni General Association from August 1999 to April 2015 and the chairman of Beijing Kaixuan Investment Management Co., Ltd. (北京凱旋投資管理有限公司) from 6 February 2007 to 17 December 2010. From November 1984 to December 1998, he served as chief of the general affairs division, chief of the assets division and vice chairman of the alumni association at Xiamen University. He was the secretary to the party committee of the school of economics at Xiamen University from September 1979 to October 1984.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

Mr. ZHOU Zheren (周喆人), aged 38, has been appointed as an external Supervisor of our Bank since May 2014. He has been a lawyer at Grandall Law Firm (Shanghai) since August 2015.

Prior to that, he served as a lawyer at Shanghai Kyodo Law Firm from April 2014 to August 2015. He served as an independent director of Kangxin (China) Design and Engineering Co., Ltd. from June 2010 to November 2014. He served as an executive director of both Shanghai Sky Fortune Hotel Co., Ltd. and Shanghai Youyi Commerce Co., Ltd. from July 2009 to March 2014. From January 2009 to June 2009, he served as a director and general manager of Shenyang Hejin Holding Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000633). Mr. Zhou previously worked as a lawyer at Shanghai International Economic & Trade Law Office from September 1999 to December 2008, where he was promoted to become a partner in January 2004.

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

Mr. WEN Zhaoye (溫兆擘), aged 41, has been appointed as an external Supervisor of our Bank since May 2014. In addition, he has been chairman of Beijing Zhongfang Zhiye Management Consulting Co., Ltd. since June 2010, vice chairman and secretary general of the China Real Estate Designer Association since December 2008, chairman of Beijing Lingzhi Tongcheng Educational Technology Co., Ltd. since April 2005, president of Sooxue since June 2004, and chairman of Beijing Blue Pivot Advertising Co., Ltd. since May 2001.

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

3. Biographies of Senior Management

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

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

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

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

For the biography of Mr. SUN Yongsheng (孫永生), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

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

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

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

Mr. LIU Zhiyan (劉志岩), aged 56, has been appointed as the chief financial officer of our Bank since June 2014, and the general manager of the planning and accounting management department of our Bank since April 2009. He is primarily in charge of our planning and accounting management department. He also served as our Supervisor from September 2010 to May 2014.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

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

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

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

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

4. Biographies of Joint Company Secretaries

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

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

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

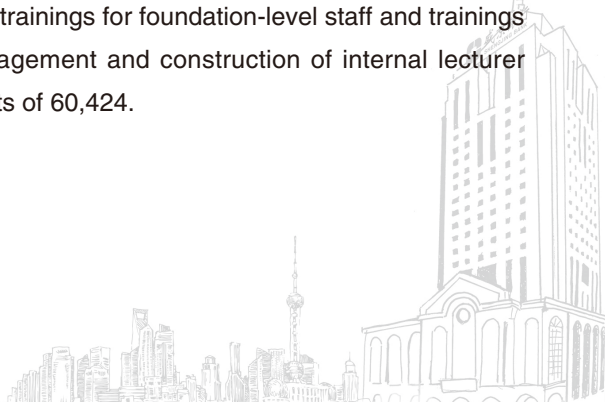
For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see notes 9 and 10 to the financial statements.

EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES

As at 31 December 2015, the Bank had 4,567 employees in total.

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

According to our development strategies and training plans, the Bank developed and implemented the annual training plan to support our training and enhance staff professionalism. During the Reporting Period, the Bank integrated the training resources of the head office, branches and sub-branches, arranged various special training programmes such as centralised trainings for new business, new system and new products, trainings for middle- to senior-level management, trainings for specialists, trainings for foundation-level staff and trainings for new joiners. The Bank also strengthened knowledge management and construction of internal lecturer team. The Bank conducted training sessions with total enrolments of 60,424.



CORPORATE GOVERNANCE REPORT

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

In 2015, the Bank complied with the relevant laws and regulations. The Bank also conducted performance appraisals on the Board, senior management and their members, further upgraded its standards of information disclosure and standardised its work on management of investor relations, to enhance the transparency and corporate governance standards of the Bank.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of insider information.

Nothing has come to the attention of the Directors to suggest that the Bank was not in compliance with the code provisions set out in the Code during the Reporting Period.

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

GENERAL MEETING

Information of General Meetings

In 2015, the Bank held two general meetings, details of which are set out below:

At the 2014 annual general meeting of the Bank held on 26 May 2015, proposals were considered and approved on the matters mainly including the work report of the Board of Directors for 2014, the work report of the Board of Supervisors for 2014, the final financial accounts for 2014 and financial budget report for 2015, the profit distribution plan for 2014, appointment of auditors, amendments to policies on remuneration of Directors and Supervisors, general mandate to issue new shares, issuance of financial bonds, issuance of RMB-denominated bonds and amendments to the Articles of Association.

At the 2015 first extraordinary general meeting of the Bank held on 27 August 2015, the proposals mainly on the following matters were considered and approved: the report on the use of previously raised funds, amendments to the procedures for general meetings, amendments to the procedures for Board meetings, amendments to the procedures for meetings of the Board of Supervisors, election of Mr. SUN Yongsheng as an executive Director, amendments to the Articles of Association in relation to the A Share Offering, the proposed plan for the A Share Offering and related matters and the proposed issuance of tier 2 capital bonds.

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

THE BOARD AND SPECIAL COMMITTEES

Implementation of Resolutions of General Meetings by the Board

In 2015, the Board implemented the resolutions passed at general meetings regarding, among other things, the proposed plan for the A Share Offering and related matters, the profit distribution plan for 2014, the financial budget for 2015, appointment of auditors, amendments to the Articles of Association, amendments to policies on remuneration of Directors and Supervisors.

Composition of the Board

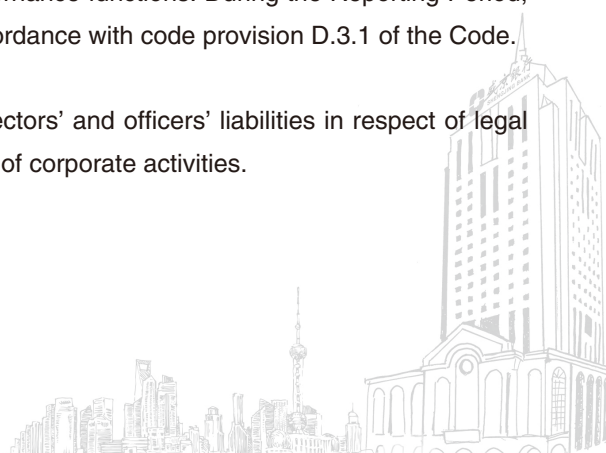
As at the end of the Reporting Period, the Board of the Bank comprised a total of 15 Directors, including five executive Directors, namely, Ms. ZHANG Yukun (Chairperson), Mr. WANG Chunsheng, Mr. WANG Yigong, Mr. WU Gang and Mr. SUN Yongsheng; five non-executive Directors, namely, Mr. LI Yuguo, Mr. LI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

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

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

The Board is also responsible for performing the corporate governance functions. During the Reporting Period, the Board performed the corporate governance functions in accordance with code provision D.3.1 of the Code.

The Bank has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.



CORPORATE GOVERNANCE REPORT (Continued)

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

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

Changes in Directors

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

Operation of the Board

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

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

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

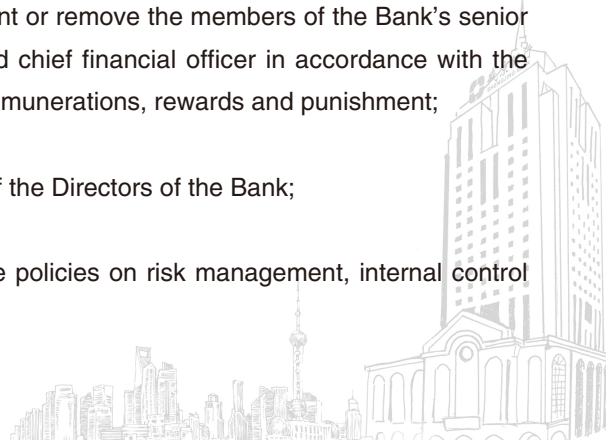
The Board has set up an office as its working body, which is responsible for the preparation of general meetings, Board meetings and meetings of the special committees under the Board, information disclosure and other routine matters.

CORPORATE GOVERNANCE REPORT (Continued)

Duties and Powers of the Board

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

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



CORPORATE GOVERNANCE REPORT (Continued)

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

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

Appointment of Directors

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

CORPORATE GOVERNANCE REPORT (Continued)

Board Meetings

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

In 2015, the Board convened 9 meetings in total (including written resolutions), at which 57 proposals were considered and approved on the matters mainly including the proposed plan for the A Share Offering and related matters, amendments to the Articles of Association, amendments to policies on remuneration of Directors and Supervisors, financial reports and profit distribution.

Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2015 are set out below:

| Members of the Board | Attendance in person/by proxy/required attendance (times) | | | | | | |
|--|---|-----------------|---------------------------------------|---------------------------------|--|------------------------|------------------|
| | Board | Audit Committee | Nomination and Remuneration Committee | Strategic Development Committee | Related Party Transactions Control Committee | Risk Control Committee | General Meetings |
| Executive Directors | | | | | | | |
| ZHANG Yukun | 8/1/9 | | 3/0/3 | 4/1/5 | | | 1/1/2 |
| WANG Chunsheng | 9/0/9 | | | 5/0/5 | 5/0/5 | | 2/0/2 |
| WANG Yigong | 9/0/9 | | | | | 3/0/3 | 2/0/2 |
| WU Gang | 8/1/9 | | | 4/1/5 | | | 2/0/2 |
| SUN Yongsheng | 1/0/1 | | | | | 1/0/1 | |
| Non-executive Directors | | | | | | | |
| LI Yuguo | 9/0/9 | 5/0/5 | | 5/0/5 | | | 2/0/2 |
| LI Jianwei | 8/1/9 | 5/0/5 | | | 5/0/5 | | 0/0/2 |
| ZHAO Weiqing | 8/1/9 | | | 4/1/5 | | 2/1/3 | 2/0/2 |
| YANG Yuhua | 9/0/9 | | 3/0/3 | 5/0/5 | | | 1/0/2 |
| LIU Xinfu | 9/0/9 | | | 5/0/5 | | | 2/0/2 |
| Independent non-executive Directors | | | | | | | |
| YU Yongshun | 9/0/9 | 4/1/5 | | | | 2/1/3 | 1/0/2 |
| LAU Chi Pang | 9/0/9 | 4/1/5 | 2/1/3 | | | | 1/0/2 |
| BA Junyu | 9/0/9 | | 3/0/3 | | 5/0/5 | 3/0/3 | 2/0/2 |
| SUN Hang | 9/0/9 | | 3/0/3 | | 5/0/5 | | 2/0/2 |
| DING Jiming | 9/0/9 | 5/0/5 | | | 5/0/5 | | 1/0/2 |
| Former Director | | | | | | | |
| ZHAO Guangwei | 5/0/5 | | | | | 2/0/2 | 0/0/1 |

CORPORATE GOVERNANCE REPORT (Continued)

- Notes:
1. Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present.
 2. Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.
 3. Attendance in person includes participation by way of on-site attendance as well as participation by way of electronic means such as telephone and online video conference.

Independent Non-executive Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT (Continued)

Director's Responsibilities for the Preparation of Financial Statements

The Directors have acknowledged their responsibility for the preparation of the financial statements of the Bank for the year ended 31 December 2015.

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

In preparing the financial statements for the year ended 31 December 2015, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

Continuous Professional Development Program for Directors

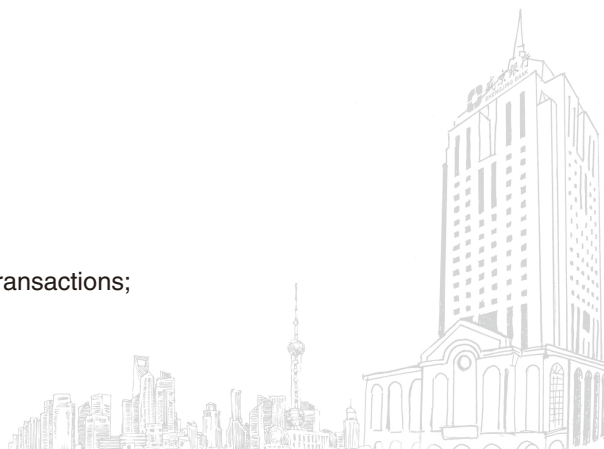
Each newly appointed Director must receive a comprehensive, formal and tailored induction upon his/her first appointment, to ensure that he/she has a proper understanding of the operations and business of the Bank and that he/she is fully aware of his/her duties and responsibilities under the Listing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

Training for the Directors must be carried out on an ongoing basis. The Bank encourages all Directors to participate in continuous professional development, to develop and update their knowledge and skills.

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

In addition, the Directors attended a number of seminars and training courses provided by professional institutions engaged by the Bank. In 2015, the seminars and training courses attended by the Directors covered the following topics:

1. amendments to the Listing Rules;
2. corporate governance code;
3. information disclosure and management of related party transactions;



CORPORATE GOVERNANCE REPORT (Continued)

4. internal control; and
5. electronic banking and internet financing.

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

CORPORATE GOVERNANCE REPORT (Continued)

Corporate Governance Functions of the Board

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

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

Special Committees under the Board

The Board has the following committees: audit committee, nomination and remuneration committee, strategic development committee, related party transactions control committee and risk control committee. The Board committees have been operated in accordance with their respective terms of reference defined by the Board.

Members of the special committees under the Board had not changed during the Reporting Period, except Mr. SUN Yongsheng replaced Mr. ZHAO Guangwei as a member of the risk control committee following the resignation of Mr. ZHAO Guangwei as a Director and the appointment of Mr. SUN Yongsheng as the new Director. Please refer to "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management" for details of changes in Directors of the Bank.

(I) Audit Committee

As at 31 December 2015, the Bank's audit committee consisted of five Directors, including Mr. DING Jiming as the chairman, and Mr. YU Yongshun, Mr. LAU Chi Pang, Mr. LI Jianwei and Mr. LI Yuguo as members. The composition of the audit committee complies with Rules 3.10(2) and 3.21 of the Listing Rules and paragraph C3 of the Code.

CORPORATE GOVERNANCE REPORT (Continued)

The primary duties of the audit committee include:

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

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

2. With respect to external auditors:

- (1) make recommendations to the Board on the appointment, reappointment or removal of the external auditors, reviewing the fees and terms of engagement of the external auditors, and handling any matters relating to the resignation or dismissal;
- (2) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the external auditors the nature and scope of the audit and the related reporting obligations before the audit commences;
- (3) develop and implement policy on engaging external auditors to provide non-audit services;
- (4) review the audit results letter presented by external auditors to the management, as well as any material queries raised by the auditors to the management about accounting records, financial accounts or monitoring systems, and the management's response;
- (5) ensure that the Board will timely respond to the matters raised in the audit results letter presented by external auditors to the management; and
- (6) act as the key representative body for overseeing the Bank's relations with the external auditors and being responsible for the communications between internal and external auditors to ensure that internal and external audit work has been coordinated.

CORPORATE GOVERNANCE REPORT (Continued)

3. being responsible for the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations;
4. review and approve the Bank's internal audit system and supervise its implementation, review, evaluate and report to the Board on the internal audit on a regular basis, and ensure that the internal audit department has sufficient resources for operation and proper status;
5. examine the Bank's financial reporting system, risk management system and internal control system and their implementation;
6. urge the senior management to develop and implement anti-money laundering policies, systems and procedures, supervise the work of the anti-money laundering, listen to senior management reports on major anti-money laundering matters and make decisions on the policy adjustments in a timely manner; and
7. other duties required by the laws and regulations, rules and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the audit committee held five meetings, at which 30 proposals were considered, mainly including the 2014 internal audit work report, the engagement of auditors for 2015, the 2014 financial report, the 2014 profit distribution plan, the financial report for the six months ended 30 June 2015, the 2015 interim report and the 2014 anti-money laundering special audit report. In addition, the audit committee held two meetings with the auditors and a meeting with the auditors in the absence of the management in accordance with the code provisions of the Code.

(II) Nomination and Remuneration Committee

As at 31 December 2015, the Bank's nomination and remuneration committee consisted of five Directors, including Mr. SUN Hang as the chairman, and Ms. ZHANG Yukun, Mr. LAU Chi Pang, Mr. BA Junyu and Ms. YANG Yuhua as members, with a majority of the members being independent non-executive Directors.

The primary duties of the nomination and remuneration committee include:

1. review, at least annually, the structure, size and composition (including the skills, knowledge and experience) of the Board, according to the Bank's operation, asset size and ownership structure, and make recommendations with regard to any contemplated changes made to the Board in line with the Bank's development strategy and operation strategy implementations;

CORPORATE GOVERNANCE REPORT (Continued)

2. research and formulate the procedures and standards for electing the Directors and senior management, identify individuals with suitable qualifications for Directors and senior management of the Bank, and make recommendations to the Board;
3. conduct preliminary reviews of the qualifications of potential Directors and senior management, and make recommendations to the Board;
4. assess the independence of the independent non-executive Directors;
5. make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular, the Chairperson and President of the Bank;
6. develop and review in appropriate cases the Bank's policy concerning diversity of the Board members, and make disclosure of the relevant policy or a summary of the policy in the corporate governance report of the Bank;
7. study and formulate the standards for appraising Directors and senior management and conduct appraisals and put forward proposals to the Bank;
8. review the remuneration management policies and systems of the Bank, formulate appraisal, compensation and incentive plans for the Directors and senior management, and make recommendations to the Board and supervise the implementation of the relevant policies, systems and plans. The nomination and remuneration committee must consult the Chairperson or the President of the Bank in respect of the remuneration suggestions of executive Directors and senior executives;
9. review and approve remuneration suggestions by management based on the corporate goals and objectives formulated by the Board;
10. determine the remuneration packages of the executive Directors and senior management under authorisation of the Board, or make suggestions to the Board in respect of the remuneration packages of the executive Directors and senior management;
11. make suggestions to the Board in respect of the remuneration packages of the non-executive Directors;
12. consider the salaries paid by similar banks, time and responsibilities required for the posts and terms of employment of the Bank's other posts;

CORPORATE GOVERNANCE REPORT (Continued)

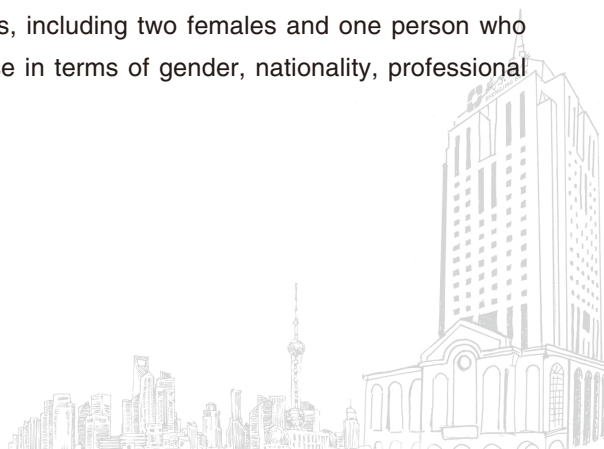
13. review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable but not excessive;
14. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable;
15. ensure that no Director or any of their associates is involved in deciding his or her own remuneration; and
16. other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the nomination and remuneration committee held 3 meetings, at which 6 proposals were considered on the matters mainly including the appointment of board secretary, company secretary and authorised representative, the appraisal report on the performance of duties by Directors for 2014, the report on the work of independent non-executive Directors for 2014 and the election of the candidate as the new Director.

The diversity policy of the Board is summarised as follows:

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

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



CORPORATE GOVERNANCE REPORT (Continued)

(III) *Strategic Development Committee*

As at 31 December 2015, the Bank's strategic development committee consisted of seven Directors, including Ms. ZHANG Yukun as the chairperson, and Mr. LI Yuguo, Mr. ZHAO Weiqing, Ms. YANG Yuhua, Mr. LIU Xinfu, Mr. WANG Chunsheng and Mr. WU Gang as members.

The primary duties of the strategic development committee include:

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

During the Reporting Period, the strategic development committee held five meetings, at which 29 proposals were considered on the matters mainly including work review for the year of 2014 and work plan for the year of 2015, amendments to the Articles of Association, the report of the Board of Directors for 2014, the evaluation report on the capital adequacy ratios for 2014, the institutional development plan for 2015, issuance of financial bonds, initial public offering and listing of Renminbi ordinary shares (A shares), report on the use of proceeds previously raised and green credit strategy.

CORPORATE GOVERNANCE REPORT (Continued)

(IV) Related Party Transactions Control Committee

As at 31 December 2015, the Bank's related party transactions control committee consisted of five Directors, including Mr. BA Junyu as the chairman, and Mr. WANG Chunsheng, Mr. SUN Hang, Mr. DING Jiming and Mr. LI Jianwei as members.

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

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

During the Reporting Period, the related party transactions control committee held five meetings, at which 12 proposals were considered on the matters mainly including 2014 annual review of related party transactions and the 2015 control plan for related party transactions, granting credit to related parties and identifying related parties as at the end of 2014.

(V) Risk Control Committee

As at 31 December 2015, the Bank's risk control committee consisted of five Directors, including Mr. YU Yongshun as the chairman, and Mr. WANG Yigong, Mr. BA Junyu, Mr. ZHAO Weiqing and Mr. SUN Yongsheng as members.

The primary duties of the risk control committee include:

1. ensure the effectiveness of the Bank's risk management system and that the risks faced by the Bank's business are under control;
2. review and amend the Bank's policies and reports of risk management; and conduct supervision and evaluation on its implementation in accordance with the Bank's general strategy;

CORPORATE GOVERNANCE REPORT (Continued)

3. conduct regular review of the risk report submitted by the senior management;
4. ensure that necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks;
5. review and approve the Bank's compliance policies, conduct regular review of the compliance risk report submitted by the senior management, and supervise the implementation of the compliance policies; and
6. conduct regular review of the Bank's information technology risk management report and the Bank's business continuity assessment report.

During the Reporting Period, the risk control committee held three meetings, at which 13 proposals were considered on the matters mainly including the 2014 comprehensive risk management report and the 2014 compliance risk management report, 2014 information technology risk management report, 2015 work plan for incident prevention, 2014 anti-money laundering risk management report, 2014 liquidity risk assessment report, 2015 business continuity management and evaluation report, pressure test work plan and 2014 incident risk evaluation report.

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

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

Chairman of the Board of Supervisors

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

CORPORATE GOVERNANCE REPORT (Continued)

Meetings of the Board of Supervisors

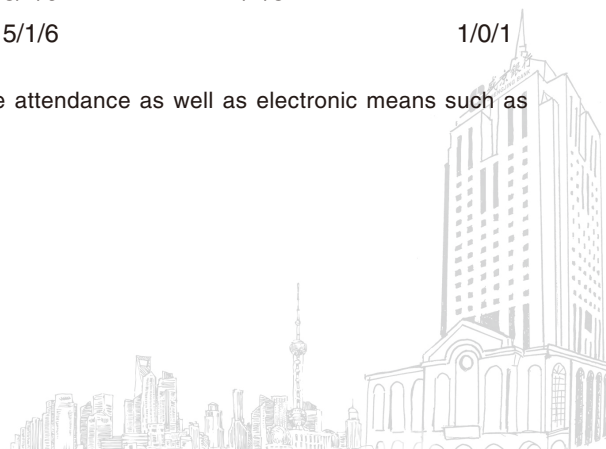
In 2015, the Board of Supervisors held a total of six meetings, at which 30 proposals were considered and approved on matters including work report of the Board of Supervisors, supervision and inspection report, periodic report, comprehensive risk management report, compliance risk management report, final financial accounts report, profit distribution plan and performance appraisal on the Directors, Supervisors and senior management of the Bank.

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

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

| Members of the Board of Supervisors | Attendance in person/by proxy/required attendance (times) | | |
|-------------------------------------|--|-----------------------|----------------------|
| | Board of Supervisors | Supervision Committee | Nomination Committee |
| YANG Lin | 6/0/6 | 5/0/5 | 1/0/1 |
| HAN Xuefeng | 6/0/6 | | 1/0/1 |
| SHI Yang | 6/0/6 | 5/0/5 | |
| CHEN Zhaogui | 4/2/6 | | 1/0/1 |
| PAN Wenge | 6/0/6 | 5/0/5 | |
| SUN Yi | 6/0/6 | 5/0/5 | |
| HUANG Liangkuai | 6/0/6 | | 1/0/1 |
| ZHOU Zheren | 5/1/6 | 4/1/5 | |
| WEN Zhaoye | 5/1/6 | | 1/0/1 |

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



CORPORATE GOVERNANCE REPORT (Continued)

Committees under the Board of Supervisors

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

(I) *Supervision Committee*

As at 31 December 2015, the Bank's supervision committee under the Board of Supervisors consisted of five Supervisors, including Mr. ZHOU Zheren as the chairman, and Mr. YANG Lin, Mr. SHI Yang, Ms. SUN Yi and Mr. PAN Wenge as members.

The primary duties of the supervision committee include:

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

During the Reporting Period, the supervision committee held five meetings, at which 13 proposals were considered on the matters mainly including work review for the year of 2014 and work plan for the year of 2015, 2014 comprehensive risk management report, 2014 internal control evaluation report, the financial report for 2014, 2014 supervision and appraisal report, the 2014 final accounts and 2015 financial budget report as well as the 2014 profit distribution plan.

(II) *Nomination Committee*

As at 31 December 2015, the Bank's nomination committee under the Board of Supervisors consisted of five Supervisors, including Mr. WEN Zhaoye as the chairman and Mr. YANG Lin, Mr. HAN Xuefeng, Mr. CHEN Zhaogui and Mr. HUANG Liangkuai as members.

CORPORATE GOVERNANCE REPORT (Continued)

The primary duties of the nomination committee include:

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

During the Reporting Period, the nomination committee held one meeting, at which the appraisal report on the performance of duties by Directors, Supervisors and senior management for 2014 was considered.

SENIOR MANAGEMENT

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

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

1. take charge of the business operation and management of the Bank, organise the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors;
2. submit annual business plans and investment proposals to the Board of Directors on behalf of the senior management, and organise the implementation of Board resolutions, annual plans of the Bank and investment proposals upon approval by the Board of Directors;
3. draft proposals on the establishment of the Bank's internal management departments;

CORPORATE GOVERNANCE REPORT (Continued)

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

Remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2015 is set out below:

| Remuneration bands | Number of individuals |
|------------------------------|-----------------------|
| Nil to RMB2,000,000 | Nil |
| RMB2,000,001 to RMB3,000,000 | 4 ^{Note} |
| RMB3,000,001 to RMB4,000,000 | 1 |

Note: One of these four members of the senior management became a Director of the Bank in October 2015.

DELEGATION OF POWER BY THE BOARD

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

CORPORATE GOVERNANCE REPORT (Continued)

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

CHAIRMAN AND PRESIDENT

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

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

During the Reporting Period, the Chairperson held a meeting with the non-executive Directors (including independent non-executive Directors) in the absence of the executive Directors.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

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

CORPORATE GOVERNANCE REPORT (Continued)

The Bank engaged KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Bank for 2015, respectively. The fees as agreed to be paid by the Bank to KPMG and KPMG Huazhen LLP for the audit of the financial statements for the year ended 31 December 2015 are RMB3.5 million and RMB1 million, respectively.

INTERNAL CONTROL

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

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

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

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

CORPORATE GOVERNANCE REPORT (Continued)

COMPANY SECRETARY

As at the end of the Reporting Period, Ms. KWONG Yin Ping Yvonne of SW Corporate Services Group Limited and Mr. ZHOU Zhi, the secretary of the Board of Directors of the Bank, were the joint company secretaries of the Bank. Each of them has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for no less than 15 hours during the Reporting Period. Mr. Zhou is the primary contact person for Ms. Kwong at the Bank.

INFORMATION DISCLOSURE

Effective Communication with Shareholders

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

Amendments to the Articles of Association

Reference is made to (i) the circular of the Bank dated 8 April 2015 in relation to, among other things, the proposed amendments to the Articles of Association based on the requirements of Hong Kong Securities Clearing Company Limited and (ii) the announcement of the Bank dated 26 May 2015 in relation to, among other things, the resolution on the approval of such amendments by the Shareholders at the 2014 annual general meeting of the Bank.

Reference is also made to (i) the circular of the Bank dated 5 August 2015 in relation to, among other things, the proposed amendments to the Articles of Association in connection with the A Share Offering and (ii) the announcement of the Bank dated 27 August 2015 in relation to, among other things, the resolution on the approval of such amendments by the Shareholders at the 2015 first extraordinary general meeting of the Bank.

The Articles of Association as proposed to be amended as above were approved by the China Banking Regulatory Commission Liaoning Bureau on 2 September 2015 and will become effective from the date on which the Bank's A Shares have been listed. The listing of the Bank's A Shares is subject to the approval by China Securities Regulatory Commission.



CORPORATE GOVERNANCE REPORT (Continued)

SHAREHOLDERS' RIGHTS

Request of Shareholders for Convening an Extraordinary General Meeting

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (Continued)

Proposals at General Meetings

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

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

INVESTOR RELATIONS

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

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel: +86 (24) 2253 5633
Fax: +86 (24) 2253 5930
E-mail: dongshihui@shengjingbank.com.cn

Principal place of business in Hong Kong of Shengjing Bank Co., Ltd.:
Units 08-09, 18/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong

SHAREHOLDERS' ENQUIRIES

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

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

Tel: (852) 2862 8555
Fax: (852) 2865 0990



CORPORATE GOVERNANCE REPORT (Continued)

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

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

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

Tel: +86 (24) 2253 5633

Fax: +86 (24) 2253 5930

ADDITIONAL INFORMATION

The Bank currently holds a Financial Institution License (institution number: B0264H221010001) issued by the CBRC Liaoning Bureau, and a Corporate Legal Person Business License (registration number: 210100000010442) issued by the Administration for Industry and Commerce of Shenyang. The Bank is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong.

REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present the Report of the Board of Directors together with the audited financial statements of the Bank for the year ended 31 December 2015.

PRINCIPAL BUSINESS

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

BUSINESS REVIEW

A review of the Bank's business during the Reporting Period is set out in the "Management Discussion and Analysis". Compliance with relevant laws and regulations which have a significant impact on the Bank can be found throughout this report, in particular, the "Corporate Governance Report". In addition, the Bank's environmental policies are discussed in the "Social Responsibility Report".

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Bank is set out in "Management Discussion and Analysis – Risk Management".

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

Particulars of important events affecting the Bank that have occurred since the end of the Reporting Period are set out in "Significant Events – Subsequent Events".

FUTURE DEVELOPMENT IN THE BANK'S BUSINESS

Please refer to "Management Discussion and Analysis – Environment and Prospects" and "Management Discussion and Analysis – Development Strategies".

PROFITS AND DIVIDEND

The Bank's revenue for the year ended 31 December 2015 and the Bank's financial position as at the same date are set out in the "Financial Statements" section.

Pursuant to the resolutions passed at the 2014 annual general meeting of the Bank held on 26 May 2015, the Bank distributed a cash dividend of RMB2.75 (tax inclusive) for every ten Shares of the Bank in an aggregate amount of RMB1,594.09 million (tax inclusive) for the year ended 31 December 2014 to all the Shareholders of the Bank whose names appeared on the register of members on 12 June 2015. Such dividend was denominated in Renminbi. Dividend payable to holders of Domestic Shares was paid in Renminbi, whereas dividend payable to holders of H Shares was paid in Hong Kong dollars.

REPORT OF THE BOARD OF DIRECTORS (Continued)

The Board has proposed the payment of a cash dividend of RMB2.8 for every ten Shares of the Bank (tax inclusive) for the year ended 31 December 2015 in an aggregate amount of RMB1,623 million (tax inclusive) to all the Shareholders of the Bank. The dividend distribution plan will be submitted to the 2015 annual general meeting of the Bank for consideration and approval. If such proposal is approved at the 2015 annual general meeting of the Bank, the dividend will be distributed to holders of Domestic Shares of the Bank and holders of H Shares of the Bank whose names appear on the register of members on Wednesday, 22 June 2016. Such cash dividend is expected to be distributed to the Shareholders of the Bank on 28 July 2016.

Such proposed dividend will be denominated in Renminbi. Dividend payable to holders of Domestic Shares will be paid in Renminbi, whereas dividend payable to holders of H Shares will be paid in Hong Kong dollars. The exchange rate of Renminbi to Hong Kong dollars to be adopted will be the average middle rates of the five business days preceding the date of declaration of such dividend (inclusive) (being Monday, 13 June 2016, the date of the 2015 annual general meeting of the Bank) as announced by the PBOC.

The register of members of the Bank will be closed from Friday, 17 June 2016 to Wednesday, 22 June 2016 (both days inclusive). In order to be entitled to the final dividend, holders of H Shares of the Bank who have not registered the relevant transfer documents are required to lodge the transfer documents, accompanied by the relevant share certificates, with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 16 June 2016.

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

| | 2014 | 2013 | 2012 |
|--|--|-------|------|
| | <i>RMB Million, except percentages</i> | | |
| Cash dividend (tax inclusive) | 1,594.09 | 409.6 | 0 |
| As a percentage of profit for the year | 29.5% | 8.4% | 0% |

REPORT OF THE BOARD OF DIRECTORS (Continued)

ANNUAL GENERAL MEETING OF 2015 AND CLOSURE OF REGISTER OF MEMBERS

The Bank's 2015 annual general meeting will be held on Monday, 13 June 2016. In order to determine the holders of H Shares who are eligible to attend and vote at the 2015 annual general meeting of the Bank, the register of members of the Bank will be closed from Saturday, 14 May 2016 to Monday, 13 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 2015 annual general meeting of the Bank must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 13 May 2016.

CHANGES IN THE RESERVES

Details of the changes in the reserves of the Bank for the year ended 31 December 2015 and reserves available for distribution are set out in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

The summary of the operating results and assets and liabilities of the Bank for the five years ended 31 December 2015 is set out in the "Financial Highlights".

DONATIONS

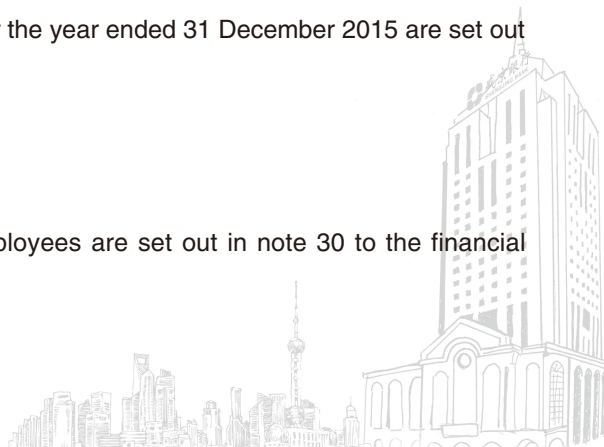
The charitable and other donations made by the Bank for the year ended 31 December 2015 amounted to approximately RMB1.57 million.

PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended 31 December 2015 are set out in note 22 to the financial statements.

RETIREMENT BENEFITS

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



REPORT OF THE BOARD OF DIRECTORS (Continued)

SUBSTANTIAL SHAREHOLDERS

Details of the Bank's substantial shareholders as at 31 December 2015 are set out in "Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons" and the relevant parts of the notes to the financial statements, respectively.

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

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

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

USE OF PROCEEDS

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

SHARE CAPITAL

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The details of the Directors, Supervisors, senior management and employees are stated in the "Directors, Supervisors, Senior Management and Employees".

REPORT OF THE BOARD OF DIRECTORS (Continued)

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

Domestic Shares

| Name | Positions held at the Bank | Nature of interests | Number of Domestic Shares held (share) | Representing percentage with respect to the total share capital of the Bank (%) |
|----------------------|---|--------------------------------------|--|---|
| WANG Chunsheng (王春生) | Executive Director, President | Beneficial owner | 6,500 | 0.0001 |
| LI Yuguo (李玉國) | Non-executive Director, Vice Chairman of the Board | Interest of a controlled corporation | 400,000,000 ⁽¹⁾ | 6.9005 |
| LIU Xinfu (劉新發) | Non-executive Director | Interest of a controlled corporation | 230,000,000 ⁽²⁾ | 3.9678 |
| YANG Lin (楊林) | Employee Representative Supervisor, Chairman of the Board of Supervisors | Beneficial owner | 36,274 | 0.0006 |
| HAN Xuefeng (韓學豐) | Employee Representative Supervisor, Vice-Chairman of the Board of Supervisors | Beneficial owner | 15,681 | 0.0003 |
| SHI Yang (石陽) | Employee Representative Supervisor | Beneficial owner | 107,684 | 0.0019 |
| | | Interest of spouse | 5,722 | 0.0001 |
| WU Gang (吳剛) | Executive Director, Vice President | Beneficial owner | 146,149 | 0.0025 |
| CHEN Zhaogui (陳招貴) | Shareholder Representative Supervisor | Interest of a controlled corporation | 200,000,000 | 3.4503 |

REPORT OF THE BOARD OF DIRECTORS (Continued)

Notes: (1) Please refer to “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” for details.

(2) Please refer to “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” for details.

Save as disclosed above, none of the Directors, the chief executive, or the Supervisors held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 31 December 2015.

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Saved for the continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, as at 31 December 2015 and at any time during the Reporting Period, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Bank’s business to which the Bank, or its associated companies, is a party. None of the Directors and Supervisors have entered into a service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

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

REPORT OF THE BOARD OF DIRECTORS (Continued)

DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

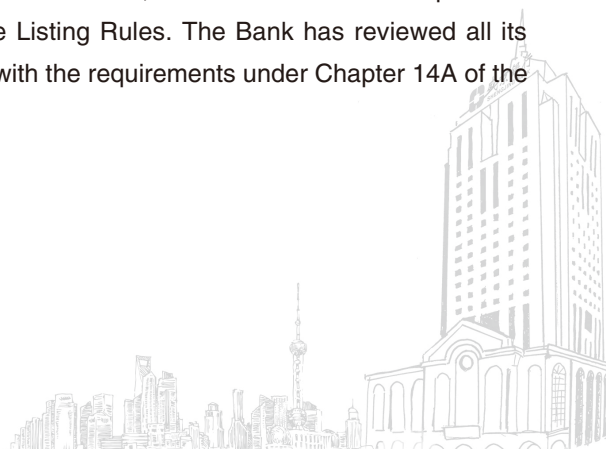
Mr. Liu has undertaken to us that he will continue to comply with the requirements of Rule 8.10(2) of the Listing Rules to disclose the above-mentioned interest and any change thereof other than those disclosed in the Bank’s prospectus in the Bank’s annual report.

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

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



REPORT OF THE BOARD OF DIRECTORS (Continued)

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

REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

PUBLIC FLOAT

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

TAX RELIEF (H SHAREHOLDERS)

According to the Enterprise Income Tax Law of the PRC and the related provisions of implementation, both effective on 1 January 2008, the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose names appear on the register of H shareholders on 22 June 2016.

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

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

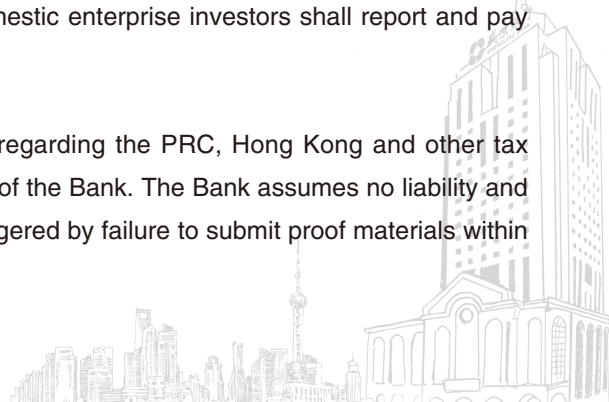
For those non-resident individual shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of less than 10%, the Bank shall withhold the personal income tax at the rate of 10% for such shareholders. Should such shareholders demand that amount in excess of the personal income tax payable under the taxation treaty be refunded, the Bank shall apply for the refund from the relevant inland revenue departments, provided however that such shareholders have submitted relevant documents in accordance with the requirements of Measures for Non-resident Taxpayers to Benefit from the Taxation Treaties (No. 60 of the Announcement of the State Administration of Taxation for 2015) within a stipulated time frame.

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

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

According to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Finance Tax [2014] No. 81), jointly published by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission, the Bank shall withhold an individual income tax at the rate of 20% on dividend derived from the H Shares of the Bank acquired through the Shanghai-Hong Kong Stock Connect by mainland individual investors. For dividend received by domestic securities investment funds from investing in the H Shares of the Bank through the Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The Bank will not withhold and pay the income tax of dividend derived from the H Shares of the Bank acquired through the Shanghai-Hong Kong Stock Connect for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Bank. The Bank assumes no liability and will not deal with any dispute over the above tax withholding triggered by failure to submit proof materials within the stipulated time frame.



REPORT OF THE BOARD OF DIRECTORS (Continued)

AUDITORS AND REVIEW OF ANNUAL RESULTS

In order to maintain the consistency between the domestic auditors and international auditors of the Bank, at the 2014 annual general meeting of the Bank held on 26 May 2015, the Shareholders approved that KPMG Huazhen LLP and KPMG, be engaged as the domestic and international auditors of the Bank for 2015 with a term expiring upon the 2015 annual general meeting of the Bank, and that Pan-China Certified Public Accounts would no longer be the domestic auditors of the Bank.

KPMG and KPMG Huazhen LLP were appointed as the international and domestic auditors of the Bank for 2015, respectively.

KPMG has audited the Bank's financial report for 2015 prepared according to the International Financial Reporting Standards and issued an auditor's report with no qualified opinions. The audit committee of the Bank has reviewed the results of financial statements for the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

The Bank has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the report of the Board of Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

By order of the Board
Shengjing Bank Co., Ltd.
ZHANG Yukun
Chairperson

Shenyang, Liaoning, China
18 March 2016

REPORT OF THE BOARD OF SUPERVISORS

In 2015, the Board of Supervisors competently performed its duties, effectively conducted supervision on performance of duties, financial management, internal control and risk management, facilitated the prudent operation of corporate governance, and promoted healthy development of the Bank pursuant to the relevant provisions of the Company Law of the PRC, the Guidelines on the Corporate Governance of Commercial Banks and the Articles of Association.

I. REPORT ON MAJOR WORK

Meetings of the Board of Supervisors: During the Reporting Period, the Board of Supervisors convened six meetings, at which a total of 30 resolutions and reports were reviewed and considered, including the work report of the Board of Supervisors, supervision assessment report, report on comprehensive risk management, compliance risks management report, financial budget and final accounts report, profit distribution plan as well as the appraisal report on the performance of directors, supervisors and senior management. Six Supervision Committee and the Nomination Committee meetings were called to consider 14 resolutions including supervision on duty performance, financial management, profit distribution, risk management, internal control and other business matters. In addition, Supervisors observed the Shareholders' general meetings and the meetings of the Board of Directors, received the resolutions of the Shareholders' general meetings and supervised the matters to be considered and approved at the Board of Directors meetings and the relevant procedures.

Supervision on Performance of Duties: During the Reporting Period, the Board of Supervisors further enhanced the supervision system on performance of duties of Directors and senior management by appointing Supervisors to attend meetings of the Board of Directors and the senior management and to participate in reviewing performance of senior management. The Bank also collected the records of Directors' and Supervisors' performance of duties, including working hours, job description, opinions, suggestions, etc., as a critical basis for assessing performance of duties of Directors and Supervisors. During the periodical appraisal on senior management of the Bank, Supervisors were appointed to participate in the appraisal process and to form an appraisal group together with Shareholder representatives, Director representatives and staff representatives. Supervisors also conducted overall reviews of the work results, performance of duties, and ethical risks of senior management and proposed the suggestions to further improve their performance. The Board of Supervisors regularly issued comments on the performance of Directors, Supervisors, and senior management which were submitted to the Shareholders' general meetings for review.



REPORT OF THE BOARD OF SUPERVISORS (Continued)

Improvement of Supervision Efficiency: During the Reporting Period, the Board of Supervisors strengthened the supervision on business strategies, financial management, internal control and risk management pursuant to the requirements of the regulatory authorities. The Board of Supervisors proactively pushed the frontline of its supervisor functions by assigning employee Supervisors to attend the meetings, such as the party committee and the President's work meetings, to facilitate and closely monitor the rule-making process and relevant executive policies. By timely announcing its opinions and making relevant suggestions, the Board of Supervisors promoted the efficiency of the Bank's monitoring mechanism. Facing the severe challenges of marketisation of interest rates and financial dis-intermediation, the Board of Supervisors brought forward valuable suggestions, such as deepening mechanism construction, accelerating business innovation and comprehensive operations, raising the level of overall risk management and perfecting the incentive and restriction mechanism.

Special Examination: During the Reporting Period, at the request of the Board of Supervisors, the relevant departments conducted special examination on stress test management, aiming at strengthening the supervision on performance of duties of the Board of Directors and the senior management in stress test management, enhancing the awareness and responsibility for stress test, improving the stress testing system and ultimately improving the risk management quality.

Self-reinforcement: First, the Board of Supervisors actively developed training programs and organised Supervisors to participate in special trainings on topics such as corporate governance, information disclosure conducted by domestic and foreign listing intermediaries to further understand the listed company corporate governance requirements and thus promote institutional governance mechanism of the Bank. Second, the Board of Supervisors intensified its communication and interaction with other banks. By inviting other banks to the interbank discussions, the Bank enhanced the communications with other banks in areas of corporate governance, business innovation, and risk control while sharing the work experience with other board of supervisors and learning from their practices that might be valuable to improving the function of the Bank's own Board of Supervisors.

REPORT OF THE BOARD OF SUPERVISORS (Continued)

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

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

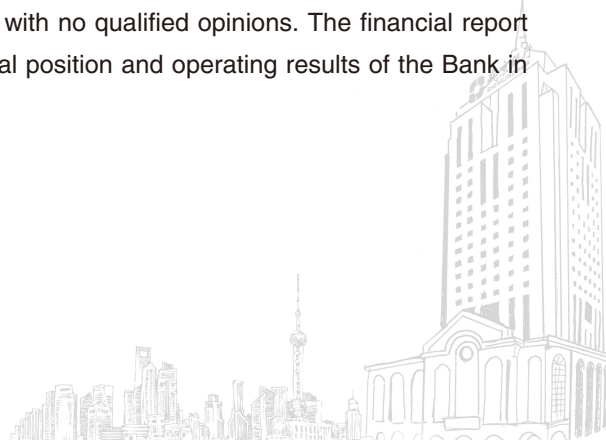
During the Reporting Period, the Board and senior management adequately performed their duties according to the Guidelines on the Corporate Governance of Commercial Banks and the Articles of Association, and actively implemented the country's financial policies and the Bank's general meetings resolutions. The Board of Directors and senior management made great contributions to the development of corporation governance, financial management, and internal control and risk management which facilitated the stable, healthy and rapid growth of the Bank. The Board of Directors was able to examine and estimate the current situations and make rational and forward-looking judgments, which assured the Bank to continue its strategy reform and innovation activities to deal with the adversely complex external economic environment. The senior management also demonstrated their courage and innovating spirits in facing the difficulties and proved their dedication to making and implementing various practical measures to ensure all tasks could be completed. Their efforts laid a firm foundation to achieving further development of the Bank.

2. Operations in Compliance with Laws and Regulations

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

3. True Status of Financial Reporting

KPMG has audited the 2015 financial report of the Bank according to the International Financial Reporting Standards and issued an auditor report with no qualified opinions. The financial report gave an objective, fair and true view of the financial position and operating results of the Bank in all material aspects.



REPORT OF THE BOARD OF SUPERVISORS (Continued)

4. Use of Proceeds

During the Reporting Period, the Bank issued an amount of RMB10 billion tier 2 capital bonds. All funds raised were used to replenish its tier two capital, which was consistent with the use of proceeds committed by the Bank.

5. Related-party Transactions

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

6. Internal Control

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

7. Implementation of the Resolutions of General Meetings

During the Reporting Period, the Board of Supervisors had no objection to all such reports and resolutions submitted by the Board of Directors to the general meeting for consideration and approval in 2015. The Board of Supervisors supervised the implementation of the resolutions of the general meetings and considered that the Directors had prudently implemented the resolutions of the general meetings.

8. Performance of Social Responsibility

During the Reporting Period, the Bank prudently performed its social responsibilities. The Board of Supervisors had no objection to the 2015 Social Responsibility Report of the Bank.

SOCIAL RESPONSIBILITY REPORT

Persistently adhering to its core values of “integrity, amicability, ambition, enthusiasm and dedication”, Shengjing Bank is determined to operate its business pursuant to relevant laws and regulations with robust and solid growth. The Bank is also dedicated to standardising its management, constantly implementing reforms, stimulating innovations as well as actively exploring and developing new markets, hence achieving synergised growth in terms of scale and speed as well as quality and efficiency. Accordingly, the Bank has been gradually developing into a joint stock commercial bank with high asset quality, robust profitability and solid growth.

As the first Hong Kong listed bank headquartered in the Liaoshen Area, the Bank not only maintains stable and rapid development but also actively fulfills its social responsibilities as a financial institution by further enhancing its reputation as an honest, responsible, accountable, contributive and charitable bank. It keeps seeking for new development in the “new normal” economy and making every effort to contribute to local economic growth and to improve social well-being.

I. SERVING LOCAL ECONOMY WITH FOUR TYPES OF BUSINESSES

To highly correspond with the regional economic and political strategies is one of the unique advantages that a locally-headquartered bank celebrates. As one of the locally-headquartered banks, supported by the headquarters’ functions in financial capital magnification, financial leverage, and radiation effect, the Bank further explores providing innovative services to the real economy and proposes a new developing and strategic goal aimed at growing into a “bank that leads the regional economic development, facilitates emerging new industries, supports middle and small enterprises, and provides thoughtful and private services to individual citizens”. The Bank’s innovation in financial services could also promote the regional economy reform.

Having taken full advantages of its own feature in flexible and efficient decision making mechanisms of its headquarters, the Bank keeps providing comprehensive and innovative financial services in multiple channels to fuel the regional economic growth. On the one hand, the Bank continues increasing the total amount of loans and concentrates credit quota and funds to satisfy the demands of key enterprises and high-quality clients. On the other hand, the Bank also works to speed up turnover of loans and improve efficiency of credit funds use so that loans can meet the demand of the real economy development. Meanwhile, the Bank continues to optimise the credit investments and structures and increase the investments in high-quality industries and projects based on the circumstances of regional industries. The Bank seeks to support the leading construction projects that could promote the development of the entire region and provides strong financial supports to regional economic restructuring and industrial upgrading.



SOCIAL RESPONSIBILITY REPORT (Continued)

II. DEDICATION TO INCLUSIVE FINANCE WITH ATTENTIVE SERVICES

As a highly responsible headquartered enterprise, the Bank has continued enhancing its support to financing infrastructure construction related to social well being and city public services, continued to provide well-rounded public services functions and built a good worked hard as a bank that serves the public. In recent years, the Bank has vigorously supported construction of social welfare programs that ranged from heating, medical care and hygiene to welfare housing. The Bank has invested a great amount of funds in social welfare industries and infrastructures construction including water, electricity, gas and heat supply systems to solve the livelihood-related issues mostly concerned by the general public. All these efforts manifest the Bank's faith in the value of benefiting the general public with credit leading. While traditional credit business is developing steadily, the Bank continues to stress the leading effect of financial innovation. The Bank continues to explore innovative financing modes and channels to support the key construction projects planned by municipal and provincial governments and actively seeks to coordinate with other trust and securities companies based on the platform provided by the strategic alliance among headquartered banks, trust companies, and securities institutions. Meanwhile, the Bank actively supports the construction of infrastructure facilities, pillar industries, key businesses, and social welfare projects by providing various off-sheet financing methods such as bank acceptance, letter of credit, and bank guarantee. Those efforts further fuel the regional economic development.

The Bank has made great efforts in innovating financial products and supporting the development of small and miniature enterprises by exploring professional service patterns and providing diversified products to these enterprises. In 2015, with the approval from the regulatory authorities, the small enterprise financial service centre was established to improve comprehensive service provided to small and miniature enterprises on the basis of a independent operation, independent accounting and independent assessment. In the meantime, the Bank has also accelerated the construction of small and miniature sub-branches and community sub-branches, ensuring that small and miniature enterprises can apply for loans from all outlets and convenience financial service points in those communities. Moreover, the Bank provides all-rounded financial services including enterprise financing, settlement and deposit, agent business, on-line banking to small and miniature enterprises. In addition, the Bank continues to complete and optimise reconstruction of small and micro business processes to establish approval procedure that applies to small and micro-loans. In particular, the Bank continues to emphasise its standardised operations such as planning and comments from its branches and marketing and operating on a large scale. It also works to build the standardised procedure for services provided to small and miniature enterprises and applies the one-stop standardised procedure to its intensive, multifunctional services such as credit investigation, loans application, loans approval, mortgage search, and registration services. This way, the Bank may approve loan applications more effectively and adhere to its promise to "respond within three days and issue within ten days after filing the loans application at counter", providing a convenient fast lane to small and miniature enterprises.

III. PROVISION OF CONVENIENT SERVICES AND SUPPORTS TO THE GENERAL PUBLIC THROUGH SOCIAL WELFARE PROGRAMS

The Bank adheres to the principle of building “citizens’ bank that benefits citizens and serves the public” and aims to provide efficient, convenient and considerate financial services to the general public. The Bank also accelerates the speed of outlets construction and resources consolidation in pursuit of its regional construction planning target. In 2015, the Bank opened its Tieling and Liaoyang branches. At the same time, the Jilin sub-branch was also approved for construction which would further expand the Bank’s service area. Meanwhile, the number of the Bank’s outlets keeps growing due to its opening and operation of 19 traditional sub-branches and small and miniature sub-branches. Currently, the Bank has totally opened 18 branches in major regional cities of the Beijing-Tianjin-Shanghai Area, Changchun Area as well as in Cities in Liaoning Province such as Dalian and Yingkou, achieving full coverage of all cities of Liaoning Province.

The Bank continues providing innovative financial products and services channels that meet the needs of citizens in order to construct a financial system that benefits the general public. It establishes a number of convenient finance and services locations in communities and promotes a series of services and products under the name “Nine-Colour Rose”. By allocating the professional staff, specialised vehicles, and ATM machines, the Bank provides all-rounded financial services to communities’ residents. By the end of 2015, 1,264 community financial service location had been set up, covering all cities where branches of the Bank are located. The Bank also successfully launched the WeChat banking and preliminarily formed a super online banking system. Television banking system was also set up in Anshan and Shenyang. An onlink banking system that connects different platforms is under organised construction. Throughout the year, over 80 e-banking functions were optimised to further satisfy the need of customers for diversified financial services. The Bank has increasingly become an indispensable part of lives of the general public.



SOCIAL RESPONSIBILITY REPORT (Continued)

IV. FULFILLMENT OF TAX OBLIGATIONS AND CONTRIBUTION TO SOCIETY WITH GRATITUDE

As the profitability level increases, the total tax payment of the Bank continues to increase. The total tax payment for the year of 2015 is approximately RMB3.476 billion. The tax payment for the Shenyang area, where the headquarters are based, was approximately RMB2.653 billion. The total amount of tax payment by the Bank ranked among the top 20 largest tax payers of Liaoning Province and the first in the financial service industry for a number of years, and ranked the third among the top 100 largest tax payers of Shenyang for 2015, representing the increasing tax contributions to the local society. Meanwhile, the Bank plays an irreplaceable role in regional economic development as it actively supports and promotes enterprise development by offering loans with guiding effect and facilitates a large quantity of high-quality tax payment sources in the local areas.

The Bank actively undertakes its corporate social responsibilities and insists on the principles of “devoting to charities and building a long-lasting enterprise”. On one hand, the Bank is concerned with the well-being of its employees and extends assistance to those in need so that the employees may also enjoy the fruits of its corporate success. On the other hand, it actively takes part in charity causes and supports the development of social welfare to create a harmonious social environment. The headquarters carried out a series of heart-warming visits during the New Year’s Day and the Spring Festival and granted approximately RMB0.3 million to 93 employees with financial difficulties to help them have a good festival time. Throughout the year, the Bank donated approximately RMB0.3 million to certain designated poverty alleviation targets. The Bank conducted “Sunshine Students”, a scholarship and internship program that solves practical problems of college students in need of assistance with their school work and living expenses. This program provides students with valuable internship positions that would enable them to apply classroom theories to practice. The Bank also donated RMB500,000 to Shenyang Aging Committee and sponsored the performance show “The Most Beautiful Sunset Colour – Celebrating Shenyang Senior Citizen Festival in 2015” organised by Shenyang Aging Committee and Shenyang Civilisation Office. The Bank calls attention to the living conditions of the elderly, fulfills its social responsibilities and gives back to the society to the maximum extent. The Bank also organised charity activities that raised donations to “help the disadvantaged and warm many households”. A total amount of RMB500,000 was donated to 500 disabled families so that they could spend a warm festival.

V. ENHANCEMENT OF CONSUMER RIGHTS PROTECTION AND PROMOTION OF GREEN OFFICES

For the purpose of protecting legal rights of consumers and establishing harmonious relationship with customers, the Bank put forward a set of plans to promote consumer rights in 2015, the Year of Promotion. To ensure the goals of the Year of Promotion are achieved, the Bank further improves the system structure and conducts financial education activities. Meanwhile, the Bank has broadened its business approach, promoted the education on financial knowledge and actively taken part in publicity of financial knowledge carried out by the regulatory authorities. In addition to routine activities such as the “Journey for Financial Knowledge”, “Financial Knowledge Month”, it also motivates the youth volunteer teams to innovatively carry out publicity of financial knowledge during holidays and at other suitable times. Sign language services are also provided to improve satisfaction of special customers. In 2015, the business department of the headquarters was awarded as the first batch of Demonstrative Base for Education of Financial Knowledge of Liaoning’s Banking Industry”. A total of five institutions including branches in Anshan and Yingkou were awarded “National Star Outlet”, indicating continuous improvement of services quality of the Bank.

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



INTERNAL CONTROL

INTERNAL CONTROL SYSTEM AND CONTROLLING ACTIVITIES

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

During the Reporting Period, the Bank has strengthened its internal control practice by timely re-examining the internal control system in accordance with new developments of applicable laws and regulatory policies and making subsequent adjustments accordingly. Meanwhile, the Bank applied a more rigid compliance procedure to review newly established institutions and the internal control system of newly established businesses. This way, the Bank's internal rules have covered all of its businesses and risk areas. Those measures helped to ensure the Bank was able to refine its internal control system and improve the system's soundness and efficiency.

The Bank continued to improve the comprehensive risk management system covering all personnel and procedures and further advanced the development of the risk management system that is compatible with the Bank's development strategy, operating scale, business lines and risk characteristics, and strengthened the identification, monitoring and assessment of each kind of risk such as credit risk, market risk, liquidity risk and operation risk. The Bank also improved risk management regarding various businesses to make it more scientific and forward-looking, so as to ensure a stable performance of the Bank's business.

INTERNAL CONTROL (Continued)

The Bank conducted unified management over its financial affairs in accordance with the China Accounting Standards for Business Enterprises (《企業會計準則》), Financial Rules for Financial Enterprises (《金融企業財務規則》), Accounting System of Shengjing Bank (《盛京銀行會計制度》), and other internal control rules. The Bank strictly implemented the accounting system and operational procedures to ensure the authenticity, integrity, legality and accuracy of accounting information. The Bank managed professional qualification of its accounting personnel and followed the principles of separation of duty and checks and balances in its position set-up. The Bank was also able to establish a complete bookkeeping system where true and accurate financial information was recorded. The Bank further provided a clear procedure for reimbursements application where the duties and responsibilities were clearly defined. As a result, the Bank's books and records have maintained its costs and expenses in a reasonable manner, demonstrating the Bank's improved capability to standardise its management. It also showed that the Bank has a clear internal management protocol and its financial management functions have improved.

The Bank insisted on the principles of timeliness, fairness, accuracy, truthfulness and completeness on information disclosure, constantly improved the information disclosure and investor relations management, and conducted information disclosure in compliance with relevant laws and regulations. The Bank maintained timely and open communication with regulatory authorities, investors and stakeholders and created a favourable atmosphere for rapid development of its business.

The Bank established a developed compliance system and continued to improve its compliance function and refine its management, providing strong compliance supports to its operational transition, systematic reform, and operational innovation. During the Reporting Period, the Bank further improved its compliance information platform and enhanced the compliance information sharing and communication to achieve a sound and functional compliance information monitoring and management system. The Bank also strengthened the compliance risks review to identify and assess compliance risks of each business line and thus promoted the development of new businesses in compliance with relevant rules.

The Bank continued to strengthen the internal control system and explore innovative auditing and management modes. On top of the direct review by the headquarters, the internal review systems on the branch level were also promoted to optimise the policy making system. To do so, the Bank regulated the internal review monitoring procedure, provided clear review standards, and improved the performance of internal review staff. During the Reporting Period, the Bank further completed the management and appraisal procedure of internal interview, regulated the internal review linear management, enhanced communication among headquarters and branches staff, and effectively improved the efficiency and quality of the internal review system.

INTERNAL CONTROL (Continued)

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

INTERNAL AUDIT

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

During the Reporting Period, our internal control department continued to refine the internal control management system. With the primary aim to supervise and assess the risk management and improve the internal control standards, the Bank constantly refined and expanded the coverage of the internal audit. The Bank has established a management mode composed of centralised internal auditing, regional delegation, and comparatively independent professional operation. In the process, the Bank applied standardised internal audit procedure and standards that enabled off-site audit, middle-office examination, and back-office correction. Accordingly, the Bank was able to effectively perform its auditing functions and provide security to its solid and sound operation.

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the consolidated financial statements of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 156 to 267, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of the Group's 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

| | Note | 2015 | 2014 |
|---|------|--------------|--------------|
| Interest income | | 31,479,529 | 25,415,004 |
| Interest expense | | (19,530,998) | (15,513,832) |
| Net interest income | 3 | 11,948,531 | 9,901,172 |
| Fee and commission income | | 1,350,215 | 1,471,694 |
| Fee and commission expense | | (146,026) | (103,263) |
| Net fee and commission income | 4 | 1,204,189 | 1,368,431 |
| Net trading losses | 5 | (71,645) | (1,461) |
| Net gains/(losses) arising from investments | 6 | 653,510 | (112,267) |
| Net foreign exchange gains/(losses) | | 426,159 | (384) |
| Other operating income | 7 | 23,412 | 49,272 |
| Operating income | | 14,184,156 | 11,204,763 |
| Operating expenses | 8 | (4,102,162) | (3,211,887) |
| Impairment losses on assets | 11 | (1,955,377) | (934,151) |
| Operating profit | | 8,126,617 | 7,058,725 |
| Share of profits of associate | | – | 2,338 |
| Profit before taxation | | 8,126,617 | 7,061,063 |
| Income tax expense | 12 | (1,902,790) | (1,637,225) |
| Profit for the year | | 6,223,827 | 5,423,838 |
| Net profit attributable to: | | | |
| Equity shareholders of the Bank | | 6,211,334 | 5,404,933 |
| Non-controlling interests | | 12,493 | 18,905 |
| | | 6,223,827 | 5,423,838 |

The notes on pages 164 to 267 form part of these financial statements.

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

For the year ended 31 December 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

| | Note | 2015 | 2014 |
|---|-------|-----------|-----------|
| Net profit | | 6,223,827 | 5,423,838 |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss | | | |
| – Remeasurement of net defined benefit liability | | (2,817) | (5,139) |
| Items that may be reclassified subsequently to profit or loss | | | |
| – Available-for-sale financial assets: | | | |
| net movement in the investment revaluation reserve | 33(4) | 55,282 | 819,415 |
| Other comprehensive income net of tax | | 52,465 | 814,276 |
| Total comprehensive income | | 6,276,292 | 6,238,114 |
| Total comprehensive income attributable to: | | | |
| Equity shareholders of the Bank | | 6,263,799 | 6,219,209 |
| Non-controlling interests | | 12,493 | 18,905 |
| | | 6,276,292 | 6,238,114 |
| Basic and diluted earnings per share (in RMB) | 13 | 1.07 | 1.25 |

The notes on pages 164 to 267 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

| | Note | 31 December 2015 | 31 December 2014 |
|--|-------|---------------------|---------------------|
| Assets | | | |
| Cash and deposits with central bank | 14 | 63,787,726 | 72,079,244 |
| Deposits with banks and other financial institutions | 15 | 84,618,382 | 85,560,982 |
| Placements with banks and other financial institutions | 16 | 1,017,289 | 1,513,868 |
| Financial assets at fair value through profit or loss | 17 | 1,462,016 | – |
| Financial assets held under resale agreements | 18 | 32,252,183 | 25,941,589 |
| Loans and advances to customers | 19 | 191,531,735 | 155,946,864 |
| Financial investments: | | | |
| Available-for-sale financial assets | 20(1) | 27,359,926 | 25,437,142 |
| Held-to-maturity investments | 20(2) | 51,761,238 | 40,627,467 |
| Loans and receivables | 20(3) | 234,508,219 | 86,122,195 |
| Property and equipment | 22 | 4,268,534 | 3,598,178 |
| Deferred tax assets | 23 | 464,889 | 141,087 |
| Other assets | 24 | 8,596,363 | 6,401,898 |
| Total assets | | 701,628,500 | 503,370,514 |
| Liabilities | | | |
| Borrowings from central bank | | 6,800,000 | – |
| Deposits from banks and other financial institutions | 25 | 100,617,153 | 92,072,923 |
| Placements from banks and other financial institutions | 26 | 11,370,469 | 3,667,715 |
| Financial assets sold under repurchase agreements | 27 | 47,085,568 | 42,089,973 |
| Deposits from customers | 28 | 402,379,086 | 315,943,789 |
| Income tax payable | | 778,165 | 678,804 |
| Debt securities issued | 29 | 78,485,436 | 3,100,000 |
| Other liabilities | 30 | 12,397,670 | 9,683,825 |
| Total liabilities | | 659,913,547 | 467,237,029 |

The notes on pages 164 to 267 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

| | Note | 31 December 2015 | 31 December 2014 |
|---|------|---------------------|---------------------|
| Equity | | | |
| Share capital | 32 | 5,796,680 | 5,646,005 |
| Capital reserve | 33 | 11,855,505 | 11,106,917 |
| Surplus reserve | 33 | 3,893,846 | 2,733,397 |
| General reserve | 33 | 6,176,638 | 3,545,733 |
| Investment revaluation reserve | 33 | 623,163 | 567,881 |
| Deficit on remeasurement of net defined benefit liability | 33 | (5,126) | (2,309) |
| Retained earnings | 33 | 12,927,822 | 12,101,929 |
| Total equity attributable to equity shareholders of the Bank | | 41,268,528 | 35,699,553 |
| Non-controlling interests | | 446,425 | 433,932 |
| Total equity | | 41,714,953 | 36,133,485 |
| Total liabilities and equity | | 701,628,500 | 503,370,514 |

Approved and authorised for issue by the board of directors on 18 March 2016.

Zhang Yukun
Chairman of Board of Directors

Wang Yigong
Executive Director/Vice President/Chief Risk Officer

Liu Zhiyan
Chief Financial Officer

Company chop

The notes on pages 164 to 267 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

| | Attributable to equity shareholders of the Bank | | | | | | | | | | |
|---|---|---------------|-----------------|-----------------|-----------------|--------------------------------|---|-------------------|-------------|---------------------------|--------------|
| | Note | Share capital | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Deficit on remeasurement of net defined benefit liability | Retained earnings | Total | Non-controlling interests | Total equity |
| Balance at 1 January 2015 | | 5,646,005 | 11,106,917 | 2,733,397 | 3,545,733 | 567,881 | (2,309) | 12,101,929 | 35,699,553 | 433,932 | 36,133,485 |
| Profit for the year | | - | - | - | - | - | - | 6,211,334 | 6,211,334 | 12,493 | 6,223,827 |
| Other comprehensive income | | - | - | - | - | 55,282 | (2,817) | - | 52,465 | - | 52,465 |
| Total comprehensive income | | - | - | - | - | 55,282 | (2,817) | 6,211,334 | 6,263,799 | 12,493 | 6,276,292 |
| Changes in share capital | | | | | | | | | | | |
| - Issue of H-shares | 32 | 150,675 | 748,588 | - | - | - | - | - | 899,263 | - | 899,263 |
| Appropriation of profit: | | | | | | | | | | | |
| - Appropriation to surplus reserve | 34 | - | - | 1,160,449 | - | - | - | (1,160,449) | - | - | - |
| - Appropriation to general reserve (Note (i)) | 34 | - | - | - | 2,630,905 | - | - | (2,630,905) | - | - | - |
| - Cash dividends | 34 | - | - | - | - | - | - | (1,594,087) | (1,594,087) | - | (1,594,087) |
| Sub-total | | - | - | 1,160,449 | 2,630,905 | - | - | (5,385,441) | (1,594,087) | - | (1,594,087) |
| Balance at 31 December 2015 | | 5,796,680 | 11,855,505 | 3,893,846 | 6,176,638 | 623,163 | (5,126) | 12,927,822 | 41,268,528 | 446,425 | 41,714,953 |

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB201 thousand.

The notes on pages 164 to 267 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2014
(Expressed in thousands of Renminbi, unless otherwise stated)

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

Note:

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

The notes on pages 164 to 267 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

| | Note | 2015 | 2014 |
|--|------|--------------------|-------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 8,126,617 | 7,061,063 |
| <i>Adjustments for:</i> | | | |
| Impairment losses on assets | | 1,955,377 | 934,151 |
| Depreciation and amortisation | | 306,746 | 252,723 |
| Unwinding of discount | | (26,074) | (12,402) |
| Unrealised foreign exchange gains | | (457,479) | (177) |
| Net losses/(gains) on disposal of long-term assets | | 33 | (123) |
| Dividend income | | (440) | (10,510) |
| Net trading losses of financial assets at fair value through profit or loss | | 71,645 | 1,461 |
| Net (gains)/losses arising from investments | | (653,070) | 122,777 |
| Share of profits of associate | | – | (2,338) |
| Issuing cost of debt securities | | 30,000 | 6,600 |
| Interest expense on debt securities issued | | 681,686 | 139,321 |
| Interest income on financial investments and financial assets at fair value through profit or loss | | (12,011,391) | (6,112,310) |
| | | (1,976,350) | 2,380,236 |
| <i>Changes in operating assets</i> | | | |
| Net decrease/(increase) in deposits with central bank | | 7,823,551 | (6,816,647) |
| Net decrease/(increase) in deposits and placements with bank and other financial institutions | | 11,121,953 | (24,677,629) |
| Net increase in loans and advances to customers | | (37,103,475) | (25,253,518) |
| Net decrease/(increase) in financial assets held under resale agreements | | 12,303,374 | (11,631,072) |
| Net increase in other operating assets | | (143,404) | (1,690,965) |
| | | (5,998,001) | (70,069,831) |
| <i>Changes in operating liabilities</i> | | | |
| Net increase in deposits and placements from banks and other financial institutions | | 16,246,984 | 53,223,173 |
| Net increase in financial assets sold under repurchase agreements | | 4,995,595 | 21,170,505 |
| Net increase in deposits from customers | | 86,435,297 | 53,031,061 |
| Income tax paid | | (2,144,719) | (1,556,284) |
| Net increase in other operating liabilities | | 9,338,221 | 3,284,493 |
| | | 114,871,378 | 129,152,948 |
| Net cash flows generated from operating activities | | 106,897,027 | 61,463,353 |

The notes on pages 164 to 267 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

| | Note | 2015 | 2014 |
|---|------|---------------|---------------|
| Cash flows from investing activities | | | |
| Proceeds from disposal and redemption of investments | | 262,207,611 | 106,732,819 |
| Proceeds from disposal of property and equipment and other assets | | 42 | 26,119 |
| Payments on acquisition of investments | | (414,895,493) | (178,735,524) |
| Payments on acquisition of property and equipment, intangible assets and other assets | | (988,685) | (1,338,200) |
| Net cash flows used in investing activities | | (153,676,525) | (73,314,786) |
| Cash flows from financing activities | | | |
| Proceeds from capital injection | | 899,263 | 8,834,534 |
| Net proceeds from new debt securities issued | | 111,198,677 | 2,193,400 |
| Repayment of debt securities issued | | (35,843,241) | – |
| Interest paid on debt securities issued | | (651,219) | (58,500) |
| Dividends paid | | (1,555,176) | (369,129) |
| Net cash flows generated from financing activities | | 74,048,304 | 10,600,305 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 559,969 | (17,139) |
| Net increase/(decrease) in cash and cash equivalents | | 27,828,775 | (1,268,267) |
| Cash and cash equivalents as at 1 January | | 38,758,501 | 40,026,768 |
| Cash and cash equivalents as at 31 December | 35 | 66,587,276 | 38,758,501 |
| Net cash flows generated from operating activities include: | | | |
| Interest received | | 19,873,343 | 16,971,065 |
| Interest paid (excluding interest expense on debt securities issued) | | (16,402,855) | (12,941,285) |

The notes on pages 164 to 267 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

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

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

The Bank obtained its financial institution licence No. B0264H221010001 from the CBRC Liaoning Branch. The Bank obtained its business license No. 210100000010442 from Shenyang Provincial Administration of Industry and Commerce. The registered office of the Bank is located at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC. In December 2014, the Bank’s H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 02066). As at 31 December 2015, the share capital of the Bank is RMB5,796.68 million.

The Bank has 18 branches in Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang and Tieling as at 31 December 2015. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the CBRC. The Bank mainly operated in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance and basis of preparation

The Group has prepared the financial statements, which comprise the consolidated statement of financial position of the Group as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes (the “financial statements”) in accordance with International Financial Reporting Standards (“IFRSs”) and related interpretations, issued by the International Accounting Standards Board (the “IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgments on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 44.

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

(2) Subsidiaries and non-controlling interests

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Translation of foreign currencies

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

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

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

(4) Cash and cash equivalents

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

(5) Financial instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Financial instruments (Continued)

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

Financial assets and financial liabilities are categorised as follows:

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

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

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

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

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

- *Held-to-maturity investments*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Financial instruments (Continued)

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

- *Loans and receivables*

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

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

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

- *Available-for-sale financial assets*

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

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

- *Other financial liabilities*

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Financial instruments (Continued)

(ii) Impairment of financial assets

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

Objective evidence includes the following loss event:

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

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

Individual assessment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Financial instruments (Continued)

(ii) Impairment of financial assets (Continued)

- Loans and receivables (Continued)

Collective assessment

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

Homogeneous groups of loans not considered individually significant

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

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

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

The collective impairment loss is assessed after taking into account:

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Financial instruments (Continued)

(ii) Impairment of financial assets (Continued)

- *Loans and receivables (Continued)*

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

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

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

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

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

- *Held-to-maturity investments*

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Financial instruments (Continued)

(ii) Impairment of financial assets (Continued)

- Available-for-sale financial assets

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

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

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

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

(iii) Derecognition of financial assets and financial liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Financial instruments (Continued)

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

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

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

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

(iv) Offsetting

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

(6) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(7) Fair value measurement

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) Associates

An associate is an entity in which the Group or Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(13)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence commences until the date that significant influence ends.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(5)).

(9) Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(13)). Construction in progress ("CIP") is stated in the statements of financial position at cost less impairment loss (Note 2(13)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Property and equipment (Continued)

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

| | Estimated useful lives | Estimated net residual value | Depreciation rate |
|-----------------------|------------------------|------------------------------|-------------------|
| Premises | 20-30 years | 3% | 4.85%-3.23% |
| Office equipment | 5 years | 3% | 19.40% |
| Leasehold improvement | 5-10 years | 0% | 20.00%-10.00% |
| Others | 3-5 years | 3% | 32.33%-19.40% |

(10) Lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(i) Operating lease charges

Lease payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent lease payments are recognised as expenses in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(ii) Assets acquired under finance lease

Where the Group is a lessee under finance leases, an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease, is included in property and equipment as a lease asset. An amount equal to the minimum lease payments is included in liability. The difference between the recorded amount of the leased asset and the recorded amount of the liability shall be accounted for as unrecognised finance charge. The Group recognises financial charge for the current period using the effective interest method. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(9). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(13). Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(13)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

| | |
|----------|------------|
| Software | 5–10 years |
|----------|------------|

(12) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(13) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- pre-paid interests in leasehold land classified as being held under an operating lease
- intangible assets
- investments in subsidiaries and associates

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A Cash-Generating Unit (the “CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the greater of its fair value less costs of disposal and value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset’s fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Provision for impairment losses on non-financial assets (Continued)

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups and then, to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(14) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes, unemployment insurance and an annuity plan.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

The Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) Employee benefits (Continued)

(ii) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

(15) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

At the end of the reporting period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Income tax (Continued)

At the end of the reporting period, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of the reporting period, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(16) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statements of financial position in accordance with Note 2(16)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(17) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(18) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group’s ordinary activities when the inflows result in an increase in shareholder’s equity, other than an increase relating to contributions from shareholders. Income is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the income and costs can be measured reliably and the following respective conditions are met:

(i) **Interest income**

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows (“unwinding of discount”) for the purpose of measuring the related impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(18) Income recognition (Continued)

(ii) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided.

Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without making a loan, the fee is recognised as fee and commission income upon its expiry.

(iii) Other income

Other income is recognised on an accrual basis.

(iv) Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions associated with the grant. Government grants related to an asset are initially recognised as deferred income at fair value and then recognised in profit or loss as other income on a straight-line basis over the useful life of the asset. Government grants that compensate the Group for expenses incurred are recognised in profit or loss in the periods in which the expenses are recognised.

(19) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(20) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(21) Related parties

- (a) A person, or a close member of that person's family, is related to the group if that person:
 - (i) has control or joint control over the group;
 - (ii) has significant influence over the group; or
 - (iii) is a member of the key management personnel of the group or the group's parent.

- (b) An entity is related to the group if any of the following conditions applies:
 - (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(22) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 NET INTEREST INCOME

| | 2015 | 2014 |
|---|-------------------|------------------|
| Interest income arising from | | |
| Deposits with central bank | 854,329 | 871,495 |
| Deposits and placements with banks and other financial institutions | 4,089,705 | 5,701,058 |
| Financial assets at fair value through profit or loss | 188,472 | 6,522 |
| Loans and advances to customers | | |
| – Corporate loans and advances | 11,841,912 | 10,736,275 |
| – Personal loans and advances | 360,539 | 268,378 |
| – Discounted bills | 1,466,599 | 1,039,250 |
| Financial assets held under resale agreements | 855,054 | 686,238 |
| Financial investments | 11,822,919 | 6,105,788 |
| Sub-total | 31,479,529 | 25,415,004 |
| Interest expense arising from | | |
| Borrowings from central bank | (9,090) | (114) |
| Deposits and placements from banks and other financial institutions | (5,655,315) | (4,594,891) |
| Deposits from customers | (12,150,221) | (9,314,634) |
| Financial assets sold under repurchase agreements | (1,034,686) | (1,464,872) |
| Debt securities issued | (681,686) | (139,321) |
| Sub-total | (19,530,998) | (15,513,832) |
| Net interest income | 11,948,531 | 9,901,172 |
| Of which: | | |
| Interest income arising from impaired financial assets identified | 26,074 | 12,402 |

Notes:

- (1) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.
- (2) Total interest income arising from financial assets that are not at fair value through profit or loss for the year ended 31 December 2015 amounted to RMB31,291 million (2014: RMB25,408 million).

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the year ended 31 December 2015 amounted to RMB19,531 million (2014: RMB15,514 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

| | 2015 | 2014 |
|---------------------------------------|------------------|------------------|
| Fee and commission income | | |
| Agency and custody services fees | 1,146,861 | 1,320,467 |
| Settlement and clearing services fees | 175,124 | 114,776 |
| Bank card services fees | 28,230 | 36,451 |
| Sub-total | 1,350,215 | 1,471,694 |
| Fee and commission expense | (146,026) | (103,263) |
| Net fee and commission income | 1,204,189 | 1,368,431 |

5 NET TRADING LOSSES

Net trading losses include losses arising from the buying and selling of, and changes in the fair value of debt securities held for trading purpose.

6 NET GAINS/(LOSSES) ARISING FROM INVESTMENTS

| | 2015 | 2014 |
|--|----------------|------------------|
| Dividends from available-for-sale equity investments | 440 | 10,510 |
| Net gains on disposal of available-for-sale financial assets | 653,070 | 4,211 |
| Losses from cessation of significant influence over investment in an associate | — | (126,988) |
| Total | 653,510 | (112,267) |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

7 OTHER OPERATING INCOME

| | 2015 | 2014 |
|--|---------------|---------------|
| Government grants | 9,654 | 10,259 |
| Handling charge income | 2,240 | 5,124 |
| Net gains on sale of repossessed assets | – | 8,747 |
| Net (losses)/gains on disposal of property and equipment | (33) | 123 |
| Others | 11,551 | 25,019 |
| Total | 23,412 | 49,272 |

8 OPERATING EXPENSES

| | 2015 | 2014 |
|--|------------------|------------------|
| Staff costs | | |
| – Salaries, bonuses and allowances | 1,209,652 | 952,670 |
| – Pension and annuity | 172,165 | 136,545 |
| – Other social insurance | 120,759 | 73,983 |
| – Housing allowances | 66,796 | 53,632 |
| – Supplementary retirement benefits | 12,312 | 11,010 |
| – Others | 70,661 | 61,773 |
| Sub-total | 1,652,345 | 1,289,613 |
| Depreciation and amortisation | 306,746 | 252,723 |
| Rental and property management expenses | 189,863 | 182,690 |
| Office expenses | 250,935 | 209,387 |
| Business tax and surcharges | 1,401,267 | 1,076,697 |
| Other general and administrative expenses (Note (1)) | 301,006 | 200,777 |
| Total | 4,102,162 | 3,211,887 |

Note:

(1) Auditor's remunerations were RMB4.50 million for the year ended 31 December 2015 (2014: RMB5.84 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

| Name | 2015 | | | | | | Actual amount of remuneration paid (pre-tax) |
|--|------------|---------------|-----------------------|---|-----------------------------|------------------|--|
| | Fees | Salaries | Discretionary bonuses | Contributions to social pension schemes | Total emoluments before tax | Deferred payment | |
| Executive directors | | | | | | | |
| Zhang Yukun | – | 2,029 | 1,146 | 132 | 3,307 | 504 | 2,803 |
| Wang Chunsheng | – | 1,785 | 1,277 | 132 | 3,194 | 396 | 2,798 |
| Zhao Guangwei (Note (1)) | – | 400 | 17 | 66 | 483 | – | 483 |
| Wang Yigong | – | 1,201 | 1,713 | 132 | 3,046 | 252 | 2,794 |
| Wu Gang | – | 1,201 | 3,073 | 132 | 4,406 | 252 | 4,154 |
| Sun Yongsheng (Note (2)) | – | 400 | 214 | 44 | 658 | 86 | 572 |
| Non-executive directors | | | | | | | |
| Liu Xinfa | 50 | – | – | – | 50 | – | 50 |
| Li Jianwei | 38 | – | – | – | 38 | – | 38 |
| Li Yuguo | 44 | – | – | – | 44 | – | 44 |
| Yang Yuhua | 50 | – | – | – | 50 | – | 50 |
| Zhao Weiqing | 25 | – | – | – | 25 | – | 25 |
| Independent non-executive directors | | | | | | | |
| Ba Junyu | – | 95 | 88 | – | 183 | – | 183 |
| Yu Yongshun | – | 95 | 44 | – | 139 | – | 139 |
| Lau Chi Pang | – | 95 | 40 | – | 135 | – | 135 |
| Sun Hang | – | 95 | 75 | – | 170 | – | 170 |
| Ding Jiming | – | 95 | 38 | – | 133 | – | 133 |
| Supervisors | | | | | | | |
| Yang Lin | – | 1,785 | 1,357 | 132 | 3,274 | 396 | 2,878 |
| Han Xuefeng | – | 801 | 1,952 | 126 | 2,879 | 72 | 2,807 |
| Shi Yang | – | 779 | 2,874 | 91 | 3,744 | 75 | 3,669 |
| Chen Zhaogui | 19 | – | – | – | 19 | – | 19 |
| Pan Wenge | 44 | – | – | – | 44 | – | 44 |
| Sun Yi | 50 | – | – | – | 50 | – | 50 |
| Huang Lianguai | – | 95 | 31 | – | 126 | – | 126 |
| Zhou Zheren | – | 95 | 31 | – | 126 | – | 126 |
| Wen Zhaoye | – | 95 | 31 | – | 126 | – | 126 |
| Total | 320 | 11,141 | 14,001 | 987 | 26,449 | 2,033 | 24,416 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

| Name | 2014 | | | | | | Actual amount of remuneration paid (pre-tax) |
|--|------------|---------------|-----------------------|---|-----------------------------|------------------|--|
| | Fees | Salaries | Discretionary bonuses | Contributions to social pension schemes | Total emoluments before tax | Deferred payment | |
| Executive directors | | | | | | | |
| Zhang Yukun | - | 1,990 | 1,230 | 108 | 3,328 | 277 | 3,051 |
| Wang Chunsheng | - | 1,594 | 1,147 | 108 | 2,849 | 191 | 2,658 |
| Zhao Guangwei | - | 1,072 | 1,494 | 108 | 2,674 | 139 | 2,535 |
| Wang Yigong | - | 1,072 | 1,524 | 108 | 2,704 | 139 | 2,565 |
| Wu Gang (Note (3)) | - | 358 | 2,475 | 54 | 2,887 | 80 | 2,807 |
| Hu Guang (Note (3)) | - | 476 | 47 | 54 | 577 | 42 | 535 |
| Non-executive directors | | | | | | | |
| Liu Xinfa | 25 | - | - | - | 25 | - | 25 |
| Li Jianwei | 38 | - | - | - | 38 | - | 38 |
| Li Yuguo | 31 | - | - | - | 31 | - | 31 |
| Yang Yuhua (Note (3)) | 6 | - | - | - | 6 | - | 6 |
| Zhao Weiqing (Note (3)) | 44 | - | - | - | 44 | - | 44 |
| Jiang Baisan (Note (3)) | 38 | - | - | - | 38 | - | 38 |
| Su Zhuangqiang (Note (3)) | 38 | - | - | - | 38 | - | 38 |
| Independent non-executive directors | | | | | | | |
| Ba Junyu | - | 60 | 38 | - | 98 | - | 98 |
| Yu Yongshun (Note (3)) | - | 30 | 6 | - | 36 | - | 36 |
| Lau Chi Pang (Note (3)) | - | 30 | 6 | - | 36 | - | 36 |
| Sun Hang (Note (3)) | - | 30 | 12 | - | 42 | - | 42 |
| Ding Jiming (Note (3)) | - | 30 | 12 | - | 42 | - | 42 |
| Lv Yihuan (Note (3)) | - | 30 | 6 | - | 36 | - | 36 |
| Bao Zhendong (Note (3)) | - | 30 | 38 | - | 68 | - | 68 |
| Sun Ping (Note (3)) | - | 30 | 19 | - | 49 | - | 49 |
| Cui Wantian (Note (3)) | - | 30 | 31 | - | 61 | - | 61 |
| Liu Xue (Note (3)) | - | 30 | 6 | - | 36 | - | 36 |
| Supervisors | | | | | | | |
| Yang Lin | - | 1,594 | 1,078 | 108 | 2,780 | 218 | 2,562 |
| Han Xuefeng | - | 716 | 914 | 108 | 1,738 | 40 | 1,698 |
| Shi Yang (Note (4)) | - | 228 | 396 | 108 | 732 | 26 | 706 |
| Chen Zhaogui (Note (3)) | 50 | - | - | - | 50 | - | 50 |
| Pan Wenge (Note (3)) | 12 | - | - | - | 12 | - | 12 |
| Sun Yi (Note (3)) | 50 | - | - | - | 50 | - | 50 |
| Huang Lianguai (Note (3)) | - | 30 | 12 | - | 42 | - | 42 |
| Zhou Zheren (Note (3)) | - | 30 | 12 | - | 42 | - | 42 |
| Wen Zhaoye (Note (3)) | - | 30 | 12 | - | 42 | - | 42 |
| Huang Yongjiu (Note (3)) | - | 536 | 56 | 54 | 646 | 29 | 617 |
| Zhang Dianhua (Note (3)) | 38 | - | - | - | 38 | - | 38 |
| Yu Haobo (Note (3)) | 38 | - | - | - | 38 | - | 38 |
| Ma Huili (Note (3)) | 38 | - | - | - | 38 | - | 38 |
| Bao Lijun (Note (3)) | 31 | - | - | - | 31 | - | 31 |
| Wang Guanglin (Note (3)) | - | 30 | 38 | - | 68 | - | 68 |
| Li Shouhuai (Note (3)) | - | 30 | 25 | - | 55 | - | 55 |
| Liu Zhiyan (Note (4)) | - | 357 | 52 | 54 | 463 | 33 | 430 |
| Total | 477 | 10,473 | 10,686 | 972 | 22,608 | 1,214 | 21,394 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

- (1) At 1 July 2015, Zhao Guangwei resigned as executive director of the Bank.
- (2) At the Bank's 2015 extraordinary General Meeting on 27 August 2015, Sun Yongsheng was elected as executive director of the Bank.
- (3) At the Bank's 2013 General Meeting held on 30 May 2014, Wu Gang was elected as executive director of the Bank, and Hu Guang was no longer executive director of the Bank; Yang Yuhua and Zhao Weiqing were elected as non-executive directors of the Bank, and Chen Zhaogui, Sun Yi, Jiang Baisan and Su Zhuangqiang were no longer non-executive directors of the Bank; Yu Yongshun, Lau Chi Pang, Sun Hang and Ding Jiming were elected as independent non-executive directors of the Bank, and Lv Yihuan, Bao Zhendong, Sun Ping, Cui Wantian and Liu Xue were no longer independent non-executive directors of the Bank; Chen Zhaogui, Pan Wenge, Sun Yi, Huang Lianguai, Zhou Zheren and Wen Zhaoye were elected as supervisors of the Bank, and Huang Yongjiu, Zhao Weiqing, Zhang Dianhua, Yu Haobo, Ma Huili, Bao Lijun, Wang Guanglin and Li Shouhuai were no longer supervisors of the Bank.
- (4) At 11 June 2014, Shi Yang was elected as supervisor of the Bank, and Liu Zhiyan was no longer supervisor of the Bank.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2015, the five individuals with highest emoluments included one director (2014: two directors) of the Bank, whose emoluments are disclosed in Note 9. The emoluments for the remaining four (2014: three) highest paid individuals for the year ended 31 December 2015 are as follows:

| | 2015 | 2014 |
|----------------------------------|---------------|---------------|
| Salaries and other emoluments | 3,035 | 1,991 |
| Discretionary bonuses | 16,945 | 11,126 |
| Contributions to pension schemes | 448 | 324 |
| Total | 20,428 | 13,441 |

The individuals whose emoluments before individual income tax are within the following bands are set out below:

| | 2015 | 2014 |
|------------------------|----------|----------|
| RMB4,000,001-4,500,000 | 1 | 1 |
| RMB4,500,001-5,000,000 | 1 | 2 |
| RMB5,500,001-6,000,000 | 2 | – |
| Total | 4 | 3 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

11 IMPAIRMENT LOSSES ON ASSETS

| | 2015 | 2014 |
|---|------------------|----------------|
| Loans and advances to customers | 1,416,953 | 860,942 |
| Financial investments-loans and receivables | 543,000 | 90,000 |
| Others | (4,576) | (16,791) |
| Total | 1,955,377 | 934,151 |

12 INCOME TAX EXPENSE

(1) Income tax for the year:

| | Note | 2015 | 2014 |
|--------------|-------|------------------|------------------|
| Current tax | | 2,244,080 | 1,811,523 |
| Deferred tax | 23(2) | (341,290) | (174,298) |
| Total | | 1,902,790 | 1,637,225 |

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

| | Note | 2015 | 2014 |
|--|----------|------------------|------------------|
| Profit before taxation | | 8,126,617 | 7,061,063 |
| Statutory tax rate | | 25% | 25% |
| Income tax calculated at statutory tax rate | | 2,031,654 | 1,765,266 |
| Non-deductible expenses | | | |
| – Entertainment expenses | | 3,680 | 2,610 |
| – Non-deductible losses from write-offs of loan receivable | | 10,590 | 2,611 |
| – Losses from cessation of significant influence over investment in an associate | | – | 31,747 |
| – Others | | 1,796 | 5,099 |
| | | 16,066 | 42,067 |
| Non-taxable income | 12(2)(a) | (141,969) | (170,108) |
| Sub-total | | 1,905,751 | 1,637,225 |
| Adjustment for prior years | | (2,961) | – |
| Income tax | | 1,902,790 | 1,637,225 |

Note:

- (a) Non-taxable income consists of interest income from the PRC government bonds, dividends from domestic companies and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

13 BASIC AND DILUTED EARNINGS PER SHARE

| | 2015 | 2014 |
|---|-----------|-----------|
| Net profit attributable to equity shareholders of the Bank | 6,211,334 | 5,404,933 |
| Weighted average number of ordinary shares (in thousands) | 5,788,424 | 4,309,293 |
| Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB) | 1.07 | 1.25 |

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

(1) Weighted average number of ordinary shares (in thousands)

| | 2015 | 2014 |
|--|-----------|-----------|
| Number of ordinary shares as at 1 January | 5,646,005 | 4,096,005 |
| Increase in weighted average number of ordinary shares | 142,419 | 213,288 |
| Weighted average number of ordinary shares | 5,788,424 | 4,309,293 |

14 CASH AND DEPOSITS WITH CENTRAL BANK

| | Note | 31 December 2015 | 31 December 2014 |
|------------------------------|-------|---------------------|---------------------|
| Cash on hand | | 619,243 | 621,745 |
| Deposits with central bank | | | |
| – Statutory deposit reserves | 14(1) | 44,626,988 | 52,595,169 |
| – Surplus deposit reserves | 14(2) | 18,152,126 | 18,617,591 |
| – Fiscal deposits | | 389,369 | 244,739 |
| Sub-total | | 63,168,483 | 71,457,499 |
| Total | | 63,787,726 | 72,079,244 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

14 CASH AND DEPOSITS WITH CENTRAL BANK (Continued)

- (1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Reserve ratio for RMB deposits | 14% | 18% |
| Reserve ratio for foreign currency deposits | 5% | 5% |

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

- (2) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

| | 31 December 2015 | 31 December 2014 |
|---------------------------------|---------------------|---------------------|
| Deposits in mainland China | | |
| – Banks | 83,924,836 | 76,793,928 |
| – Other financial institutions | 1,849 | 3,849 |
| Deposits outside mainland China | | |
| – Banks | 691,697 | 8,763,205 |
| Total | 84,618,382 | 85,560,982 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|---------------------|---------------------|
| Placements in mainland China | | |
| – Banks | 117,289 | 363,868 |
| – Other financial institutions | 900,000 | 1,150,000 |
| Total | 1,017,289 | 1,513,868 |

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Held for trading purpose | | |
| Debt securities at fair value listed outside Hong Kong | | |
| – Policy banks | 1,462,016 | – |

The financial statements classified debt securities traded on China Domestic Interbank Bond Market as listed bonds.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

| | 31 December 2015 | 31 December 2014 |
|-------------------|---------------------|---------------------|
| In mainland China | | |
| – Banks | 32,252,183 | 25,941,589 |

(2) Analysed by type of security held

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Bills held under resale agreements | 6,938,584 | 17,711,589 |
| Debt securities held under resale agreements | 25,313,599 | 8,230,000 |
| Total | 32,252,183 | 25,941,589 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

| | 31 December 2015 | 31 December 2014 |
|---------------------------------------|---------------------|---------------------|
| Corporate loans and advances | 188,488,441 | 152,782,561 |
| Personal loans and advances | | |
| – Residential mortgage | 4,024,944 | 3,478,119 |
| – Personal consumption loans | 1,255,590 | 695,358 |
| – Personal business loans | 893,651 | 449,424 |
| – Credit cards | 634,569 | 586,871 |
| – Others | 88,310 | 65,870 |
| Sub-total | 6,897,064 | 5,275,642 |
| Discounted bills | 74,860 | 586,296 |
| Gross loans and advances to customers | 195,460,365 | 158,644,499 |
| Less: Provision for impairment losses | | |
| – Individually assessed | (286,754) | (264,591) |
| – Collectively assessed | (3,641,876) | (2,433,044) |
| Total provision for impairment losses | (3,928,630) | (2,697,635) |
| Net loans and advances to customers | 191,531,735 | 155,946,864 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Analysed by economic sector

| | 31 December 2015 | | Loans and advances secured by collaterals |
|--|------------------|------------|---|
| | Amount | Percentage | |
| Wholesale and retail trade | 49,379,811 | 25% | 23,751,257 |
| Manufacturing | 32,235,242 | 16% | 9,508,783 |
| Renting and business activities | 30,560,093 | 16% | 20,160,951 |
| Real estate | 27,733,878 | 14% | 26,605,278 |
| Construction | 9,639,581 | 5% | 7,110,901 |
| Transportation, storage and postal services | 6,961,097 | 4% | 2,709,255 |
| Accommodation and catering | 6,164,209 | 3% | 5,477,550 |
| Mining | 3,969,500 | 2% | 418,500 |
| Public administration and social organisations | 3,734,860 | 2% | 3,430,000 |
| Production and supply of electric power, gas and water | 3,371,205 | 2% | 1,256,205 |
| Household and other services | 2,598,400 | 1% | 1,014,400 |
| Culture, sports and entertainment | 1,936,105 | 1% | 686,446 |
| Agriculture, forestry, animal husbandry and fishery | 1,615,558 | 1% | 441,558 |
| Others | 8,588,902 | 4% | 3,062,919 |
| Sub-total of corporate loans and advances | 188,488,441 | 96% | 105,634,003 |
| Personal loans and advances | 6,897,064 | 4% | 5,263,385 |
| Discounted bills | 74,860 | 0% | 74,860 |
| Gross loans and advances to customers | 195,460,365 | 100% | 110,972,248 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Analysed by economic sector (Continued)

| | 31 December 2014 | | Loans and advances secured by collaterals |
|--|------------------|------------|---|
| | Amount | Percentage | |
| Wholesale and retail trade | 34,341,961 | 22% | 15,841,123 |
| Manufacturing | 30,069,918 | 19% | 7,708,635 |
| Real estate | 27,654,699 | 17% | 26,946,699 |
| Renting and business activities | 19,311,391 | 12% | 14,556,981 |
| Construction | 10,093,958 | 6% | 7,421,778 |
| Transportation, storage and postal services | 4,847,454 | 3% | 1,728,954 |
| Production and supply of electric power, gas and water | 4,461,550 | 3% | 1,432,550 |
| Public administration and social organisations | 4,198,260 | 3% | 3,885,830 |
| Mining | 3,539,000 | 2% | 416,000 |
| Culture, sports and entertainment | 3,155,900 | 2% | 449,900 |
| Accommodation and catering | 2,360,380 | 2% | 2,169,110 |
| Agriculture, forestry, animal husbandry and fishery | 1,493,140 | 1% | 119,200 |
| Household and other services | 883,350 | 1% | 663,150 |
| Others | 6,371,600 | 4% | 2,818,550 |
| Sub-total of corporate loans and advances | 152,782,561 | 97% | 86,158,460 |
| Personal loans and advances | 5,275,642 | 3% | 4,218,853 |
| Discounted bills | 586,296 | 0% | 586,296 |
| Gross loans and advances to customers | 158,644,499 | 100% | 90,963,609 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Analysed by economic sector (Continued)

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each economic sector which constitutes 10% or more of gross loans and advances to customers is as follows:

| | 31 December 2015 | | | | |
|---------------------------------|-----------------------------|---|---|------------------------------------|-----------------------------|
| | Impaired loans and advances | Individually assessed provision for impairment losses | Collectively assessed provision for impairment losses | Impairment charged during the year | Written-off during the year |
| Wholesale and retail trade | 91,029 | 35,018 | 891,606 | 454,420 | 114,675 |
| Manufacturing | 415,424 | 147,415 | 582,283 | 171,149 | 16,300 |
| Real estate | 129,812 | 41,350 | 608,545 | 19,218 | – |
| Renting and business activities | – | – | 585,950 | 301,495 | – |

| | 31 December 2014 | | | | |
|---------------------------------|-----------------------------|---|---|------------------------------------|-----------------------------|
| | Impaired loans and advances | Individually assessed provision for impairment losses | Collectively assessed provision for impairment losses | Impairment charged during the year | Written-off during the year |
| Wholesale and retail trade | 20,529 | 11,611 | 460,593 | 214,169 | 13,383 |
| Manufacturing | 278,716 | 123,284 | 435,265 | 207,899 | 9,799 |
| Real estate | 228,522 | 77,595 | 553,082 | 45,435 | 4,660 |
| Renting and business activities | – | – | 284,455 | 165,962 | – |

(3) Analysed by type of collateral

| | 31 December 2015 | 31 December 2014 |
|---|------------------|------------------|
| Unsecured loans | 17,866,216 | 17,222,645 |
| Guaranteed loans | 66,621,901 | 50,458,245 |
| Loans secured by tangible assets other than monetary assets | 95,958,742 | 79,391,566 |
| Loans secured by intangible assets or monetary assets | 15,013,506 | 11,572,043 |
| Gross loans and advances to customers | 195,460,365 | 158,644,499 |
| Less: Provision for impairment losses | | |
| – Individually assessed | (286,754) | (264,591) |
| – Collectively assessed | (3,641,876) | (2,433,044) |
| Total provision for impairment losses | (3,928,630) | (2,697,635) |
| Net loans and advances to customers | 191,531,735 | 155,946,864 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Overdue loans analysed by overdue period

| | 31 December 2015 | | | | Total |
|---|---|--|---|-------------------------------|------------------|
| | Overdue within three months (inclusive) | Overdue more than three months to one year (inclusive) | Overdue more than one year to three years (inclusive) | Overdue more than three years | |
| Unsecured loans | 5,101 | 13,188 | 1,196 | 453 | 19,938 |
| Guaranteed loans | 179,000 | 37,380 | 12,380 | 18,724 | 247,484 |
| Loans secured by tangible assets other than monetary assets | 276,999 | 349,316 | 13,043 | 57,738 | 697,096 |
| Loans secured by intangible assets or monetary assets | 15,000 | 1,400 | 70,000 | – | 86,400 |
| Total | 476,100 | 401,284 | 96,619 | 76,915 | 1,050,918 |
| As a percentage of gross loans and advances to customers | 0.24% | 0.21% | 0.05% | 0.04% | 0.54% |

| | 31 December 2014 | | | | Total |
|---|---|--|---|-------------------------------|----------------|
| | Overdue within three months (inclusive) | Overdue more than three months to one year (inclusive) | Overdue more than one year to three years (inclusive) | Overdue more than three years | |
| Unsecured loans | 9,212 | 3,079 | 2,743 | 22,622 | 37,656 |
| Guaranteed loans | 5,810 | 28,380 | 4,700 | 18,174 | 57,064 |
| Loans secured by tangible assets other than monetary assets | 11,876 | 149,298 | 88,650 | 79,391 | 329,215 |
| Loans secured by intangible assets or monetary assets | – | 70,000 | – | – | 70,000 |
| Total | 26,898 | 250,757 | 96,093 | 120,187 | 493,935 |
| As a percentage of gross loans and advances to customers | 0.01% | 0.16% | 0.06% | 0.08% | 0.31% |

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Loans and advances and provision for impairment losses

| | 31 December 2015 | | | Total | Gross impaired loans and advances as a percentage of gross loans and advances |
|---------------------------------------|--|--|--|--------------------|---|
| | (Note (i)) Loans and advances for which provision are collectively assessed | (Note (ii)) Impaired loans and advances for which provision are collectively assessed | (Note (ii)) for which provision are individually assessed | | |
| Gross loans and advances to customers | 194,645,938 | 30,003 | 784,424 | 195,460,365 | 0.42% |
| Less: Provision for impairment losses | (3,612,734) | (29,142) | (286,754) | (3,928,630) | |
| Net loans and advances to customers | <u>191,033,204</u> | <u>861</u> | <u>497,670</u> | <u>191,531,735</u> | |

| | 31 December 2014 | | | Total | Gross impaired loans and advances as a percentage of gross loans and advances |
|---------------------------------------|--|--|--|--------------------|---|
| | (Note (i)) Loans and advances for which provision are collectively assessed | (Note (ii)) Impaired loans and advances for which provision are collectively assessed | (Note (ii)) for which provision are individually assessed | | |
| Gross loans and advances to customers | 157,948,193 | 53,239 | 643,067 | 158,644,499 | 0.44% |
| Less: Provision for impairment losses | (2,380,044) | (53,000) | (264,591) | (2,697,635) | |
| Net loans and advances to customers | <u>155,568,149</u> | <u>239</u> | <u>378,476</u> | <u>155,946,864</u> | |

Notes:

- (i) Loans and advances collectively assessed for impairment bear relatively insignificant risk of impairment. These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:
 - Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
 - Collectively, representing portfolios of homogeneous loans with insignificant amount (including personal loans and advances which are graded substandard, doubtful or loss).
- (iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 38(1).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(6) Movements of provision for impairment losses

| | Provision for loans and advances which are collectively assessed | 2015 | | Total |
|-----------------------|--|---|---|------------------|
| | | Provision for impaired loans and advances which are collectively assessed | Provision for impaired loans and advances which are individually assessed | |
| As at 1 January | 2,380,044 | 53,000 | 264,591 | 2,697,635 |
| Charge for the year | 1,960,475 | 27,526 | 351,375 | 2,339,376 |
| Release for the year | (517,785) | (37,068) | (157,570) | (712,423) |
| Disposal for the year | (210,000) | – | – | (210,000) |
| Unwinding of discount | – | – | (26,074) | (26,074) |
| Write-offs | – | (14,316) | (151,000) | (165,316) |
| Recoveries | – | – | 5,432 | 5,432 |
| As at 31 December | <u>3,612,734</u> | <u>29,142</u> | <u>286,754</u> | <u>3,928,630</u> |

| | Provision for loans and advances which are collectively assessed | 2014 | | Total |
|-----------------------|--|---|---|------------------|
| | | Provision for impaired loans and advances which are collectively assessed | Provision for impaired loans and advances which are individually assessed | |
| As at 1 January | 1,614,987 | 35,435 | 228,496 | 1,878,918 |
| Charge for the year | 777,661 | 17,565 | 79,040 | 874,266 |
| Release for the year | (12,604) | – | (720) | (13,324) |
| Unwinding of discount | – | – | (12,402) | (12,402) |
| Write-offs | – | – | (31,389) | (31,389) |
| Recoveries | – | – | 1,566 | 1,566 |
| As at 31 December | <u>2,380,044</u> | <u>53,000</u> | <u>264,591</u> | <u>2,697,635</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Analysed by geographical sector (Note (i))

| | 31 December 2015 | | |
|---------------------------------------|--------------------|-------------|---|
| | Loans balance | Percentage | Loans and advances secured by collaterals |
| Northeast China | 155,149,830 | 79% | 94,333,877 |
| Northern China | 33,332,869 | 17% | 10,718,185 |
| Others | 6,977,666 | 4% | 5,920,186 |
| Gross loans and advances to customers | <u>195,460,365</u> | <u>100%</u> | <u>110,972,248</u> |

| | 31 December 2014 | | |
|---------------------------------------|--------------------|-------------|---|
| | Loans balance | Percentage | Loans and advances secured by collaterals |
| Northeast China | 124,661,981 | 79% | 78,557,169 |
| Northern China | 29,667,762 | 19% | 8,982,404 |
| Others | 4,314,756 | 2% | 3,424,036 |
| Gross loans and advances to customers | <u>158,644,499</u> | <u>100%</u> | <u>90,963,609</u> |

Note:

- (i) The definitions of the geographical sectors are set out in note 37(2).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Analysed by geographical sector (Note (i)) (Continued)

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of each geographic sector which constitutes 10% or more of gross loans and advances to customers is as follows:

| | 31 December 2015 | | |
|-----------------|-----------------------------|---|---|
| | Impaired loans and advances | Individually assessed provision for impairment losses | Collectively assessed provision for impairment losses |
| Northeast China | 810,427 | 313,619 | 2,870,524 |
| North China | – | – | 610,421 |

| | 31 December 2014 | | |
|-----------------|-----------------------------|---|---|
| | Impaired loans and advances | Individually assessed provision for impairment losses | Collectively assessed provision for impairment losses |
| Northeast China | 692,306 | 262,774 | 1,956,258 |
| North China | – | – | 402,210 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS

| | Note | 31 December 2015 | 31 December 2014 |
|-------------------------------------|-------|---------------------|---------------------|
| Available-for-sale financial assets | 20(1) | 27,359,926 | 25,437,142 |
| Held-to-maturity investments | 20(2) | 51,761,238 | 40,627,467 |
| Loans and receivables | 20(3) | 234,508,219 | 86,122,195 |
| Total | | <u>313,629,383</u> | <u>152,186,804</u> |

(1) Available-for-sale financial assets

| | Note | 31 December 2015 | 31 December 2014 |
|--|----------|---------------------|---------------------|
| Debt securities at fair value listed outside Hong Kong | | | |
| – Government | | 5,144,025 | 5,290,437 |
| – Policy banks | | 20,186,078 | 17,400,409 |
| – Banks and other financial institutions | | 550,447 | 2,165,870 |
| – Corporate | | 1,203,451 | 304,501 |
| Sub-total | | <u>27,084,001</u> | <u>25,161,217</u> |
| Equity investment | | | |
| – Unlisted | 20(1)(i) | 275,925 | 275,925 |
| Total | | <u>27,359,926</u> | <u>25,437,142</u> |

The Group did not reclassify any other financial investments in and out from available-for-sale category for the year ended 31 December 2015 and 2014.

Note:

- (i) There is no active market for certain available-for-sale unlisted equity investments and it is the Group's intention to dispose of them as opportunities arise.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (Continued)

(2) Held-to-maturity investments

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Listed outside Hong Kong | | |
| – Government | 14,188,964 | 12,812,548 |
| – Policy banks | 30,504,007 | 25,867,731 |
| – Banks and other financial institutions | 3,348,001 | 1,027,218 |
| – Corporate | 3,720,266 | 919,970 |
| Total | <u>51,761,238</u> | <u>40,627,467</u> |
| Fair value of listed securities | <u>53,157,521</u> | <u>40,564,474</u> |

(3) Loans and receivables

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Investment management products managed by securities companies | 157,543,148 | 60,179,090 |
| Investment management products under trust scheme | 54,968,071 | 24,603,105 |
| Wealth management products issued by financial institutions | 22,630,000 | 830,000 |
| Debt securities | – | 600,000 |
| Sub-total | <u>235,141,219</u> | <u>86,212,195</u> |
| Less: Provisions for loans and receivables | <u>(633,000)</u> | <u>(90,000)</u> |
| Total | <u>234,508,219</u> | <u>86,122,195</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

21 INVESTMENTS IN SUBSIDIARIES

The Bank

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Shenyang Shenbei Fumin Village Bank Co., Ltd. ("Shenyang Shenbei") | 35,321 | 35,321 |
| Shenyang Xinmin Fumin Village Bank Co., Ltd. ("Shenyang Xinmin") | 6,230 | 6,230 |
| Shenyang Faku Fumin Village Bank Co., Ltd. ("Shenyang Faku") | 6,262 | 6,262 |
| Shenyang Liaozhong Fumin Village Bank Co., Ltd. ("Shenyang Liaozhong") | 6,097 | 6,097 |
| Ningbo Jiangbei Fumin Rural Bank Co., Ltd. ("Ningbo Jiangbei") | 30,039 | 30,039 |
| Shanghai Baoshan Fumin Rural Bank Co., Ltd. ("Shanghai Baoshan") | 62,208 | 62,208 |
| Total | 146,157 | 146,157 |

As at 31 December 2015, background of the subsidiaries is as follows:

| | Notes | Date of incorporation | Place of incorporation, registration and operations | Registered capital | Percentage owned by the Bank | Business sector |
|--------------------|-------|--------------------------|--|-----------------------|------------------------------------|--------------------|
| Shenyang Shenbei | 21(1) | 09/02/2009 | Liaoning, China | 150,000 | 20% | Banking |
| Shenyang Xinmin | 21(2) | 25/06/2010 | Liaoning, China | 30,000 | 20% | Banking |
| Shenyang Faku | 21(3) | 26/10/2010 | Liaoning, China | 30,000 | 20% | Banking |
| Shenyang Liaozhong | 21(4) | 26/11/2010 | Liaoning, China | 30,000 | 20% | Banking |
| Ningbo Jiangbei | 21(5) | 17/08/2011 | Zhejiang, China | 100,000 | 30% | Banking |
| Shanghai Baoshan | 21(6) | 09/09/2011 | Shanghai, China | 150,000 | 40% | Banking |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

21 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- (1) According to the revised Articles of Association of Shenyang Shenbei approved by the General Meeting held in June 2012, the financial and operational decisions of Shenyang Shenbei were made by the Bank. The Bank also agreed with seven shareholders who held in total 61.34% of ownership and voting power of Shenyang Shenbei that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Shenbei and classified its investment in Shenyang Shenbei as investments in subsidiaries.
- (2) According to the revised Articles of Association of Shenyang Xinmin approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Xinmin were made by the Bank. The Bank also agreed with eight shareholders who held in total 55% of ownership and voting power of Shenyang Xinmin that these eight shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Xinmin and classified its investment in Shenyang Xinmin as investments in subsidiaries.
- (3) According to the revised Articles of Association of Shenyang Faku approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Faku were made by the Bank. The Bank also agreed with seven shareholders who held in total 50% of ownership and voting power of Shenyang Faku that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Faku and classified its investment in Shenyang Faku as investments in subsidiaries.
- (4) According to the revised Articles of Association of Shenyang Liaozhong approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Liaozhong were made by the Bank. The Bank also agreed with eleven shareholders who held in total 70% of ownership and voting power of Shenyang Liaozhong that these eleven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Liaozhong and classified its investment in Shenyang Liaozhong as investments in subsidiaries.
- (5) According to the revised Articles of Association of Ningbo Jiangbei approved by the General Meetings held in June 2012, the financial and operational decisions of Ningbo Jiangbei were made by the Bank. The Bank also agreed with six shareholders who held in total 50% of ownership and voting power of Ningbo Jiangbei that these six shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Ningbo Jiangbei and classified its investment in Ningbo Jiangbei as investments in subsidiaries.
- (6) According to the revised Articles of Association of Shanghai Baoshan approved by the General Meetings held in June 2012, the financial and operational decisions of Shanghai Baoshan were made by the Bank. The Bank also agreed with four shareholders who held in total 35.33% of ownership and voting power of Shanghai Baoshan that these four shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shanghai Baoshan and classified its investment in Shanghai Baoshan as investments in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 PROPERTY AND EQUIPMENT

| | Premises | Leasehold improvement | CIP | Office equipment | Others | Total |
|--|-----------|-----------------------|-----------|------------------|----------|-------------|
| Cost | | | | | | |
| As at 1 January 2014 | 2,459,706 | 413,879 | 439,760 | 339,052 | 86,526 | 3,738,923 |
| Additions | 262,790 | 36,180 | 956,408 | 82,392 | 2,993 | 1,340,763 |
| CIP transfers | 115,458 | 6,209 | (121,667) | – | – | – |
| Disposals | (57,183) | – | – | (1,982) | – | (59,165) |
| As at 31 December 2014 and 1 January 2015 | 2,780,771 | 456,268 | 1,274,501 | 419,462 | 89,519 | 5,020,521 |
| Additions | 39,234 | 10,233 | 767,997 | 129,372 | 10,757 | 957,593 |
| CIP transfers | 126,868 | 64,358 | (191,226) | – | – | – |
| Disposals | – | – | – | (101) | (2,878) | (2,979) |
| As at 31 December 2015 | 2,946,873 | 530,859 | 1,851,272 | 548,733 | 97,398 | 5,975,135 |
| Accumulated depreciation | | | | | | |
| As at 1 January 2014 | (736,186) | (217,857) | – | (207,677) | (54,742) | (1,216,462) |
| Additions | (122,909) | (49,355) | – | (54,103) | (12,683) | (239,050) |
| Disposals | 31,256 | – | – | 1,913 | – | 33,169 |
| As at 31 December 2014 and 1 January 2015 | (827,839) | (267,212) | – | (259,867) | (67,425) | (1,422,343) |
| Additions | (146,142) | (52,529) | – | (77,536) | (10,955) | (287,162) |
| Disposals | – | – | – | 97 | 2,807 | 2,904 |
| As at 31 December 2015 | (973,981) | (319,741) | – | (337,306) | (75,573) | (1,706,601) |
| Net book value | | | | | | |
| As at 31 December 2014 | 1,952,932 | 189,056 | 1,274,501 | 159,595 | 22,094 | 3,598,178 |
| As at 31 December 2015 | 1,972,892 | 211,118 | 1,851,272 | 211,427 | 21,825 | 4,268,534 |

The carrying amount of premises without title deeds as at 31 December 2015 was RMB290.17 million (31 December 2014: RMB292.75 million). The Group is still in the progress of application for the outstanding title deeds for the above premises. Management of the Group expected that there would be no significant cost in obtaining the title deeds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 PROPERTY AND EQUIPMENT (Continued)

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Held in mainland China | | |
| – Long term leases (over 50 years) | 51,071 | 71,922 |
| – Medium term leases (10-50 years) | 1,835,297 | 1,790,248 |
| – Short term leases (less than 10 years) | 86,524 | 90,762 |
| Total | 1,972,892 | 1,952,932 |

23 DEFERRED INCOME TAX ASSETS AND LIABILITIES

(1) Analysed by nature

| | 31 December 2015 | | 31 December 2014 | |
|--|--|--|--|--|
| | Deductible/ (taxable) temporary differences | Deferred income tax assets/ (liabilities) | Deductible/ (taxable) temporary differences | Deferred income tax assets/ (liabilities) |
| Deferred income tax assets: | | | | |
| Allowance for impairment losses | 2,565,508 | 641,377 | 1,194,456 | 298,614 |
| Supplementary retirement benefits | 126,107 | 31,527 | 127,066 | 31,766 |
| | <u>2,691,615</u> | <u>672,904</u> | <u>1,321,522</u> | <u>330,380</u> |
| Deferred income tax liabilities: | | | | |
| Change in fair value of available-for-sale financial assets | (830,884) | (207,721) | (757,174) | (189,293) |
| Change in fair value of financial assets at fair value through profit or loss | (1,176) | (294) | – | – |
| | <u>(832,060)</u> | <u>(208,015)</u> | <u>(757,174)</u> | <u>(189,293)</u> |
| Net deferred income tax | 1,859,555 | 464,889 | 564,348 | 141,087 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(2) Analysed by movement

| | At 1 January 2015 | Recognised in profit or loss | Recognised in other comprehensive income | At 31 December 2015 |
|--|-------------------------|---------------------------------|---|---------------------------|
| Deferred income tax assets: | | | | |
| Allowance for impairment losses | 298,614 | 342,763 | – | 641,377 |
| Supplementary retirement benefits | 31,766 | (1,179) | 940 | 31,527 |
| Sub-total | 330,380 | 341,584 | 940 | 672,904 |
| Deferred income tax liabilities: | | | | |
| Change in fair value of available-for-sale financial assets | (189,293) | – | (18,428) | (207,721) |
| Change in fair value of financial assets at fair value through profit or loss | – | (294) | – | (294) |
| Sub-total | (189,293) | (294) | (18,428) | (208,015) |
| Net deferred income tax | 141,087 | 341,290 | (17,488) | 464,889 |

| | At January 2014 | Recognised in profit or loss | Recognised in other comprehensive income | At 31 December 2014 |
|--|-----------------------|---------------------------------|---|---------------------------|
| Deferred income tax assets: | | | | |
| Allowance for impairment losses | 122,279 | 176,335 | – | 298,614 |
| Change in fair value of available-for-sale financial assets | 83,844 | – | (83,844) | – |
| Supplementary retirement benefits | 32,091 | (2,037) | 1,712 | 31,766 |
| Sub-total | 238,214 | 174,298 | (82,132) | 330,380 |
| Deferred income tax liabilities: | | | | |
| Change in fair value of available-for-sale financial assets | – | – | (189,293) | (189,293) |
| Sub-total | – | – | (189,293) | (189,293) |
| Net deferred income tax | 238,214 | 174,298 | (271,425) | 141,087 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

24 OTHER ASSETS

| | Note | 31 December 2015 | 31 December 2014 |
|----------------------------------|-------|---------------------|---------------------|
| Interest receivable | 24(1) | 6,855,568 | 5,379,593 |
| Prepayments | | 667,472 | 142,134 |
| Land use rights | | 65,727 | 69,321 |
| Intangible assets | 24(2) | 61,209 | 43,782 |
| Repossessed assets | 24(3) | 136,733 | 14,440 |
| Long-term deferred expense | | 10,296 | 12,620 |
| Settlement and clearing accounts | | 48,017 | 2,674 |
| Others | 24(4) | 751,341 | 737,334 |
| Total | | 8,596,363 | 6,401,898 |

(1) Interest receivable

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Interest receivable arising from: | | |
| – Deposits with banks and other financial institutions | 2,368,302 | 2,851,517 |
| – Investments | 3,999,790 | 2,092,537 |
| – Loans and advances to customers | 483,967 | 432,472 |
| – Others | 3,509 | 3,067 |
| Total | 6,855,568 | 5,379,593 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

24 OTHER ASSETS (Continued)

(2) Intangible assets

| | 2015 | 2014 |
|---------------------------------|----------|----------|
| Cost | | |
| As at 1 January | 97,558 | 85,225 |
| Additions | 25,206 | 12,333 |
| As at 31 December | 122,764 | 97,558 |
| Accumulated amortisation | | |
| As at 1 January | (53,776) | (46,494) |
| Additions | (7,779) | (7,282) |
| As at 31 December | (61,555) | (53,776) |
| Net value | | |
| As at 1 January | 43,782 | 38,731 |
| As at 31 December | 61,209 | 43,782 |

Intangible assets of the Group mainly represent computer software.

(3) Repossessed assets

| | 31 December 2015 | 31 December 2014 |
|-------------------------------|---------------------|---------------------|
| Land use rights and buildings | 136,733 | 14,440 |
| Sub-total | 136,733 | 14,440 |
| Less: Impairment allowance | — | — |
| | 136,733 | 14,440 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

24 OTHER ASSETS (Continued)

(4) Others

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Receivable due from disposal of non-performing assets (Note (i)) | 726,124 | 756,124 |
| Others | 95,605 | 56,174 |
| Sub-total | 821,729 | 812,298 |
| Less: Impairment allowance | (70,388) | (74,964) |
| | <u>751,341</u> | <u>737,334</u> |

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|---------------------|---------------------|
| Deposits in mainland China | | |
| – Banks | 51,352,434 | 86,246,532 |
| – Other financial institutions | 49,264,719 | 5,826,391 |
| Total | <u>100,617,153</u> | <u>92,072,923</u> |

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|---------------------|---------------------|
| Placements in mainland China | | |
| – Banks | 11,240,597 | 1,893,205 |
| – Other financial institutions | 129,872 | 1,774,510 |
| Total | <u>11,370,469</u> | <u>3,667,715</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|---------------------|---------------------|
| In mainland China | | |
| – Banks | 47,085,568 | 41,939,973 |
| – Other financial institutions | – | 150,000 |
| Total | <u>47,085,568</u> | <u>42,089,973</u> |

(2) Analysed by type of security held

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Debt securities sold under repurchase agreements | 47,045,830 | 42,062,620 |
| Bills sold under repurchase agreements | 39,738 | 27,353 |
| Total | <u>47,085,568</u> | <u>42,089,973</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

28 DEPOSITS FROM CUSTOMERS

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Demand deposits | | |
| – Corporate deposits | 72,780,720 | 73,249,527 |
| – Personal deposits | 11,771,895 | 11,499,217 |
| Sub-total | 84,552,615 | 84,748,744 |
| Time deposits | | |
| – Corporate deposits | 168,423,885 | 117,297,799 |
| – Personal deposits | 96,685,647 | 75,193,690 |
| Sub-total | 265,109,532 | 192,491,489 |
| Pledged deposits | | |
| – Acceptances | 50,969,515 | 36,510,059 |
| – Letters of credit | 447,065 | 670,179 |
| – Letters of guarantees | 877,277 | 505,736 |
| – Others | 277,404 | 819,160 |
| Sub-total | 52,571,261 | 38,505,134 |
| Inward and outward remittances | 145,678 | 198,422 |
| Total deposits from customers at amortised cost | 402,379,086 | 315,943,789 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

29 DEBT SECURITIES ISSUED

| | Note | 31 December 2015 | 31 December 2014 |
|---|-------|---------------------|---------------------|
| Subordinated fixed rate debts maturing in November 2021 | 29(1) | 900,000 | 900,000 |
| Tier two capital fixed rate debts maturing in May 2024 | 29(2) | 2,200,000 | 2,200,000 |
| Tier two capital fixed rate debts maturing in December 2025 | 29(3) | 10,000,000 | – |
| Certificates of interbank deposit | 29(4) | 65,385,436 | – |
| Total | | 78,485,436 | 3,100,000 |

Notes:

- (1) Subordinated fixed rate debts of RMB0.9 billion with a term of ten years were issued on 3 November 2011. The coupon rate is 6.5%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (2) Tier two capital fixed rate debts of RMB2.2 billion with a term of ten years were issued on 28 May 2014. The coupon rate is 6.18%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (3) Tier two capital fixed rate debts of RMB10.0 billion with a term of ten years were issued on 4 December 2015. The coupon rate is 4.57%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (4) As at 31 December 2015, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB65,167 million.

30 OTHER LIABILITIES

| | Note | 31 December 2015 | 31 December 2014 |
|--|-------|---------------------|---------------------|
| Interest payable | 30(1) | 9,816,616 | 7,339,691 |
| Payment and collection clearance accounts | | 1,228,072 | 474,706 |
| Accrued staff cost | 30(2) | 436,809 | 419,325 |
| Taxes payable | 30(3) | 402,733 | 286,355 |
| Dividend payable | | 104,075 | 65,164 |
| Dormant accounts | | 35,994 | 34,592 |
| Deferred income | | 33,060 | 195,313 |
| Amount due to National Council for Social Security Fund of the PRC | | – | 745,179 |
| Others | | 340,311 | 123,500 |
| Total | | 12,397,670 | 9,683,825 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 OTHER LIABILITIES (Continued)

(1) Interest payable

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Interest payable arising from: | | |
| – Deposits from customers | 7,129,549 | 5,498,078 |
| – Deposits from banks and other financial institutions | 2,528,295 | 1,513,707 |
| – Debt securities issued | 120,712 | 90,246 |
| – Placements from banks and other financial institutions | 19,951 | 9,106 |
| – Financial assets sold under repurchase agreements | 9,632 | 228,554 |
| – Borrowings from central bank | 8,477 | – |
| Total | 9,816,616 | 7,339,691 |

(2) Accrued staff cost

| | Note | 31 December 2015 | 31 December 2014 |
|---|----------|---------------------|---------------------|
| Salary, bonuses and allowances payable | | 182,035 | 203,685 |
| Pension and annuity payable | 30(2)(a) | 60,673 | 44,307 |
| Supplementary retirement benefits payable | 30(2)(b) | 126,107 | 127,066 |
| Housing allowances payable | | 29,989 | 29,534 |
| Other social insurance payable | | 31,294 | 11,357 |
| Others | | 6,711 | 3,376 |
| Total | | 436,809 | 419,325 |

(a) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stimulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 OTHER LIABILITIES (Continued)

(2) Accrued staff cost (Continued)

(b) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The Group accounts for the respective obligations in accordance with the accounting policies in Note 2(14).

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation. The Group accounted for the respective obligations in accordance with the accounting policies in Note 2(14).

(i) The balances of supplementary retirement benefits of the Group are as follows:

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Present value of early retirement plan | 85,252 | 91,895 |
| Present value of supplementary retirement plan | 40,855 | 35,171 |
| Total | <u>126,107</u> | <u>127,066</u> |

(ii) The movements of supplementary retirement benefits of the Group are as follows:

| | 2015 | 2014 |
|---|----------------|----------------|
| As at 1 January | 127,066 | 128,364 |
| Benefits paid during the year | (17,028) | (19,159) |
| Defined benefit cost recognised in profit or loss | 12,312 | 11,010 |
| Defined benefit cost recognised in other comprehensive income | 3,757 | 6,851 |
| As at 31 December | <u>126,107</u> | <u>127,066</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 OTHER LIABILITIES (Continued)

(2) Accrued staff cost (Continued)

(b) Supplementary retirement benefits (Continued)

Supplementary retirement plan (Continued)

(iii) Principal actuarial assumptions of the Group are as follows:

| Early retirement plan | 31 December 2015 | 31 December 2014 |
|---|-----------------------|-----------------------|
| Discount rate | 2.75% | 3.50% |
| Mortality | Note 30(2)(b)(iii)(I) | Note 30(2)(b)(iii)(I) |
| Retired age | | |
| – Male | 60 | 60 |
| – Female | 55 | 55 |
| Annual increase rate of internal salary | 4.00% | 4.00% |

| Supplementary retirement plan | 31 December 2015 | 31 December 2014 |
|-------------------------------|-----------------------|-----------------------|
| Discount rate | 3.75% | 4.00% |
| Mortality | Note 30(2)(b)(iii)(I) | Note 30(2)(b)(iii)(I) |
| Turnover rate | 3.00% | 3.00% |
| Retired age | | |
| – Male | 60 | 60 |
| – Female | 55 | 55 |

Note:

(I) Mortality assumptions are based on China Life Insurance Annuity Table (2000-2003) in China Life Insurance Mortality Table compiled by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

(3) Taxes payable

| | 31 December 2015 | 31 December 2014 |
|-------------------------------------|---------------------|---------------------|
| Business tax and surcharges payable | 402,733 | 278,119 |
| Others | – | 8,236 |
| Total | 402,733 | 286,355 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

31 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the reporting period are set out below:

| | Note | Share capital | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Deficit on remeasurement of net defined benefit liability | Retained earnings | Total |
|------------------------------------|------|---------------|-----------------|-----------------|-----------------|--------------------------------|---|-------------------|-------------|
| Balance at 1 January 2015 | | 5,646,005 | 11,106,917 | 2,733,397 | 3,542,926 | 567,881 | (2,309) | 12,085,324 | 35,680,141 |
| Profit for the year | | - | - | - | - | - | - | 6,206,164 | 6,206,164 |
| Other comprehensive income | | - | - | - | - | 55,282 | (2,817) | - | 52,465 |
| Total comprehensive income | | - | - | - | - | 55,282 | (2,817) | 6,206,164 | 6,258,629 |
| Changes in share capital | | | | | | | | | |
| - Issue of H-shares | 32 | 150,675 | 748,588 | - | - | - | - | - | 899,263 |
| Appropriation of profit: | | | | | | | | | |
| - Appropriation to surplus reserve | 34 | - | - | 1,160,449 | - | - | - | (1,160,449) | - |
| - Appropriation to general reserve | 34 | - | - | - | 2,630,704 | - | - | (2,630,704) | - |
| - Cash dividends | 34 | - | - | - | - | - | - | (1,594,087) | (1,594,087) |
| Sub-total | | - | - | 1,160,449 | 2,630,704 | - | - | (5,385,240) | (1,594,087) |
| Balance at 31 December 2015 | | 5,796,680 | 11,855,505 | 3,893,846 | 6,173,630 | 623,163 | (5,126) | 12,906,248 | 41,243,946 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

31 MOVEMENT IN COMPONENTS OF EQUITY (Continued)

| | Note | Share capital | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Surplus/(deficit) on remeasurement of net defined benefit liability | Retained earnings | Total |
|------------------------------------|------|---------------|-----------------|-----------------|-----------------|--------------------------------|---|-------------------|------------|
| Balance at 1 January 2014 | | 4,096,005 | 3,822,383 | 1,709,163 | 3,317,751 | (251,534) | 2,830 | 8,346,012 | 21,042,610 |
| Profit for the year | | - | - | - | - | - | - | 5,398,322 | 5,398,322 |
| Other comprehensive income | | - | - | - | - | 819,415 | (5,139) | - | 814,276 |
| Total comprehensive income | | - | - | - | - | 819,415 | (5,139) | 5,398,322 | 6,212,598 |
| Changes in share capital | | | | | | | | | |
| - Capital contributed by owners | 32 | 300,000 | 1,350,000 | - | - | - | - | - | 1,650,000 |
| - Issue of H-shares | 32 | 1,250,000 | 5,934,534 | - | - | - | - | - | 7,184,534 |
| Sub-total | | 1,550,000 | 7,284,534 | - | - | - | - | - | 8,834,534 |
| Appropriation of profit: | | | | | | | | | |
| - Appropriation to surplus reserve | 34 | - | - | 1,024,234 | - | - | - | (1,024,234) | - |
| - Appropriation to general reserve | 34 | - | - | - | 225,175 | - | - | (225,175) | - |
| - Cash dividends | 34 | - | - | - | - | - | - | (409,601) | (409,601) |
| Sub-total | | - | - | 1,024,234 | 225,175 | - | - | (1,659,010) | (409,601) |
| Balance at 31 December 2014 | | 5,646,005 | 11,106,917 | 2,733,397 | 3,542,926 | 567,881 | (2,309) | 12,085,324 | 35,680,141 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

32 SHARE CAPITAL

Issued share capital

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Number of shares, issued and fully paid at par value (in thousands) | 5,796,680 | 5,646,005 |

In January 2015, the Bank partially exercised the over-allotment option and issued 150,675,000 H-shares with a par value of RMB1 at an offering price of HKD7.56 per share. The premium arising from the offering amounting to RMB749 million was recorded in capital reserve.

In December 2014, the Bank issued 1,250 million H-shares with a par value of RMB1 at an offering price of HKD7.56 per share (the "H-share offering"). The premium arising from the H-share offering amounting to RMB5,935 million was recorded in capital reserve.

In April 2014, the Bank issued 300 million ordinary shares with a par value of RMB1 at RMB5.5 per share. The premium arising from the issuance of new shares amounting to RMB1,350 million was recorded in capital reserve.

33 RESERVES

(1) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

(2) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% of its net profit according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank also appropriates discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(3) General reserve

From 1 July 2012, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin 2012] No. 20)" issued by the MOF on 20 March 2012, the Group is required to set aside a general reserve through its profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets by 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

33 RESERVES (Continued)

(4) Investment revaluation reserve

| | 2015 | 2014 |
|---|-----------|-----------|
| As at 1 January | 567,881 | (251,534) |
| Change in fair value recognised in other comprehensive income | 635,748 | 1,083,406 |
| Less: deferred income tax | (158,937) | (270,851) |
| Transfer to profit or loss upon disposal | (562,038) | 9,146 |
| Less: deferred income tax | 140,509 | (2,286) |
| Sub-total | 55,282 | 819,415 |
| As at 31 December | 623,163 | 567,881 |

(5) Surplus/(deficit) on remeasurement of net defined benefit liability

Surplus/(deficit) on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

(6) Retained earnings

As at 31 December 2015, the retained earnings included the statutory surplus reserve of RMB2.87 million (31 December 2014: RMB2.46 million), appropriated by the subsidiaries and attributable to the Bank, of which RMB0.41 million (2014: RMB0.66 million) was appropriated by the subsidiaries for the year then ended. The statutory surplus reserve in retained earnings which is contributed by subsidiaries cannot be further distributed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

34 PROFIT DISTRIBUTION

(1) In accordance with the resolution of the Bank's Board of directors meeting on 18 March 2016, the proposed profit distribution plan for the year ended 31 December 2015 is as follows:

- Appropriate 10% of the profit after tax to the statutory surplus reserve fund;
- Appropriate RMB620.62 million to the discretionary surplus reserve fund;
- Appropriate RMB3,090.36 million to the general reserve;
- Declare cash dividends of RMB2.80 per ten shares before tax and in aggregation of RMB1,623.07 million to all shareholders.

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

(2) In accordance with the resolution of the Bank's 2014 Annual General Meeting held on 26 May 2015, the shareholders approved the following profit distribution plan for the year ended 31 December 2014:

- Appropriated 10% of the profit after tax to the statutory surplus reserve fund;
- Appropriated RMB539.83 million to the discretionary surplus reserve fund;
- Appropriated RMB2,630.70 million to the general reserve;
- Declared cash dividends of RMB2.75 per ten shares before tax and in aggregation of RMB1,594.09 million to all shareholders.

35 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Cash on hand | 619,243 | 621,745 |
| Deposits with central bank other than restricted deposits | 18,152,126 | 18,617,591 |
| Deposits with banks and other financial institutions with original maturity of three months or less | 19,560,882 | 9,628,108 |
| Placements with banks and other financial institutions with original maturity of three months or less | 900,000 | 1,150,000 |
| Financial assets held under resale agreements with original maturity of three months or less | 27,355,025 | 8,741,057 |
| Total | <u>66,587,276</u> | <u>38,758,501</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related parties

(a) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Shenyang Hengxin State-owned Asset Management Group Co., Ltd. | 8.28% | 8.50% |
| Liaoning Huibao International Investment Group Co., Ltd. | 6.90% | 7.08% |
| Xinhu Zhongbao Co., Ltd. | 5.18% | 5.31% |
| Founder Securities Co., Ltd. | 5.18% | 5.31% |
| Beijing Zhaotai Group Co., Ltd. | 5.18% | 5.31% |
| Shenyang Zhongyou Tipo (Group) Machinery & Equipment Manufacturing Co., Ltd. | 3.97% | 4.07% |

(b) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 21.

(c) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36(1)(a) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 30(2)).

(2) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transactions and balances (Continued)

(a) Transactions between the Bank and major shareholders

| | 31 December 2015 | 31 December 2014 |
|----------------------------------|---------------------|---------------------|
| Balances at the end of the year: | | |
| Deposits from customers | 31,588 | 233,060 |
| Bank acceptances | – | 200,000 |
| Guarantees received | 1,783,720 | 4,562,000 |
| | 2015 | 2014 |
| Transactions during the year: | | |
| Interest income | 78,500 | 6,043 |
| Interest expense | 3,952 | 2,693 |
| Fee and commission income | 100 | – |

(b) Transactions between the Bank and subsidiaries

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Balances at the end of the year: | | |
| Deposits from banks and other financial institutions | 96,025 | 138,204 |
| | 2015 | 2014 |
| Transactions during the year: | | |
| Interest expense | 2,518 | 2,900 |

(c) Transactions between the Bank and other related parties

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Balances at the end of the year: | | |
| Loans and advances to customers | 1,540,275 | 3,640,796 |
| Financial investments-loans and receivables | – | 977,250 |
| Deposits from customers | 673,485 | 990,183 |
| Bank acceptances | 320,000 | 724,280 |
| Guarantees received | 2,578,950 | 200,000 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transactions and balances (Continued)

(c) Transactions between the Bank and other related parties (Continued)

| | 2015 | 2014 |
|-------------------------------|---------|---------|
| Transactions during the year: | | |
| Interest income | 381,303 | 264,153 |
| Interest expense | 19,942 | 41,256 |
| Fee and commission income | 519 | 60,705 |

(3) Key management personnel

(a) Key management personnel remuneration

| | 2015 | 2014 |
|----------------------------------|--------|--------|
| Salaries and other emoluments | 16,198 | 14,825 |
| Discretionary bonuses | 22,846 | 16,104 |
| Contributions to pension schemes | 1,601 | 1,413 |
| Total | 40,645 | 32,342 |

(b) Loans and advances to directors, supervisors and officers

At 31 December 2015 and 2014, there is no loans and advances to directors, supervisors and officers of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance.

(c) Transactions between the Bank and key management personnel

| | 31 December 2015 | 31 December 2014 |
|----------------------------------|---------------------|---------------------|
| Balances at the end of the year: | | |
| Deposits from customers | 21,654 | 24,807 |

| | 2015 | 2014 |
|-------------------------------|------|------|
| Transactions during the year: | | |
| Interest expense | 673 | 532 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 SEGMENT REPORTING

(1) Business Segment

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

Corporate banking

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

Retail banking

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

Treasury business

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

Others

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 SEGMENT REPORTING (Continued)

(1) Business Segment (Continued)

| | Corporate banking | Retail banking | 2015 Treasury business | Others | Total |
|---|----------------------|-------------------|------------------------------|---------|-------------|
| Operating income | | | | | |
| External net interest income/(expense) | 5,733,876 | (3,234,074) | 9,448,729 | – | 11,948,531 |
| Internal net interest income/(expense) | 2,959,541 | 3,871,214 | (6,830,755) | – | – |
| Net interest income | 8,693,417 | 637,140 | 2,617,974 | – | 11,948,531 |
| Net fee and commission income/ (expense) | 1,144,084 | 65,031 | (4,926) | – | 1,204,189 |
| Net trading losses | – | – | (71,645) | – | (71,645) |
| Net gains arising from investments | – | – | 653,070 | 440 | 653,510 |
| Net foreign exchange gains | – | – | 426,159 | – | 426,159 |
| Other operating income | 11,043 | 2,240 | – | 10,129 | 23,412 |
| Operating income | 9,848,544 | 704,411 | 3,620,632 | 10,569 | 14,184,156 |
| Operating expenses | (2,647,868) | (580,972) | (868,461) | (4,861) | (4,102,162) |
| Impairment losses on assets | (1,402,394) | (9,983) | (543,000) | – | (1,955,377) |
| Operating profit | 5,798,282 | 113,456 | 2,209,171 | 5,708 | 8,126,617 |
| Share of profits of associate | – | – | – | – | – |
| Profit before tax | 5,798,282 | 113,456 | 2,209,171 | 5,708 | 8,126,617 |
| Other segment information | | | | | |
| – Depreciation and amortisation | 230,399 | 64,189 | 12,158 | – | 306,746 |
| – Capital expenditure | 742,606 | 206,891 | 39,188 | – | 988,685 |

| | 31 December 2015 | | | | Total |
|---------------------------------------|----------------------|-------------------|----------------------|---------|-------------|
| | Corporate banking | Retail banking | Treasury business | Others | Total |
| Segment assets | 228,513,606 | 16,556,167 | 455,817,913 | 275,925 | 701,163,611 |
| Deferred tax assets | | | | | 464,889 |
| Total assets | | | | | 701,628,500 |
| Segment liabilities/Total liabilities | 299,438,476 | 112,837,587 | 247,532,863 | 104,621 | 659,913,547 |
| Credit commitments | 144,883,187 | 2,037,361 | – | – | 146,920,548 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 SEGMENT REPORTING (Continued)

(1) Business Segment (Continued)

| | 2014 | | | | Total |
|--|-------------------|----------------|-------------------|-----------|-------------|
| | Corporate banking | Retail banking | Treasury business | Others | |
| Operating income | | | | | |
| External net interest income/(expense) | 5,270,709 | (2,541,554) | 7,172,017 | – | 9,901,172 |
| Internal net interest income/(expense) | 1,765,409 | 3,036,472 | (4,801,881) | – | – |
| Net interest income | 7,036,118 | 494,918 | 2,370,136 | – | 9,901,172 |
| Net fee and commission income/ (expense) | 1,373,068 | 7,303 | (11,940) | – | 1,368,431 |
| Net trading losses | – | – | (1,461) | – | (1,461) |
| Net losses arising from investments | – | – | (9,146) | (103,121) | (112,267) |
| Net foreign exchange losses | – | – | (384) | – | (384) |
| Other operating income | 25,727 | 5,124 | – | 18,421 | 49,272 |
| Operating income/(losses) | 8,434,913 | 507,345 | 2,347,205 | (84,700) | 11,204,763 |
| Operating expenses | (2,150,644) | (432,132) | (618,838) | (10,273) | (3,211,887) |
| Impairment losses on assets | (841,857) | (2,294) | (90,000) | – | (934,151) |
| Operating profit/(losses) | 5,442,412 | 72,919 | 1,638,367 | (94,973) | 7,058,725 |
| Share of profits of associate | – | – | – | 2,338 | 2,338 |
| Profit/(losses) before tax | 5,442,412 | 72,919 | 1,638,367 | (92,635) | 7,061,063 |
| Other segment information | | | | | |
| – Depreciation and amortisation | 192,760 | 50,121 | 9,842 | – | 252,723 |
| – Capital expenditure | 1,085,190 | 282,171 | 55,409 | – | 1,422,770 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 SEGMENT REPORTING (Continued)

(1) Business Segment (Continued)

| | 31 December 2014 | | | | Total |
|---------------------------------------|--------------------|-------------------|--------------------|---------------|--------------------|
| | Corporate banking | Retail banking | Treasury business | Others | |
| Segment assets | 195,816,879 | 18,561,091 | 288,575,532 | 275,925 | 503,229,427 |
| Deferred tax assets | | | | | 141,087 |
| Total assets | | | | | <u>503,370,514</u> |
| Segment liabilities/Total liabilities | <u>233,986,039</u> | <u>90,106,019</u> | <u>143,088,713</u> | <u>56,258</u> | <u>467,237,029</u> |
| Credit commitments | <u>93,408,152</u> | <u>1,975,783</u> | <u>–</u> | <u>–</u> | <u>95,383,935</u> |

(2) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and six subsidiaries located in Liaoning Province, Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, and Shenyang Liaozhong;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

| | Operating income | |
|-----------------|-------------------|-------------------|
| | 2015 | 2014 |
| Northeast China | 11,767,102 | 9,182,174 |
| North China | 2,100,290 | 1,723,882 |
| Others | 316,764 | 298,707 |
| Total | <u>14,184,156</u> | <u>11,204,763</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 SEGMENT REPORTING (Continued)

(2) Geographical information (Continued)

| | Non-current assets (Note i) | |
|-----------------|-----------------------------|---------------------|
| | 31 December 2015 | 31 December 2014 |
| Northeast China | 4,003,911 | 3,305,505 |
| North China | 369,930 | 390,082 |
| Others | 31,925 | 28,314 |
| Total | 4,405,766 | 3,723,901 |

Note:

- (i) Non-current assets include property and equipment, intangible assets, long-term deferred expense and land use rights.

38 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through the Risk Control Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(1) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

Credit business

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Control Centre is responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department, the Investment Banking Department and the Financial Market Operation Centre carry out credit businesses according to the Group's risk management policies and procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

| | |
|------------------|--|
| Normal: | Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis. |
| Special mention: | Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors. |
| Substandard: | Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked. |
| Doubtful: | Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked. |
| Loss: | Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures. |

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(a) *Maximum credit risk exposure*

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 40(1).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

Treasury Business (Continued)

(b) Loans and advances to customers

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Gross balance of loans and advances to customers | | |
| – Neither overdue nor impaired | 194,312,200 | 157,926,184 |
| – Overdue but not impaired | 333,738 | 22,009 |
| – Impaired | 814,427 | 696,306 |
| | <u>195,460,365</u> | <u>158,644,499</u> |
| Less: allowance for impairment loss | | |
| – Neither overdue nor impaired | (3,587,614) | (2,377,815) |
| – Overdue but not impaired | (25,120) | (2,229) |
| – Impaired | (315,896) | (317,591) |
| | <u>(3,928,630)</u> | <u>(2,697,635)</u> |
| Net balance | | |
| – Neither overdue nor impaired | 190,724,586 | 155,548,369 |
| – Overdue but not impaired | 308,618 | 19,780 |
| – Impaired | 498,531 | 378,715 |
| | <u>191,531,735</u> | <u>155,946,864</u> |

(i) Neither overdue nor impaired

Credit risk of loans and advances to customers neither overdue nor impaired was analysed as follows:

| | 31 December 2015 | 31 December 2014 |
|------------------------------|---------------------|---------------------|
| Corporate loans and advances | 187,480,877 | 152,725,791 |
| Personal loans and advances | 6,831,323 | 5,200,393 |
| Total gross balance | <u>194,312,200</u> | <u>157,926,184</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

Treasury Business (Continued)

(b) Loans and advances to customers (Continued)

(ii) Overdue but not impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not impaired as at the end of the reporting period.

| | 31 December 2015 | | | | Total |
|------------------------------|-------------------------------------|---------------------------------|--------------------------------------|---------------------|----------------|
| | Less than 1 month (inclusive) | 1 to 3 months (inclusive) | 3 months to 1 year (inclusive) | More than 1 year | |
| Corporate loans and advances | 55,000 | 243,000 | – | – | 298,000 |
| Personal loans and advances | 13,157 | 8,943 | 13,638 | – | 35,738 |
| Total gross balance | 68,157 | 251,943 | 13,638 | – | 333,738 |

| | 31 December 2014 | | | | Total |
|------------------------------|-------------------------------------|---------------------------------|--------------------------------------|---------------------|---------------|
| | Less than 1 month (inclusive) | 1 to 3 months (inclusive) | 3 months to 1 year (inclusive) | More than 1 year | |
| Corporate loans and advances | – | – | – | – | – |
| Personal loans and advances | 13,050 | 8,038 | 921 | – | 22,009 |
| Total gross balance | 13,050 | 8,038 | 921 | – | 22,009 |

The fair value of related collateral held by the Group as security is as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Fair value of collateral held against loans and advances overdue but not impaired | 581,643 | 27,728 |

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

Treasury Business (Continued)

(b) Loans and advances to customers (Continued)

(iii) Impaired loans

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Corporate loans and advances | 784,424 | 643,067 |
| Personal loans and advances | 30,003 | 53,239 |
| Total | 814,427 | 696,306 |
| | | |
| % of total loans and advances | 0.42% | 0.44% |
| | | |
| Allowance for impairment losses | | |
| – Corporate loans and advances | 286,754 | 264,591 |
| – Personal loans and advances | 29,142 | 53,000 |
| Total | 315,896 | 317,591 |
| | | |
| Fair value of collateral held against impaired loans | 371,461 | 233,808 |

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iv) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. The Group has no rescheduled loans as at 31 December 2015 (31 December 2014: RMB12 million) which were all overdue more than 90 days.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

Treasury Business (Continued)

(c) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

| | 31 December 2015 | 31 December 2014 |
|-------------------------------------|---------------------|---------------------|
| Carrying amount | | |
| <i>Neither overdue nor impaired</i> | | |
| – grade A to AAA | 92,816,038 | 69,609,071 |
| – grade B to BBB | 24,160,854 | 42,253,519 |
| – unrated | 910,962 | 1,153,849 |
| Total | <u>117,887,854</u> | <u>113,016,439</u> |

(d) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Carrying amount | | |
| <i>Neither overdue nor impaired</i> | | |
| – Government | 19,332,989 | 18,102,985 |
| – Policy banks | 52,152,101 | 43,268,140 |
| – Banks and other financial institutions | 170,045,921 | 58,109,984 |
| – Corporate | 73,284,463 | 32,429,770 |
| Total | <u>314,815,474</u> | <u>151,910,879</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control Committee to supervise the market risk management conducted by the senior management. The Financial Market Operation Centre and the International Business Department of the Bank are responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines. The Planning and Accounting Management Department provides various data on market risks and other technical support to the Financial Market Operation Centre and the International Business Department. The Risk Control Centre is responsible for overall market risk management.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(i) Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Financial Market Operation Centre is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

| | 31 December 2015 | | | | | |
|--|--------------------|----------------------|------------------------------------|---|---|----------------------|
| | Total | Non-interest bearing | Less than three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years |
| Assets | | | | | | |
| Cash and deposits with central bank | 63,787,726 | 619,243 | 63,168,483 | - | - | - |
| Deposits with banks and other financial institutions | 84,618,382 | - | 42,855,882 | 39,887,500 | 1,875,000 | - |
| Placements with banks and other financial institutions | 1,017,289 | - | 1,017,289 | - | - | - |
| Financial assets at fair value through profit or loss | 1,462,016 | - | 948,426 | - | 513,590 | - |
| Financial assets held under resale agreements | 32,252,183 | - | 32,252,183 | - | - | - |
| Loans and advances to customers (Note (i)) | 191,531,735 | - | 164,736,543 | 18,198,096 | 5,765,804 | 2,831,292 |
| Financial investments (Note (ii)) | 313,629,383 | 275,925 | 63,287,093 | 133,730,094 | 90,507,725 | 25,828,546 |
| Others | 13,329,786 | 13,329,786 | - | - | - | - |
| Total assets | 701,628,500 | 14,224,954 | 368,265,899 | 191,815,690 | 98,622,119 | 28,659,838 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Repricing risk (Continued)

| | 31 December 2015 | | | | | |
|--|----------------------|----------------------|------------------------------------|---|---|----------------------|
| | Total | Non-interest bearing | Less than three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years |
| Liabilities | | | | | | |
| Borrowings from central bank | (6,800,000) | - | - | (6,800,000) | - | - |
| Deposits from banks and other financial institutions | (100,617,153) | - | (37,388,497) | (53,715,656) | (9,513,000) | - |
| Placements from banks and other financial institutions | (11,370,469) | - | (10,415,910) | (954,559) | - | - |
| Financial assets sold under repurchase agreements | (47,085,568) | - | (47,045,830) | (39,738) | - | - |
| Deposits from customers | (402,379,086) | - | (126,966,112) | (71,249,168) | (196,156,825) | (8,006,981) |
| Debt securities issued | (78,485,436) | - | (32,816,315) | (32,569,121) | - | (13,100,000) |
| Others | (13,175,835) | (13,175,835) | - | - | - | - |
| Total liabilities | (659,913,547) | (13,175,835) | (254,632,664) | (165,328,242) | (205,669,825) | (21,106,981) |
| Asset-liability gap | 41,714,953 | 1,049,119 | 113,633,235 | 26,487,448 | (107,007,706) | 7,552,857 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Repricing risk (Continued)

| | 31 December 2014 | | | | | |
|--|--------------------|----------------------|------------------------------------|---|---|----------------------|
| | Total | Non-interest bearing | Less than three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years |
| Assets | | | | | | |
| Cash and deposits with central bank | 72,079,244 | 621,745 | 71,457,499 | – | – | – |
| Deposits with banks and other financial institutions | 85,560,982 | – | 35,744,642 | 28,809,340 | 21,007,000 | – |
| Placements with banks and other financial institutions | 1,513,868 | – | 1,513,868 | – | – | – |
| Financial assets held under resale agreements | 25,941,589 | – | 14,311,458 | 11,630,131 | – | – |
| Loans and advances to customers (Note (i)) | 155,946,864 | – | 127,135,178 | 16,756,478 | 9,753,750 | 2,301,458 |
| Financial investments (Note (ii)) | 152,186,804 | 275,925 | 36,471,474 | 44,005,022 | 49,113,360 | 22,321,023 |
| Others | 10,141,163 | 10,141,163 | – | – | – | – |
| Total assets | 503,370,514 | 11,038,833 | 286,634,119 | 101,200,971 | 79,874,110 | 24,622,481 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Repricing risk (Continued)

| | 31 December 2014 | | | | | |
|--|----------------------|----------------------|------------------------------------|---|---|----------------------|
| | Total | Non-interest bearing | Less than three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years |
| Liabilities | | | | | | |
| Deposits from banks and other financial institutions | (92,072,923) | – | (38,182,923) | (46,939,000) | (6,951,000) | – |
| Placements from banks and other financial institutions | (3,667,715) | – | (1,311,900) | (2,355,815) | – | – |
| Financial assets sold under repurchase agreements | (42,089,973) | – | (35,021,873) | (7,068,100) | – | – |
| Deposits from customers | (315,943,789) | – | (143,674,371) | (90,275,538) | (80,509,822) | (1,484,058) |
| Debt securities issued | (3,100,000) | – | – | – | – | (3,100,000) |
| Others | (10,362,629) | (10,362,629) | – | – | – | – |
| Total liabilities | (467,237,029) | (10,362,629) | (218,191,067) | (146,638,453) | (87,460,822) | (4,584,058) |
| Asset-liability gap | 36,133,485 | 676,204 | 68,443,052 | (45,437,482) | (7,586,712) | 20,038,423 |

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months" as at 31 December 2015 included overdue amounts (net of provision for impairment losses) of RMB745 million (31 December 2014: RMB269 million).
- (ii) Financial investments included available-for-sale financial assets, held-to-maturity investments and loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Change in profit after taxation | Increase/(decrease) | Increase/(decrease) |
| Up 100 bps parallel shift in yield curves | 796,844 | 295,372 |
| Down 100 bps parallel shift in yield curves | (796,844) | (295,372) |

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Change in equity | Increase/(decrease) | Increase/(decrease) |
| Up 100 bps parallel shift in yield curves | 161,122 | (315,622) |
| Down 100 bps parallel shift in yield curves | (117,919) | 358,558 |

The sensitivity analysis above is based on simplified scenarios. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

| | 31 December 2015 | | | |
|--|----------------------|--------------------|------------------|----------------------|
| | RMB | USD | Others | Total |
| | (RMB Equivalent) | (RMB Equivalent) | (RMB Equivalent) | (RMB Equivalent) |
| Assets | | | | |
| Cash and deposits with central bank | 63,715,659 | 53,153 | 18,914 | 63,787,726 |
| Deposits with banks and other financial institutions | 83,846,713 | 667,684 | 103,985 | 84,618,382 |
| Placements with banks and other financial institutions | 900,000 | – | 117,289 | 1,017,289 |
| Financial assets at fair value through profit or loss | 1,462,016 | – | – | 1,462,016 |
| Financial assets held under resale agreements | 32,252,183 | – | – | 32,252,183 |
| Loans and advances to customers | 186,746,339 | 4,136,938 | 648,458 | 191,531,735 |
| Financial investments (Note (j)) | 311,811,164 | 1,818,219 | – | 313,629,383 |
| Others | 13,301,774 | 13,929 | 14,083 | 13,329,786 |
| Total assets | 694,035,848 | 6,689,923 | 902,729 | 701,628,500 |
| Liabilities | | | | |
| Borrowings from central bank | (6,800,000) | – | – | (6,800,000) |
| Deposits from banks and other financial institutions | (100,048,828) | (709) | (567,616) | (100,617,153) |
| Placements from banks and other financial institutions | (5,990,000) | (5,363,714) | (16,755) | (11,370,469) |
| Financial assets sold under repurchase agreements | (47,085,568) | – | – | (47,085,568) |
| Deposits from customers | (401,621,147) | (471,939) | (286,000) | (402,379,086) |
| Debt securities issued | (78,485,436) | – | – | (78,485,436) |
| Others | (13,048,762) | (117,217) | (9,856) | (13,175,835) |
| Total liabilities | (653,079,741) | (5,953,579) | (880,227) | (659,913,547) |
| Net position | 40,956,107 | 736,344 | 22,502 | 41,714,953 |
| Off-balance sheet credit commitments | 144,636,605 | 1,858,787 | 425,156 | 146,920,548 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Currency risk (Continued)

| | 31 December 2014 | | | |
|--|-------------------------|-------------------------|----------------------------|---------------------------|
| | RMB (RMB Equivalent) | USD (RMB Equivalent) | Others (RMB Equivalent) | Total (RMB Equivalent) |
| Assets | | | | |
| Cash and deposits with central bank | 71,976,667 | 83,603 | 18,974 | 72,079,244 |
| Deposits with banks and other financial institutions | 76,630,754 | 923,749 | 8,006,479 | 85,560,982 |
| Placements with banks and other financial institutions | 1,150,000 | 122,380 | 241,488 | 1,513,868 |
| Financial assets held under resale agreements | 25,941,589 | – | – | 25,941,589 |
| Loans and advances to customers | 151,133,157 | 4,812,061 | 1,646 | 155,946,864 |
| Financial investments (Note (i)) | 152,186,804 | – | – | 152,186,804 |
| Others | 10,118,505 | 11,596 | 11,062 | 10,141,163 |
| Total assets | 489,137,476 | 5,953,389 | 8,279,649 | 503,370,514 |
| Liabilities | | | | |
| Deposits from banks and other financial institutions | (92,071,963) | (960) | – | (92,072,923) |
| Placements from banks and other financial institutions | (700,000) | (2,967,715) | – | (3,667,715) |
| Financial assets sold under repurchase agreements | (42,089,973) | – | – | (42,089,973) |
| Deposits from customers | (313,701,897) | (1,932,211) | (309,681) | (315,943,789) |
| Debt securities issued | (3,100,000) | – | – | (3,100,000) |
| Others | (8,678,003) | (934,066) | (750,560) | (10,362,629) |
| Total liabilities | (460,341,836) | (5,834,952) | (1,060,241) | (467,237,029) |
| Net position | 28,795,640 | 118,437 | 7,219,408 | 36,133,485 |
| Off-balance sheet credit commitments | 93,881,239 | 1,490,081 | 12,615 | 95,383,935 |

Note:

- (i) Financial investments include available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Currency risk (Continued)

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Change in profit after taxation and equity | Increase/(decrease) | Increase/(decrease) |
| Up 100 bps change of foreign exchange rate | 876 | 8,994 |
| Down 100 bps change of foreign exchange rate | (876) | (8,994) |

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(3) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the bank-wide liquidity risk by the head office, and established the liquidity risk management framework which mainly comprises the Assets and Liabilities Management Committee, the Risk Control Centre and the Planning and Accounting Management Department at the head office. The responsibilities of them are as following:

- the Assets and Liabilities Management Committee is the decision-making body for liquidity risk management and is responsible for formulating the guidelines and policies for liquidity risk management;
- the Risk Control Centre is the liquidity risk management department and is responsible for formulating, implementing and evaluating relevant systems, setting the bank-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; and
- the Planning and Accounting Management Department is the implementation department for liquidity risk management and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, regularly carrying out risk analysis and reporting to the Risk Control Centre and the Assets and Liabilities Management Committee.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including loan to deposit ratio, liquidity ratio, reserve ratio, inter-bank loan to saving ratio, loan quality ratio and liquidity gap ratio. Meanwhile, the Group forecasts the liquidity of each branch on a periodic basis. The Group conducts liquidity analysis on a monthly basis, performs stress testing on liquidity risk on a quarterly basis.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis

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

| | 31 December 2015 | | | | | | | Total |
|---|---------------------------|---------------------------------------|---------------------|---|--|--|-------------------------|--------------------|
| | Indefinite (Note (ii)) | Repayable on demand (Note (ii)) | Within one month | Between one month and three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years | |
| Assets | | | | | | | | |
| Cash and deposits with central bank | 45,016,357 | 18,771,369 | - | - | - | - | - | 63,787,726 |
| Deposit with banks and other financial institutions | - | 1,594,882 | 21,545,000 | 19,716,000 | 39,887,500 | 1,875,000 | - | 84,618,382 |
| Placement with banks and other financial institutions | - | - | 900,000 | 117,289 | - | - | - | 1,017,289 |
| Financial assets at fair value through profit or loss | - | - | - | 502,082 | - | 959,934 | - | 1,462,016 |
| Financial assets held under resale agreements | - | - | 29,315,413 | 2,936,770 | - | - | - | 32,252,183 |
| Loans and advances to customers | 743,262 | 63,886 | 7,161,179 | 13,778,430 | 88,875,722 | 71,472,554 | 9,436,702 | 191,531,735 |
| Financial investments (Note (i)) | 275,925 | - | 14,994,615 | 47,347,549 | 124,962,440 | 98,997,390 | 27,051,464 | 313,629,383 |
| Others | 5,679,032 | 98,968 | 1,333,940 | 1,673,148 | 3,827,129 | 717,569 | - | 13,329,786 |
| Total assets | 51,714,576 | 20,529,105 | 75,250,147 | 86,071,268 | 257,552,791 | 174,022,447 | 36,488,166 | 701,628,500 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis (Continued)

| | 31 December 2015 | | | | | | | Total |
|--|---------------------------|---------------------------------------|---------------------|---|--|--|-------------------------|----------------------|
| | Indefinite (Note (ii)) | Repayable on demand (Note (ii)) | Within one month | Between one month and three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years | |
| Liabilities | | | | | | | | |
| Borrowings from the central bank | - | - | - | - | (6,800,000) | - | - | (6,800,000) |
| Deposits from banks and other financial institutions | - | (2,860,697) | (18,649,530) | (15,878,270) | (53,715,656) | (9,513,000) | - | (100,617,153) |
| Placements from banks and other financial institutions | - | - | (7,178,329) | (3,237,581) | (954,559) | - | - | (11,370,469) |
| Financial assets sold under repurchase agreements | - | - | (47,045,830) | - | (39,738) | - | - | (47,085,568) |
| Deposits from customers | - | (90,244,062) | (13,430,241) | (23,291,809) | (71,249,168) | (196,156,825) | (8,006,981) | (402,379,086) |
| Debt securities issued | - | - | (9,505,085) | (23,311,230) | (32,569,121) | - | (13,100,000) | (78,485,436) |
| Others | - | (3,287,023) | (1,840,023) | (1,114,200) | (2,633,494) | (4,017,776) | (283,319) | (13,175,835) |
| Total liabilities | - | (96,391,782) | (97,649,038) | (66,833,090) | (167,961,736) | (209,687,601) | (21,390,300) | (659,913,547) |
| Long/(short) position | 51,714,576 | (75,862,677) | (22,398,891) | 19,238,178 | 89,591,055 | (35,665,154) | 15,097,866 | 41,714,953 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis (Continued)

| | 31 December 2014 | | | | | | | Total |
|---|---------------------------|---------------------------------------|---------------------|--|---|--|-------------------------|--------------------|
| | Indefinite (Note (ii)) | Repayable on demand (Note (ii)) | Within one month | Between one month and three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years | |
| Assets | | | | | | | | |
| Cash and deposits with central bank | 52,839,908 | 19,239,336 | - | - | - | - | - | 72,079,244 |
| Deposit with banks and other financial institutions | - | 9,471,742 | 3,800,000 | 2,360,260 | 41,921,980 | 28,007,000 | - | 85,560,982 |
| Placement with banks and other financial institutions | - | - | - | 1,513,868 | - | - | - | 1,513,868 |
| Financial assets held under resale agreements | - | - | 10,294,168 | 4,017,290 | 11,630,131 | - | - | 25,941,589 |
| Loans and advances to customers | 386,355 | 12,140 | 6,431,454 | 13,728,819 | 71,258,279 | 56,312,075 | 7,817,742 | 155,946,864 |
| Financial investments (Note (i)) | 275,925 | - | 7,902,831 | 23,908,393 | 41,084,584 | 54,056,821 | 24,958,250 | 152,186,804 |
| Others | 3,879,424 | 251,614 | 1,211,143 | 649,764 | 2,276,976 | 1,872,242 | - | 10,141,163 |
| Total assets | 57,381,612 | 28,974,832 | 29,639,596 | 46,178,394 | 168,171,950 | 140,248,138 | 32,775,992 | 503,370,514 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis (Continued)

| | 31 December 2014 | | | | | | | Total |
|--|---------------------------|---------------------------------------|---------------------|--|---|--|-------------------------|----------------------|
| | Indefinite (Note (ii)) | Repayable on demand (Note (ii)) | Within one month | Between one month and three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years | |
| Liabilities | | | | | | | | |
| Deposits from banks and other financial institutions | - | (3,264,273) | (8,850,000) | (21,068,650) | (48,939,000) | (9,951,000) | - | (92,072,923) |
| Placements from banks and other financial institutions | - | - | (1,067,140) | (244,760) | (2,355,815) | - | - | (3,667,715) |
| Financial assets sold under repurchase agreements | - | - | (30,768,720) | (4,253,153) | (7,068,100) | - | - | (42,089,973) |
| Deposits from customers | - | (89,438,680) | (31,191,913) | (23,043,778) | (90,275,538) | (80,509,822) | (1,484,058) | (315,943,789) |
| Debt securities issued | - | - | - | - | - | - | (3,100,000) | (3,100,000) |
| Others | - | (2,866,678) | (2,484,441) | (1,380,451) | (2,076,004) | (1,402,140) | (152,915) | (10,362,629) |
| Total liabilities | - | (95,569,631) | (74,362,214) | (49,990,792) | (150,714,457) | (91,862,962) | (4,736,973) | (467,237,029) |
| Long/(short) position | 57,381,612 | (66,594,799) | (44,722,618) | (3,812,398) | 17,457,493 | 48,385,176 | 28,039,019 | 36,133,485 |

Notes:

- (i) Financial investments include available-for-sale financial assets, held-to-maturity investments, and loans and receivables.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in “repayable on demand”.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(b) Analysis on contractual undiscounted cash flows of financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

| | 31 December 2015 | | | | | |
|--|--|------------------------------------|--|--|--|---|
| | Contractual undiscounted cash flow | Within one month (inclusive) | Between one month and three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years and indefinite |
| Borrowings from central bank | (6,909,098) | – | – | (6,909,098) | – | – |
| Deposits from banks and other financial institutions | (103,999,190) | (21,675,996) | (16,564,918) | (55,946,686) | (9,811,590) | – |
| Placements from banks and other financial institutions | (11,406,022) | (7,194,076) | (3,246,752) | (965,194) | – | – |
| Financial assets sold under repurchase agreements | (47,106,012) | (47,065,867) | – | (40,145) | – | – |
| Deposits from customers | (422,389,064) | (104,128,415) | (23,954,553) | (73,959,791) | (211,855,597) | (8,490,708) |
| Debt securities issued | (81,174,640) | (9,520,000) | (23,470,000) | (33,704,460) | (777,840) | (13,702,340) |
| Other financial liabilities | (1,741,512) | (1,264,066) | (373,371) | (104,075) | – | – |
| Total non-derivative financial liabilities | (674,725,538) | (190,848,420) | (67,609,594) | (171,629,449) | (222,445,027) | (22,193,048) |

| | 31 December 2014 | | | | | |
|--|--|------------------------------------|--|--|--|---|
| | Contractual undiscounted cash flow | Within one month (inclusive) | Between one month and three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years and indefinite |
| Deposits from banks and other financial institutions | (98,369,225) | (12,298,446) | (21,661,336) | (51,955,926) | (12,453,517) | – |
| Placements from banks and other financial institutions | (3,676,821) | (1,068,854) | (244,827) | (2,363,140) | – | – |
| Financial assets sold under repurchase agreements | (42,476,508) | (30,893,720) | (4,351,748) | (7,231,040) | – | – |
| Deposits from customers | (336,508,157) | (121,091,130) | (24,064,940) | (94,840,974) | (94,904,961) | (1,606,152) |
| Debt securities issued | (4,869,100) | – | – | (194,460) | (777,840) | (3,896,800) |
| Other financial liabilities | (1,638,455) | (509,298) | (868,680) | (260,477) | – | – |
| Total non-derivative financial liabilities | (487,538,266) | (165,861,448) | (51,191,531) | (156,846,017) | (108,136,318) | (5,502,952) |

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(4) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group established “Three Lines of Defense for Risk Management” on the basis of the main prevention and control organisations consisting of each business department, the Risk Control Centre, the Compliance Department and the Internal Audit Department and also set up operational risk reporting mechanism between the Risk Control Centre and business units, the head office and branches.

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

The Group’s measures to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

(5) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group’s capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group’s business strategy and maintain adequate capital to support the implementation of the Group’s strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group’s risk exposure and risk management needs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(5) Capital management (Continued)

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.

The Group calculates the capital adequacy ratios as at 31 December 2015 and 2014 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) issued by the CBRC in 2012 and relevant requirements promulgated by the CBRC as follows:

| | Note | 31 December 2015 | 31 December 2014 |
|--|----------|---------------------|---------------------|
| Total core tier-one capital | | | |
| – Share capital | | 5,796,680 | 5,646,005 |
| – Qualifying portion of capital reserve | | 11,855,505 | 11,106,917 |
| – Surplus reserve | | 3,893,846 | 2,733,397 |
| – General reserve | | 6,176,638 | 3,545,733 |
| – Investment revaluation reserve | | 623,163 | 567,881 |
| – Retained earnings | | 12,927,822 | 12,101,929 |
| – Qualifying portions of non-controlling interests | | 348,314 | 351,811 |
| – Others | | (5,126) | (2,309) |
| Core tier-one capital | | 41,616,842 | 36,051,364 |
| Core tier-one capital deductions | | (61,209) | (55,966) |
| Net core tier-one capital | | 41,555,633 | 35,995,398 |
| Other tier-one capital | | – | – |
| Net tier-one capital | | 41,555,633 | 35,995,398 |
| Tier two capital | | | |
| – Qualifying portions of tier-two capital instruments issued | | 12,830,000 | 2,920,000 |
| – Surplus provision for loan impairment | | 3,114,204 | 2,318,931 |
| – Core tier-two capital deductions | | – | – |
| Net tier-two capital | | 15,944,204 | 5,238,931 |
| Net capital base | | 57,499,837 | 41,234,329 |
| Total risk weighted assets | 38(5)(a) | 441,206,838 | 325,922,846 |
| Core tier-one capital adequacy ratio | | 9.42% | 11.04% |
| Tier-one capital adequacy ratio | | 9.42% | 11.04% |
| Capital adequacy ratio | | 13.03% | 12.65% |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 RISK MANAGEMENT (Continued)

(5) Capital management (Continued)

Notes:

- (a) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (b) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 9.3%, 7.3% and 6.3%, respectively, at 31 December 2015.

39 FAIR VALUE

(1) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as at a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair values:

(a) **Debt securities investments**

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

(b) **Receivables and other non-derivative financial assets**

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(c) **Debt securities issued and other non-derivative financial liabilities**

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 FAIR VALUE (Continued)

(2) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | 31 December 2015 | | | Total |
|---|------------------|-------------------|----------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – debt instruments | – | 1,462,016 | – | 1,462,016 |
| Available-for-sale financial assets | | | | |
| – debt instruments | – | 27,084,001 | – | 27,084,001 |
| Total | – | 28,546,017 | – | 28,546,017 |

During the year ended 31 December 2015, there were no significant transfers between instruments in Level 1 and Level 2.

| | 31 December 2014 | | | Total |
|-------------------------------------|------------------|-------------------|----------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| – debt instruments | – | 25,161,217 | – | 25,161,217 |
| Total | – | 25,161,217 | – | 25,161,217 |

During the year ended 31 December 2014, there were no significant transfers between instruments in Level 1 and Level 2.

(3) Level 2 fair value measurement

A majority of the available-for-sale financial assets and financial assets at fair value through profit or loss classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 FAIR VALUE (Continued)

(4) Fair value of financial assets and liabilities not carried at fair value

- (i) **Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, and financial investments – loans and receivables**

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

- (ii) **Loans and advances to customers**

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

- (iii) **Held-to-maturity investments**

The fair value for held-to-maturity investments is based on “bid” market prices or brokers'/dealers' price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, maturities and yield.

- (iv) **Deposits from customers**

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

- (v) **Debt securities issued**

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 FAIR VALUE (Continued)

(4) Fair value of financial assets and liabilities not carried at fair value (Continued)

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments and debt securities issued:

| 31 December 2015 | | | | | |
|-------------------------------------|-------------------|-------------------|----------|-------------------|----------|
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | |
| Held-to-maturity investments | 51,761,238 | 53,157,521 | – | 53,157,521 | – |
| Total | 51,761,238 | 53,157,521 | – | 53,157,521 | – |
| Financial liabilities | | | | | |
| Debt securities issued | | | | | |
| – subordinated bonds | 13,100,000 | 13,132,407 | – | 13,132,407 | – |
| – certificates of interbank deposit | 65,385,436 | 65,166,826 | – | 65,166,826 | – |
| Total | 78,485,436 | 78,299,233 | – | 78,299,233 | – |

| 31 December 2014 | | | | | |
|-------------------------------|-------------------|-------------------|----------|-------------------|----------|
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | |
| Held-to-maturity investments | 40,627,467 | 40,564,474 | – | 40,564,474 | – |
| Total | 40,627,467 | 40,564,474 | – | 40,564,474 | – |
| Financial liabilities | | | | | |
| Debt securities issued | | | | | |
| – subordinated bonds | 3,100,000 | 3,177,739 | – | 3,177,739 | – |
| Total | 3,100,000 | 3,177,739 | – | 3,177,739 | – |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

40 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

The Group's credit commitments take the form of bank acceptances, credit card limits, letters of credit and letters of guarantees.

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

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|---------------------|---------------------|
| Bank acceptances | 134,379,232 | 86,660,026 |
| Letters of guarantees | 7,218,785 | 4,676,494 |
| Letters of credit | 3,285,170 | 2,071,632 |
| Unused credit card commitments | 2,037,361 | 1,975,783 |
| Total | <u>146,920,548</u> | <u>95,383,935</u> |

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(2) Credit risk-weighted amount

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Credit risk-weighted amount of contingent liabilities and commitments | <u>99,426,103</u> | <u>84,586,763</u> |

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

40 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(3) Operating lease commitments

As at 31 December 2015 and 2014, the future minimum lease payments under non-cancellable operating leases for properties of the Group are as follows:

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Within one year (inclusive) | 118,497 | 106,806 |
| After one year but within five years (inclusive) | 384,800 | 320,172 |
| After five years | 142,026 | 140,100 |
| Total | <u>645,323</u> | <u>567,078</u> |

(4) Capital commitments

As at 31 December 2015 and 2014, the authorised capital commitments of the Group are as follows:

| | 31 December 2015 | 31 December 2014 |
|---------------------------------|---------------------|---------------------|
| Contracted but not paid for | 1,843,166 | 2,231,248 |
| Approved but not contracted for | 57,731 | 65,457 |
| Total | <u>1,900,897</u> | <u>2,296,705</u> |

(5) Outstanding litigations and disputes

As at 31 December 2015 and 2014, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

40 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(6) Pledged assets

| | 31 December 2015 | 31 December 2014 |
|-----------------------|---------------------|---------------------|
| Investment securities | 56,742,768 | 54,112,275 |
| Discounted bills | 39,738 | 27,353 |
| Total | <u>56,782,506</u> | <u>54,139,628</u> |

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. The fair value of such pledged assets was RMB6,938 million as at 31 December 2015 (31 December 2014: RMB17,712 million). As at 31 December 2015 and 2014, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

41 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

41 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(1) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 2015 and 2014 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

| | 31 December 2015 | | |
|--|-----------------------|--------------------|--------------------|
| | Loans and receivables | Carrying amount | Maximum exposure |
| Investment management products managed by securities companies | 157,543,148 | 157,543,148 | 157,543,148 |
| Investment management products under trust scheme | 54,335,071 | 54,335,071 | 54,335,071 |
| Wealth management products issued by financial institutions | 22,630,000 | 22,630,000 | 22,630,000 |
| Total | 234,508,219 | 234,508,219 | 234,508,219 |

| | 31 December 2014 | | |
|--|-----------------------|-------------------|-------------------|
| | Loans and receivables | Carrying amount | Maximum exposure |
| Investment management products managed by securities companies | 60,179,090 | 60,179,090 | 60,179,090 |
| Investment management products under trust scheme | 24,603,105 | 24,603,105 | 24,603,105 |
| Wealth management products issued by financial institutions | 830,000 | 830,000 | 830,000 |
| Total | 85,612,195 | 85,612,195 | 85,612,195 |

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

41 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(2) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 31 December 2015, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB24,651 million (31 December 2014: RMB4,668 million).

During the year ended 31 December 2015, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2015, but matured before 31 December 2015, is RMB17,487 million (2014: RMB6,739 million).

During the year ended 31 December 2015, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB65.09 million (2014: RMB5.59 million).

In addition, unconsolidated structured entities sponsored by the Bank also include trust schemes. In 2015, the Bank transferred a portfolio of corporate loans with carrying amounts of RMB5,900 million to unconsolidated trust schemes managed by an independent trust company, which issued asset-backed securities to investors. The Bank acquired 5% of the issued asset-backed securities from the structured entities. As at 31 December 2015, the carrying amounts of these asset-backed securities held by the Bank are RMB281 million, which are also the amounts that best represent the maximum exposure to loss. Under the servicing arrangements with the trust company, the Bank would collect the cash flows of the corporate loans on behalf of the unconsolidated structured entities. In return, the Bank would receive a fee that is expected to compensate the Bank for servicing the related assets. The Bank recognised income of RMB5.70 million in 2015 in respect of servicing the corporate loans. The Bank transfers substantially all of the risks and rewards of ownership of the financial assets to the unconsolidated structured entities and retains a relatively small interest in the vehicle or the servicing arrangement in respect of the corporate loans, these transferred corporate loans are derecognised in their entirety. There were no asset-backed securities sponsored by the Group in 2014.

42 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products, however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2015, the principal-guaranteed wealth management products managed and consolidated by the Group amounted to RMB4,069 million (31 December 2014: nil). These wealth management products mainly invested in deposits with banks and other financial institutions. The financial impact of these principal-guaranteed wealth management product on the Group's financial performance is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2015, the entrusted loans balance of the Group is RMB16,226 million (31 December 2014: RMB3,352 million).

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Impairment losses on loans and advances to customers and financial investments (available-for-sale financial assets, held-to-maturity investments and loans and receivables)

The Group reviews portfolios of loans and advances to customers and financial investments periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for loans and advances to customers and financial investments. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for loans and advances to customers, and debt investments that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgments based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

The objective evidence of impairment for an available-for-sale equity investment includes significant or prolonged decline in its fair value below its cost. When deciding whether there is significant or prolonged decline in fair value, the Group will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.

(ii) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(iii) Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(iv) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(v) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's, related operating income and expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of related operating income and expenses based on reasonable and supportable assumption.

(vi) Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(vii) Consolidation of structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement.

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the structured entities by exercising its power.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

| | Effective for accounting periods beginning on or after |
|--|--|
| Annual Improvements to IFRSs 2012-2014 Cycle | 1 January 2016 |
| IFRS 14, <i>Regulatory deferral accounts</i> | 1 January 2016 |
| Amendments to IFRS 11, <i>Accounting for acquisitions of interests in joint operations</i> | 1 January 2016 |
| Amendments to IAS 16 and IAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i> | 1 January 2016 |
| Amendments to IAS 27, <i>Equity method in separate financial statements</i> | 1 January 2016 |
| Amendments to IFRS 10, IFRS 12 and IAS 28, <i>Investment entities: Applying the consolidation exception</i> | 1 January 2016 |
| Amendments to IAS 1, <i>Disclosure initiative</i> | 1 January 2016 |
| Amendments to IAS 7, <i>Disclosure initiative</i> | 1 January 2017 |
| Amendments to IAS 12, <i>Income taxes – Recognition of deferred tax assets for unrealised losses</i> | 1 January 2017 |
| IFRS 15, <i>Revenue from contracts with customers</i> | 1 January 2018 |
| IFRS 9, <i>Financial Instruments (2014)</i> | 1 January 2018 |
| IFRS 16, <i>Leases</i> | 1 January 2019 |

So far the Group has concluded that the adoption of other standards is unlikely to have a significant impact on its operating results and financial position, except for IFRS 9 “Financial instruments”. Since the Group is in the process of making an assessment on overall impact of IFRS 9, the Group cannot quantify the impact on its operating results and financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

46 BANK-LEVEL STATEMENT OF FINANCIAL POSITION

| | Note | 31 December 2015 | 31 December 2014 |
|--|------|---------------------|---------------------|
| Assets | | | |
| Cash and deposits with central bank | | 63,681,109 | 71,983,075 |
| Deposits with banks and other financial institutions | | 84,329,728 | 85,329,430 |
| Placements with banks and other financial institutions | | 1,017,289 | 1,513,868 |
| Financial assets at fair value through profit or loss | | 1,462,016 | – |
| Financial assets held under resale agreements | | 32,252,183 | 25,941,589 |
| Loans and advances to customers | | 191,091,703 | 155,461,140 |
| Financial investments: | | | |
| Available-for-sale financial assets | | 27,359,926 | 25,437,142 |
| Held-to-maturity investments | | 51,751,238 | 40,627,467 |
| Loans and receivables | | 234,508,219 | 86,122,195 |
| Investments in subsidiaries | 21 | 146,157 | 146,157 |
| Property and equipment | | 4,259,382 | 3,587,548 |
| Deferred tax assets | | 461,422 | 138,747 |
| Other assets | | 8,578,147 | 6,383,380 |
| Total assets | | 700,898,519 | 502,671,738 |
| Liabilities | | | |
| Borrowings from central bank | | 6,800,000 | – |
| Deposits from banks and other financial institutions | | 100,703,133 | 92,173,141 |
| Placements from banks and other financial institutions | | 11,370,469 | 3,667,715 |
| Financial assets sold under repurchase agreements | | 47,085,568 | 42,089,973 |
| Deposits from customers | | 402,038,944 | 315,604,578 |
| Income tax payable | | 775,440 | 674,608 |
| Debt securities issued | | 78,485,436 | 3,100,000 |
| Other liabilities | | 12,395,583 | 9,681,582 |
| Total liabilities | | 659,654,573 | 466,991,597 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

46 BANK-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

| | Note | 31 December 2015 | 31 December 2014 |
|---|------|---------------------|---------------------|
| Equity | | | |
| Share capital | 31 | 5,796,680 | 5,646,005 |
| Capital reserve | 31 | 11,855,505 | 11,106,917 |
| Surplus reserve | 31 | 3,893,846 | 2,733,397 |
| General reserve | 31 | 6,173,630 | 3,542,926 |
| Investment revaluation reserve | 31 | 623,163 | 567,881 |
| Deficit on remeasurement of net defined benefit liability | 31 | (5,126) | (2,309) |
| Retained earnings | 31 | 12,906,248 | 12,085,324 |
| Total equity | | 41,243,946 | 35,680,141 |
| Total liabilities and equity | | 700,898,519 | 502,671,738 |

Approved and authorised for issue by the board of directors on 18 March 2016.

Zhang Yukun
Chairman of Board of Directors

Wang Yigong
Executive Director/Vice President/Chief Risk Officer

Liu Zhiyan
Chief Financial Officer

Company chop

47 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 34.

Except for the above, the Group has no other significant non-adjusted events subsequent to the end of the reporting period as at the date of approval to the financial statements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIO

| | As at 31 December 2015 | Average for the year ended 31 December 2015 | As at 31 December 2014 | Average for the year ended 31 December 2014 |
|---|------------------------------|--|------------------------------|--|
| Liquidity coverage ratio (RMB and foreign currency) | 156.45% | 130.36% | 110.12% | 110.64% |

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking Regulatory Commission (the “CBRC”) and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”).

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

The Hong Kong Banking (Disclosure) Rules (the “Rules”) took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratio as at 30 June and 31 December.

2 CURRENCY CONCENTRATIONS

| | 31 December 2015 | | | |
|-------------------|--------------------------------|--------------------------------|----------------------------|---------------------------|
| | US Dollars (RMB equivalent) | HK Dollars (RMB equivalent) | Others (RMB equivalent) | Total (RMB equivalent) |
| Spot assets | 6,689,923 | 167,911 | 734,818 | 7,592,652 |
| Spot liabilities | (5,953,579) | (145,409) | (734,818) | (6,833,806) |
| Net long position | 736,344 | 22,502 | – | 758,846 |

| | 31 December 2014 | | | |
|-------------------|--------------------------------|--------------------------------|----------------------------|---------------------------|
| | US Dollars (RMB equivalent) | HK Dollars (RMB equivalent) | Others (RMB equivalent) | Total (RMB equivalent) |
| Spot assets | 5,953,389 | 8,120,086 | 159,563 | 14,233,038 |
| Spot liabilities | (5,834,952) | (900,678) | (159,563) | (6,895,193) |
| Net long position | 118,437 | 7,219,408 | – | 7,337,845 |

The Group has no structural position at the reporting periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, and deposits and placements with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

| | 31 December 2015 | | | |
|---------------------------|------------------|--|-------------------------|------------------|
| | Official sector | Banks and other financial institutions | Non-bank private sector | Total |
| – Asia Pacific | 54,658 | 234,711 | 4,785,396 | 5,074,765 |
| – North and South America | – | 643,826 | – | 643,826 |
| – Europe | – | 9,972 | – | 9,972 |
| Total | 54,658 | 888,509 | 4,785,396 | 5,728,563 |

| | 31 December 2014 | | | |
|---------------------------|------------------|--|-------------------------|-------------------|
| | Official sector | Banks and other financial institutions | Non-bank private sector | Total |
| – Asia Pacific | 102,577 | 8,866,065 | 4,813,707 | 13,782,349 |
| – North and South America | – | 420,059 | – | 420,059 |
| – Europe | – | 7,972 | – | 7,972 |
| Total | 102,577 | 9,294,096 | 4,813,707 | 14,210,380 |

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

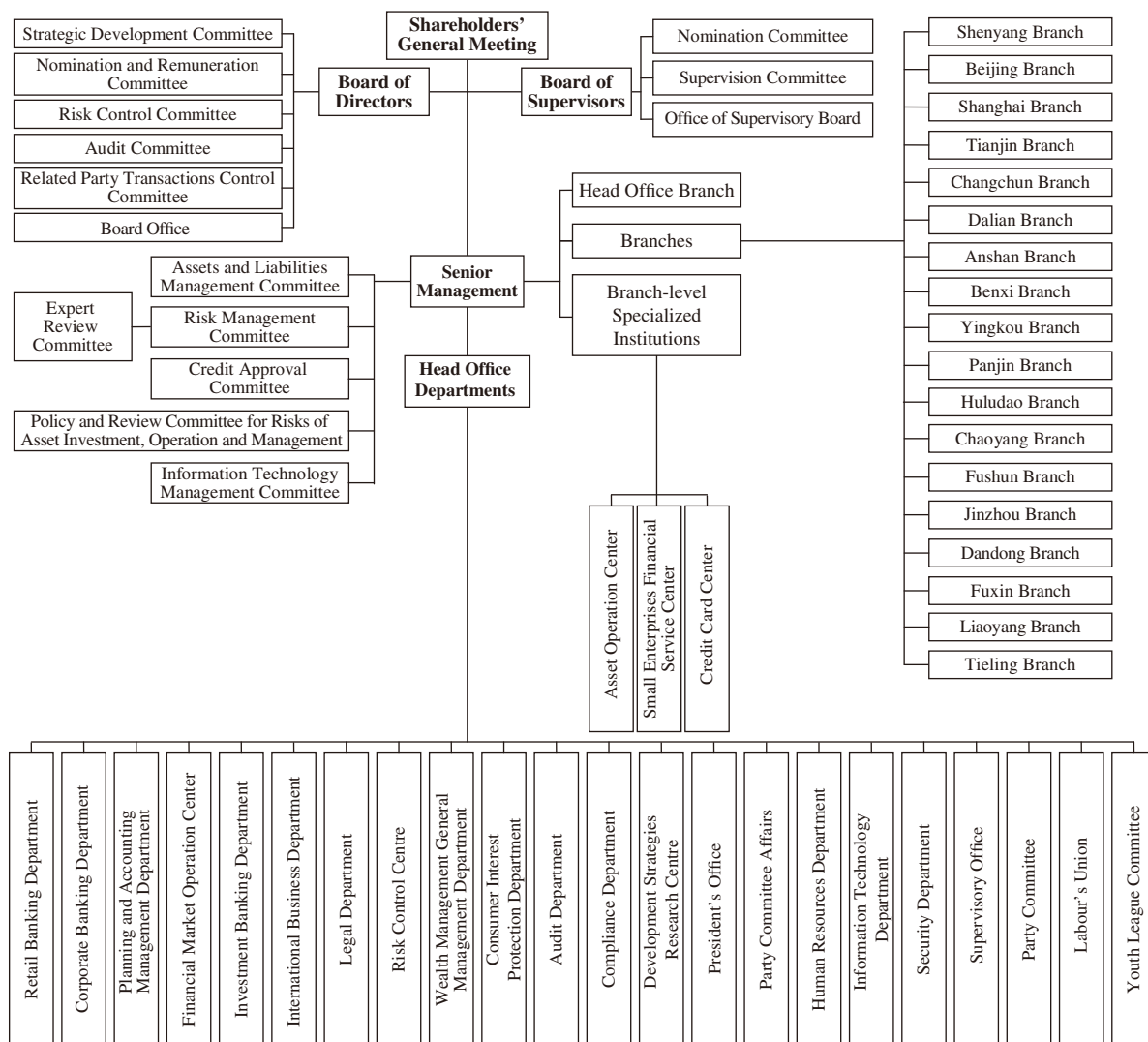
4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

| | 31 December 2015 | 31 December 2014 |
|-----------------|---------------------|---------------------|
| Northeast China | 943,733 | 489,225 |
| North China | 101,185 | 710 |
| Others | 6,000 | 4,000 |
| Total | 1,050,918 | 493,935 |

5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Gross loans and advances which have been overdue with respect to either principal or interest for periods of | | |
| – between 3 and 6 months (inclusive) | 49,732 | 156,821 |
| – between 6 months and 1 year (inclusive) | 351,552 | 93,936 |
| – over 1 year | 173,534 | 216,280 |
| Total | 574,818 | 467,037 |
| As a percentage of total gross loans and advances | | |
| – between 3 and 6 months (inclusive) | 0.03% | 0.10% |
| – between 6 months and 1 year (inclusive) | 0.18% | 0.06% |
| – over 1 year | 0.09% | 0.14% |
| Total | 0.30% | 0.30% |

ORGANISATIONAL CHART



LIST OF BRANCHES

In 2015, the Bank gradually promoted the construction of branches, with 18 branches in operation in the PRC as at 31 December 2015, namely the Shenyang Branch, Beijing Branch, Shanghai Branch, Tianjin Branch, Changchun Branch, Dalian Branch, Yingkou Branch, Huludao Branch, Anshan Branch, Benxi Branch, Panjin Branch, Chaoyang Branch, Fushun Branch, Jinzhou Branch, Fuxin Branch, Dandong Branch, Liaoyang Branch and Tieling Branch.

In 2016, the Bank will continue to adhere to the corporate philosophy of being a bank that serves the general public in a city with a prestigious economic and financial environment. With this philosophy, the Bank aims to achieve the mission of becoming a bank that offers attentive services to the general public by expediting the establishment of traditional, community as well as small and miniature sub-branches, a policy that will accomplish the goal of offering convenient financial services to communities. All this will further leverage on the economies of scale; the Bank will also place emphasis on the establishment and optimisation of the professional service system to enable plausible and orderly establishment of branches and systems.

As at 31 December 2015, there were totally 171 branches and sub-branches under the Bank, details of which are set out as follows:

| Geographical | | | | | |
|-------------------|-------------------------------|--|--------------|----------|--------------|
| Region | Name of institutions | Business address | Telephone | Postcode | Fax |
| Head office | Head office | No. 109, North Station Road, Shenhe District, Shenyang City | 024-22535626 | 110013 | 024-22535995 |
| Liaoning Province | Shenyang Branch | No. 76, Shiyiwei Road, Heping District, Shenyang City | 024-22535747 | 110001 | 024-22535748 |
| | Heping Sub-Branch | No. 96, Taiyuan South Street, Heping District, Shenyang City | 024-23518649 | 110001 | 024-23528647 |
| | Nanjing Street Sub-Branch | No. 45, Nanjing South Street, Heping District, Shenyang City | 024-23523225 | 110005 | 024-23523225 |
| | Shengli Sub-Branch | No. 14 and 16, Changbaisi Street, Heping District, Shenyang City | 024-23523044 | 110000 | 024-23523044 |
| | Xinmin Sub-Branch | No. 3, Zhongxing East Road, Xinmin City | 024-27601509 | 110300 | 024-27855959 |
| | Hongxia Sub-Branch | No. 38, Beiwujing Street, Heping District, Shenyang City | 024-62250313 | 110003 | 024-22717917 |
| | Nanshi Sub-Branch | No. 7, Nansanjing Street, Shenhe District, Shenyang City | 024-22710606 | 110014 | 024-22717918 |
| | Taiyuan Sub-Branch | No. 92, Shengli South Street, Heping District, Shenyang City | 024-83507595 | 110005 | 024-83507595 |
| | Yuanlu Sub-Branch | No. 21, Beisi Road, Heping District, Shenyang City | 024-23415516 | 110001 | 024-23834766 |
| | Hetai Sub-Branch | Gate -3, No. 107, Nanjing North Street, Heping District, Shenyang City | 024-22870771 | 110001 | 024-22870771 |
| | Medical University Sub-Branch | No. 92, Beier Road, Heping District, Shenyang City | 024-83282796 | 110001 | 024-83282796 |
| | Beishi Sub-Branch | No. 218, Shifu Avenue, Heping District, Shenyang City | 024-62502761 | 110002 | 024-62502762 |
| | South Station Sub-Branch | No. 38, Zhongshan Road, Heping District, Shenyang City | 024-23410251 | 110001 | 024-23416614 |
| | Tianhe Sub-Branch | No. 30, Beisi Road, Heping District, Shenyang City | 024-22834041 | 110002 | 024-22834041 |
| | Sujiatun Sub-Branch | No. 60, Fengyang Road, Sujiatun District, Shenyang City | 024-89811137 | 110101 | 024-89811137 |
| | Changbai Sub-Branch | No. 62 A1 and 2, Changbai West Road, Heping District, Shenyang City | 024-23732950 | 110166 | 024-23732950 |
| | Fengyang Sub-Branch | Gates 1 and 53, No. 107, Fengyang Road, Sujiatun, Shenyang City | 024-89825773 | 110101 | 024-89825773 |
| | Huoju Sub-Branch | No. 262 A, Shifu Avenue, Shenhe District, Shenyang City | 024-22790353 | 110013 | 024-22790353 |
| | Sanhao Sub-Branch | No. 87 A-1, South Sanhao Street, Heping District, Shenyang City | 024-23992357 | 110004 | 024-23992387 |
| | Jiaoyu Sub-Branch | No. 55, Erjing Street, Shenhe District, Shenyang City | 024-22840330 | 110014 | 024-22840330 |
| | Huashan Sub-Branch | No. 76, Harbin Road, Heping District, Shenyang City | 024-22501048 | 110002 | 024-22524303 |

LIST OF BRANCHES (Continued)

| Geographical Region | Name of institutions | Business address | Telephone | Postcode | Fax |
|---------------------|--|--|--------------|----------|--------------|
| | Longjiang Sub-Branch | 1-8A-B, No. 19, Heilongjiang Street, Huanggu District, Shenyang City | 024-86252574 | 110032 | 024-86252574 |
| | West Tower Sub-Branch | No. 42, West Tower Street, Heping District, Shenyang City | 024-23469142 | 110002 | 024-23469142 |
| | Huaxin Sub-Branch | No. 12, Huashan Road, Huanggu District, Shenyang City | 024-86413380 | 110032 | 024-86413380 |
| | Xinhe Sub-Branch | No. 98, Shashan Street, Heping District, Shenyang City | 024-23304214 | 110005 | 024-23306314 |
| | Keji Sub-Branch | Gate 2 (Floors 1-2), No. 318, Qingnian Street, Heping District, Shenyang City | 024-23997390 | 110004 | 024-23842504 |
| | Dongquan Sub-Branch | No. 16, Quanyuanyi Road, Shenhe District, Shenyang City | 024-24233911 | 110015 | 024-24233911 |
| | Nanhu Sub-Branch | No. 21 A-1, Sanhao Street, Heping District, Shenyang City | 024-23895215 | 110003 | 024-23895215 |
| | Dongxing Sub-Branch | No. 429 (Gates 11-12), Da'nán Street, Shenhe District, Shenyang City | 024-24516360 | 110016 | 024-24502355 |
| | Minzhu Sub-Branch | No. 78, Heping North Street, Heping District, Shenyang City | 024-23266349 | 110001 | 024-23266349 |
| | Zhaogong Sub-Branch | Unit 3, Building 35, No. 26A, Beier West Road, Tiexi District, Shenyang City | 024-23830881 | 310026 | 024-25826756 |
| | Tiexi Sub-Branch | No. 31, Jianshe Middle Road, Tiexi District, Shenyang City | 024-25845362 | 110021 | 024-25642938 |
| | Mazhuang Sub-Branch | No. 19, Mazhuang Street, Tiexi District, Shenyang City | 024-25728349 | 110021 | 024-25642938 |
| | Xinghua Sub-Branch | No. 14, Yanhua Street, Tiexi District, Shenyang City | 024-25964572 | 110021 | 024-25642938 |
| | Jianshe Avenue Sub-Branch | No. 8, Jianshe Middle Road, Tiexi District, Shenyang City | 024-25866380 | 110021 | 024-25642938 |
| | Baogong Sub-Branch | No. 15, Baogong South Street, Tiexi District, Shenyang City | 024-25877959 | 110021 | 024-25642938 |
| | Baoxing Sub-Branch | No. 29, Xinghua North Street, Tiexi District, Shenyang City | 024-25112720 | 110021 | 024-25112720 |
| | Tengfei Sub-Branch | No. 57, Tengfeiyi Street, Tiexi District, Shenyang City | 024-25931567 | 110021 | 024-25931567 |
| | Xinggong Sub-Branch | No. 108, Xinggong North Street, Tiexi District, Shenyang City | 024-62635353 | 110071 | 024-25642938 |
| | Yuhong Sub-Branch | No. 10, Huanghai Road, Yuhong District, Shenyang City | 024-25833006 | 110141 | 024-25302940 |
| | Tiecheng Sub-Branch | No. 36, Zhaogong South Street, Tiexi District, Shenyang City | 024-25717902 | 110024 | 024-25717902 |
| | Shuangxi Sub-Branch | No. 88, Zhonggong South Street, Tiexi District, Shenyang City | 024-25787387 | 110141 | 024-25787387 |
| | Zhangshi Sub-Branch | No. 212, Shenliao Road, Economic and Technological Development Zone, Shenyang City | 024-25280910 | 110024 | 024-25280910 |
| | Economic and Technological Development Zone Sub-Branch | No. 21-A-5, Central Street, Economic and Technological Development Zone, Shenyang City | 024-62836295 | 110141 | 024-62838296 |
| | Jingxing Sub-Branch | No. 178, Xingshun Street, Tiexi District, Shenyang City | 024-25445702 | 110023 | 024-25445702 |
| | Huaxiang Sub-Branch | No. 18, Huaxiang Road, Tiexi District, Shenyang City | 024-25890701 | 110021 | 024-25890701 |
| | Xingshun Sub-Branch | No. 84, Xingshun South Street, Tiexi District, Shenyang City | 024-25603723 | 110023 | 024-25603723 |
| | Shenhe Sub-Branch | No. 2, Zhongjie Street, Shenhe District, Shenyang City | 024-84842085 | 110011 | 024-24869519 |
| | Shangyuan Sub-Branch | No. 34-A, Shangyuan Road, Dadong District, Shenyang City | 024-88326157 | 110044 | 024-88326157 |
| | Wenyi Road Sub-Branch | No. 2, Wu'ai Street, Shenhe District, Shenyang City | 024-83962659 | 110014 | 024-83962659 |
| | Changqing Sub-Branch | No. 17-25, Changqing South Street, Dongling District, Shenyang City | 024-31263205 | 110015 | 024-31263205 |
| | North Station Sub-Branch | No. 27, Huigong Dongyi Street, Shenhe District, Shenyang City | 024-88522500 | 110013 | 024-88522942 |
| | Yinhe Sub-Branch | No. 180, Xiaonan Street, Shenhe District, Shenyang City | 024-24187108 | 110016 | 024-24187108 |
| | Binhe Sub-Branch | No. 92, Da'nán Street, Shenhe District, Shenyang City | 024-24810579 | 110011 | 024-24811451 |
| | Wu'ai Market Sub-Branch | No. 65, Re'nao Road, Shenhe District, Shenyang City | 024-24816598 | 110011 | 024-24816598 |
| | Zhenghao Sub-Branch | No. 68, Pangjiang Street, Dadong Street, Shenyang City | 024-24352501 | 110042 | 024-24352500 |
| | Quanyuan Sub-Branch | No. 7, Fengle'er Street, Shenhe District, Shenyang City | 024-24829409 | 110015 | 024-24829409 |
| | Liaoshen Sub-Branch | No. 15, Jixiangsi Road, Dadong District, Shenyang City | 024-88113032 | 110044 | 024-88113032 |
| | Dongshuncheng Sub-Branch | No. 2, Dongshuncheng Road, Shenhe District, Shenyang City | 024-24867743 | 110041 | 024-24867743 |

LIST OF BRANCHES (Continued)

| Geographical Region | Name of institutions | Business address | Telephone | Postcode | Fax |
|---------------------|---------------------------------|---|--------------|----------|--------------|
| | Jilong Sub-Branch | Gate 4, No. 68, Dadong Road, Dadong District, Shenyang City | 024-24321649 | 110042 | 024-24318982 |
| | Jinsha Sub-Branch | No. 187, Daxi Road, Shenhe District, Shenyang City | 024-22973253 | 110014 | 024-22973283 |
| | Zhongxing Sub-Branch | No. 10, Zhongxing Street, Heping District, Shenyang City | 024-23218962 | 110001 | 024-22973284 |
| | Zhongshan Sub-Branch | No. 206, Zhongshan Road, Shenhe District, Shenyang City | 024-22820318 | 110013 | 024-22852026 |
| | Zhenxing Sub-Branch | Floors 1-3, Tower I, No. 181 A, Nanwu Road, Heping District, Shenyang City | 024-23851150 | 110006 | 024-23244928 |
| | Donghuan Sub-Branch | Gates 4&5, No. 37, Shentie Road, Dadong District, Shenyang City | 024-22712154 | 110044 | 024-22712154 |
| | Nanliu Sub-Branch | No. 16, Nanba Road, Heping District, Shenyang City | 024-23508046 | 110005 | 024-23518201 |
| | Hengxin Sub-Branch | No. 51, Re'nao Road, Shenhe District, Shenyang City | 024-31290372 | 110015 | 024-31290372 |
| | Dadong Road Sub-Branch | No. 116, Dongshuncheng Street, Dadong District, Shenyang City | 024-24845070 | 110042 | 024-24847848 |
| | Hemu Road Sub-Branch | No. 15, Jinjiao Road, Dadong District, Shenyang City | 024-24318875 | 110042 | 024-24318875 |
| | Bajiazi Sub-Branch | No. 22, Dongling West Road, Dadong District, Shenyang City | 024-88441405 | 110043 | 024-88420383 |
| | Taocicheng Sub-Branch | No. 23, Dongwang Street, Dadong District, Shenyang City | 024-88212840 | 110045 | 024-88212840 |
| | Shenbei New District Sub-Branch | No. 32, Yinhe Street, Shenbei New District, Shenyang City | 024-89603246 | 110121 | 024-89603292 |
| | Dongling Sub-Branch | No. 105 A, Wanliutang Road, Dongling District, Shenyang City | 024-24200020 | 110015 | 024-24200020 |
| | Fengle Sub-Branch | Gate 4, No. 72, Wenhua East Road, Shenhe District, Shenyang City | 024-24222193 | 110015 | 024-24222193 |
| | Hunnan Sub-Branch | Gate 3, No. 233-1, Baita Street, Dongling District, Shenyang City | 024-23789830 | 110179 | 024-23789830 |
| | Hepan New Town Sub-Branch | Gate 10&11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City | 024-24564181 | 110180 | 024-24564966 |
| | Wanquan Sub-Branch | No. 35, Changqing Street, Shenhe District, Shenyang City | 024-24212158 | 110015 | 024-24216464 |
| | Jiahe Sub-Branch | Gate 7, No. 1, Fangming Street, Shenhe District, Shenyang City | 024-24628495 | 110013 | 024-24627163 |
| | 204 Sub-Branch | No. 14, Limingwu Street, Dadong District, Shenyang City | 024-88417845 | 110043 | 024-88417845 |
| | Yaming Sub-Branch | No. 100, Kunshan Middle Road, Huanggu District, Shenyang City | 024-86853560 | 110031 | 024-86852023 |
| | Tawan Sub-Branch | Gates 1-2, No. 142, Kunshan West Road, Huanggu District, Shenyang City | 024-86722014 | 110035 | 024-86722014 |
| | Ningshan Sub-Branch | No. 64, Ningshan Middle Road, Huanggu District, Shenyang City | 024-86240034 | 110031 | 024-86229250 |
| | Yalu River Sub-Branch | Gate 11, No. 63, Yalu River Street, Huanggu District, Shenyang City | 024-86620510 | 110033 | 024-86620510 |
| | Beihuan Sub-Branch | No. 46, North Changjiang Street, Yuhong District, Shenyang City | 024-86166201 | 110036 | 024-86166201 |
| | Changjiang Sub-Branch | No. 59, Changjiang Street, Huanggu District, Shenyang City | 024-86240850 | 110031 | 024-86240850 |
| | Taishan Sub-Branch | No. 8, Chongshan East Road, Yuhong District, Shenyang City | 024-86629596 | 110032 | 024-86629596 |
| | Wuyi Sub-Branch | No. 58, Liaoke Street, Huanggu District, Shenyang City | 024-86840414 | 110032 | 024-86250953 |
| | Nenjiang Sub-Branch | No. 100, Nenjiang Street, Huanggu District, Shenyang City | 024-86250963 | 110031 | 024-86250963 |
| | Xianggong Sub-Branch | No. 215, Huashan Road, Huanggu District, Shenyang City | 024-86872900 | 110036 | 024-86749732 |
| | Dabeiguan Sub-Branch | Gate 4, No. 42, Dabeiguan Street, Dadong District, Shenyang City | 024-88565286 | 110041 | 024-88565286 |
| | Songling Sub-Branch | No. 88, Huanghe North Street, Yuhong District, Shenyang City | 024-86520786 | 110034 | 024-86525512 |
| | Yunfeng Sub-Branch | No. 98, Xishuncheng Street, Shenhe District, Shenyang City | 024-22535881 | 110013 | 024-22535881 |
| | Xiaoxi Road Sub-Branch | Unit 1, Floor 1, Tower B, No. 59-1, Qingnian Street, Shenhe District, Shenyang City | 024-84842085 | 110000 | 024-24869519 |
| | Nujiang Sub-Branch | No. 36-7, Beigu Mountain Road, Yuhong District, Shenyang City | 024-86515855 | 110034 | 024-86515855 |
| | Faku Sub-Branch | Jixiang Street, Faku Town, Faku County | 024-87126081 | 110400 | 024-87127811 |
| | Liaozhong Sub-Branch | No. 106, Zhengfu Road, Liaozhong Town, Liaozhong County | 024-87880580 | 110200 | 024-87880679 |
| | Kangping Sub-Branch | Jianshe Street, Kangping Town, Kangping County | 024-87335672 | 110500 | 024-87335671 |
| | Dongmao Road Sub-Branch | Gate 2&3, No.18A-42, Dongling Road, Shenhe District, Shenyang City | 024-88421161 | 110141 | 024-87335672 |

LIST OF BRANCHES (Continued)

| Geographical Region | Name of institutions | Business address | Telephone | Postcode | Fax |
|---------------------|---|---|---------------|----------|---------------|
| | Daoyi Sub-Branch | Gate 3&4, No.55-5, Daoyi North Street, Shenbei New District, Shenyang City | 024-89798932 | 110136 | 024-89798932 |
| | Dalian Branch | No. 160, Jiefang Road, Zhongshan District, Dalian City | 0411-82566666 | 116000 | 0411-82311080 |
| | Development Zone Sub-Branch | No. 37-1, Liao River West Road, Economic and Technological Development Zone, Dalian City | 0411-87571166 | 116600 | 0411-87188961 |
| | Wafangdian Sub-Branch | No. 559-7, 8 & 9, Zhufeng Street, Wenlan Agency, Wafangdian City | 0411-85552255 | 116300 | 0411-85552329 |
| | Wusi Sub-Branch | No. 10, Wusi Square, Shahekou District, Dalian City | 0411-84652233 | 116021 | 0411-84650976 |
| | Xinghai Sub-Branch | No. 582, Zhongshan Road, Shahekou District, Dalian City | 0411-88144433 | 116000 | 0411-88134387 |
| | Yingkou Branch | No.17, Riyue Avenue, Economic and Technological Development Zone, Yingkou City, Liaoning Province | 0417-6818666 | 115007 | 0417-6166618 |
| | Dashiqiao Sub-Branch | No. 28, Hada Middle Road, Dashiqiao City | 0417-5826677 | 115100 | 0417-5826677 |
| | Shifu Sub-Branch | No. 1-A-A-1, Huibin Road, Zhanqian District, Yingkou City | 0417-4887700 | 115000 | 0417-4887702 |
| | Huimin Sub-Branch | No. 21, Riyue Avenue, Economic and Technological Development Zone, Yingkou City | 0417-6166642 | 115007 | 0417-6166642 |
| | Xuefu Sub-Branch | No. 9-A4, North Xuefu Road, Zhanqian District, Yingkou City | 0417-2922345 | 115000 | 0417-2922345 |
| | Gaizhou Sub-Branch | Unit 2, Building 10, Longsheng Huayuan, Xinxing Community, Sub-district office of Xicheng, Gaizhou City | 0417-7331666 | 115200 | 0417-7331666 |
| | Kunlun Sub-Branch | No. 8-2, South Section, Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province | 0417-6166600 | 115200 | 0417-6166600 |
| | Huludao Branch | No. 145, Longwan Street, Longgang District, Huludao City | 0429-3026666 | 125001 | 0429-3026666 |
| | Lianshan Sub-Branch | No. 5, Lianshan Street, Lianshan District, Huludao City | 0429-3023067 | 125001 | 0429-3023067 |
| | Longgang Sub-Branch | No. 28, Longwan Street, Longgang District, Huludao City | 0429-3023099 | 125001 | 0429-3023099 |
| | Xingcheng Sub-Branch | Bihai Yaju Community, Diaoyutai Office, Xingcheng City | 0429-5677773 | 125001 | 0429-5677773 |
| | Suizhong Sub-Branch | No. 11, Section 2, Central Road, Suizhong County, Huludao City, Liaoning Province | 0429-3258002 | 125001 | 0429-3258002 |
| | East Xingcheng Small and Micro Sub-Branch | No. 28, Guangchang West Road, Xingcheng City, Huludao City, Liaoning Province | 0429-5813355 | 125001 | 0429-5813355 |
| | Anshan Branch | No. 9-11 & 9-12, Wuyi Road, Tiedong District, Anshan City | 0412-5939993 | 114000 | 0412-5939998 |
| | Tiedong Sub-Branch | No. 24, Hunan Road, Tiedong District, Anshan City | 0412-5841266 | 114000 | 0412-5841266 |
| | Tiexi Sub-Branch | No. 178-S1, S2, S3&S4, Jiudao Street, Tiexi District, Anshan City | 0412-8592299 | 114000 | 0412-8592299 |
| | Haicheng Sub-Branch | No. 4, Building 6-1, Baihuixiangshan Community, Dongguan Community, Haizhou Management District, Haicheng City, Liaoning Province | 0412-3355977 | 114000 | 0412-3355977 |
| | Benxi Branch | No. 4, Dongming Road, Pingshan District, Benxi City | 024-43106888 | 117000 | 024-43106881 |
| | Mingshan Sub-Branch | No. 102, Jiefang North Road, Xinfeng Street, Mingshan District, Benxi City | 024-45580666 | 117000 | 024-45580600 |
| | Shengli Road Sub-Branch | Building 57, Shengli Road, Mingshan District, Benxi City | 024-42966688 | 117000 | 024-42966133 |
| | Pingshan Sub-Branch | No. 8, Building 31-6, Pingshan Road, Pingshan District, Benxi City, Liaoning Province | 024-42966999 | 117000 | 024-42966999 |
| | Panjin Branch | No. 136, Xinglongtai Street, Xinglongtai District, Panjin City | 0427-3290933 | 124010 | 0427-3290908 |
| | Development Zone Sub-Branch | No. 236, Taishan Road, Xinglongtai District, Panjin City | 0427-3267088 | 124010 | 0427-3267088 |
| | Liaohu Oil field Sub-Branch | No. 1-3 & 1-4, Xinyihe Community, Xinglongtai Street, Xinglongtai District, Panjin City | 0427-3291090 | 124010 | 0427-3291090 |

LIST OF BRANCHES (Continued)

| Geographical Region | Name of institutions | Business address | Telephone | Postcode | Fax |
|---------------------|--|---|--------------|----------|--------------|
| | Panshan Sub-Branch | Room 102, Floor 1, Venture Building, No.8, Fuqian Street, Panshan County, Panjin City, Liaoning Province | 0427-3710099 | 124010 | 0427-3710099 |
| | Panjin Leyuan Small and Micro Sub-Branch | No.41-1, Leyuan Road, Xinglongtai District, Panjin City, Liaoning Province | 0427-6590799 | 124010 | 0427-6590799 |
| | Panjin Jinxiang Small and Micro Sub-Branch | No.182-10-6, Xinglongtai Street, Xinlongtai District, Panjin City, Liaoning Province | 0427-7860290 | 124010 | 0427-7860290 |
| | Chaoyang Branch | No. 3-5, 3-6 & 3-7, Section 2, Zhujiang Road, Shuangta District, Chaoyang City | 0421-2705555 | 122000 | 0421-3999903 |
| | Shuangta Sub-Branch | No. 70, Section 4, Youyi Street, Shuangta District, Chaoyang City | 0421-3999931 | 122000 | 0421-2964666 |
| | Jianping Sub-Branch | No. 59, Renmin Road, Jianping County, Chaoyang City, Liaoning Province | 0421-7868222 | 122000 | 0421-7868222 |
| | Fushun Branch | Rooms 2, 3 & 4, No. 57-7, Linjiang East Road, Shuncheng District, Fushun City | 024-53903666 | 113006 | 024-53908003 |
| | Xinfu Sub-Branch | Retail 2, Building 2, Wugong Street, Xinfu District, Fushun City | 024-53965666 | 113006 | 024-53965666 |
| | Wanghua Sub-Branch | Retails 1&2, Building 23, West Section, Leifeng Road, Wanghua District, Fushun City, Liaoning Province | 024-53978966 | 113006 | 024-53978966 |
| | Jinzhou Branch | No. 43-1, Area B of Lingyunli Manhattan, Taihe District, Jinzhou City | 0416-2110900 | 121000 | 0416-2110911 |
| | Yan'an Road Sub-Branch | No.1-1, Jindi Community, Section 3, Yan'an Road, Guta District, Jinzhou City | 0416-2110950 | 121000 | 0416-2110950 |
| | Fuxin Branch | No. 86, Zhonghua Road, Haizhou District, Fuxin City | 0418-5699999 | 123000 | 0418-5969988 |
| | Dandong Branch | No. 70, Qingnian Street, Zhenxing District, Dandong City | 0415-2946666 | 118000 | 0415-3118386 |
| Beijing City | Beijing Branch | Tower D, Oriental Media Centre, No. 4, Guanghua Road, Chaoyang District, Beijing City | 010-85597777 | 100026 | 010-85570017 |
| | Zhongguancun Sub-Branch | Units 108 & 109, Floor 1, No. 8, Haidian Beier Street, Haidian District, Beijing City | 010-82012999 | 100080 | 010-59718591 |
| | Guanyuan Sub-Branch | Tower 1, Yard 9, Chegongzhuang Street, Xicheng District, Beijing City | 010-85251177 | 100044 | 010-85251177 |
| | Wukesong Sub-Branch | Building 3, No. 69, Fuxing Road, Haidian District, Beijing City | 010-88199777 | 100038 | 010-88199291 |
| | Shunyi Sub-Branch | Tower 1, Yard 8, Xinshun South Street, Renhe Town, Shunyi District, Beijing City | 010-85886222 | 101399 | 010-61426807 |
| | Daxing Sub-Branch | No.26, Section 3, Xingye Street, Daxing District, Beijing City | 010-65820066 | 101399 | 010-65820066 |
| Shanghai City | Shanghai Branch | Unit 02, Floor 1, No. 689, Guangdong Road, Huangpu District, Shanghai City | 021-33316501 | 200001 | 021-63606217 |
| | Putuo Sub-Branch | Rooms A8005-A8006, Floor 1, No. 1108, Zhenbei Road, Putuo District, Shanghai City | 021-60290531 | 200333 | 021-60290526 |
| | Pudong Sub-Branch | Rooms A8005-A8007, Floor 1, No. 1108, Zhenbei Road, Putuo District, Shanghai City | 021-67828575 | 200135 | 021-60191755 |
| | Songjiang Sub-Branch | Lane 1855, Sixian Road, Songjiang District, Shanghai City | 021-60191765 | 201620 | 021-60791288 |
| | Changning Anlong Sub-Branch | No.759, Anlong Road, Changning District, Shanghai City | 021-60791288 | 201620 | 021-67827393 |
| | Xuhui Sub-Branch | Shops 107/108, Floor 1&2/10/209, Floor 2, No.75, Tianlin East Road, Xuhui District, Shanghai City | 021-61270576 | 201620 | 021-61270576 |
| Tianjin City | Tianjin Branch | Shopping Centre of Building 1, Wanshun Hot Spring Garden, Huangpu South Road, Hexi District, Tianjin City | 022-28379999 | 300201 | 022-28370677 |
| | Huayuan Sub-Branch | No. 150-04, Yingshui Avenue, Nankai District, Tianjin City | 022-58815628 | 300384 | 022-58815629 |

LIST OF BRANCHES (Continued)

| Geographical | | | | | |
|----------------|---|--|---------------|----------|---------------|
| Region | Name of institutions | Business address | Telephone | Postcode | Fax |
| | Binhai Sub-Branch | No. 21-18, 2nd Street, Development Zone, Tianjin City | 022-59835160 | 300457 | 022-59835163 |
| | Beichen Sub-Branch | Unit 101, Building 4, Beichen Tower, Beichen District, Tianjin City | 022-58687611 | 300402 | 022-58833920 |
| | Xiqing Sub-Branch | No. 12-22, Jinfeng Road, Xiqing District, Tianjin City | 022-58335697 | 300385 | 022-58335699 |
| | Hedong Sub-Branch | No. 1 & 2, Floor 1, No. 70, Huachang Road, Hedong District, Tianjin City | 022-24410278 | 300151 | 022-24413308 |
| | Hebei Sub-Branch | No. 20, Wangchuanchang 5th Road, Hebei District, Tianjin City | 022-58885918 | 300150 | 022-58885932 |
| | Heping Sub-Branch | No. 5, Xikang Road, Building 1 & 2, Hekang Mingdi, Heping District, Tianjin City | 022-59956312 | 300051 | 022-59956311 |
| | Dongli Sub-Branch | Room 3-110, Guangfu Business Centre, Dongli District, Tianjin City | 022-84965926 | 300301 | 022-84965920 |
| Changchun City | Changchun Branch | No.61, Gongnong Avenue, Chaoyang District, Changchun City, Jilin Province | 0431-81958888 | 130000 | 0431-81928705 |
| | Dongsheng Sub-Branch | No. 1999, Jilin Avenue, Erdao District, Changchun City | 0431-81970386 | 130000 | 0431-81970386 |
| | Xi'an Avenue Sub-Branch | No. 1438, Xiangyun Street, Lvyan District, Changchun City | 0431-89828555 | 130000 | 0431-89828555 |
| | Xiangyun Sub-Branch | No. 8, Xi'an Avenue, Chaoyang District, Changchun City | 0431-89297707 | 130000 | 0431-89297707 |
| | Nanhu Avenue Sub-Branch | No. 1999, Nanhu Avenue, Nangan District, Changchun City | 0431-81901267 | 130000 | 0431-81928705 |
| | Changchun Quan Lou Small and Micro Sub-branch | No.18, Chongqing Lane, Nangan District, Changchun City, Jilin Province | 0431-89305466 | 130000 | 0431-89305466 |
| Liaoyang | Liaoyang Branch | No.155, Wensheng Road, Baita District, Liaoyang City, Liaoning Province | 0419-3630555 | 111000 | 0419-3630555 |
| Tieling | Tieling Branch | No.18-1-1, Yinzhou Road, Yinzhou District, Tieling City, Liaoning Province | 024-72776666 | 112000 | 024-72776666 |



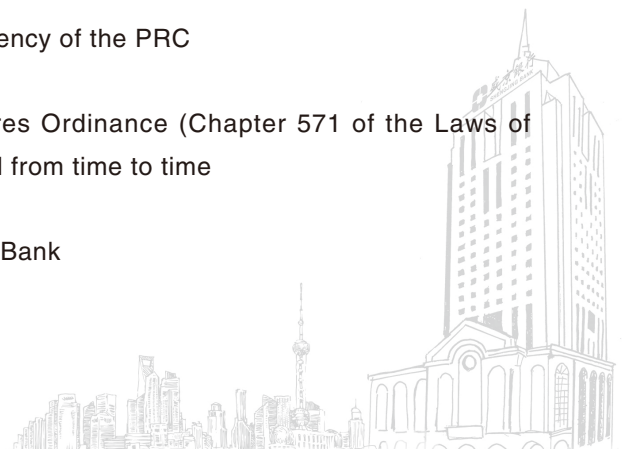
DEFINITION

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

| | |
|--------------------------------------|---|
| “Articles of Association” | the articles of association of the Bank, as amended from time to time |
| “A Share(s)” | ordinary share(s) proposed to be issued by the Bank pursuant to the A Share Offering and subscribed for in Renminbi, which will be listed on the Shenzhen Stock Exchange and traded in Renminbi |
| “A Share Offering” | the Bank’s proposed initial public offering of not more than 600,000,000 A Shares, which are proposed to be listed on the Shenzhen Stock Exchange |
| “Bank”, “Shengjing Bank”, or “We” | Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches |
| “Beijing Zhaotai” | Beijing Zhaotai Group Co., Ltd. (北京兆泰集團股份有限公司), a company incorporated in the PRC on 16 November 1992, which held approximately 5.18% of the entire issued share capital of the Bank as at the Latest Practicable Date |
| “Board” or “Board of Directors” | the board of Directors of the Bank |
| “Board of Supervisors” | the board of Supervisors of the Bank |
| “CBRC” | China Banking Regulatory Commission |
| “CBRC Liaoning Bureau” | China Banking Regulatory Commission Liaoning Bureau |
| “Director(s)” | the director(s) of the Bank |
| “Domestic Shares” | ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi |
| “H Share Registrar” | Computershare Hong Kong Investor Services Limited |

DEFINITION (Continued)

| | |
|----------------------------|---|
| “H Shares” | overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Latest Practicable Date” | 21 April 2016, being the latest practicable date prior to the publication of this annual report for the purpose of ascertaining certain information contained in this annual report |
| “Listing Date” | 29 December 2014, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “PBOC” or “Central Bank” | the People’s Bank of China |
| “PRC” | the People’s Republic of China, and for the purpose of this annual report only, excluding Hong Kong, Macau and Taiwan |
| “Reporting Period” | the year ended 31 December 2015 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time |
| “Shareholder(s)” | the shareholder(s) of the Bank |



DEFINITION (Continued)

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|--------------------|--|
| “Shares” | the Domestic Shares and the H Shares |
| “Shenyang Hengxin” | Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司, formerly known as 瀋陽恒信國有資產經營有限公司), a company incorporated in the PRC on 10 April 2002, which held approximately 8.28% of the entire issued share capital of the Bank as at the Latest Practicable Date |
| “State Council” | the State Council of the PRC |
| “Supervisor(s)” | the supervisor(s) of the Bank |



Integrity · Amicability · Ambition · Enthusiasm · Dedication