



徽商銀行股份有限公司 Huishang Bank Corporation Limited

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

Stock Code : 3698

Annual Report 2015



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Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meaning set out below.

“The Bank” or “Huishang Bank”	means Huishang Bank Corporation Limited, including its subsidiaries and branches
“CBRC”	means the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CSRC”	means the China Securities Regulatory Commission (中國證券監督管理委員會)
“CBRC Anhui Office”	means the China Banking Regulatory Commission Anhui Office (中國銀行業監督管理委員會安徽監管局)
“Domestic Shares”	means the ordinary shares issued by the Bank in the PRC with a nominal value of RMB1.00
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Listing”	means the listing of H shares of the Bank on the Hong Kong Stock Exchange
“Listing Date”	means the date on which dealings in the H shares of the Bank first commenced on the Hong Kong Stock Exchange, i.e. 12 November 2013
“Non-green Industries”	means the heavily-polluting, highly energy-consuming and over-capacity industries
“Three Dimensional Rural Issues”	abbreviation for issues related to agriculture, rural areas and farmers
“PBOC”	means the People’s Bank of China
“China” or “PRC”	means the People’s Republic of China
“Yuan” or “RMB”	means Renminbi, the lawful currency of China. Unless otherwise specified herein, the currency used in this report shall be Renminbi
“HK\$” or “Hong Kong dollars”	means Hong Kong dollars, the lawful currency of Hong Kong

Chapter I Corporate Information

1.1 CORPORATE INFORMATION

- 1.1.1 Statutory Chinese name: 徽商银行股份有限公司¹
Statutory English name: Huishang Bank Corporation Limited
- 1.1.2 Statutory representative: Li Hongming
Authorized representatives: Wu Xuemin, Ngai Wai Fung
Board of Directors secretary: Yi Feng
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office address: Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC
- 1.1.4 Contact address: Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC
Tel: +86-0551-62667787
Fax: +86-0551-62667787
Post code: 230001
Bank's website: www.hsbank.com.cn
E-mail: djb@hsbank.com.cn
- 1.1.5 Principal place of business in Hong Kong: 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
- 1.1.6 Domestic auditor: PricewaterhouseCoopers Zhong Tian LLP
Office address: 11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
International auditor: PricewaterhouseCoopers
Office address: 22/F, Prince's Building, Central, Hong Kong
- 1.1.7 Legal advisor as to PRC law: DeHeng Law Offices²
Legal advisor as to Hong Kong law: Latham & Watkins
- 1.1.8 Domestic shares trustee agency: China Securities Depository and Clearing Corporation Limited
H share registrar: Computershare Hong Kong Investor Services Limited

- Notes
1. Huishang Bank Corporation Limited is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.
 2. During the reporting period in 2015, the Bank's legal advisor as to PRC law was King & Wood Mallesons; the Bank changed its legal advisor as to PRC law to DeHeng Law Offices in 2016.

Chapter I Corporate Information

1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, the Bank was listed on the Main Board of the Hong Kong Stock Exchange. The Bank holds a financial institution license numbered B0162H234010001 from the CBRC Anhui Office and a legal entity business license numbered 340000000026144 from the Anhui Provincial Administration of Industry and Commerce. The registered address is Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC. As at the end of 2015, the registered capital of the Bank was RMB11.05 billion.

The Bank's principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business, which encompass money market activities, investment and trading activities and transactions on behalf of customers. As of 31 December 2015, Huishang Bank had 7,647 on-the-job employees. Apart from its headquarters, the Bank had 17 branches, 327 front offices (including 7 business department branches and 320 sub-branches) and 593 self-service areas. The Bank also has three subsidiaries, namely Huiyin Financial Leasing Co., Ltd, Jinzhai Huiyin Rural Bank Co., Ltd and Wuwei Huiyin Rural Bank Co., Ltd and owns equity interest in Chery Huiyin Motor Finance Service Co., Ltd.

By maintaining its market position as a bank "serving the local economy, serving small and medium enterprises ("SME(s)") and serving the general public", the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency, thus building up a good social image of the "local bank", the "people's bank" and the "SME bank", and becoming a regional commercial bank that is more well-known and has considerable influence in Anhui Province and even in the banking industry across China. With the full recognition and widespread praise from all sectors of society, the Bank was named one of the top 200 in the "Top 1000 World Banks" by *The Banker*, a UK magazine, with the ranking at No. 191, 3 places up from that in the previous year.

Chapter I Corporate Information

1.3 AWARDS FOR 2015

In 2015, the Bank won numerous accolades and rewards in contests organized by domestic authorities and organizations:

- ◆ In January, the Bank was chosen, for the first time, as the Top 20 National Inter-bank Foreign Exchange Market (G7) issued by the Foreign Exchange Center in China.
- ◆ In January, the Bank was chosen as “The Top 100 Banks of Inter-bank Domestic Currency Market in 2014” issued by the National Interbank Lending Center, and ranked top 30 among members of commercial banks.
- ◆ In February, the Bank was awarded the title of “China Banking Industry Legal Risk Management Advanced Entity” issued by the China Banking Association.
- ◆ In February, the Bank was awarded the “2014 Outstanding Dealers in China’s Bond Market” by China Central Depository & Clearing Co. Ltd. The Bank won this award for the second consecutive year since 2013 when the selection activities began.
- ◆ In March, the Bank ranked second among 26 public services entities for style of government and administration in Anhui Province in 2014 with a score of 84.67 assessed by the People’s Government of Anhui Province, and ranked first among the financial institutions participating in this assessment.
- ◆ In April, the Bank was awarded the “2014 Outstanding Sponsors of Asset-backed Securities in China’s Bond Market” by the China Central Depository & Clearing Co., Ltd. by virtue of its first credit asset securitization project in 2014.
- ◆ In May, the Bank was awarded the Highest A Class in Comprehensive Evaluation of Implementing Relevant Provisions of the PBOC in 2014 issued by the Hefei Central Sub-branch of the PBOC.
- ◆ In June, the Bank was awarded the “2015 Best Direct Sales Bank of China (Anhui)” at the 2015 China (Anhui) internet finance development conference held by Xinan Evening News.

Chapter I Corporate Information

- ◆ In June, the Bank was awarded the “2014 Advanced Advertising Unit in the Province” issued by the Anhui Province Internal Auditor Association.
- ◆ In August, the Bank was awarded the “Bank with the Greatest Growth Potential in 2015” at the 2015 China Asset Management Annual Meeting and the eighth award ceremony of the Golden Shell Awards organized by the 21st Century Business Herald.
- ◆ In October, the Bank was awarded the “Advanced Banking Enterprise Providing Financial Services to Small and Micro Enterprises in China” by the CBRC, and was the only bank that received such an award in Anhui Province.
- ◆ In October, the Bank was awarded the “Best Financial Human Resource Work” at the third session of the financial talents development fund held by the Financial Talents Committee of Talents Research Association of the PRC.
- ◆ In November, the Bank was awarded the “2014 Best Syndicated Loan Development” issued by the China Banking Association.
- ◆ In December, the Bank ranked the “First Place in Banking” in the Resident Satisfaction Survey of Top 10 Service Industries in Anhui Province” issued by the Anhui Province Information Research Association and the Anhui Social Development Investigation and Research Center.

Chapter II Summary of Accounting and Financial Information

2.1 MAIN FINANCIAL INFORMATION

Unit: RMB million, except for percentages

Operational results	2015	2014	Year-on-year
			changes+/-(-)%
Net operating income ⁽¹⁾	16,977	12,748	33.17%
Profit before income tax	7,973	7,411	7.58%
Net profit attributable to shareholders of the Bank	6,161	5,673	8.60%

Unit: RMB, except for percentages

By per share	2015	2014	Year-on-year
			changes+/-(-)%
Basic earnings attributable to shareholders of the Bank	0.56	0.51	9.80%
Diluted earnings attributable to shareholders of the Bank	0.56	0.51	9.80%
Net closing assets attributable to shareholders of the Bank	3.72	3.29	13.07%

Unit: RMB million, except for percentages

Scale indicators	31 December	31 December	Year-on-year
	2015	2014	changes+/-(-)%
Total assets	636,131	482,764	31.77%
Including: Total loans and advances	243,434	219,396	10.96%
Total liabilities	593,785	446,211	33.07%
Including: Total deposits from customers	359,225	317,870	13.01%
Equity attributable to shareholders of the Bank	41,159	36,374	13.16%

Note: (1) Net operating income comprises net interest income, net fees and commission income, net trading income, net income from investment in securities, dividend income and other operating income, net.

Chapter II Summary of Accounting and Financial Information

2.2 FINANCIAL RATIOS

	2015	2014	Unit: % Year-on-year changes+/-(-)
Profitability indicators⁽¹⁾			
Return on average assets ("ROAA") attributable to shareholders of the Bank after tax	1.10	1.31	(0.21)
Return on average equity ("ROAE") attributable to shareholders of the Bank after tax	15.89	16.68	(0.79)
Net interest spread	2.52	2.47	0.05
Net interest margin	2.71	2.74	(0.03)

	2015	2014	Unit: % Year-on-year changes+/-(-)
Proportion of net operating income			
– Net interest income	87.43	89.60	(2.17)
– Net non-interest income ⁽²⁾	12.57	10.40	2.17
Cost-to-income ratio (including business tax and surcharges) ⁽³⁾	32.02	33.08	(1.06)

	31 December 2015	31 December 2014	Unit: % Year-on-year changes+/-(-)
Asset quality indicators			
Non-performing loan ratio	0.98	0.83	0.15
Allowance to non-performing loan ratio	250.49	255.27	(4.78)
Allowance to loans	2.47	2.13	0.34

	31 December 2015	31 December 2014	Unit: % Year-on-year changes+/-(-)
Capital adequacy indicators			
Core tier I capital adequacy ratio	9.80	11.5	(1.7)
Capital adequacy ratio	13.25	13.41	(0.16)
Total equity to total assets ⁽⁴⁾	6.66	7.57	(0.91)

	31 December 2015	31 December 2014	Unit: RMB million Year-on-year changes+/-(-)
Liquidity coverage ratio⁽⁵⁾			
Qualified liquidity assets	70,368	–	–
Net cash outflow for cash in the next 30 days	52,448	–	–
Liquidity coverage ratio	134.17%	–	–

Notes: (1) The ratios are annualized.

(2) Net non-interest income in this indicator comprises of net fees and commission income, net trading income, net income from investment in securities, dividend income and other operating income, net, but excludes net income from investment in joint ventures and associates.

(3) Cost-to-income ratio = Operating expenses/Operating income.

(4) Equity includes minority interests.

(5) This indicator is the information disclosure indicator newly added by the CBRC in 2015.

Chapter II Summary of Accounting and Financial Information

2.3 FIVE-YEAR FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
Results for the year (RMB'000)					
Net operating income	16,977,100	12,748,053	10,172,509	9,234,965	7,651,124
Operating expenses	(5,435,251)	(4,216,671)	(3,386,435)	(3,132,268)	(2,500,374)
Asset impairment loss	(3,656,836)	(1,197,245)	(435,365)	(457,715)	(578,853)
Profit before tax	7,972,989	7,410,514	6,398,744	5,680,038	4,603,647
Net profit attributable to shareholders of the Bank	6,160,661	5,672,735	4,926,202	4,306,393	3,492,610
Per share (RMB)					
Dividends	0.159	0.159	0.156	0.10	0.10
Basic earnings	0.56	0.51	0.58	0.53	0.43
Diluted earnings	0.56	0.51	0.58	0.53	0.43
Closing net assets attributable to shareholders of the Bank	3.72	3.29	2.86	2.51	2.09
At year end (RMB'000)					
Paid-in capital stock	11,049,819	11,049,819	11,049,819	8,174,819	8,174,819
Total equity attributable to shareholders of the Bank	41,159,144	36,374,220	31,625,121	20,480,924	17,083,526
Total liabilities	593,785,360	446,211,390	350,437,158	303,743,433	239,898,030
Deposits from customers	359,224,554	317,870,043	272,798,242	239,543,123	203,579,704
Total assets	636,130,621	482,764,314	382,109,090	324,224,357	256,981,556
Net loans and advances	237,428,103	214,734,236	191,280,398	159,941,475	133,922,883
Key financial ratios					
ROAA attributable to shareholders of the Bank after tax	1.10%	1.31%	1.39%	1.48%	1.50%
ROAE attributable to shareholders of the Bank after tax	15.89%	16.68%	18.91%	22.93%	22.22%
Cost-to-income ratio ⁽¹⁾	32.02%	33.08%	33.29%	33.92%	32.68%
Non-performing loan ratio	0.98%	0.83%	0.54%	0.58%	0.48%
Core capital adequacy ratio	9.80%	11.50%	12.60%	10.30%	10.87%
Capital adequacy ratio	13.25%	13.41%	15.19%	13.54%	14.68%

Note: (1) Cost-to-income ratio = operating expenses/operating income.

Chapter III *Chairman's Statement*



Li Hongming | *Chairman*

Chapter III Chairman's Statement

In 2015, Huishang Bank positively adapted to and actively worked on the new normal, carried forward the excellent Huishang culture, implemented development strategies, persisted with "development driven by innovation and development guaranteed by management improvement", focused on the theme of "stable growth, structure adjustment, market exploration and risk control" for operations, insisted on comprehensiveness, professionalism, intelligence and diversity, actively promoted "second entrepreneurship" throughout the bank, dedicated efforts to build a mainstream bank serving the local economy and social development in all respects, realized continuous growth in economic performance and shareholders' value and recorded good operating results in a complex and severe economic environment.

As at the end of 2015, the Bank's total assets were RMB636.1 billion (in domestic and foreign currencies), representing a year-on-year increase of 31.77%, with net assets of RMB42.3 billion. The Bank recorded a net profit of RMB6,212 million, representing a year-on-year increase of 9.44%. The Bank had with an average return on assets (ROA) of 1.11%, average return on equity (ROE) of 15.75%, capital adequacy ratio of 13.25%, non-performing loan ratio of 0.98% and provision coverage ratio of 250.49%. All of the various types of regulatory indicators were at relatively good levels.

The year 2015 was the 10th anniversary of Huishang Bank's establishment through re-organization. In the past ten years, Huishang Bank went through trials and hardships, upgraded and developed itself through remodeling and rebuilding. In the past ten years, our major business indicators increased at an average annual increase of around 30% and developed ourselves into a major local bank and a listed bank in an international capital market with an asset size of more than RMB600 billion and net profit of more than RMB6,000 million. All of the various operating indicators were at leading levels among the city commercial banks in China. Our good operating results were attributable to the Bank's initiatives to push forward reforms and innovation and implement the development of transformation and upgrade, the progressive hard work of our employees at all levels, as well as the care, trust and support from all levels of governmental departments, regulatory authorities, domestic and foreign investors, our customers and friends from all walks of life. On behalf of the Board of Huishang Bank, I extend my sincere thanks to them!

The year 2016 is the first year of entering into the decisive stage of building a comprehensive well-off society, and also a crucial year in promoting structural reform in China. We will actively adapt to the new normal in economic development, carry out business adjustment and risk control, push forward three brands, namely "comprehensive finance, inclusive finance, and intelligent finance", and strive to repay shareholders and communities with better results. Looking forward to the next decade, we will unite and lead our staff to advance bravely and push forward, continually follow the Huishang spirit of "Doing Business According to Confucianism, and Being People-oriented" while bearing the great vision of "Creating First-Class Quality, and Building a Centennial Huishang Bank", and aiming to contribute to the taking off of another glorious chapter of Huishang Bank and local economic development!

Li Hongming
Chairman

Chapter IV *President's Statement*



Wu Xuemin | President

Chapter IV President's Statement

In 2015, under a complex and ever-changing economic and financial environment, and based on the theme of “stable growth, structure adjustment, market exploration and risk control”, the Bank persisted with development driven by innovation and guaranteed by management improvement. It strengthened the establishment of work ethics, working teams and corporate culture, aggressively expanded its operations, and overcame different challenges. The Bank completed its annual operating plan and various tasks. The comprehensive finance business recorded excellent results, while the inclusive finance business was conducted smoothly and the intelligent finance business also started to take shape, which is a perfect beginning for its five-year development strategic plan. In addition, the Bank successfully organized the 2015 Annual Meeting for City Commercial Banks, and was elected to participate in the “Leadership” programme for city commercial banks, thus further enhancing its reputation and brand influence.

During the year, with the aim of maintaining stable growth, the Bank monitored debt sources and increased effective investment. The various businesses experienced relatively quick development, forming a business pattern of multi-point support and echelon development with the corporate, retail and banking industry. The bank seized the opportunity to develop urbanization fund investment, increased trial points for PPP project, and promoted comprehensive financial services and other unique products such as Government Banking Guarantee (政銀擔) and Easy-Revolving-Loan (易連貸), thus realizing “in excess of three indicators” for small and micro enterprises. Focusing on middle-class customers, the Bank strengthened its cross sales, explored inclusive financial service system, carried out the upgrading of network capacity, and improved wealth management system, thereby achieving “double enhancement” in savings and county deposits. Grasping the opportunities of decline in interest rate and higher levels of liquidity, the Bank increased effective investment on a timely basis, and realized faster development of inter-bank business.

During the year, striving to implement its development strategy, the Bank strengthened its appraisal and evaluation, improved its internal and external pricing mechanism, optimized resources allocation, and facilitated structural adjustments. Hence, the Bank has a more diversified customer base, a more balanced asset and liability portfolio, as well as a more diversified source of income. The percentage of intermediary business income to total income increased by 3.71 percentage points as compared to last year. Based on the concept of development driven by innovation and focusing on attracting customers, retaining customers and enhancing customers' value, new products, new businesses and new models, such as funds, direct banking, ABS, asset management, professional operation of small enterprise and micro-loans, have been introduced continuously, thus expanding the room for development and enhancing development momentum. In addition, the Bank has optimized its management on its subsidiaries. Huiyin Finance Leasing Co., Ltd. commenced its operations, and subsidiaries, such as Wuwei Huiyin Rural County Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd., maintained good operations.

During the year, the Bank adhered to its bottom risk line and strived to mitigate its risk exposures through tackling the problem and its cause with the implementation of various measures. Focusing on performing its duties, the Bank strengthened its control over various risk exposures such as credit risk, liquidity risk and operational risk, as well as risk exposures to new businesses such as investment bank, inter-bank, fund and online finance. It continued to improve the internal control system. The risk control of the Bank is effective, with overall risk exposure under control. There were no material reputational risk events, serious cases and material responsibility events during the year. Based on the main theme of management enhancement, the Bank adopted effective measures in accordance with the “strict, detailed and practicable” requirements. It continued to enhance its management work on strategic planning, asset and liability, financial planning, talent team, credit approval and information technology, thereby strengthening the support system for transformation and upgrade.

Chapter IV President's Statement

The year 2016 is the first year of the "13th Five Year", the first year of the second decade of the Bank, as well as a crucial year for the Bank to implement its five-year development strategic plan. The Bank will face huge challenges in its new development, but it is honorable to create new record-high results. The Bank will earnestly adhere to the spirit of the Central Government, the economic conferences of Anhui Province and the banking industry regulation conferences. In accordance with the requirements of the "13th Five Year" plan of the PRC and Anhui, and based on the main theme of transformation and upgrade, the Bank will focus on strengthening the two major pillars of development driven by innovation and guaranteed by management enhancement. It will enhance the three service brands of "integrated finance, inclusive finance, and intelligence finance", advance the optimization of asset structure, debt structure, customer diversity and income diversity, and use great efforts to cultivate core competitiveness. Moreover, the Bank will fully carry out its annual operating plan and the various tasks directed by the Board, and endeavor to reach our goal of "creating an all-round mainstream bank serving the economic development of local communities and becoming a first-tier city commercial bank".

Wu Xuemin
President

Chapter V Management Discussion and Analysis

5.1 OVERALL BUSINESS REVIEW

In the face of the complex external situations and increasingly fierce peer competition in 2015, the Bank made efforts to overcome various adverse factors by focusing on quality and efficiency and shifting its priorities towards transformational development and structural adjustment. All these led to a steady expansion of our business scale and improved profitability, realizing steady growth in various business segments and continuous improvement in operating and management level, which were mainly reflected as follows:

The scale of assets and liabilities increased moderately. As at the end of 2015, the Bank's total assets were RMB636,131 million, representing an increase of RMB153,367 million or 31.77% as compared with the end of last year; total loans and advances were RMB243,434 million, representing an increase of RMB24,038 million or 10.96% as compared with the end of last year; total deposits from customer were RMB359,225 million, representing an increase of RMB41,355 million or 13.01% as compared with the end of last year.

Non-performing assets increased and provision coverage ratio maintained at a stable level. As at the end of 2015, the Bank's non-performing loan balance was RMB2,398 million, representing an increase of RMB571 million as compared with the end of last year; non-performing loan ratio was 0.98%, representing an increase of 0.15 percentage point as compared with the end of last year; non-performing loan provision coverage ratio was 250.49%, representing a decrease of 4.78 percentage points as compared with the end of last year.

5.2 ANALYSIS OF INCOME STATEMENT

5.2.1 Particular of financial performance

	<i>Unit: RMB million</i>	
	2015	2014
Net interest income	14,843	11,423
Net fee and commission income	1,771	856
Other net income	363	469
Operating expenses	5,435	4,216
Share of profits of associates	88	76
Impairment losses on assets	3,657	1,197
Profit before income tax	7,973	7,411
Income tax	1,761	1,735
Net profit	6,212	5,676
Net profit attributable to shareholders of the Bank	6,161	5,673

In 2015, the Bank recorded a net profit of RMB6,212 million, representing an increase of 9.44% as compared with last year. The effective income tax rate was 22.09%, representing a decrease of 1.32 percentage points as compared with last year.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.2 Net Operating Income

In 2015, the Bank had a net operating income of RMB17,065 million (including income from investment in associates and joint ventures), representing an increase of 33.07% as compared with last year, among which, net interest income accounted for 86.98%, representing a decrease of 2.09 percentage points from last year; net non-interest income accounted for 13.02%, representing an increase of 2.09 percentage points from last year.

The following table sets forth the year-on-year comparison of the net operating income for the recent three years:

	2015 (%)	2014 (%)	2013 (%)
Net interest income	86.98	89.07	93.95
Net fee and commission income	10.38	6.67	5.28
Other net income	2.12	3.66	0.29
Income from investment in associates and joint ventures	0.52	0.60	0.48
Total	100	100	100

Note: Such analysis of net operating income in the table comprises income from investment in associates and joint ventures.

5.2.3 Net interest income

In 2015, the Bank's net interest income amounted to RMB14,843 million, representing an increase of 29.94% from last year. Such increase was mainly due to an expansion of the scale of interest-earning assets.

The following table sets forth the average balances of assets and liabilities, interest income/expenses and annualized average yield/cost of the Bank for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities represented the daily average balances.

	2015			2014		
	Average Balance	Interest Income	Average Yield %	Average Balance	Interest Income	Average Yield %
Interest-earning assets						
Loans and advances	236,257	15,667	6.63	210,083	14,539	6.92
Investment in securities	158,329	8,493	5.36	70,529	3,418	4.85
Balances with central bank	59,107	922	1.56	57,350	872	1.52
Deposits and placements with banks and other financial institutions	90,311	3,689	4.08	78,756	4,228	5.37
Financial leasing	3,084	170	5.51	-	-	-
Total interest-earning assets and interest income	547,088	28,941	5.29	416,718	23,057	5.53

Unit: RMB million, except for percentages

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.3 Net interest income (Continued)

Unit: RMB million, except for percentages

Item	2015			2014		
	Average Balance	Interest Expenses	Average Cost Ratio (%)	Average Balance	Interest Expenses	Average Cost Ratio (%)
Interest-bearing liabilities						
Borrowings from central bank	83	2	2.41%	-	-	-
Deposits from customers	317,348	6,466	2.04%	278,013	6,361	2.29
Deposits and placements with banks and other financial institutions	145,814	5,508	3.78%	91,241	4,707	5.16
Debt securities in issue	45,640	2,122	4.65%	10,752	566	5.26
Total interest-bearing liabilities and interest expenses	508,885	14,098	2.77%	380,006	11,634	3.06
Net interest income	/	14,843	/	/	11,423	/
Net interest spread	/	/	2.52	/	/	2.47
Net interest margin	/	/	2.71	/	/	2.74

In 2015, the net interest spread of the Bank was 2.52%, while the net interest margin was 2.71%. The annualized average yield of interest-earning assets was 5.29%, while the annualized average cost ratio of interest-bearing liabilities was 2.77%.

The following table sets forth the distribution of changes in interest income and interest expenses caused by the changes in scale and interest for the period indicated. The changes in scale were measured by the changes of average balances (average daily balances); while the changes in interests were measured by changes in average interest rates. The scale changes and interest rate changes caused changes in interest income and expenses, which is included in the impact of interest changes in interest income and expense changes.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.3 Net interest income (Continued)

Unit: RMB million

	2015 vs. 2014		Net increase/ (decrease) ⁽³⁾
	Increase/(decrease) factors		
	Scale ⁽¹⁾	Interest rate ⁽²⁾	
Assets			
Loans and advances	1,811	(683)	1,128
Investments in securities	4,255	820	5,075
Balances with central bank	27	23	50
Deposits and placements with banks and other financial institutions	620	(1,159)	(539)
Financial leasing	–	170	170
Changes in interest income	6,713	(829)	5,884
Liabilities			
Borrowings from central banks	–	2	2
Deposits from customers	900	(795)	105
Deposits and placements from banks and other financial institutions	2,815	(2,014)	801
Debt securities in issue	1,837	(281)	1,556
Changes in interest expenses	5,552	(3,088)	2,464
Changes in net interest income	1,161	2,259	3,420

Notes:

- (1) Represents average balance for the year minus average balance for the prior year, and then multiply by average return rate for the prior year.
- (2) Represents average return rate/cost for the year minus average return rate/cost for the prior year, and then multiply by average balance for the year.
- (3) Represents interest income/expense for the year minus interest income/expense for the prior year.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.4 Interest income

In 2015, the Bank realized an interest income of RMB28,941 million, representing an increase of 25.52% as compared with last year. Such increase was mainly due to an expansion of the scale of interest-earning assets. Interest income from loans and advances still form the largest component of the Bank's interest income.

Interest income from loans

In 2015, the Bank's interest income from loans and advances amounted to RMB15,667 million, representing an increase of RMB1,129 million or 7.77% as compared with last year.

The following table sets forth the average balances, interest income and annualized average yields on each component of the Bank's loans and advances for the periods indicated.

Unit: RMB million, except for percentages

	2015			2014		
	Average Balance	Interest Income	Average Yield%	Average Balance	Interest Income	Average Yield%
Corporate loans	161,573	11,216	6.94	143,783	10,243	7.12
Retail loans	60,792	3,685	6.06	54,822	3,452	6.3
Discounted bills	13,892	766	5.51	11,478	844	7.35
Loans and advances	236,257	15,667	6.63	210,083	14,539	6.92

Other interest income

In 2015, the Bank's interest income from investments in securities amounted to RMB8,493 million, representing an increase of RMB5,075 million or 148.46% as compared with last year. Interest income from balances with central bank amounted to RMB922 million, representing an increase of RMB49 million or 5.67% as compared with last year. Interest income from deposits and placements with banks and other financial institutions amounted to RMB3,689 million, representing a decrease of RMB539 million or 12.75% as compared with last year. Interest income from financial leasing amounted to RMB170 million.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.5 Interest expenses

In 2015, the Bank's interest expenses amounted to RMB14,098 million, representing an increase of RMB2,464 million or 21.18% as compared with last year. Such increase was primarily due to the structure change and an expansion of the scale of interest-bearing liabilities.

Interest expense on deposits from customers

In 2015, the Bank's interest expense on deposits from customers recorded RMB6,466 million, representing an increase of RMB105 million or 1.65% as compared with last year. Such increase was mainly due to the year-on-year increase in the average balance on deposits from customers.

The following table sets forth the average balance, interest expenses and annualized average cost ratio of the Bank's corporate deposits and retail deposits for the periods indicated.

Unit: RMB million, except for percentages

	2015			2014		
	Average Balance	Interest Expenses	Annualized Average Cost Ratio %	Average Balance	Interest Expenses	Annualized Average Cost Ratio %
Corporate deposits						
Demand deposits	125,959	972	0.77	104,052	807	0.78
Time deposits	86,845	3,297	3.80	75,877	3,370	4.44
Sub-total	212,804	4,269	2.01	179,929	4,177	2.32
Retail deposits						
Demand deposits	29,143	117	0.40	26,005	104	0.40
Time deposits	42,324	1,388	3.28	33,994	1,107	3.26
Sub-total	71,467	1,505	2.11	59,999	1,211	2.02
Others	33,077	692	2.09	38,085	973	2.56
Total deposits from customers	317,348	6,466	2.04	278,013	6,361	2.29

Other interest expenses

In 2015, the Bank's interest expense on loans from central bank amounted to RMB2.00 million. Interest expense on deposits from banks and other financial institutions amounted to RMB5,507 million, representing an increase of RMB801 million or 17.01%. Issuance of bonds amounted to RMB2,122 million, representing an increase of RMB1,556 million or 275.21%.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.6 Net non-interest income

In 2015, the Bank realized a net non-interest income of RMB2,222 million, an increase of RMB821 million or 58.60% as compared with last year.

The following table sets forth the principal components of the Bank's net non-interest income for the periods indicated.

	<i>Unit: RMB million</i>	
	2015	2014
Fee and commission income	1,872	941
Less: Fee and commission expenses	(101)	(85)
Net fee and commission income	1,771	856
Other net non-interest income⁽¹⁾	451	545
Total net non-interest income	2,222	1,401

Note: (1) Comprises net trade income, net income from investment in securities, other operating income, net, net income from investment in associates and dividend income.

5.2.7 Net fee and commission income

In 2015, the Bank's fee and commission income was RMB1,771 million, representing an increase of RMB915 million or 106.87% as compared with last year. Such increase was primarily attributable to an increase in custodian and other fiduciary service fees and bank card fees.

The following table sets forth the principal components of the Bank's net fee and commission income for the periods indicated.

	<i>Unit: RMB million</i>	
	2015	2014
Fee and commission income	1,872	941
Bank card fees	293	161
Settlement and clearing fees	96	98
Agency services commissions	47	31
Consultancy and advisory fees	162	154
Guarantee and commitment fees	49	38
Custodian and other fiduciary service fees	1,018	366
Others ⁽¹⁾	207	93
Fee and commission expenses	(101)	(85)
Net fee and commission income	1,771	856

Note: (1) Mainly includes syndicated loan fees, domestic factoring fees and arrangement fees for international trade financing.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.8 Other non-interest net income

In 2015, the Bank's other net non-interest income was RMB451 million, representing a decrease of RMB94 million or 17.37% compared with last year. Such decrease was mainly due to a decrease in net income from investment in securities and other operating income, net.

The following table sets forth the principal components of the Bank's other net non-interest income for the periods indicated.

	<i>Unit: RMB million</i>	
	2015	2014
Net income from investment in securities	211	255
Net trading income	55	64
Net income from investment in associates	88	76
Other operating income, net	97	150
Dividend income	0.44	0.36
Total other net income	451	545

5.2.9 Operating expenses

In 2015, the Bank's operating expenses were RMB5,435 million, representing an increase of 28.90% as compared with last year. Such increase was primarily attributable to an increase in staff costs, business tax and surcharges, depreciation and amortization and lease expenses to different extent because of the factors such as business expansion and staff increase.

The following table sets forth the principal components of the Bank's operating expenses for the periods indicated.

	<i>Unit: RMB million</i>	
	2015	2014
Staff costs	2,209	1,726
Business tax and surcharges	1,357	967
Depreciations and amortization	321	300
Lease expenses	223	187
Other general and administrative expenses	1,325	1,036
Total operating expenses	5,435	4,216

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.10 Asset impairment losses

In 2015, the Bank's allowance to asset impairment losses recorded RMB3,657 million, representing an increase of 205.44% as compared with last year.

	<i>Unit: RMB million</i>	
	2015	2014
Loans and advances to customers		
– collectively-assessed	1,769	603
– individually-assessed	917	375
Available-for-sale financial assets	244	219
Loans and receivables	632	–
Financial leasing receivables	95	–

5.3 BALANCE SHEET ANALYSIS

5.3.1 Assets

As of 31 December 2015, the Bank's total assets amounted to RMB636,131 million, representing an increase of 31.77% as compared with the end of 2014. The increase of total assets was primarily due to an increase in loans and advances, and investments.

Items	<i>Unit: RMB million, except for percentages</i>			
	31 December 2015		31 December 2014	
	Amount	% of the total	Amount	% of the total
Total loans and advances	243,434	38.26%	219,396	45.45%
Provision for loan impairment	(6,006)	(0.94%)	(4,662)	(0.97%)
Net loans and advances	237,428	37.32%	214,734	44.48%
Investments	230,397	36.22%	112,356	23.28%
Cash	1,179	0.19%	1,068	0.22%
Balances with the central bank	77,235	12.14%	75,353	15.61%
Deposits with banks and other financial institutions	10,283	1.62%	11,352	2.35%
Inter-bank loans and financial assets held under resale agreements	63,910	10.05%	62,434	12.93%
Fixed assets	1,617	0.25%	1,415	0.29%
Deferred income tax assets	1,274	0.20%	956	0.20%
Financial leasing receivables	7,502	1.18%	–	–
Other assets	5,306	0.83%	3,096	0.64%
Total assets	636,131	100.00%	482,764	100.00%

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.1 Assets (Continued)

5.3.1.1 Loans and advances

As of 31 December 2015, the Bank's total loans and advances amounted to RMB243,434 million, representing an increase of 10.96% as compared with the end of last year, and the total loans and advances accounted for 38.26% of the Bank's total assets, down 7.19 percentage points from the end of last year.

Analysis of loans by product types

The following table sets forth information on the Bank's loans and advances by product types as of the dates indicated.

Unit: RMB million, except for percentages

Items	31 December 2015		31 December 2014	
	Amount	% of the total	Amount	% of the total
Corporate loans	157,430	64.67%	149,222	68.02%
Discounted bills	21,610	8.88%	13,580	6.19%
Retail loans	64,394	26.45%	56,594	25.79%
Total loans and advances	243,434	100.00%	219,396	100.00%

Corporate loans

As of 31 December 2015, the Bank's total corporate loans recorded RMB157,430 million, representing an increase of 5.5% as compared with the end of last year, and accounted for 64.67% of the total loans and advances of the Bank, decreased by 3.35 percentage points from the end of last year. In 2015, in view of the macroeconomic environment and regulatory requirements, the Bank reasonably adjusted and controlled its total loan amount, adjusted its loan structure in great depth, and systemically prevented various risks, which achieved simultaneous optimization of loan structure and risk return.

Discounted bills

As of 31 December 2015, the Bank's total discounted bills amounted to RMB21,610 million, representing an increase of 59.14% as compared with the end of last year. In 2015, according to regulatory requirements, in order to control the total credit size in a reasonable scope, the Bank has optimized the credit structure by adjusting credit size through discounting and improved the comprehensive return of bill assets by accelerating the turnover and centralizing operation, etc.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.1 Assets (Continued)

5.3.1.1 Loans and advances (Continued)

Retail loans

As of 31 December 2015, the Bank's total retail loans amounted to RMB64,394 million, representing an increase of 13.78% as compared with the end of last year, and accounted for 26.45% of the total loans and advances, which was up 0.66 percentage point from the end of last year.

Unit: RMB million, except for percentages

Items	31 December 2015		31 December 2014	
	Amount	% of the total	Amount	% of the total
Residential Mortgage Loans	44,627	69.30%	40,070	70.80%
Personal Business Loans	10,316	16.02%	10,420	18.41%
Others	9,451	14.68%	6,104	10.79%
Total retail loans	64,394	100.00%	56,594	100.00%

5.3.1.2 Investments

Investments of the Bank consist of listed and non-listed securities denominated in both Renminbi and foreign currency, including trading financial assets, derivative financial assets, available-for-sale financial assets, held-to-maturity financial assets, financial assets classified as receivables.

The following table sets forth the components of available-for-sale investments of the Bank.

Unit: RMB million, except for percentages

Items	31 December 2015		31 December 2014	
	Amount	% of the total	Amount	% of the total
Trading financial assets	2,730	1.18%	2,964	2.64%
Derivative financial assets	4	0.00%	2	0.00%
Available-for-sale financial assets	96,272	41.79%	71,572	63.70%
Held-to-maturity financial assets	42,257	18.34%	30,021	26.72%
Financial assets classified as receivables	89,134	38.69%	7,797	6.94%
Investments	230,397	100%	112,356	100.00%

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.1 Assets (Continued)

5.3.1.2 Investments (Continued)

Financial Assets at Fair Value through Profit or Loss

The following table sets forth the components of financial assets at fair value through profit or loss of the Bank.

	<i>Unit: RMB million</i>	
	31 December	31 December
	2015	2014
Government bonds	207	532
Financial bonds	2,168	1,883
Corporate bonds	355	549
Total financial assets at fair value through profit or loss	2,730	2,964

Available-for-sale investments

As of 31 December 2015, the Bank's available-for-sale investments increased by RMB24,700 million over the end of 2014, with an increase of 34.51%, which was mainly due to a significant increase in capital trust scheme/asset management scheme and wealth management products.

The following table sets forth the components of available-for-sale investments of the Bank.

	<i>Unit: RMB million</i>	
	31 December	31 December
	2015	2014
Government bonds	9,108	10,590
Financial bonds	10,137	12,554
Corporate bonds	4,675	6,438
Direction asset management schemes by securities firms	68,075	41,755
Interbank certificates of deposit	229	444
Equity securities	10	10
Purchase non-principle wealth management products		
from other banks	4,500	0
Less: provision for impairment	462	219
Available-for-sale investments, net	96,272	71,572

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.1 Assets (Continued)

5.3.1.2 Investments (Continued)

Held-to-maturity investments

As of 31 December 2015, net held-to-maturity investments held by the Bank increased by RMB12,236 million from the end of last year, with an increase of 40.76%. Held to maturity investments will be held in the long run for our investment strategy. In 2015, based on the requirements of our bank account interest rate risk management, the Bank increased the proportion of government bonds when bond market yield was high, and improved the earning level of investment portfolio.

	<i>Unit: RMB million</i>	
	31 December	31 December
	2015	2014
Government bonds	28,020	12,356
Financial bonds	10,039	11,545
Corporate bonds	4,198	6,019
Interbank certificates of deposit	0	101
Total held-to-maturity investments	42,257	30,021

Loans and investments classified as receivables

Loans and investments classified as receivables are primarily the targeted asset management schemes of brokers as invested by the Bank, and wealth management products issued by other commercial banks. There is no open market for these investments. As of 31 December 2015, net investments classified as receivables held by the Bank amounted to RMB89,134 million, an increase of RMB81,337 million from the end of 2014, mainly due to a substantial increase in capital trust scheme, asset management scheme and wealth management products.

	<i>Unit: RMB million</i>	
	31 December	31 December
	2015	2014
Government bonds	120	113
Direct asset management schemes by securities firms	83,846	4,639
Investment in wealth management products of other banks	5,800	3,045
Less: provision for impairment	632	0
Total investments classified as receivables	89,134	7,797

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.1 Assets (Continued)

5.3.1.2 Investments (Continued)

Carrying value and market value

All financial assets at fair value through profit or loss and investment in bonds classified as available-for-sale investments are accounted for at market value or fair value.

The following table sets forth the carrying value and market value of the held-to-maturity investments and investments classified as receivables in the Bank's investment portfolio as of the dates indicated.

Unit: RMB million

	31 December 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
Held-to-maturity investments	42,257	43,456	30,021	29,957
Investments classified as receivables	89,134	89,126	7,797	7,776

5.3.1.3 Subsidiaries and major companies in which the Bank has shareholdings

Name	Initial Investment Amount (RMB'000)	Percentage of shareholding (%)	Number of shares held at the end of the period (in thousands of shares)	Carrying value at the end of the period (RMB'000)	Sources of shares held	Remark
Jinzhai Huiyin Rural Bank Co., Ltd.	32,800	41	32,800	32,800	Promotion	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd.	40,000	40	40,000	69,513	Promotion	Subsidiary
Huiyin Financial Leasing Co., Ltd	1,020,000	51	1,020,000	1,020,000	Promotion	Subsidiary
Chery HuiYin Motor Finance Service Co., Ltd.	100,000	20	200,000	413,581	Promotion	Company in which the Bank has shareholding

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.2 Liabilities

As of 31 December 2015, total liabilities of the Bank amounted to RMB593,785 million, representing an increase of 33.07% as compared with the end of last year. Such increase was mainly due to the steady growth of deposits from customers, and deposits from banks and other financial institutions and issue of bonds, etc.

Unit: RMB million, except for percentages

Items	31 December 2015		31 December 2014	
	Amount	% of the total	Amount	% of the total
Loans from central bank	0	0.00%	107	0.02%
Deposits from banks and other financial institutions	89,286	15.04%	24,430	5.48%
Placements from banks and other financial institutions	7,911	1.33%	1,682	0.38%
Derivative financial liabilities	20	0.00%	2	0.00%
Financial assets sold under repurchase agreements	45,432	7.65%	72,481	16.24%
Deposits from customers	359,225	60.50%	317,870	71.24%
Taxes payable	1,467	0.25%	825	0.18%
Issuance of bonds	79,426	13.38%	18,751	4.20%
Other liabilities	11,018	1.86%	10,063	2.26%
Total liabilities	593,785	100.00%	446,211	100.00%

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.2 Liabilities (Continued)

Deposits from customers

The Bank has long focused on and actively expanded its deposit business. In 2015, despite an increasingly intense competition among the peers, the Bank managed to maintain a steady growth of deposits from customers through various effective measures. As of 31 December 2015, total deposits from customers of the Bank amounted to RMB359,225 million, representing an increase of RMB41,355 million from the end of 2014, and accounted for 60.50% of the total liabilities of the Bank.

The following table sets forth the Bank's deposits from customers by product types and customer types as of the dates indicated.

Unit: RMB million, except for percentages

Items	31 December 2015		31 December 2014	
	Amount	% of the total	Amount	% of the total
Corporate Deposits				
Demand deposits	139,970	38.97%	114,346	35.97%
Time deposits	103,213	28.73%	94,699	29.79%
Subtotal	243,183	67.70%	209,045	65.76%
Retail Deposits				
Demand deposits	33,410	9.30%	28,152	8.86%
Time deposits	53,360	14.85%	45,892	14.44%
Subtotal	86,770	24.15%	74,044	23.30%
Other deposits	29,272	8.15%	34,781	10.94%
Include: Pledged deposits	28,752	8.00%	34,427	10.83%
Total deposits from customers	359,225	100.00%	317,870	100.00%

As of 31 December 2015, retail deposits of the Bank accounted for 24.15% of total customer deposits, representing an increase of 0.85 percentage point from the end of 2014.

Time deposits from customers of the Bank have decreased since 2015. As of 31 December 2015, the Bank's demand deposits to total customer deposits ratio was 48.27%, an increase of 3.44 percentage points from the end of 2014. Among them, the proportion of demand deposits in corporate deposits was 38.97%, showing an increase of 3 percentage points over the end of 2014; while the proportion of demand deposits in retail deposits was 9.30%, showing an increase of 0.44 percentage point over the end of 2014.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.3 Equity

Items	Unit: RMB million	
	31 December 2015	31 December 2014
Share capital	11,050	11,050
Capital reserve	6,751	6,751
Surplus reserve	5,250	4,071
General risk provision	4,716	3,743
Investment revaluation reserve	271	(109)
Retained earnings	13,121	10,868
Total equity attributable to shareholders of the Bank	41,159	36,374
Non-controlling interest	1,186	179
Total equity	42,345	36,553

5.4 LOAN QUALITY ANALYSIS

5.4.1 Distribution of Loans by the Five-Category Classification

The following table sets forth the distribution of the Bank's loans by the five-category classification as of the dates indicated.

	31 December 2015		31 December 2014	
	Amount	% of the total	Amount	% of the total
<i>(in RMB100 million, except for percentages)</i>				
Pass	2,340.10	96.13	2,130.19	97.10
Special mention	70.26	2.89	45.52	2.07
Substandard	15.14	0.62	15.65	0.71
Doubtful	7.31	0.30	2.13	0.10
Loss	1.53	0.06	0.48	0.02
Gross loans and advances to customers	2,434.34	100.00	2,193.97	100.00
Total non-performing loans	23.98	0.98	18.26	0.83

Under the five-category classification system, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. Affected by the external business environment, the Bank's asset quality faced serious challenges in 2015. By focusing on risk prevention and accelerating disposal treatment, the Bank maintained stable quality of assets. As at the end of the reporting period, the NPL of the Bank was 0.98%, representing an increase of 0.15 percentage point higher as compared to the end of last year.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.2 Distribution of loans and NPLs by product type

The following table sets forth the distribution of loans and NPLs by product type as of the dates indicated.

	31 December 2015				31 December 2014			
	Amount of loans	% of the total	NPLs	NPL ratio %	Amount of loans	% of the total	NPLs	NPL ratio %
<i>(in RMB100 million, except for percentages)</i>								
Corporate loans	1,574.30	64.67	18.65	1.18	1,492.24	68.02	15.38	1.03
Discounted bills ⁽¹⁾	216.10	8.88	-	-	135.8	6.19	-	-
Retail loans	643.94	26.45	5.33	0.83	565.93	25.79	2.88	0.51
Total loans and advances to customers	2,434.34	100	23.98	0.98	2,193.97	100	18.26	0.83

(1) Overdue discounted bills are transferred to corporate loans

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.3 Distribution of loans and NPLs by industry

The following table sets forth the distribution of loans and NPLs by industry as of the dates indicated.

	31 December 2015				31 December 2014			
	Amount of loans	% of the total	NPLs	NPL ratio %	Amount of loans	% of the total	NPLs	NPL ratio%
<i>(in RMB100 million, except for percentages)</i>								
Commerce and services	521.03	21.41	7.68	1.47	419.81	19.15	7.17	1.71
Manufacturing	374.20	15.37	7.77	2.08	409.46	18.66	4.63	1.13
Public utilities	268.79	11.04	-	-	196.00	8.93	-	-
Real estate	134.00	5.50	1.70	1.27	165.08	7.52	-	-
Construction	128.99	5.30	0.77	0.60	141.38	6.44	0.47	0.33
Transportation	54.33	2.23	0.37	0.68	62.82	2.86	2.79	4.44
Energy and chemical	32.60	1.34	0.09	0.28	34.48	1.57	0.10	0.29
Catering and travelling	19.76	0.81	0.03	0.15	15.48	0.71	0.09	0.58
Education and media	17.07	0.70	-	-	19.12	0.87	-	-
Financial services	2.10	0.09	-	-	8.34	0.38	-	-
Others ⁽¹⁾	21.43	0.88	0.23	1.07	20.25	0.92	0.13	0.64
Discounted bills	216.10	8.88	-	-	135.80	6.19	-	-
Retail loans	643.94	26.45	5.34	0.83	565.94	25.80	2.88	0.51
Total loans and advances								
to customers	2,434.34	100	23.98	0.98	2,193.96	100	18.26	0.83

Note: (1) Others mainly include the planting, forestry, and livestock industry and the fishery industry.

In 2015, our overall credit strategy was “practice green concept of credit business, optimize the allocation of credit resources, actively support the development of the real economy, strengthen risk controls of key areas and key industries, and adhere to the bottom risk line”. The Bank guided credit resources to better serve the real economy and actively allocated credit resources to “small and micro” enterprises as well as developed green credit. The Bank also implemented credit limit management over local government financing platforms, real estate and overcapacity industries, and implemented industry risk prevention and control on the “Non-green Industries” such as steel trade, PV and shipbuilding industries and relevant steel and coal trading industries. During the reporting period, the increments of non-performing corporate loans of the Bank were mainly from three sectors, namely manufacturing, real estate, and commercial and service sectors.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.4 Distribution of loans and NPLs by geographical segment

The following table sets forth the distribution of loans and NPLs by geographical segment as of the dates indicated.

	31 December 2015				31 December 2014			
	Amount of loans	% of the total	NPLs ratio (%)	NPL ratio (%)	Amount of loans	% of the total	NPLs ratio (%)	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Anhui	2,221.71	91.27	21.63	0.97	2,038.81	92.93	17.53	0.86
Jiangsu	212.63	8.73	2.35	1.11	155.16	7.07	0.73	0.47
Total loans and advances to customers	2,434.34	100.00	23.98	0.98	2,193.97	100.00	18.26	0.83

The Bank has expanded its business into Nanjing, Jiangsu Province since the beginning of 2009. As at the end of 2015, total loans of Jiangsu Province accounted for 8.73% of the total loans and advances to customers, while NPLs of Jiangsu Province accounted for 9.8% of the Bank's total NPLs.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.5 Distribution of loans and NPLs by type of collateral

The following table sets forth the distribution of loans and NPLs by type of collateral as of the dates indicated.

	31 December 2015				31 December 2014			
	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)
	<i>(in RMB100 million, except for percentages)</i>							
Collateralized loans	1,289.14	52.95	15.00	1.16	1,166.99	53.19	8.86	0.76
Pledged loans	82.67	3.40	1.11	1.34	76.93	3.51	1.34	1.74
Guaranteed loans	679.44	27.91	6.19	0.91	697.02	31.77	6.03	0.87
Unsecured loans	166.98	6.86	1.68	1.01	117.23	5.34	2.03	1.73
Discounted Bills	216.11	8.88	–	–	135.8	6.19	–	–
Total loans and advances to customers	2,434.34	100.00	23.98	0.98	2,193.97	100.00	18.26	0.83

With the economic downturn, the Bank focused on the implementations of risk mitigation measures including increasing collaterals to prevent and control risk. As at the end of the reporting period, both NPL and NPL ratio of loans secured by collateral and guaranteed loans increased as compared with the end of last year due to the effect of an overall economic environment. The Bank has adopted other risk mitigating measures such as improving its guarantee and assets preservation under litigation to handle NPL risk in a timely manner.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.6 Loans of the top 10 borrowers

The following table sets forth the Bank's loans of the top 10 borrowers as of the date indicated.

Top 10 borrowers	Industry borrower belongs to	Amount of loans as of 31 December 2015 (RMB million)	% of net capital
A	Public utility	1,500	2.68%
B	Commerce and services	1,469	2.62%
C	Public utility	1,200	2.14%
D	Commerce and services	1,040	1.86%
E	Construction	1,000	1.78%
F	Commerce and services	1,000	1.78%
G	Commerce and services	906	1.62%
H	Commerce and services	899	1.60%
I	Public utility	874	1.56%
J	Public utility	800	1.43%
Total		10,688	19.08%

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.7 Distribution of loans and NPLs by overdue period

The following table sets forth the distribution of loans and NPLs by overdue period as of the dates indicated.

	31 December 2015	31 December 2014
	<i>(RMB million)</i>	
Total overdue customers loans and advances listed by duration		
Within 3 months	314	1,552
3 to 6 months	1,952	458
6 to 12 months	1,867	815
Over 12 months	810	349
Total	4,943	3,174
Percentage		
Within 3 months	6.36%	48.91%
3 to 6 months	39.48%	14.42%
6 to 12 months	37.77%	25.69%
Over 12 months	16.39%	10.98%
Total	100.00%	100.00%

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.8 Restructuring loans

Under the total loans granted to Huainan Mining Industry (Group) Co., Ltd. and its member companies (7 member companies in total) by the Bank, a total of RMB438 million is related to loan restructuring, among which, the credit balance of RMB398 million (guaranteed by credit) of the headquarter of Huainan Mining Modern Logistics Co., Ltd. and the credit balance of RMB40 million (guaranteed by Huainan Mining Modern Logistics Co., Ltd.) of Huainan Mining Eastern China Logistics Market Co., Ltd., a subsidiary of Huainan Mining Modern Logistics Co., Ltd., have accounted for advances for off-balance sheet operations. Such credit asset was classified as sub-standard, and was related to Huainan Branch and Wuhu Branch. According to the judgment on loans restructuring and settlement for creditors made by the Huainan Intermediate People's Court, loans restructuring will be implemented. The term of loans will be adjusted to 8 years, to be guaranteed by Huainan Group through undertaking joint guarantee liability. Such loans will be classified as special mention.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.9 Change of allowances for loan impairment

The Bank reviews its loan portfolios to assess impairment loss on a periodic basis. In determining whether there is an impairment loss, the Bank makes judgments on whether there is any observable data indicating that there is a decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified within an individual loan in that portfolio. For assets with similar credit risk characteristics and objective evidence of impairment, the Bank made estimation on the future cash flows of such loan portfolio based on historical loss experience for similar assets. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed by the Bank regularly to reduce any differences between the estimated impairment loss and the actual loss on loans.

The following table set forth the changes of allowances for impairment on loans to customers.

	<i>Unit: RMB million</i>	
	2015	2014
Balance at beginning of the year	4,662	4,169
Allowances for impairment on loans to customers	2,686	978
Unwind of discount on allowance	(65)	(35)
Loans written-off during the year	(1,344)	(488)
Loans collected during the year	67	38
Balance at end of the year	6,006	4,662

Chapter V Management Discussion and Analysis

5.5 CAPITAL ADEQUACY RATIO

The Bank continued to optimize structure, enhance capital management, and meet the regulatory requirements on capital adequacy ratio set by the CBRC within the reporting period.

The Bank calculated the capital adequacy ratio in accordance with the relevant requirements contained in the “Administrative Measures for the Capital Management of Commercial Banks (Trial)” issued by the CBRC. As of 31 December 2015, the Bank’s capital adequacy ratio was 13.25%, core Tier 1 capital adequacy ratio was 9.80%, and Tier 1 capital adequacy ratio was 9.81%.

The table below shows information relating to capital adequacy ratios of the Bank as of the date indicated.

Unit: RMB million, except for percentages

	31 December 2015
Core Tier 1 capital	41,542
Including: Paid-up capital	11,050
Capital reserve	7,022
Surplus reserve and general reserve	9,966
Retained earnings	13,121
Non-controlling interests	383
Regulatory deductions for Tier 1 Capital	(91)
Core Tier 1 capital, net of deductions	41,451
Other Tier 1 capital, net of deductions	41
Tier 1 capital, net of deductions	41,492
Tier 2 capital	14,539
Including: Tier 2 capital instruments and premium	10,780
Surplus loan loss provisions	3,689
Non-controlling interests	70
Regulatory deductions for Tier 2 capital	0
Total capital, net of deductions	56,031
Credit risk-weighted assets	397,271
Market risk-weighted assets	756
Operational risk-weighted assets	24,906
Risk-weighted assets	422,933
Capital adequacy ratio	13.25%
Tier 1 capital adequacy ratio	9.81%
Core Tier 1 capital adequacy ratio	9.80%

Chapter V Management Discussion and Analysis

5.6 SEGMENT PERFORMANCES

Operating segments

The Bank provides services through four main business segments: corporate banking, retail banking, treasury and others. The table below sets forth the performance of four operating segments as of the periods indicated.

	January to December 2015		January to December 2014	
	Total segment profits	Percentage (%)	Total segment profits	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
Corporate banking	4,710	59.07%	3,026	40.82%
Retail banking	631	7.91%	1,630	21.99%
Treasury	2,457	30.82%	2,544	34.34%
Others	175	2.20%	211	2.85%
Total	7,973	100%	7,411	100%

During the reporting period, the total profits of corporate bank business of the Bank amounted to RMB4,710 million, representing 59.07% of total profits. Total profits of personal banking business amounted to RMB631 million, representing 7.91% of total profits. Total profits of treasury business amounted to RMB2,457 million, representing 30.82% of total profits.

Chapter V Management Discussion and Analysis

5.6 SEGMENT PERFORMANCES (Continued)

Geographical segments

Geographically, the Bank's business is mainly in Mainland China. It has set up branches in Anhui Province and Yangtze River Delta area. The table below listed the geographical segments performance as of the periods indicated.

	31 December 2015				
	Anhui area	Yangtze River Delta area	Head office	Offsets	Total
	<i>(RMB million)</i>				
Segment assets	335,142	56,924	415,009	(172,218)	634,857
Include: investments in associates			414		
Deferred income tax assets	-	-	-		1,274
Total assets					636,131
Segment liabilities	(219,484)	(67,024)	(479,495)	172,218	(593,785)
Total profits	4,916	388	2,669		7,973

	31 December 2014				
	Anhui area	Yangtze River Delta area	Head office	Offsets	Total
	<i>(RMB million)</i>				
Segment assets	295,770	23,614	262,973	(100,548)	481,809
Include: investments in associates			326		326
Deferred income tax assets					955
Total assets					482,764
Segment liabilities	(205,522)	(17,225)	(324,012)	100,548	(446,211)
Total profits	4,429	115	2,867		7,411

5.7 OTHERS

5.7.1 Off-balance sheet balances and important circumstances that may have significant impacts on the financial position and operating results of the Bank

The off-balance sheet items of the Bank include letter of guarantee, letter of credit, bank acceptance and bank commitment letters. Commitment letters include loans commitment, operating leases commitment, capital commitment and certificate bond honor commitments. Contingencies and commitments can be found in Note 40 of the financial statements.

5.7.2 Overdue outstanding debt

As of the end of 2015, the Bank had no overdue outstanding debt.

Chapter V Management Discussion and Analysis

5.8 INFLUENCE OF CHANGE IN OPERATING ENVIRONMENT AND MACRO POLICY AND THE FOCUSES OF THE OPERATION

In 2015, global economy continued to slow down compared with last year amid sustained weak world economy and differentiated overall growth, reflected in a continued decline of emerging and developing economies and slow growth of developed economies. In 2015, China's economy enters a new stage, with a differentiated macro economic structure and intensified volatile market. Amid further decline of investment growth, continued stagnant of import and export, increased loss of state-owned enterprises, management difficulties of private enterprises, diminished demographic dividend, the overall real economy was sluggish. Facing the gradual shift in economic growth, increasingly deepened structure adjustment, and rapid change in development model, the external development environment in banking industry is complicated. Challenges such as interest liberalization, financial disintermediation, and sustained release of non-performing risks have been intensified.

1. Intensified impact of interest rate liberalization

With several rounds of interest and benchmark rate cuts, China has basically finished its interest rate liberalization in the past 2015. Drawing from the experience of the overseas, small and medium banks will be suffered from the biggest impact after interest rate liberalization. In the US, approximately 200 small and medium banks shut down after completion of interest liberalization in 5 years; in Japan, interest rates of deposit and loan once reversed after completion of interest rate liberalization. For most of the small and medium banks, interest rate liberalization will effect the traditional spread of fixed deposits and loan interest rates.

2. Pressure from financial dissemination

In recent two years, China prompted multi-level capital market construction on many occasions, giving rise to fast emerging of various markets including the stock exchange, inter-bank bond market, new three board, regional equity trading center, etc. The development of direct financing market has a "squeezing" effect on traditional bank loans. In addition, against increasingly development of internet finance represented by Yu E Bao (餘額寶), the Bank faced impact in its traditional businesses of "deposit, loan, and transfer". In "deposit", the investment awareness of traditional customers was stimulated on popularity of various monetary funds and accelerated wealth management of savings; in "loan", the needs for micro and small loans from bank were squeezed by near RMB1,000 billion trading volume of P2P internet loans in China in 2015; in "transfer", simply Alipay and Tenpay have occupied 70% market share in the third party internet payment market. The pressure on financial dissemination has gradually increased, and traditional banking business model was yet to be upgraded.

3. Accelerated risk exposures

In 2015, the foreign exchange market, monetary market and stock market fluctuated increasingly, trans-market and cross-boarder capital flows intensified, and liquidity risks surfaced, under the impact of factors including the Fed's interest rate hikes and gradual loosening of capital control. In particular, the significant fluctuation in RMB exchange rate greatly affected traditional bank customers, especially resources-intensified and cross-boarder enterprises. With decline in asset value and fall in operating efficiency, banks continued to expose to non-performing risks. There will be new challenges for maintaining stable operation in financial market.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION

5.9.1 Wholesale Banking

Business overview

The Bank provides a full range of wholesale financial products and services to corporations, financial institutions and government and institutional customers. During 2015, based on its characteristics as a city commercial bank, the Bank continued to develop its Anhui local market while exploring Nanjing and markets in other provinces and promoted business integrated operation leveraging various products, means and tools, in accordance with the ideal of “research needs, innovative products, vertical linkage, and overall progress”. The Bank continued to strengthen its advantage in the traditional wholesale business with municipal city governments and institutional customers. It has further accelerated the innovation of its business and products, continued to foster new business growth point, restructured its business, enhanced risk control, fully increased its asset profitability, facilitates the steady increase of interest income and fast increase of the proportion on non-interest income in total income, and promoted the fast and healthy development of the wholesale business. As of 31 December 2015, the Bank’s market share of domestic and foreign currency corporate deposit continued to rank the first in Anhui Province for eight consecutive years and has further expanded its leading position. Transformation businesses including investment banks, supply chain finance, cash management and bill business have all achieved rapid growth, and innovated fund businesses including urbanization fund were widely recognized by the market.

In 2016, in the aim of comprehensive development, the Bank will positively respond to market changes, continue to expand quality client, size quality asset project, strive to strengthen product innovation and services optimization, accelerate structure adjustment and business transformation, enhance professional service ability, so as to provide professional and comprehensive financial services, striving to realize sustainable development of wholesale bank business.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.1 Wholesale Banking (Continued)

Corporate loans

The Bank's corporate loans include working capital loans, fixed asset loans, supply chain financing and other loans (such as real estate project loans and legal person purchase commercial loans). During 2015, the Bank, while operating its business in compliance with laws, adhering to the principle of "taking protective or suppressive measures" and with reference to macro-economic policies of China, further optimized the industry structure of corporate loans by prioritizing its support to structural upgrading industries, traditional industries with competitive advantages and modern services industries. The Bank effectively controlled the growth of government financing platforms and loans to the "Non-green Industries". As of 31 December 2015, the Bank's corporate loans (including discounted bills) balance was RMB179.04 billion, increased by RMB16,237 million from the beginning of the year.

In recent years, the Bank focused on the development of syndicate loans. In November 2015, the Bank was awarded the "2014 Syndicate Loan Best Development Award" by China Banking Association.

In 2015, the Bank continued to push forward small enterprise professional operating model, deep comprehensive marketing services model, accelerate product and services innovation, strengthen risk management ability construction, and continue to improve its comprehensive financial services ability and standard for small businesses. The main approaches of its efforts are:

Firstly, establish of small enterprise business model and operating system to effectively support business development. The Bank continued to promote small enterprise professional operating model reform, and pushed forward reforms in transformation at branch level, team building, marketing method, assessment system, business process, and realized small enterprise professional operation, innovated mechanism and system, and established professional operating model. The Bank continued to promote small enterprise business management system construction, established a multi-level operating system including small enterprise bank department, branch small enterprise operating center and small enterprise characteristic branch. At present, the Bank has established 14 small enterprise operating centers, 44 small enterprise characteristic branches, so as to provide professional services to small enterprise clients.

Secondly, improvement of products and services for micro and small enterprises to meet customer's demand in full scale. The Bank introduced micro and small enterprise re-mortgage loans with risks shared between the Bank and government, self-help loan products such as self-help borrow and lend products on internet, continued to improve and optimize Easy-Revolving-Loan (易連貸), and Easy-Guarantee-Loan (易保貸), innovated special loans for medium and small enterprises for supporting industry and rural, and special loans for industrial cluster town. It also promoted small enterprise finance services platform, and provided four kinds of comprehensive financial services, namely comprehensive account management, mobile management, investment and providing management and personal financial assistant to small enterprises.

Thirdly, improvement of comprehensive marketing model to enhance market competitiveness. The Bank continued to deepen the comprehensive development of "bar, block and chain", and coordinate cooperating and private banking, foreign and domestic currencies, and head office, branches and sub-branches. It combined the distribution of regional industry and economic characteristics, focused on industry chain, industry park, commercial circle and county, sized cluster mass marketing, implemented customer sink, consolidated customer base, improved professional marketing services ability of branches and sub-branches. It established its image to serve small enterprises, set up a tertiary structure of head office, branch and sub-branches for its 23 "Little Giant Club", further expanded services scope, and provided quality financial services and multiple value added services, and enhanced market competitiveness.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.1 Wholesale Banking (Continued)

Discounted bills

In 2015, based on the overall balance of assets size, liquidity, profitability and risk, the Bank actively responded to changes in the operating environment, scientifically followed the pace of bills business development, enhanced the profitability of the bills business, and promoted the healthy and compliant development of bills business. As of 31 December 2015, the Bank's balance of discounted bills amounted to RMB21,610 million, representing an increase of RMB8,030 million from the end of the previous year.

Corporate deposits

While continuing its efforts to maintain current customers, the Bank focused on application and innovation of its deposit product portfolios, enhanced coordinated marketing of corporate banking business and personal banking business, so as to provide integrated services solutions to customers and improve comprehensive income of its various businesses. Through developing innovative businesses such as fund business, investment banking, supply chain finance, cash management and bill business, the Bank has taken in a substantial amount of low-cost corporate deposits by continuously improving the quality of marketing activities and broadening the sources of deposits. During 2015, the scale of the Bank's corporate deposits grew steadily. As of 31 December 2015, the million Bank's balance of corporate deposits amounted to RMB243,183 million, representing an increase of RMB34,138 million from the previous year.

Fund business

To meet the new needs of corporate customers under new situation, the Bank innovated to launch fund business such as urbanization fund business, further deepened the cooperation between the Bank and the government, and enterprises consolidated strengths of wholesale business with institutional customers such as municipal and government institutions. Fund business has become an important means to increase asset business and provide services to corporate customers. As at the end of 2015, the business scale of the fund business of the Bank amounted to RMB61,327 million, involving such products as urbanization fund, industry fund, and small and medium enterprise profit-making development fund.

Cash management business

Cash management is an emerging strategic corporate finance business to face challenges brought by interest liberalization. Cash management will be the core business of the Bank. Through various businesses including establishing transaction bank business model, providing account management, receiving and payment management, liquidity management, investment and finance management, risk management, and information services, the Bank was committed to build a domestic and foreign currency integrated services platform, taking advantage of the strength of professional services of transaction banks, met cash management demands of customers during the entire transaction process, fully promoted the fast development of corporate banking business. The Bank also vigorously promoted product innovation, increasingly expanded customer base and services scope, obviously enhanced cash management comprehensive services ability and market influence. Particularly, the Bank's advantageous asset and cash management scheme for government and industries is taking a leading position.

Supply chain finance

The Bank actively optimized financial business structure of supply chain, adjusted collateral catalog, reduced proportion of business based on bulk commodities, and expanded supply chain finance business based on core enterprises and consumer industries. At the same time, the Bank continued to innovate financial business model of supply chain business, and has formed more than 30 standardized products to meet the needs of the full chain of supply chains, enhanced its brand image, and increasingly enhanced its comprehensive services ability and market influence.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.1 Wholesale Banking (Continued)

Investment bank business

The Bank focused on carrying out the lead underwriting business of debt financing instruments, asset securitization, structure financing, merger and financing, investment and financing consultancy and other investment banking business, and promoted its business transformation. The Bank successfully issued its first private debt financing instruments, and first tranche short-term debentures, by further enriching investment business products, introduced wealth management direct financing instruments, small and medium enterprises listing scheme, small and medium enterprise profit-making development funds and other innovative products.

After obtained the qualification as a lead underwriter for Type B Debt Financing Instruments of Non-financial Enterprises, the Bank actively carried out lead underwriting business. In 2015, the Bank successfully registered 11 debt financing instruments, with a registered amount of RMB21,350 million in total, issued 9 debt financing instruments, with a total amount of RMB4,750 million, effectively facilitating the business transformation and development of the Bank.

The Bank made breakthrough in asset securitization, and successfully won the bidding of "2015 Fortune Auto Finance Co., Ltd. RMB1 Billion Personal Auto Mortgage Securitization Project", which was the first credit asset securitization transaction that the Bank carried out as a lead underwriter, laying foundation for a diversified development of the asset securitization of the Bank.

International business

In 2015, the Bank focused on providing support to "One Belt, One Road" national strategy, Renminbi internationalization, and small and medium enterprises to "Go Global", vigorously developing cross-border settlement, cross-border financing and comprehensive corporate financing services. As at the end of 2015, the Bank handled a total of USD6,220 million in international settlement for its customers, representing a year-on-year increase of 11.48%, foreign exchange settlement amounted to USD3,748 million, representing a year-on-year increase of 1.6%, cross-border payment and settlement amounted USD4,896 million (excluding Nanjing region), which ranked 5th among 25 financial institutions within the province.

The Bank always adheres to being customer-based, and constantly improves international market share. At the end of 2015, the Bank has 2,796 customers from international business, representing a year-on-year increase of 15.44%, accounted for 47.94% of total international trading customers within Anhui province; active customers amounted to 1,252, increased by 132 as compared with the end of the last year, representing a year-on-year growth of 11.78%. With increasing expansion of its international customer group, the Bank's customer continues to consolidate.

In 2015, the Bank continued to seek product innovation and breakthrough in international business by launching innovative business according to market demand, including export risk participation, overseas loans under domestic guarantees, domestic loans under overseas guarantees and foreign exchange trade matching. At the end of December, accumulatively granted on-sheet and off-sheet international trade financing amounted to USD2,647 million, domestic letters of credit and financing business thereunder amounted to RMB7,431 million, overseas loans under domestic guarantee amounted to USD219.47 million, export risk participation amounted to USD14.10 million. Assets maintained in a good quality, the balance of non-performing loan in foreign currency at the end of the period is zero. Foreign exchange trade matching business amounted to USD790 million; derivative products business (including future foreign exchange settlement, forward exchange transactions, foreign exchange swap and RMB foreign exchange swaps) amounted to USD517 million; non-interest income amounted to RMB99.7846 million, representing a year-on-year increase of 18.47%. The sources of income from foreign exchange intermediary business further diversified.

In distributors channel construction, the Bank sized opportunity of connectivity construction along countries covered by the "One Belt, One Road" policy, and further improved overseas agency network according to customer and business development demands. At the end of 2015, the Bank has established agency banking business relationship with 735 banks in more than 80 countries across six continents, including 235 agency banks in countries and regions covered by the "One Belt, One Road" policy, and has set up 15 overseas clearing accounts for the main settlement currencies to constantly optimize overseas agency banking structure, improve clearing channels, thus fully meeting customers' demand for clearing and settlement services.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.2 Retail banking business

Business overview

In 2015, through enhancing market expansion, providing innovative financial products and services, accelerating business channel and team building, the Bank actively built wealth management systems, conducted the construction of inclusive finance, fully promoted services designed for different client groups and marketing activities. These efforts have helped to lay down a solid foundation for retail business development of the Bank and improve the performance indicators and regional competitiveness of its retail business.

In 2015, the Bank's active customer base maintained a steady growth, among which the number of high-value customers grow faster than others. Customer structure was further optimized. As of the end of December 2015, the number of customers with assets of RMB500,000 or above amounted to 29,440, representing an increase of 40.0% as compared with the beginning of the year. The number of customers with assets over RMB2 million increased by 20.4% from the beginning of the year. Wealth management business maintained a rapid growth rate, sales of wealth management products (WMPs) grew steadily, sales of agency sales of insurance increased significantly, volume of funds doubled, and Sales of PRC treasury bonds were in a leading position in the province.

The scale of deposits and loans of retail customers expanded continuously. New index of retail deposits recorded its historical high, new indexes of retail deposits and daily average saving deposits recorded their historical high for the corresponding period. Two indexes, namely, market share of retail deposits in Anhui province, proportion of retail deposits of the Bank kept rising for three consecutive years. Moreover, the growth rate of retail deposits also exceeded the average growth rate of Anhui Province, scale of retail deposits in county level recorded significant growth, business scale of retail loans continued to growth, and personal loan pricing level continued to increase.

Bank card fees amounted to RMB293 million in 2015, representing a year-on-year increase of RMB132 million or 81.6%, which were primarily led by a rapid growth in the income generated from the promotional campaigns of bank card consumptions and credit card installments.

2016, with interest rate liberalization and strong impact from Internet finance, the retail business will suffer more pressure than before. The Bank, through improving the retail business philosophy, management, innovation and technology, will strengthen the retail business talent pool, improve the capabilities of outlets, broaden wealth management product line, improve service quality and strengthen data analysis ability. At the same time, the Bank will accelerate the speed to build up a series of infrastructural work, such as establishment of wealth centers, Huishang agriculture banks, community branches as well as micro and small branches, and advance a series of work including construction of inclusive finance system and network sales capacity enhancement. The Bank continues to maintain a rapid and healthy growth in each of the retail business, so as to compressively improve the overall competitiveness of retail businesses and contribution to the entire business.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.2 Retail banking business (Continued)

Wealth management business

The Bank's personal wealth management business primarily includes personal wealth management services, agency services for sales of funds, agency services for insurance products, agency services for sales of PRC treasury bonds and agency services for sales of gold. In 2015, the Bank introduced new customer exclusive wealth management, payroll customer exclusive wealth management, open-end wealth management, high net value customer wealth management, and pension bonus wealth management and other products. It approved 12 fund houses, introduced 32 insurance products, obtained electronic PRC treasury bonds online sales qualification earlier than other commercial banks, jointed with China Gold Corporation to launch "Hui Fu Gold" physical investment bar products, newly increased corporate account opening function to agency third-party deposits, fully established comprehensive wealth management product line. At the end of 2015, the Bank's personal non-saving financial assets amounted to RMB31,396 million, with a growth rate of over 50%, of which:

In 2015, personal wealth management business of the Bank has raised RMB51,008 million in aggregate, representing an increase of 23% as compared with the same period of the last year. Meanwhile, ownership volume of personal wealth management products amounted to RMB22,184 million, representing an increase of 41% as compared with the same period of the last year. Also, sale of open-end funds amounted to RMB4,607 million, representing an increase of 31% as compared with the same period of the last year. The ownership volume of open-end funds amounted to RMB2,050 million, representing an increase of 191% as compared with the same period of the last year. Furthermore, agency services for insurance products was RMB72.5986 million, representing an increase of 200% as compared with the same period of the last year, whereas the agency services for sales of PRC treasury bonds amounted to RMB726 million, representing a decrease of 37% as compared with the same period of the last year, which was in line with the decrease of national bond sales volume of the province, primarily attributable to the influence of the downward adjustment of the yield rates of national saving bond products by the central bank and financial department, of which three years national bond rate was less than time deposit rate of the Bank.

In 2015, intermediary personal wealth management business income of the Bank amounted to RMB167 million, representing an increase of RMB104 million or 165% as compared with the corresponding period of the last year. Among those, personal wealth management business achieved an intermediary business income of RMB157 million, representing an increase of 202% as compared with the same period of the last year, whereas agency sales of funds achieved an intermediary business income of RMB3.09 million, representing an increase of 91% as compared with the same period of the last year. Also, agency sales of insurance products achieved an intermediate business income of RMB3.5619 million, representing an increase of 17% over the corresponding period of the last year. Moreover, sales of national bonds achieved an intermediary business income of RMB4.1635 million, representing a decrease of 26% as compared with the corresponding period of the last year, which was mainly attributed to the impact of decrease in sales volume during the period.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.2 Retail banking business (Continued)

Bank card business

One card

In 2015, the Bank further deepened and expanded the customer base of retail business. In adherence to the customer-centric business philosophy and with an aim to cater for the customers' needs, through launching different types of co-branded cards, the Bank vigorously promoted the circulation of financial IC cards, enhanced the resource integration with preferential merchants, proactively carried out various kinds of marketing activities, constantly cultivated the habits for using cards by customers and further enhanced its customer loyalty, so as to achieve a continuous and stable growth in transactions using Huangshan Debit Cards. As of 31 December 2015, a total of 8.6941 million Huangshan Debit Cards were issued by the Bank. Total deposits of the cards amounted to RMB33,396 million, accounted to 38.49% of total retail deposits. Deposit per card amounted to RMB3,841. Throughout the year, the Bank has realized a POS trading volume of 6.9018 million transactions, representing an increase of 12.86% as compared to the corresponding period of the last year, and the transaction amount amounted to RMB51,626 million, representing a decrease of 2.54% as compared to the corresponding period of last year.

Credit card

In 2015, based on improving efficiency and risk control, the Bank continued to improve the function and services ability of its credit cards, aiming to bold influential credit card brand in Anhui province. During the reporting period, the Bank actively improved product functions, and continued to optimize Preferred Gold Card (惠享金卡), Commercial Easy Loan Card (商易貸商務卡) and other products, so as to improve the flexibility and convenience of financial services. The Bank made efforts to promote mobile payment, and introduced HCE cloud payment credit card products as one of the first card-issuing banks in the country. The Bank further improved customer service ability and customer service experience by using credit card APP, WeChat and online card application channels.

As of the end of the reporting period, the Bank issued a total of 507,750 credit cards, of which 472,563 were valid cards. The number of credit cards newly issued during the reporting period was 210,108. Throughout 2015, the transaction amount of credit cards was RMB22,731 million in aggregate. The credit card overdraft amount was RMB5,607 million, representing an increase of RMB3,104 million as compared with the end of last year. Credit card interest income amounted to RMB59.9315 million, representing an increase of 39.57% as compared to the same period of the last year. Credit card non-interest income amounted to RMB228.3343 million, representing an increase of 126.95% as compared to the same period of the last year. As of 31 December 2015, credit cards NPL ratio was 1.13%, representing a decrease of 0.44 percentage point from the end of last year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.2 Retail banking business (Continued)

Retail loans

In 2015, the Bank increased its effort to develop the personal loan business market, steadily promoted the development of personal business loans and continued to expand the operating scale. At the meantime, it kept improving the pricing capability for personal loans to enhance profitability. Due to the macro-economic downturn, the creditworthiness and solvency of certain individual customers deteriorated, resulting in the increase of non-performing loans. However, the overall asset quality of personal loans was relatively good and the level of NPL ratio was relatively lower. Meanwhile, given that the vast majority of such new NPLs were fully secured by risk mitigation measures, such as collaterals, the possibility of sustaining eventual losses on such loans is slim. As of 31 December 2015, retail loans of the Bank amounted to RMB64,394 million, representing an increase of RMB7,800 million or 13.78% as compared with the beginning of the year. Among those, balance of personal business loans under headquarter amounted to RMB20,242 million, representing an increase of RMB1,814 million or 9.84% as compared with the beginning of the year. The market share of personal business loans under headquarter in Anhui province reached 8.14%, representing an increase of 0.43 percentage point as compared to the beginning of the year. Retail loans NPL ratio of the Bank was 0.83%, representing an increase of 0.32 percentage point from the beginning of the year.

Retail customer deposits

In 2015, the Bank experienced substantial development of interest rate liberalization, blooming development of internet finance, diversification of customer financial needs, and intense competition in the industry. The Bank, by adhering to customer-oriented business philosophy, focused on customer needs on wealth management, payment settlement and loan financing, through accelerating market respond speed, promoting rural inclusive financial system construction, getting through off-line and on-line services channel, constantly innovating products and sales model, achieved rapid growth in customer deposits. As of 31 December 2015, the Bank's retail customer deposits amounted to RMB86,770 million, representing an increase of 17.19% as compared with the end of last year. County level retail deposits under headquarter amounted to RMB17,501 million, representing an increase of RMB6,223 million, or 55.18% as compared to the beginning of the year. As of 31 December 2015, the market share of the Bank's retail deposits in Anhui Province reached 4.95%, representing an increase of 0.19 percentage point from the beginning of the year. Retail deposits of the year were characterized with a fast and steady growth with low cost and optimized structure.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.3 Financial market business

Business strategy

In 2015, Chinese economy continued to slowdown accompanied by a low inflation rate. The central bank adopted a loose monetary policy and placed more emphasis on a timely and appropriate pre-tuning and fine-tuning. Hence, the overall market liquidity remained loose. The Bank, after conducting an intensive study on the domestic and overseas macro-economic conditions and the trend of domestic bond market, formulated its investment plan in a scientific way. Firstly, the Bank continued to broaden investment channels, optimized the investment portfolios, appropriately increased the investment in high yield products such as asset management scheme products and wealth management products in the situation where risks are controllable, in order to improve its portfolio gains. Secondly, the Bank proactively participated in the wave band transactions in secondary bond markets so as to improve the income from transaction spread and enhance profitability of investment portfolios. As of the end of 2015, the average duration of RMB bond investment portfolios was 3.39 years, annual return on investment portfolios was 5.38%, taking into account of the yield of interest income after tax rebate on treasury bonds and rail way bonds of 5.71%.

Business development

During 2015, the Bank promoted a steady and sound growth of its financial markets business by optimizing the structure of its investment portfolios, strengthening business innovation and enriching types of products. As at the end of 2015, the Bank's investment scale amounted to RMB230,397 million, representing an increase of 105.06% as compared with 2014. In respect of entrusted wealth management business, the Bank issued a total of 697 tranches of wealth management products in 2015 with the total proceeds raised of RMB142,127 million, representing an increase of 67.15% as compared with the corresponding period of the last year. The balance of wealth management products at the end of the period amounted to RMB65,526 million, representing an increase of 103.21% as compared with the corresponding period of last year. The daily average balance of wealth management products amounted to RMB43,895 million, representing an increase of 138.69% as compared with the corresponding period of last year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.4 Distribution channels

The Bank uses a variety of distribution channels to provide products and services. The Bank's distribution channels are mainly divided into physical distribution channels and electronic banking channel.

Physical distribution channels

As of 31 December 2015, the Bank had a total of 593 self-service banks (including single-point), 1,848 cash self-service equipment (including 584 ATMs, 715 CRSs, 484 self-service terminals and 65 card issuing machines).

Electronic banking channels

The Bank places great emphasis on expanding, improving and cooperating electronic banking channels, including online banking and mobile banking. In 2015, the Bank focused on internet, and enhanced the operation management of electronic channels, which has effectively relieved the pressure on sales networks. In 2015, the trading account transactions via retail electronic channels accounted for 83.51%, representing an increase of 9.74 percentage points as compared to the last year; whereas the trading account transaction via corporate electronic channels accounted for 57.61%, representing an increase of 3.05 percentage points as compared to the last year.

Online banking

In 2015, the Bank's personal online banking business maintained a steady development with a steady growth of customer base and the increasing trading activities of customers. As at the end of 2015, the total number of personal online banking customers amounted to 1.6169 million. The trading account transactions via personal online banking accounted for 45.61%, representing an increase of 9.32 percentage points as compared to the last year. The number of personal online banking transactions accumulated to 129.7234 million in 2015, representing a year-on-year increase of 62.65%. Among these transactions, the number of online payment transactions was 12.3013 million, representing a year-on-year increase of 82.88%, the transaction amount was RMB11,936 million, representing a year-on-year increase of 172.70%. In recent years, the enterprise online banking business of the Bank experienced a comprehensive and rapid development, with constant solidification of customer base and continued improvement in efficiency of channels. As at the end of 2015, the Bank's total number of enterprise online banking customer amounted to 92.7 thousand, the Bank recorded 35.1845 million transactions of enterprise online banking, representing a year-on-year increase of 15.73%. The transaction amount of enterprise online banking accumulated to RMB1,614,565 million, representing a year-on-year increase of 17.86%.

Mobile banking

In 2015, the Bank's personal mobile banking continued to maintain a rapid growth with an increasingly improvement of customer activity. At the end of 2015, the total number of mobile banking customers reached 664,100. In 2015, the number of mobile bank transactions reached 9,377,100, representing a year-on-year increase of 160.66%, and the transaction amount accumulated to RMB43.024 billion, representing a year-on-year increase of 385.33%.

In 2015, the Bank carried out TSM platform construction. As to mobile banking, it has implemented new functions and applications, including mobile NFC function pay by cards and HCE Huangshan Cloud card payment. The new version of mobile bank of the Bank introduced the customer identification of "voice and face detection", and added card verification in order to enhance the security of mobile bank.

Direct banking

The Bank's direct banking "Hui Chang You Cai (徽常有財)" was formally launched on 26 January 2015. Over nearly one year of construction and development, a relative comprehensive product system and independent brand has been established, comprehensive strength ranked first in peer industry. As at the end of December, the total number of active direct banking customers of Huishang Bank amounted to 222,300. Total amount of wealth management products amounted to RMB3,366 million, with average assets of each account reached RMB15,142. Accumulated transaction amount near RMB40 billion. In the ranking list of China Internet Finance Top 300 issued by authoritative institution, the Bank's direct banking comprehensive strength ranked 32 among various internet finance institutions. In various ranking comparison in 2015, the Bank's direct banking ranked top 5 among nearly 40 direct banks for a long-run, subsequently obtained various awards including "2015 Best Innovation Award of Direct Banking in China (2015年中國直銷銀行最佳創新獎)" and "2015 Regional Commercial Bank Best Direct Banking (2015區域性商業銀行最佳直銷銀行獎)".

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.5 Subsidiaries and major companies in which the Bank has shareholding

Subsidiaries

Huiyin Financial Leasing Co., Ltd

Registered in Hefei, Huiyin Financial Leasing Co., Ltd. (“Huiyin Financial Leasing”), a financial leasing company under the national banking system as approved by the CBRC, officially commenced its business on 30 April 2015 with a registered capital of RMB2,000 million. Huiyin Financial Leasing was jointly established by the Bank, Anhui Foreign Economic Construction (Group) Co., Ltd. and Materials Industry & Trade Company of China Tiesiju Civil Engineering Group Co., Ltd. The Bank contributed RMB1,020 million to the registered capital of Huiyin Financial Leasing, accounting for 51% of its shareholding.

The principal businesses of Huiyin Financial Leasing include: (1) financial leasing; (2) handling financial leasing assets as transferor or transferee; (3) fixed-income securities investment; (4) taking leasing deposits from lessees; (5) taking time deposits of three months or more from non-banking shareholders; (6) inter-bank lending; (7) borrowing loans from financial institutions; (8) off-shore borrowing; (9) sale and disposal of leased properties; (10) economic consultation (carrying out business activities within the business scope approved by the CBRC Anhui Office); and (11) other businesses approved by the CBRC.

Since opening, Huiyin Financial Leasing, under the philosophy of “setting up example, laying foundation, seizing customers, innovating model”, has set up a foothold in Anhui and is open to the national market. Huiyin Financial Leasing has actively expanded its business scope and customer resources, providing customers with professional and integrated financial leasing services. It adheres to the idea of stable business operations and sustainable development and strives to enhance its business scale, speed, quality and efficiency. It promotes business scale expansion, strives to adjust the structure of its customers, products, businesses and income and persists on risk management so as to raise risk resilience. Huiyin Financial Leasing develops resource advantage and improves its comprehensive competitiveness, creating competitive advantage for its medium-term and long-term development. As at the end of 2015, total assets amounted to RMB7,750 million (which includes financial leasing receivables amounting to RMB7,502 million); total liabilities amounted to RMB5,699 million; net profits realized in 2015 amounted to RMB51 million, with a NPL ratio of zero. Each major operation indicator was in line with regulatory standards.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.5 Subsidiaries and major companies in which the Bank has shareholding (Continued)

Subsidiaries (Continued)

Jinzhai Huiyin Rural Bank Co., Ltd.

Registered in Jinzhai of Liu'an City, Jinzhai Huiyin Rural Bank Co., Ltd. ("Jinzhai Huiyin") officially commenced its business on 28 June 2013 with a registered capital of RMB80 million. Jinzhai Huiyin was jointly established by the Bank and Anhui GuoYuan Investment Co., Ltd, along with other enterprises and individuals. The Bank contributed RMB32.8 million to the registered capital of Jinzhai Huiyin, accounting for 41% of its shareholding. The principal businesses of Jinzhai Huiyin include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) handling domestic settlements; (4) handling bill acceptance and discounting; (5) engaging in inter-bank lending; (6) engaging in banking card business; (7) issuing, redemption of and underwriting government bonds as agents; (8) collecting payments as an agent and engaging in insurance business as an agent; and (9) other businesses approved by the banking regulatory authority of the State Council.

Since establishment, with the support from shareholders, Jinzhai Huiyin has upheld its original goal to set up a foothold in Jinzhai County to deal with the "Three Dimensional Rural Issues". Its mission is to promote comprehensive financial reform in the rural villages and accelerate the economic and social development in Jinzhai County. It has focused its business on agricultural credit, deposit growth, channel development, and risk prevention and control and has achieved good business development and received recognition from customers, local government and regulatory authorities. Following the set up of the Nanxi sub-branch and Gubei sub-branch in 2014, it set up Qinshan and Meishan branches in Qinshan town and the old town of Meishan town, Jinzhai county, in 2015, further expanding its network services coverage. As of the end of 2015, the total assets and total liabilities of Jinzhai Huiyin were RMB817 million and RMB722 million, respectively. Loans and deposits were RMB549 million and RMB699 million, respectively. In 2015, it recorded a net profit of RMB9 million and NPL ratio of 0.055%. Each major operation indicator was in line with regulatory standards.

Wuwei Huiyin Rural Bank Co., Ltd.

Registered in Wuwei County of Wuhu City, Wuwei Huiyin Rural Bank Co., Ltd. ("Wuwei Huiyin") commenced its business on 8 August 2010. Its registered capital was RMB100 million, of which the Bank invested RMB40 million, accounting for 40% of its shareholding. Other major shareholders are local enterprises and individual shareholders in Wuwei. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) handling domestic settlement; (4) handling bill acceptance and discounting; (5) engaging in inter-bank lending; (6) engaging in banking business; (7) acting as agent in issuing, redemption of and underwriting government bonds; (8) acting as agent in collection and payment and bank insurance business; and (9) other businesses as approved by the banking regulatory authorities under the State Council.

Since opening, Wuwei Huiyin has adhered to the "Three Dimensional Rural Issues" (economy, individual businesses and SME), the business philosophy of the Bank. In accordance with the operating philosophy of "close to the towns, serve Three Dimensional Rural Issues", Wuwei Huiyin took advantage of its comprehensive corporate governance structure, sound internal control mechanism, leading management skills and strong brand influence. Under effective risk control mechanism, Wuwei Huiyin innovated a variety of loans with different types, forms and operation processes; it tailored to provide flexible, high quality and efficient financial services to the "Three Dimensional Rural Issues" customers, and supported the county's economic development, extended the service to the wider rural areas and provided financial support to farmers' production and development. The sub-branch at Xiang'an was officially opened on 9 December 2015, which is the bank's fifth outlet in Wuwei County and also the bank's third rural sub-branch. As of the end of 2015, the bank's total assets and total liabilities were RMB2,370 million and RMB2,161 million, respectively. Deposit balance was RMB2,130 million, and loan balance was RMB1,053 million. In 2015, it recorded a net profit of RMB35 million and NPL ratio of 0.94%. Each major operation indicator was in line with regulatory standards.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.5 Subsidiaries and major companies in which the Bank has shareholding (Continued)

Major companies in which the Bank has shareholdings

Chery Huiyin Motor Finance Service Co., Ltd.

Chery Huiyin Motor Finance Service Co., Ltd. ("Chery Huiyin"), which was established on 13 April 2009, is China's first independent brand auto finance company, jointly set up by the Bank and Chery Automobile Co., Ltd. The company was registered in Wuhu City with a registered capital of RMB500 million, of which the Bank invested RMB100 million, accounting for 20% of its shareholding, while Chery Automobile Co., Ltd. invested RMB400 million, accounting for 80% of its shareholding. Pursuant to the 2011 Annual General Meeting resolutions, the company's registered capital was increased from RMB500 million to RMB1,000 million in January 2013, of which RMB167.70 million in shareholder dividends was converted to increased capital, and the remaining RMB332.30 million was paid in cash by the Bank and Chery Automobile Co., Ltd. in proportion to the original shareholding. In September 2013, it was unanimously agreed and resolved in writing by the shareholders that Chery Automobile Co., Ltd. will transfer its 31% stake in the company to Chery Holding Co., Ltd. (hereinafter referred to as "Chery Holding"). As of this day, the shareholding structure of Chery Huiyin Motor Finance Service Co., Ltd. is as follows: the Bank invested RMB200 million, accounting for 20% of its shareholding; Chery Automobile Co., Ltd. invested RMB490 million, accounting for 49% of its shareholding; and Chery Holding invested RMB310 million, accounting for 31% of its shareholding.

In 2014, the company completed its shareholding reform, and on 30 September 2014, the company name was changed from "Chery Huiyin Motor Finance Service Limited" to "Chery Huiyin Motor Finance Service Co., Ltd.". On 25 September 2014, the company's registered address was moved from Wanjiang Fortune Plaza, Jiujiang District, Wuhu City to Dianxin Avenue (Ankang Road) East, Shenxiang Town, Wuhu City, Anhui Province.

Approved by the CBRC, the company's principal businesses include: (1) accepting time deposits of three months or more from domestic shareholders; (2) accepting loan security deposits for the purchase of vehicles from auto dealers and car rental deposits from lessees; (3) upon approval, issuing financial bonds; (4) engaging in inter-bank lending; (5) obtaining loans from financial institutions; (6) providing auto loans; (7) providing auto loans to auto dealers for the purchase of vehicles and loans for operating facilities, including showroom construction loans and spare parts and maintenance equipment loans; (8) providing auto financing and leasing business (excluding after-sale leaseback); (9) selling or repurchasing auto loan receivables and auto finance lease receivables to financial institutions; (10) handling the sale and disposal of rental car for residual value; (11) engaging in auto financing related consulting and agency business; and (12) upon approval, engaging in auto finance related financial institution equity investment business.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT

In 2015, the Bank gave close attention to the macroeconomic and financial situation and policy changes, with adherence to “prudent, rational and stable” risk preference in promoting the comprehensive risk management system. Guided by the annual risk management policy, the Bank consistently devoted itself to the optimization of its risk management structure, policy, procedures and tools in balancing “capital, risk and profit”, whilst continuously keeping the regulatory indicators and overall risk condition stable under the pressure of the economic downturn and the rebound of NPL.

5.10.1 Credit Risk Management

Credit risk represents the risk of financial loss suffered by the Bank due to the failure on the part of a debtor or counterparty to meet its obligations or commitment to the Bank. The Bank’s credit risk primarily comes from loan business, inter-bank lending, investment business and off-balance sheet business.

In 2015, in view of increasing pressure from credit risk due to economic downturn, and guided by comprehensive risk management and focused on maintaining asset quality, the Bank continued to strengthen its credit risk management and control through comprehensive risk examination and on-site inspection and supervision. The Bank strengthened its risk alert and exit mechanism, and conducted key risk examination on loans associated with sensitive industries such as real estate and wire and cable industry. The Bank also continued to strengthen in industry analysis and refine credit assessment standards, monitored key industries such as real estate, coal, coal trade, wholesale and retail and textiles, and strictly prevented external risk exposures such as guarantee circle and trade financing. Besides, the Bank strictly implemented the national industrial and environmental protection policies on overcapacity industries. The Bank also continued to strengthen its ability to design risk mitigation measures for credit approval, improved the method of credit availability and optimized the credit structure. The Bank proactively mitigated potential risks by strengthening its follow-up management for loans with significant risks, setting up a watch list of debtors for dynamic management, and formulating solutions for loans with potential risks on a “one-customer-one-policy” basis. In addition, the Bank spared greater efforts in the collection of NPLs, with an aim to dispose of non-performing assets through different channels and ways, enhanced the liquidity inventory assets and optimize the credit structure. During the reporting period, the Bank’s NPL balance had increased due to the impact of domestic economic downturn. However, through implementing a number of measures while reducing old loans and controlling new loans, the risk of decline in asset quality is under control. Please refer to 5.4 “Loan Quality Analysis” in this report for the distribution structure.

5.10.2 Market Risk Management

Market risk is the risk of loss in respect of the Bank’s on and off-balance sheet activities that were caused by changes in interest rates, foreign exchange rates and other market factors. The Bank is committed to managing potential market losses and providing earning stability within reasonably tolerable range by independently identifying, assessing and monitoring inherent market risk existing in the ordinary course of business. The Bank’s market risk management covers the whole process of identification, measurement, control and reporting of market risk. It measures and monitors market risk through the use of sensitivity analysis, exposure analysis, gap analysis, duration analysis, stress testing and VAR analysis, etc.

In 2015, in light of complex and volatile external environment, the Bank strived to enhance market risk management tools, further rationalized market risk management processes and optimized capital business risk management system. In order to achieve better daily market risk management., the Bank adopted a variety of tools and methods such as cash flow analysis, sensitivity analysis, scenario analysis, VAR analysis and stress testing to conduct quantitative analysis on capital investments. The Bank enhanced market risk quota management, conducted stress testing on interest rate risk of transaction accounts and further improved its capacity in quantifying and managing market risk so as to avoid market risk effectively.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

5.10.3 Operational Risk Management

Operational risk refers to the risk of loss arising from deficient or problematic internal procedures, personnel, IT systems and external events. The Bank's operational risk management is guided by regulatory principles. The Bank has established an appropriate risk management system which corresponds to its business nature, scale and complexity. The Bank has established a complete set of management processes and has adopted appropriate measurement methods to measure operational risk, which have continued to improve.

With regards to its organizational structure, the Bank established a three level risk management structure based on the head office, the branch and the sub-branch. With regards to its management process, the Bank established a complete management cycle, which is a risk management process system run on information system, based on risk identification, evaluation, monitor, control/release, report and supervision/assessment.

The Bank actively improved the regulatory framework for operational risk management and optimized operational risk management system. The Bank promoted the establishment of operational risk management system structures, explored and implemented the three tools of operational risk management, improved the refined level of operational risk management. The Bank regularly conducted the monitoring, alerting and reporting of key risk indicators. In addition, the Bank further strengthened information technology risk management, regularly carried out information technology special assessment and ensured secure and continuous operation of information technology system.

At present, the Bank is facing multiple challenges in its operational risk management. The Bank will continue to implement risk preference, further prevent and reduce operational risk loss through multiple channels in accordance with the Bank's comprehensive risk management policy.

5.10.4 Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to satisfy its customers' needs for repayment of liabilities due, new loans and reasonable financing, or to satisfy these needs at a reasonable cost. The Risk Management Committee under the Board of the Bank and the Assets and Liabilities Management Committee and the Risk and Internal Control Management Committee under the senior management assume joint responsibility for establishing policies and strategies on overall liquidity risk management. The Assets and Liabilities Management Department of the Head Office is the leading executive department of liquidity management for the Bank. The Risk Management Department, the Financial Market Department, the Financial Industry Department and the International Business Department and other relevant departments are responsible for overall implementation of various tasks as required by the Assets and Liabilities Management Committee.

The Bank's liquidity risk management aims at ensuring that the Bank shall have sufficient funds to meet both expected and unexpected capital requirements (including loan growth, deposit withdrawal, debt maturity, and changes in off-balance sheet irrevocable commitments) in its normal operating environment or under pressure and provides a stable liquidity environment for ongoing operations, thus fostering positive interactions between liquidity management and business development. The Bank makes reasonable adjustments to the size and structure of assets and liabilities based on changes in market conditions and its needs for business development. Under the premise of ensuring liquidity, the Bank strives to pursue profit growth and value growth to achieve unity in the "liquidity, safety and profitability" of bank funds.

In 2015, the Bank further enhanced the level of refinement of liquidity management whilst closely monitoring pressures in liquidity management from changes in financial situation. Firstly, it sustained coordinated development of asset and liability businesses, dynamically adjusted its liquidity management strategies and capital operation tempo; secondly, it strengthened liquidity indicator management, improved risk identification, monitoring and measurement, and improved liquidity risk management ability; thirdly, it strengthened liquidity emergency management, developed liquidity stress scenarios to ensure that there would be no liquidity risk in any stress scenarios or within the prescribed shortest survival period. Meanwhile, the Bank also formulated contingency plans to prevent potential liquidity crisis and take effective measure to control risk spreading in liquidity crisis scenarios.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

5.10.5 Interest Rate Risk Management

Interest rate risk refers to the risk of fluctuation in interest rates which results in adverse impact on the financial condition of the Bank. Interest rate risk of the Bank primarily arises from the mismatch of structure of our banking portfolio on the maturity dates or re-pricing periods. Mismatch of maturity structure may cause the Bank's net interest income to be affected by changes in the prevailing interest rate. In addition, different pricing benchmarks for different products may also lead to interest rate risk for our assets and liabilities within the same re-pricing period. Currently, the Bank primarily assesses its exposure to interest rate risk through gap analysis, sensitivity analysis and duration analysis. The Bank manages its interest rate risk exposure primarily by adjusting the maturity profile of our banking portfolio based on its assessment of potential changes in the interest rate environment.

The Bank's financial assets and liabilities are mainly denominated in RMB. As the benchmark interest rates for RMB deposits and loans are determined by the PBOC, the Bank follows the interest rate policies promulgated by the PBOC when carrying out deposit taking and lending activities.

In 2015, the Bank further promoted its in-depth strategic transformation, proactively coped with interest rate liberalization and increased its efforts in optimizing asset-liability structure and customer base structure. Firstly, the Bank actively optimized its loan structure to accelerate business development of retail and small-micro enterprises. Secondly, the Bank proactively strengthened its loan pricing management with the aim of improving its risk pricing capability and return on loans. Thirdly, the Bank further promoted the rapid development of its intermediary business, optimized its income structure and reduced its reliance on interest spread between deposits and loans. Fourthly, the Bank strengthened the analysis of customers' overall contribution using data from management accounting, so as to effectively improve pricing management.

5.10.6 Exchange Rate Risk Management

Exchange rate risk is the risk of loss in the Bank's earnings arising from the mismatch between over-bought and over-sold current or forward position of a particular foreign currency and the term of non-RMB denominated asset and liability due to adverse changes in exchange rate. The Bank's foreign currency assets and liabilities are mainly denominated in U.S. dollars, while the rest are denominated in Euros, Hong Kong dollars and Japanese yen.

The Bank measured its exchange rate risk through qualitative and quantitative analysis. The major methods included gap analysis, duration analysis, exposure analysis, sensitivity analysis, scenario analysis, VAR analysis, stress test and post-inspection. In order to maintain its exchange rate risk within an acceptable level, the Bank implemented stringent limit management measures, primarily including trading limits, risk limits, foreign exposure limits and stop loss limits.

The spot and forward foreign exchange transactions of the Bank are mainly transactions conducted on behalf of customers by way of "back-to-back" square trading, which avoid exchange rate risk to a large extent. Under the new normal development of bilateral exchange rate fluctuation of RMB, the Bank is required to maintain reasonable self-position exposure in accordance with the Bank's limit management within the consolidated exposure limits approved by the State Administration of Foreign Exchange. In addition, the Bank proactively utilized derivatives to prevent exchange rate risk.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

5.10.7 Reputation Risk Management

In 2015, the Bank has effectively managed its reputation risk. There is no reputation risk incident occurred throughout the year. The Bank maintained a good relationship with the media, and the media provided favorable overall feedback. There were also frequent exchanges with the media, where no negative public opinion was found.

To control reputation risk, the Bank paid attention to the external role of positive marketing, and strengthened its internal reputation risk management. To deal with misleading information, the Bank responded quickly, communicated proactively, had a regard for facts and the freedom of the media. The Bank established positive interaction with the media, and effectively avoided reputational risk that may occur.

Going forward, the Bank will focus on enhancing the techniques of directing external public opinion, integrating the resources invested in the media and fostering the culture of reputation risk prevention. It also strives to increase the brand name and reputation of the Bank through high-level public relations planning.

5.10.8 Compliance Risk Management

Compliance risk refers to the risks of commercial banks may be subject to legal sanctions, regulatory punishments, major financial losses, or reputation damage as a result of any violation of laws and regulations, rules and criteria.

The Board of Directors of the Bank takes ultimate responsibility for compliance of the Bank's operation activities. The Risk Management Committee under the Board of Directors monitors compliance risk management effectively. The Board of Supervisors is responsible for supervising the performance by the Board of Directors and the senior management of their duties on compliance management. The senior management is responsible for managing compliance risk, submitting compliance risk management reports to the Board annually. The Bank has established a robust compliance risk management system and organizational structure, forming three defense lines with interaction amongst front, middle and back offices, and the vertical double-line reporting system amongst the headquarters, branches and sub-branches, and continued to improve the compliance risk management mechanism and the risk management techniques and procedures so as to ensure effective management of compliance risk.

During the reporting period, with the focus on its business development strategies, the Bank strived to put internal control as its priority, established the philosophy of "facilitating development through compliance", with an aim to enhance the foresight and pertinence of compliance management. The Bank constantly implemented various requirements of external regulatory authorities, and strengthened the establishment of internal control system. Hence, the compliance risk management mechanism operated effectively, with favorable comments coming from external regulatory authorities. The Bank launched special activities such as the "Strengthening Internal Control, Preventing Non-compliance Operation and Illegal Activities" and the "Better Management Year" in great depth to actively promote the establishment of compliance culture, and continued to improve its internal rules and regulations, optimize the compliance risk identification and assessment process, strengthen accountability system for non-compliance, and increase the support for legal compliance review and product innovation, thereby offering protection for the operation of the Bank in compliance with laws.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

5.10.9 Anti-money laundering Management

The Bank attaches great importance to anti-money laundering and strictly implements relevant laws and regulations aiming at preventing and controlling money laundering activities, with sound measures vigorously carried out across the Bank.

During the reporting period, the Bank has established a money-laundering risk warning mechanism. Based on suspicious transaction reports, together with the distribution of external money laundering risk, the Bank has strengthened its collection, analysis and application of data and information in order to timely issue risk warning. It issued the "Notice on Money-laundering Risk Warning of Non-local Customer". This helps our employees to understand the new trends in money laundering activities, strengthen our agency business management, build firewalls against money laundering risk and enhance our money laundering risk identification mechanism. The Bank has organically integrated the internal control requirements of anti-money laundering into our financial services procedures, making full use of the basic role of our customer managers and front desk tellers in understanding our customers. It also guides our employees to pay more attention on customers' unreasonable or other suspicious circumstances based on "checking", "understanding", "registration", "preserving" and "examination" for identification of customers' identity to enhance investigating suspicious activities and creating money laundering risk investigation mechanism. The Bank makes timely adjustments on the monitoring of suspicious funds, compiles customer watch list and organizes the investigation of money laundering risks in accordance with changes in money-laundering risks. Customers' identities, wealth, business operations and financial conditions are analyzed with reference to customers' trading background, fund flow and capital chain and suspicious transactions are identified for reporting, in view of enhancing the money laundering risk assessment mechanism. Adopting qualitative and quantitative principles, the Bank has identified risk characteristics of different groups and has made estimation on the scoring and weighting of different risks in establishing an assessment indicator system on customer money laundering risk. Management and control of high-risk money laundering areas are strengthened. Risk control measures such as continuous monitoring, periodic review, re-identification of customer identity, setting trading limits and closing online bank transfer functions are implemented according to different circumstances.

Currently, the international economic and financial situation is complicated and ever changing. Ways and means of money laundering are becoming more subtle and diverse. As a result, anti-money laundering work is facing an increasingly difficult test. The Bank will adhere to the principle of "risk-orientation, customer-centric, process control as protection" and actively set up an improved anti-money laundering risk control system applicable to standards for listed banks to continuously improve the level of anti-money laundering compliance throughout the Bank.

5.10.10 Implementation of Basel Accord

The Bank is one of earliest city commercial banks in China devoting itself to the implementation of the Basel New Capital Accord. With the measurements of the three main risks under the first pillar as the main theme, the Bank gradually promoted the development and application of the advanced methods for capital measurement in accordance with the requirements of the "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulatory policies. Currently, the Bank has established a non-retail credit risk internal grading system for customers and officially launched it in 2012. The non-retail credit risk internal grading system for debts has been put into pilot operation in branches. The retail credit risk internal grading system has been completed, and is now applying in consumer credit. The project on operational risk standards has been approved and is in the process of business consultation whereas the market risk internal modeling is in the argumentation and approval preparation stage.

Chapter V Management Discussion and Analysis

5.11 INFORMATION TECHNOLOGY

In 2015, the information technology work was guided by the principle of “guarantee, services, lead” to guarantee operation, control risk, promote development and enhance ability. The Bank has enhanced its fundamental protections, strengthened its risk control, refined its operation and management and improved its development and support. The Bank’s information system continued to operate securely and stably, which supported and facilitated the Bank’s business development.

Firstly, the Bank has improved the management system of information technology, improved the existing organizational structure, enlarged the number of information technology management staff and technicians, amended the management system, refined and specified various work duties and enhanced the level of information technology governance.

Secondly, the Bank has strengthened the construction and management of information technology, implemented the reformation of its payment system, constructed disaster center within the city, constructed wireless network system, improved monitor system and infrastructure for environmental protection and inclusive finance development. The Bank has further improved the level of information technology protection and the ability to provide support service.

Thirdly, the Bank has strengthened its system development and construction. It has conducted the development and construction of big platform and micro application in response to the needs for development of modern bank. Moreover, the Bank has introduced inter-bank business platform, investment banking basic platform, online supply chain system, face-recognition payment, Huangshan Cloud Card payment and mobile payment, thereby supporting and facilitating the development of various businesses across the Bank.

Fourthly, the Bank has strengthened its management of information security by carrying out information safety examination and assessing significant information systems and network risks as well as outsourcing risk management of information technology across the Bank in order to improve its risk prevention system of information technology and the level of risk management on information technology.

Fifthly, the Bank has launched its development plan on information technology. It has started the development plan of information system diagnosis, researched on the development proposal for the application structure of new generation core platform, promoted 10 major enhancement projects and 66 information system construction blueprints and started the setting up the development of the data center.

Chapter V Management Discussion and Analysis

5.12 CORPORATE SOCIAL RESPONSIBILITY

In 2015, the Bank persisted in fulfilling its mission to service the local economic and social development in order to further strengthen its corporate responsibility management and fulfill our responsibility to society by practical actions.

Firstly, the Bank has fulfilled its economic responsibility to promote local development. As a local bank, the Bank has actively innovated new financing methods and adopted the approach to cooperate with funds. The Bank has innovated urbanization funds targeting government clients, industry development funds targeting major industries and strategic emerging industries, and small and medium-sized enterprise profit-making and development funds targeting small and medium-sized enterprises. The Bank has increased the investment in the economy and has provided to the local government a full range of financial services through a package of comprehensive service solutions. The Bank has supported the development of the local economy and has built a financial service platform for small enterprises. The Bank has also launched specialty products such as Handy-Revolving-Loan (易連貸) and micro-loans and self-service loans.

Secondly, the Bank has fulfilled its environmental responsibility to promote green development. Ecological consideration is incorporated into various aspects in the entire course of the business management, integrating into the vision to “protect the ecological environment in Anhui Province and build a beautiful Anhui”. The Bank is eager to promote green credit lending, electronic business processing, and environment-friendly operation services and encourage the participation of all staff in social welfare activities. The Bank is constantly enhancing our green governance and improving our ecological environment. The Bank is striving to build a green, environmental-friendly, energy-efficient bank that promotes business development compatible with the environment.

Thirdly, the Bank has fulfilled its social responsibility in creating and enjoying the harmony with the society. Upholding its mission of “serving customers, repaying shareholders, developing employees, and contributing to the society”, the Bank focuses on employee development and promotes a win-win situation with its stakeholders. The Bank has continued to launch the system building of inclusive finance towards the county and rural market, broadened medium, small and micro-sized enterprises and residents of the community. It also promoted financial literacy and improved services, creating a win-win situation with its customers. The Bank respects its employees for their value creation, protect their legitimate interests and foster a good corporate culture so that the employees may grow together with the Bank. The Bank has a strong interest in social benefit and has carried out the charitable event “Donations to help the Disabled”. By doing so, the Bank would like to contribute to the harmony of the society.

Chapter V Management Discussion and Analysis

5.13 PROSPECTS AND MEASURES

2016 will see a further diversification of the global economy. The US economy will continue to recover, and an interest rate hike may be made by the Federal Reserve. The European and Japanese economies are yet to bottom out, and quantitative easing policies will continue to be implemented. The risks in emerging market will intensify. Drivers for global economic recovery are limited. With the decline in oil price and low level of bulk purchase, there will be greater uncertainty in respect of worldwide inflation. Domestic investment will continue to slow down with no growth momentum, while consumption will remain stable. The prospect for import and export seems bleak, as the economic downward pressure will be still high. In 2016, a more aggressive fiscal policy is expected to be launched with flexible and appropriate monetary policies. Under the five policy pillars by the central government, the economy is expected to gradually rebound. The liberalization of interest rate, stricter prudent macroeconomic regulatory environment and the risk of deteriorating asset quality will pose challenges to the banking industry.

2016 is the starting year of the National "13th Five Year" Plan. At present, the economy of Anhui province is stable. Although it faces many challenges and difficulties, including a sliding manufacturing industry and a decrease in import and export, and hence, greater economic downturn pressure, under the reform on stabilizing growth and increasing supply, various major projects will be implemented and investments will stimulate faster growth. The overall economy of the province may remain stable in 2016. At the same time, the Yangtze River Economic Belt development strategy, the new-type urbanization construction and the great economic potentials in Anhui Province will bring potential opportunities for the Bank's steady development.

The Bank will actively adapt to changes in economic and financial situations and earnestly adhere to the spirit of the central government, the economic conferences of Anhui province and the banking industry regulation conferences of Anhui province. In accordance with the requirements of the "13th Five Year" plan of the PRC and Anhui Province, the Bank will fully promote transformation and upgrading. Adhering to the approach of development driven by innovation and development guaranteed by management enhancement, the Bank will create the three service brands of "integrated finance, inclusive finance, and intelligence finance", advancing the optimization of asset structure, debt structure, customer structure and income structure, making great efforts to cultivate core competitiveness.

Chapter VI Report of the Board of Directors

The Bank presents the annual report and audited financial statements of the Bank and its subsidiaries for the year ended 31 December 2015.

6.1 PARTICULARS OF BUSINESS

6.1.1 External Environment Faced by and Business and Operation Development of the Bank

1. *Analysis of environment of our main operating environment*

In 2015, the Bank bore in mind its mission, followed trends, seized opportunities, and actively integrated itself into the economic and social development of Anhui and Jinansu provinces, realizing high speed growth in the major indicators, basically achieving the levels of middle level banks. At present, the macro and regional economy is experiencing in-depth changes and the external development environment faced by the bank is experiencing complex changes, which are mainly in the following aspects:

Firstly, economic growth has shifted gears, with middle to high growth becoming a new normal. Take for example the main operating area – Anhui Province, in 2015, the GDP of Anhui province recorded a year-on-year increase of 8.7%, 1.8 percentage points higher than the national GDP, but decreased by 0.5 percentage point as compared with last year. The slow down of economic growth will cause certain impact on the Bank's prior operating mode relying on high-growth and high-investment of the Bank.

Secondly, growth momentum has shifted. Past economic growth was mainly driven by investment. At present, the pace of resident income and consumption upgrade has accelerated and consumption has become the new impetus of economic growth. In 2015, Anhui's fixed assets investment growth increased at a speed of 12.7%, representing a decrease of 3.8 percentage points as compared with last year. However, total societal retail consumption during the same period increased by 12%, representing a decrease of 1 percentage point, and the gap between investment and consumption growth narrowed. With the shift of growth impetus, the Bank increased its attention to financial services involving consumption areas.

Thirdly, industry development strategy has been adjusted. Traditional businesses in Anhui occupied a large proportion of the economy, but traditional industries including coal, steel, non-ferrous, chemical are facing increasing difficulties. Anhui province launched an action plan of "structural adjustment, pattern change, and upgrade promotion", which enhances optimization of the industrial structure, and accelerates a new industrial system with modern agriculture as the base, advanced manufacturing industry as the core, modern service industry as support and strategic emerging industry as the lead. At present, we have launched the construction of 14 strategic emerging industry cluster development bases and implemented 140 major technology reform projects of over RMB1,000 million. In 2015, the contribution rate of Anhui province's strategic emerging industry improved from 40.3% to 58%. Strategic emerging industry has become the new engine to lead accelerated economic growth, and this adjustment to the industry development strategy will lead to a change in the credit direction of the Bank.

The Bank will actively adapt to the changes in the economic and financial situation and the trend of industrial structure adjustment, will fully promote transformation and upgrades, will explore a development road of differentiation, and will energetically cultivate core competitiveness.

Chapter VI Report of the Board of Directors

6.1 PARTICULARS OF BUSINESS (Continued)

6.1.1 External Environment Faced by and Business and Operation Development of the Bank (Continued)

2. *Business performance of the Bank in 2015*

In 2015, facing a complex external environment, the Bank took the initiative to adapt to changes in the economic situation and the trend of industry structure adjustment, fully promoted transformation and upgrades, explored differentiated development road, persisted with “development driven by innovation and guaranteed by management improvement”, focused on the theme of “stable growth, structure adjustment, market exploration and risk control” for operations, spared no efforts in developing comprehensive finance, consolidated and expanded traditional advantages, deepened the promotion of inclusive finance, developed new growth point, advanced intelligence finance, seized the top point in future development and ensuring that the various businesses maintained a good development trend.

(1) *Effective comprehensive finance*

Aiming to meet the needs of corporate customers in the new situation, the Bank innovatively launched urbanization funds, industry funds, profit-making funds and other fund businesses, optimized internal coordination, integrated various resources inside and outside the Bank, improved customer receiving ability and customer loyalty, further deepen the cooperation between the Bank and the government and enterprises, coordinated the wholesale business advantages of the municipal government and government institutions, promoted the transformation and upgrade of corporate business. As at the end of 2015, the business scale of the fund business amounted to RMB61,327 million, providing a good foundation for steady profit growth.

(2) *Promoting inclusive finance*

Actively responding to the national policy of finance benefiting people, the Bank implemented an inclusive finance development strategy. Focusing on “innovation driven” and “management improvement”, the Bank made great efforts to promote channel innovation, product innovation, system innovation and management enhancement. It constructed an inclusive urban financial system of urban comprehensive sub-branch, community sub-branch and micro-sub-branch, connecting the “last mile” in resident financial services in urban area, thereby satisfying the diversified financial needs of urban residents. It also built a rural inclusive financial branch system covering six major products and channels of “Huinong sub-branch, Huinong Services Room, Huinong Card, Huinong Loan, Huinong Bao and Huinong Tong”, and seized the county and rural financial markets. It promoted pilot reforms on professional operating modes for small enterprises, established the micro loan business division, and actively explored a microcredit model.

(3) *Intelligence finance initially maintained its advantage*

Following technological progress, the Bank promoted the innovation and use of new type services end and convenience tools, fully optimized various services including online banking, mobile banking and WeChat banking and innovated a direct banking management system. In accordance with the operational ideology of “getting client from the outside, keeping clients on the inside”, the Bank continued to improve its platform structure and product system, and actively explored a direct banking commercial mode and profit mode. In the various rankings in 2015, the direct banking of the Bank maintained top 5 places in nearly 40 direct banks across China, and received numerous awards including the “2015 China Direct Bank Innovation Award” and the “2015 Regional Commercial Bank Direct Sales Bank Award”.

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6.1 PARTICULARS OF BUSINESS (Continued)

6.1.1 External Environment Faced by and Business and Operation Development of the Bank (Continued)

3. Analysis of key financial performance indicators during the year

See details at Chapter II Summary of Accounting and Financial Information.

4. Environmental Policy, Performance and Compliance of Laws and Regulations

(1) Environmental Policy and Performance of the Bank

Ecological consideration has been proactively incorporated into various aspects in the entire course of business management. The Bank has been committed to providing credit support to green industries and encouraging low-carbon development through its customer services. The Bank has operated in an environmental-friendly way. Through continuous improvement in green management and the ecological environment, the Bank has made valuable contribution in establishing Anhui as a national role model of an environmental-friendly city.

a. Development of Green Credit

The Bank has sought to enhance the leveraging and adjusting function of green credit, and has imposed tighter credit control on “Non-green Industries”. It has also put in extra efforts to achieve low carbon emission in every step of project approval and the issuance of credit. Meanwhile, it has increased support to environmental industries in relation to new energy, environmental conservation and energy saving and emission reduction technology, thereby actively promoting the growth of a circular economy.

The Bank has taken a “proactive approach” in soliciting projects on energy saving, environmental protection, development or utilization of new energy, research and application of new information technology and development of renewable energy. On the other hand, it has taken a “moderate approach” in soliciting projects that meet the national industries policy and energy saving target but are under credit limit management. The Bank has taken a “rejecting approach” towards industries of high energy consumption and pollution by setting up entry barriers.

b. Enhancement of Green Services

The Bank has coordinated the development of information technology and financial services and by expanding electronic banking and promoting online services, it has offered more efficient and environmentally friendly financial services. While leading the change in customers’ consumption pattern of financial services, the Bank has continued to cut consumption of paper, ink, power, oil and other resources in its operations, making an effort to reduce carbon footprint.

c. Promotion of Green Operation

The Bank has proactively promoted energy saving and emission reduction at all levels. It has encouraged its staff to start from small beginnings and put efforts to cut consumption of resources and energy at the office, thereby establishing the Bank as a conservation-oriented enterprise.

Chapter VI Report of the Board of Directors

6.1 PARTICULARS OF BUSINESS (Continued)

6.1.1 External Environment Faced by and Business and Operation Development of the Bank (Continued)

4. *Environmental Policy, Performance and Compliance of Laws and Regulations (Continued)*

(2) *Compliance of Laws and Regulations by the Bank*

The Bank was in strict compliance with the “Law of the People’s Republic of China on Protection of Consumer Rights and Interests”. In accordance with the “Banking Consumer Protection Guidelines” promulgated by the CBRC and the regulatory requirements on the protection of consumer rights for financial institutions issued by the PBOC, the Bank actively promoted consumer protection, strengthened the consumer interest protection system, launched a campaign to educate the public and promote financial knowledge, and performed its social responsibility in educating the public, thereby protecting the legal rights of consumers.

The Bank actively carried out anti-money laundering management, and prevented anti-laundry activities. Firstly, it revised its internal control system including the “Huishang Bank Anti-money Laundering Management Measures” and “Huishang Bank Customer Anti-money Laundering Risk Class Management Requirements”, enhancing the system foundation for anti-money laundering. Secondly, it promoted customer identification measures, and policed the customer access threshold. Thirdly, it carried out a anti-money laundering training campaign, promoted anti-money laundering laws, regulations and internal control system at different levels, effectively improving the responsibility awareness and business skills of the staff.

The Bank paid a great deal of attention to the implementation of the “Basic Norms of Internal Control for Enterprises” and its relevant guidelines, and “Commercial Banks Internal Control Guidelines”. Firstly, it revised the “Basic Norms of Internal Control for Huishang Bank”, specifying the internal management responsibilities of the business operating department, the business line management department and the compliance internal control department, and further clarifying the organizational structure and division of duties of internal management. Secondly, it formulated internal control implementation rules for key business lines, streamlined internal control measures and the requirements of various operations, and further optimized its internal control management system.

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6.1 PARTICULARS OF BUSINESS (Continued)

6.1.1 External Environment Faced by and Business and Operation Development of the Bank (Continued)

4. Environmental Policy, Performance and Compliance of Laws and Regulations (Continued)

(3) Relationship between the Bank and its Employees

a. Remuneration of Employees

The remuneration policy of the Bank was designed to facilitate the achievement of strategic operational goals, enhancement of competitiveness, and the nurturing of talent and risk control. The policy aims at developing a comprehensive, scientific and effective incentive scheme that maximizes shareholders' value, operational efficiency and employee benefits. It enables the Bank to work its way towards stable operational and sustainable development by adopting advanced, sustainable, lawful, timely and practical management.

b. Staff Employment

The Bank has enhanced staff employment management by formulating a standardized set of recruitment criteria and procedure regulating internal recruitment, deployment and other aspects of internal staff management. The Bank has also expanded efforts in recruiting through external channels such as schools, college-graduate village officials, other industry players and headhunters. The Bank has adopted strict procedures in credential checks, written tests, interviews and background checks to ensure that the recruitment process is open, just and fair.

c. Staff Training and Career Development

In 2015, the Bank implemented the training programme formulated at the beginning of the year to provide training across the Bank with reference to the skills requirements of staff at different levels and positions with the aim of enhancing their skills and overall qualities and greatly facilitating their career development.

The Bank provided diverse staff training via multiple channels. In 2015, the Bank established an online training platform, which comprised a training platform and the Wechat Huiyin Academy where staff could receive integrated online and offline training in the form of video and face-to-face lectures.

Chapter VI Report of the Board of Directors

6.1 PARTICULARS OF BUSINESS (Continued)

6.1.1 External Environment Faced by and Business and Operation Development of the Bank (Continued)

4. Environmental Policy, Performance and Compliance of Laws and Regulations (Continued)

(3) Relationship between the Bank and its Employees (Continued)

c. Staff Training and Career Development (Continued)

In order to further encourage staff to upgrade their skills, the Bank has set up a certificate award scheme to stimulate enthusiasm in learning. The Bank held two certificate award ceremonies in the first and second half of 2015 respectively, encouraging staff to continuously improve their qualities, thus providing continuous intelligence support for business development.

The Bank has constructed a professional position sequency system. In 2015, the Bank continually optimized the sequence to include the back, middle and front office, thereby offering employees a better career path.

(4) Relationship between the Bank and its Customers

As a commercial bank with a well-established presence in Anhui Province, the Bank has built up a high quality customer base of corporate customers through years of development and has formed competitive advantages in serving governmental clients. The high quality customer base also greatly promoted the stable and rapid growth of the corporate business of the Bank, allowing it to continuously enhance the scale and quality of assets as well as profitability.

Chapter VI Report of the Board of Directors

6.1 PARTICULARS OF BUSINESS (Continued)

6.1.1 External Environment Faced by and Business and Operation Development of the Bank (Continued)

4. *Environmental Policy, Performance and Compliance of Laws and Regulations (Continued)*

(4) *Relationship between the Bank and its Customers (Continued)*

Adhering to the market positioning of “serving the local economy, serving small and medium enterprises (“SME(s)”) and serving the general public”, the Bank has strived to provide differentiated services to micro and small enterprises, realize positive interaction between self-development and local economic development, actively enrich business experiences of small enterprises, thereby maintaining top business market share in the province. The Bank has a deep understanding of the local market, and has established a good cooperation system with the local government. It has identified and developed high-quality middle and small enterprise customers, and has optimized and adjusted small enterprise business, and has timely withdrawn from certain overcapacity, low-cost, and homogenized small enterprises and expanded customer groups which are in line with national industry and environment policies and local development characteristics. It has provided support for quality small and medium enterprise customers with good credit quality, payment ability, employment opportunities and sustainable business.

The Bank is committed to build a high-quality, highly-efficient and convenient customer services system, and has obtained the first place in the banking industry for three consecutive years in the “Resident Satisfactory Investigation of the Top 10 Service Industries of Anhui Province”. The Bank actively pursued public service. From 2012, the Bank actively participated in the public activities of “walking into the community and serving the people”. It has focused on the livelihood of the disadvantaged groups and people and implemented social responsibility. The Bank established a CRM customer relationship management system, carried out customer segmentation, established a customer segmentation services management system that coordinates the headquarters, branches and sub-branches, and front, middle and back office.

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6.1 PARTICULARS OF BUSINESS (Continued)

6.1.2 Subsequent events

From 1 January 2016 to the time of publishing the annual results, there has not been any major financial and non-financial events that may cause material effects on the results of the Bank.

6.1.3 Future business development trends of the Bank

1. *Innovation trend*

In product service innovation, targeting the financial demands of the government, the Bank will establish a PPP parent fund through the cooperation with direct provincial units and innovate to meet the financial demands of new governmental projects. Based on three rights of beneficial right, charge right, and revenue right, the Bank brought innovations to relevant asset management schemes and ABS products, in order to revitalize government stock assets. Targeting the financial needs of enterprises, the Bank will promote structural financing businesses including small and medium enterprise "profit-making" development funds, chain fund and small and medium enterprise listing plans, promoted credit asset securitization and enterprise asset securitization business; focus on de-leveraging, de-capacity, de-inventory of enterprises, explore innovation businesses including perpetual bond issuances, mergers and acquisitions and real estate investment trusts (REITs) conduct capital regulatory business as by focusing on enterprise debts, corporate debts, private debts and IPOs, and by focusing on small and medium financial institutions, providing new types of financial services including special account entrusted investment management or investment advice.

In channelling construction and innovation, the Bank will build an inclusive finance on-line services channel, enhance marketing and brand marketing in the county market, promote network construction of comprehensive sub-branches, Huinong sub-branches, Huimin sub-branches, establish Huinong financial services rooms, seize county retail markets, improve county savings market share; build a consumption loan platform in automobile, decorative industry and tourism, spare no efforts to expand on-line and off-line credit card issue channels, expand consumer finance areas, develop a microloan services platform, focus on key industries including tobacco and logistics, expand microloan business group customer channels, integrate retail customer channels including bank cards, direct banking, mobile banking satisfy customer financial services demands and build a personal financial mobile services platform.

In business mode innovation, the Bank will spare no efforts in developing comprehensive finance and carrying out business innovation in "investment bank+ asset management + wealth management" focusing on the financial needs of urbanization of new type of cities, strategic emerging industries, traditional industry upgrades and new type of consumption. Targeting inclusive finance, the Bank will establish a "six-in-one" service system, actively seizing the rural market, establishing a microcredit business division, promoting small enterprise professional pilot, enhancing small and micro financial services capacity; promoting network capacity improvements in urban areas, and meeting the diversified financial needs of urban residents. In intelligent finance, the Bank will improve customer experience and financial services efficiency through network intelligence improvements; promote on-line platform construction, build a comprehensive mobile and internet platform, continue to innovate and improve the business mode and form a diversified and comprehensive "customer-oriented" product and business system.

Chapter VI Report of the Board of Directors

6.1 PARTICULARS OF BUSINESS (Continued)

6.1.3 Future business development trends of the Bank (Continued)

2. *Change in Customer Structure*

The Bank is adjusting its traditional customer structure, actively expanding its scope of services and striving towards a customer structure that has even development across large, medium, small and micro enterprise customers. Adjustments will be made in the following areas: firstly, geographically, the Bank's services will extend from urban customers to rural customers, and asset investment in relevant regions with high development potential, strong popularization effect and high urbanization will increase; secondly, in scales, on the basis of consolidating governmental type, and medium-to-large scale enterprise customer group, the Bank will focus on expanding small and medium enterprise customers and middle-end retail customers, expanding financial institution clients, achieving extension of services from government and large enterprise customers to micro, small and medium customers; thirdly, in industry, it will reduce the proportion of overcapacity industry and traditional industry customer credit, enhance support to strategic emerging industries and people's livelihood areas including science, education, culture, health, realize the extension of customer group into new emerging industries, high-end manufacturing industries and modern services industries.

3. *Emerging Challenges and Opportunities*

Challenges will mainly arise from the external impact of the external environment. Firstly, changes in services subjects; city commercial banks have mainly served government and state-owned enterprises, but with the deepening of national reform and "mass enterprise and mass innovation", private enterprise and micro and small and middle enterprises will officially become the new growth subject, however, the Bank provides insufficient products and services for such subjects. Secondly, with the change in profit mode and the basic completion of interest rate liberalization, interest narrowing will be the long-term trend. The interest income growth brought by credit expansion will not be able to offset the decrease in income from interest narrowing, and the interest liberalization will challenge the income structure of the Bank which relies primarily of net interest margins. Thirdly, intensified competition from the rapid development of internet finance, the trans-industry outpour into the finance space, industry poured into finance area, financial dissemination and the entrance of new banks will cause more intense competition for the Bank.

Chapter VI Report of the Board of Directors

6.1 PARTICULARS OF BUSINESS (Continued)

6.1.3 Future business development trends of the Bank (Continued)

3. *Emerging Challenges and Opportunities (Continued)*

In terms of opportunity, firstly, on a geographic level, the Anhui region has maintained a good development momentum, various indicators have come top in the central region, and it has been listed as full innovation pilot area. With the implementation of the “structure adjustment, pattern change and upgrade promotion” plan, acceleration of new-type urbanization and the acceleration of consumption improvement, the Bank will face favorable development opportunities. Secondly, on an industry reform level, the Bank has made progressive development and efforts in reforms including professional operations, inclusive finance, investment banking, financial institutions, asset management, and asset liabilities management and reform. In recent years, the Bank obtained a series of emerging business qualifications, promoted the establishment of rural banks, a finance leasing company, joint-stock auto finance companies and diversified its layout. Thirdly, in business development, the Bank has established a multi-point support for corporate business, retail and interbank businesses. The results of comprehensive financial have initially emerged, the inclusive financial system structure is gradually complete and the advantages of internet finance have become obvious, thus providing a good foundation for the future development of the Bank.

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6.1 PARTICULARS OF BUSINESS (Continued)

6.1.4 Major Risks and Uncertainties Faced by the Bank

Facing a complex economic and financial situation, the Bank may be exposed to the following major operational risks. Firstly, the slowing down of economic growth will lead to exposure to credit risks. There is excess production capacity in traditional industries, particularly the steel, coal, basic chemical, shipbuilding and plate glass industry where they have suffered weak downstream demand, as well as deleveraging and capacity reducing pressure. Hence, enterprises in such industries may have a lower investment return, or even incur significant losses. The credit risks in the upstream and downstream wholesale sectors that rely on traditional industries, especially the sectors of trading of bulk commodities such as steel, coal and non-ferrous metal should be continuously monitored. Affected by fundamental factors such as change in supply and demand structure, urbanization acceleration and aging population, the regional real estate market will undergo continuous adjustments. "Three-low" (low-skilled, low added value and low profits) SMEs will be exposed to higher operational risks due to their weaker competitive strengths. Secondly, interest rate liberalization will further increase the difficulty in the management of interest rate risk and liquidity risk of bank accounts. The government will implement a prudent monetary policy, leading to a steady growth of the broad measure of money supply (M2). However, the traditional banking business will be affected by increasing proportions of direct business financing and financial disintermediation, resulting in a downward trend in the yield curve and a further decrease in yield on earning assets. Thirdly, the financial market will be subject to volatile fluctuations and increasing market risks. Against the backdrop of economic downturn, large amounts of funds will flow into the financial market system. Trading institutions will carry out business operations through leveraging and the prices of financial assets will be pushed up. However, events of credit risks and reputation risks such as credit bonds redemption crisis, default on the guaranteed return of public offering bonds and key business rating downgrades may also become the direct causes of a volatile financial market.

The uncertainties faced by the Bank are mainly higher credit risks associated with over-capacity industries, low-end traditional manufacturing and upstream and downstream wholesale relying on those traditional industries especially with respect to bulk commodity trading such as that of steel, coal and nonferrous metals, during the risk-exposing "superimposition of the three periods", hidden, municipal debt risks associated with profound adjustments to real estate markets triggered by basic factors such as changes in supply and demand and an aging population. In addition, affected by factors such as interest rate liberalization, the launch of the deposit insurance system, and the impact of internet finance and stronger inter-bank liabilities regulations, liquidity risk management will become challenging.

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6.2 SUMMARY OF FINANCIAL INFORMATION

Please refer to Chapter II “Summary of Accounting and Financial Information” of this annual report.

6.3 RESERVES

Please refer to the statement of financial position for details of the movements in the reserves of the Bank.

6.4 RESERVES AVAILABLE FOR DISTRIBUTION

Please refer to Notes 36, 37 and 42 to the financial statements for details of the reserves available for distribution as at 31 December 2015.

6.5 FIXED ASSETS

Please refer to Note 25 to the financial statements for details of movements in the fixed assets of the Bank for the year ended 31 December 2015.

6.6 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

The Bank has not held nor traded shares of other listed companies during the reporting period.

6.7 PURCHASE, SALE AND REDEMPTION OF THE BANK'S SHARES

There was no purchase, sale or redemption of the shares of the Bank by the Bank or its subsidiaries during the reporting period.

6.8 PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank does not provide for pre-emptive rights for the Bank's shareholders. There are no pre-emptive rights for the shareholders of the Bank.

6.9 RETIREMENT BENEFITS

Please refer to Note 34 to the financial statements for details of the retirement benefits provided to employees of the Bank.

6.10 MAJOR DEPOSITORS/BORROWERS

The Bank is not dependent on a single major depositor/borrower. As of the end of the reporting period, the aggregate amount of operating income generated from the five largest depositors/borrowers of the Bank represented an amount not exceeding 30% of the total operating income of the Bank. The directors of the Bank and its connected persons do not have any real interest in the aforementioned five largest depositors/borrowers.

6.11 PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

Please refer to Chapter VIII “Profile of Directors, Supervisors, Senior Management, Employees and Institutions” of this annual report.

Chapter VI Report of the Board of Directors

6.12 INTERESTS AND SHORT POSITIONS HELD BY THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT UNDER HONG KONG LAWS AND REGULATIONS

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

Name	Position	Class of Shares	Status	Number of shares (share) (Long position)	Percentage of related issued shares in the class (%)	Percentage of all issued shares (%)
Ci Yaping	Director	Domestic Shares	Beneficial Owner	133,451	0.0017	0.0012
Xu Demei	Director	Domestic Shares	Beneficial Owner	84,861	0.0011	0.0008
Xu Chongding	Supervisor	Domestic Shares	Beneficial Owner	497,801	0.0063	0.0045
Zhou Tong	Supervisor	Domestic Shares	Beneficial Owner	167,974	0.0021	0.0015

Note: Save as disclosed above, as at 31 December 2015, none of the directors, supervisors and senior management of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations.

6.13 DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Bank had any interest in any business that constitutes or may constitute, directly or indirectly, a competing business of the Bank.

6.14 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this annual report, there are no relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material relationships.

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

During the reporting period, no director or supervisor of the Bank (or its connected entities) had any interest in any transaction, arrangement or contract of significance with the Bank or any of its subsidiaries. None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation). During the reporting period, none of the Bank or its subsidiaries had any arrangements that enable the directors and supervisors to acquire benefits by acquiring shares in and debentures of the Company or any other corporate body.

Chapter VI Report of the Board of Directors

6.16 PENALTIES AND INVESTIGATIONS OF THE BANK, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK

During the reporting period, no director, supervisor or senior management of the Bank has been subject to penalties or investigations by competent authorities causing a material impact on the operations of the Bank.

6.17 CONTINUING CONNECTED TRANSACTIONS

In the ordinary course of the business, the Bank provides commercial banking services and products to the public, including the Bank's directors, supervisors and/or their respective associates. During the reporting period, connected transactions between the Bank and connected persons are conducted under normal commercial terms and conditions, which are not superior to the conditions for transactions with non-connected persons. The transaction terms are fair and reasonable and in the interests of the Bank and shareholders as a whole. The Bank conducted a series of connected transactions with connected persons as defined under the Hong Kong Listing Rules. All these transactions were conducted under normal commercial terms in the ordinary and usual course of business and were exempt from the requirements of reporting, announcement annual review, circular and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

Commercial banking services in the ordinary course of business – deposit taking

The Bank takes deposits from its connected persons (including directors, supervisors and/or their respective associates) under normal deposit interest rates and normal commercial terms. These transactions constitute continuing connected transaction of the Bank under the Hong Kong Listing Rules.

The Bank takes deposits from its connected persons in the ordinary course of business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties. These transactions will constitute exempt continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules, namely financial assistance provided by a connected person in the form of deposits placed with an issuer for the benefit of the issuer on normal commercial terms (or better to the issuer) where no security over the assets of the issuer is granted in respect of the financial assistance, and thus will be exempt from the reporting, announcement, annual audit, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Commercial banking services in the ordinary and usual course of the business – loans and credit facilities

The Bank extends loans and credit facilities to its connected persons (including the directors, supervisors and/or their respective associates) in the ordinary and usual course of its business on normal commercial terms with reference to prevailing market rates. These transactions constitute continuing connected transaction of the Bank under the Hong Kong Listing Rules. The loans and credit facilities offered by the Bank to its connected persons are in the ordinary and usual course of its business and are on normal commercial terms and on comparable terms to independent third parties. Therefore, these transactions constitute exempted continuing connected transactions under Rule 14A.87 of the Hong Kong Listing Rules, namely, financial assistance provided by an issuer in its ordinary and usual course of business for the benefit of a connected person on normal commercial terms, and will thus be exempt from the reporting, announcement, annual audit, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Chapter VI Report of the Board of Directors

6.17 CONTINUING CONNECTED TRANSACTIONS (Continued)

Commercial banking services in the ordinary and usual course of the business – other banking service and products

The Bank provides various commercial banking services and products (including credit/debit cards and wealth management products) in the ordinary and usual course of its business to its connected persons (including the directors, supervisors and/or their respective associates) service fees and charges at normal charging standards and on normal commercial terms and conditions. These transactions constitute continuing connected transaction of the Bank under the Hong Kong Listing Rules. It is expected that the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the annual aggregate service and/or product fees paid to the Bank by a particular connected person and its associates will not exceed 0.1%. Therefore, these transactions constitute exempted continuing connected transactions pursuant to Rule 14A.76 of the Hong Kong Listing Rules, and will thus be exempt from the reporting, announcement, annual audit, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Please refer to Note 47 to the financial statements for details of the connected transactions of the Bank.

6.18 MATERIAL LITIGATION AND ARBITRATIONS

As of 31 December 2015, the Bank was involved in the following litigation proceeding in its regular course of business: the number of pending litigation and arbitrations involving the Bank amounted to 374, with a total principal amount of RMB1,716.5 million (including outstanding litigation of doubtful debts that have been written-off). Of these pending litigation and arbitration cases, there were a total of 13 pending litigation and arbitrations against the Bank where final judgment has not been obtained, with a total principal amount of RMB50.50 million. The Bank made full provisions for doubtful accounts of loans involved in the cases above according to expected losses. All of the cases will have no material adverse effect on the Bank's financial position and operating results.

6.19 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

During the reporting period, some of the Bank's assets have been pledged to other banks and the Ministry of Finance as pledge in respect of repurchase agreement and treasury deposits. Apart from that, the Bank has no other material asset acquisition, disposal or reorganization outside the ordinary course of business operations.

Please refer to Note 40 to the financial statements for details of the asset pledge of the Bank.

6.20 USE OF FUNDS BY RELATED PARTIES

During the reporting period, neither the major shareholders of the Bank nor their related parties had used any funds of the Bank for non-operating purposes, nor had any funds of the Bank been used in any unfair related party transactions.

6.21 REVIEW OF ANNUAL RESULTS

The report of the Bank prepared under International Financial Reporting Standards has been audited by PricewaterhouseCoopers with a standard and unqualified opinion. The Bank's Audit Committee has reviewed the results and the financial statements of the Bank for the year ended 31 December 2015.

Chapter VI Report of the Board of Directors

6.22 PROFIT AND DIVIDENDS

The profit of the Bank for the year ended 31 December 2015 and the Bank's financial position as of that date are set out in the "Consolidated Financial Statements" section of this annual report. In accordance with the resolutions passed at the 2014 Annual General Meeting held on 29 May 2015, the Bank paid an annual cash dividend for 2014 of RMB0.159 per share (including tax) in an aggregate amount of RMB1,757 million (including tax), to all of its shareholders whose names appeared on the register of members on 10 June 2015.

The Board recommends a cash dividend for 2015 of RMB0.159 per share (including tax) in an aggregate amount of RMB1,757 million, subject to the approval of the 2015 Annual General Meeting. The Board of Directors suggested no special dividend apart from the one mentioned above.

6.23 ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the holders of shares who are eligible to attend and vote at the 2015 Annual General Meeting to be held on 27 May 2016, the register of members of the Bank will be closed from 27 April to 27 May 2016, both days inclusive. To be eligible to attend and vote at the 2015 Annual General Meeting, unregistered holders of H shares of the Bank shall lodge the relevant share transfer documents 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 for registration not later than 4:30 p.m. on 26 April 2016.

In order to determine the holders of shares who are entitled to receive the aforementioned final dividend for 2015, the register of members of the Bank will also be closed from 2 June to 7 June 2016, both days inclusive. To be eligible to receive the aforementioned final dividend (subject to the approval of the Bank's shareholders), unregistered holders of H shares of the Bank shall lodge the relevant share transfer documents 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 for registration not later than 4:30 p.m. on 1 June 2016.

6.24 SUFFICIENT PUBLIC FLOAT

Based on the public information that the Bank obtained and the knowledge of the Board of directors, the Bank has maintained a sufficient public float as required by the Hong Kong Stock Exchange as at the latest practicable date (i.e. 28 March 2016).

Chapter VI Report of the Board of Directors

6.25 TAX DEDUCTION

According to "Notice on the Collection of Personal Income Tax after the Expiration of National Tax Bureau Notice [1993] No. 45" (Guo Shui Han [2011] No. 348), which was released by the State Administration of Taxation on 28 June 2011, the responsible party should withhold overseas individual shareholders' dividend income deriving from shares in non-foreign invested companies issued in Hong Kong. However, the overseas individual shareholders who receive dividend income deriving from shares of non-foreign invested companies issued in Hong Kong may enjoy a tax deduction based on the double tax arrangements between the countries of their tax residency and China and the double tax arrangement between mainland China and Hong Kong (Macau).

Based on the regulation mentioned above, the Bank will withhold personal income tax based on the 10% tax rate for the H shareholders. However, where other relevant tax regulations and tax arrangements have different requirements, the Bank will follow the requirements of the tax bureau.

The Bank will withhold a 10% corporate tax for non-resident corporate H shareholders based on "the Law of the People's Republic of China on Enterprise Income Tax" and the relevant implementation rules which have been effective since 1 January 2008.

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81)(《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) effective from 17 November 2014:

For mainland individual investors who invest in the H Shares of the Bank via the Shanghai-Hong Kong Stock Connect, the Bank will withhold individual income tax at the rate of 20% in the distribution of 2015 final dividend. Individual investors who have paid withhold tax overseas can apply for tax deduction at the tax authority of CSDC with their valid tax deductible certificates. For mainland securities investment funds that invest in the H Shares of the Bank via the Shanghai-Hong Kong Stock Connect, the Bank will withhold individual income tax in the distribution of 2015 final dividend pursuant to the foregoing provisions; and

For mainland enterprise investors that invest in the H Shares of the Bank via the Shanghai-Hong Kong Stock Connect, the Bank will not withhold the income tax in the distribution of 2015 final dividend and the mainland enterprise investors shall report and pay the tax amount by themselves.

If the H shareholders have any queries regarding the tax arrangements mentioned above, please consult your tax consultants regarding the tax implications in China, Hong Kong and other countries (regions) for holding and selling the Bank's H shares.

By order of the Board
Li Hongming
Chairman

28 March 2016

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.1 CHANGES IN SHARES OF THE BANK DURING THE REPORTING PERIOD

	31 December 2014		Changes during the reporting period	31 December 2015	
	Number of shares	Percentage (%)	Number of shares	Number of shares	Percentage (%)
Domestic Shares	7,887,319,283	71.38	0	7,887,319,283	71.38
Overseas listed foreign investment shares (H Shares)	3,162,500,000	28.62	0	3,162,500,000	28.62
Total number of shares	11,049,819,283	100	0	11,049,819,283	100

Notes:

1. As at the end of the reporting period, the Bank had 18,247 shareholders, including 1,924 shareholders of H shares and 16,323 shareholders of Domestic Shares.
2. Based on the public information available and as far as the Board of Directors is aware, as of last practical date (i.e. 28 March 2016), the Bank met the public float requirement under the Hong Kong Listing Rules.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.2 INFORMATION ON SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS

The order of top ten shareholders of the Bank is based on: (1) the total number of shares in the account of H shareholders trading shares in the transaction platform of HKSCC Nominees Limited as its nominee, representing 28.58% of total share capital, representing 99.84% of total H Shares issued; (2) domestic shares shall be sequenced according the number of shares held directly under the domestic shareholder register held by China Securities Depository and Clearing Co., Ltd. The shareholding of related shareholders has not been consolidated.

No.	Name of shareholder	Nature of shareholder	Shares held at the end of the period (shares)	Percentage of total share capital %	Type of shares	Increase/decrease during the reporting period (shares)	Pledged or frozen (shares)
1	HKSCC Nominees Limited ⁽¹⁾	-	3,157,557,000	28.58	H Shares	789,000	-
2	Anhui Energy Group Co., Ltd.	State-owned legal person	766,694,381	6.94	Domestic Shares	-	-
3	Anhui Credit Guaranty Group Co., Ltd	State-owned legal person	752,416,446	6.81	Domestic Shares	-	-
4	Anhui Guoyuan Holding (Group) Co., Ltd. ⁽²⁾	State-owned legal person	645,388,876	5.84	Domestic Shares	-	-
5	Anhui Transportation Holding Group Co., Ltd. ⁽³⁾	State-owned legal person	469,032,613	4.24	Domestic Shares	-	-
6	Zhongjing Sihai Co., Ltd. ⁽⁴⁾	Domestic non-state owned legal person	444,696,160	4.02	Domestic Shares	-	335,766,700
7	Hefei Xingtai Financial Holding (Group) Co., Ltd. ⁽⁵⁾	State-owned legal person	343,591,483	3.11	Domestic Shares	-	100,000,000
8	Wuhu Construction Investment Co., Ltd.	State-owned legal person	267,284,394	2.42	Domestic Shares	-	-
9	CCB Trust Co., Ltd	State-owned legal person	225,548,176	2.04	Domestic Shares	-	-
10	Zhongjing Xinhua Asset Investment Management Co., Ltd. ⁽⁴⁾	Domestic non-state-owned legal person	204,346,570	1.85	Domestic Shares	-	204,200,000

Notes:

- (1) Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of H Shares of the Bank trading on the transaction platform of HKSCC Nominees Limited.
- (2) Excepting the above domestic shares in the Bank held by itself, Anhui Guoyuan Holding (Group) Co., Ltd. also effectively controls 149,087,330 Domestic Shares in its controlling subsidiaries including Anhui Guoyuan Ma'anshan Asset Management Co., Ltd., Anhui Guoyuan Trust Co., Ltd. and Guoyuan Securities Co., Ltd.
- (3) On 7 May 2015, Anhui Highway Holding Group Co., Ltd. was renamed as Anhui Transportation Holding Group Co., Ltd.
- (4) On 12 June 2015, Xiuning Xinhua Asset Investment Management Co., Ltd. was renamed as Zhongjing Xinhua Asset Investment Management Co., Ltd. Zhongjing Sihai Co., Ltd. is a subsidiary in which Zhongjing Xinhua Asset Investment Management Co., Ltd has a controlling shareholding.
- (5) On 15 June 2015, Hefei Xingtai Holding Group Co., Ltd. was renamed as Hefei Xingtai Financial Holding (Group) Co., Ltd.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

As at 31 December 2015, the following persons (other than the Directors, Supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of <<the Securities and Futures Ordinance>> ("SFO") (Chapter 571 of the Laws of Hong Kong).

Name of Substantial Shareholder	Type of share	Long/short position	Capacity	Number of shares	Percentage of the relevant type of shares in issue (%)	Percentage of all issued shares (%)	Note
Anhui Guoyuan Holding (Group) Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	149,087,330	1.89	1.35	1
Anhui Energy Group Co., Ltd.	Domestic Share	Long	Beneficial owner	645,388,876	8.18	5.84	
	H Share	Long	Interest of controlled corporation	280,000,000	8.85	2.53	2
Xing An Holding Co., Limited	Domestic Share	Long	Beneficial owner	766,694,381	9.72	6.94	
	H Share	Long	Beneficial owner	280,000,000	8.85	2.53	2
Anhui Credit Guaranty Group Co., Ltd.	Domestic Share	Long	Beneficial owner	752,416,446	9.54	6.81	
Anhui Transportation Holding Group Co., Ltd.	Domestic Share	Long	Beneficial owner	469,032,613	5.95	4.24	
Zhongjing Sihai Co., Ltd.	Domestic Share	Long	Beneficial owner	444,696,160	5.64	4.02	3
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	883,986,000	27.95	8.00	4
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	511,140,000	16.16	4.63	4
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	372,846,000	11.79	3.37	4
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	543,722,000	17.19	4.92	5
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	543,722,000	17.19	4.92	5
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	444,295,000	14.05	4.02	7
Zhongjing Industry (Group) Co., Limited	Domestic Share	Long	Interest of controlled corporation	649,042,730	8.23	5.87	3, 6
	H Share	Long	Interest of controlled corporation	444,295,000	14.05	4.02	7
Modern innovation Holding Co., Limited	Domestic Share	Long	Interest of controlled corporation	649,042,730	8.23	5.87	3, 6
	H Share	Long	Interest of controlled corporation	444,295,000	14.05	4.02	7
Jingan Shanghai Silver Investment Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	649,042,730	8.23	5.87	3, 6
	H Share	Long	Interest of controlled corporation	444,295,000	14.05	4.02	7
Zhongjing Xinhua Asset Management Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	444,295,000	14.05	4.02	7
	H Share	Long	Interest of controlled corporation	444,696,160	5.64	4.02	3
Zhongjing Asset Management (Hong Kong) Co., Limited	Domestic Share	Long	Beneficial owner	204,346,570	2.59	1.85	6
	H Share	Long	Interest of controlled corporation	444,295,000	14.05	4.02	7
Wealth Honest Limited	H Share	Long	Beneficial owner	444,295,000	14.05	4.02	7
Zhu Mingliang	H Share	Long	Interest of controlled corporation	332,569,000	10.52	3.01	8
Zenith (H.K.) Holding Limited	H Share	Long	Interest of controlled corporation	332,569,000	10.52	3.01	8
Vasari Investment Holdings Limited	H Share	Long	Beneficial owner	332,569,000	10.52	3.01	8

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (Continued)

Notes:

1. The Shareholdings of Anhui Guoyuan Holding (Group) Co., Ltd. include the Domestic Shares of the Bank held by its controlling subsidiaries, including Anhui Guoyuan Ma'anshan Asset Management Co., Ltd., Anhui Guoyuan Trust Co., Ltd. and Guoyuan Securities Co., Ltd.
2. Xing An Holdings Limited holds 280,000,000 H Shares (long position) of the Bank. Xing An Holdings Limited is a wholly-owned subsidiary directly controlled by Anhui Energy Group Co., Ltd. As such, Anhui Energy Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Xing An Holdings Limited. At the same time, Anhui Energy Group Co., Ltd. holds 766,694,381 Domestic Shares of the Bank.

In addition, Xing An Holdings Limited bought 3,000 shares on 14 December 2015, which did not meet the disclosure requirements under Part XV of the SFO. Therefore, no disclosure was made in the Stock Exchange of Hong Kong. As such, as of 31 December 2015, Xing An Holdings Limited and its actual controllers ultimately held the interests in 280,003,000 shares.

3. Zhongjing Sihai Company Ltd. holds 444,696,160 Domestic Shares of the Bank, which is controlled by Zhongjing Xinhua Asset Investment Management Co., Ltd. Zhongjing Xinhua Asset Investment Management Co., Ltd. is under the control of Jingan Shanghai Silver Investment Co., Ltd. Jingan Shanghai Silver Investment Co., Ltd. is a wholly-owned subsidiary of Modern Innovation Holdings Limited, which is in turn controlled by Zhongjing Industry (Group) Limited. Zhongjing Industry (Group) Limited is under the control of Shanghai Soong Ching Ling Foundation. As such, Shanghai Soong Ching Ling Foundation, Zhongjing Industry (Group) Limited, Modern Innovation Holdings Limited, Jingan Shanghai Silver Investment Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd. are deemed to be interested in the shares held by Zhongjing Sihai Company Ltd. in the Bank.
4. China Vanke Co., Ltd. is deemed to hold interests in a total of 883,986,000 H Shares (long position) of the Bank by virtue of its control over the following corporations which hold direct interests in the Bank:
 - "4.1" Wkland Finance Holding Company Limited holds 511,140,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
 - "4.2" Wkland Finance Holding II Company Limited holds 372,846,000 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
5. Sunshine Life Insurance Corporation Limited holds 543,722,000 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. As such, Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares held by Sunshine Life Insurance Corporation Limited in the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (Continued)

6. Zhongjing Xinhua Asset Investment Management Co., Ltd. held 204,346,570 Domestic Shares of the Bank. Shanghai Soong Ching Ling Foundation, Zhongjing Industry (Group) Limited, Modern Innovation Holdings Limited and Jingan Shanghai Silver Investment Co., Ltd. are deemed to be interested in the shares held by Zhongjing Xinhua Asset Investment Management Co., Ltd. in the Bank.
7. Wealth Honest Limited holds 444,295,000 H Shares (long position) of the Bank. Wealth Honest Limited is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua Asset Management (Hong Kong) Limited, which is in turn a wholly-owned subsidiary of Zhongjing Xinhua Asset Investment Management Co., Ltd. Zhongjing Xinhua Asset Investment Management Co., Ltd. is controlled by Jingan Shanghai Silver Investment Co., Ltd., which is in turn a wholly-owned subsidiary of Modern Innovation Holdings Limited. Modern Innovation Holdings Limited is controlled by Zhongjing Industry (Group) Limited, which is in turn under the control of Shanghai Soong Ching Ling Foundation. As such, Shanghai Soong Ching Ling Foundation, Zhongjing Industry (Group) Limited, Modern Innovation Holdings Limited, Jingan Shanghai Silver Investment Co., Ltd., Zhongjing Xinhua Asset Investment Management Co., Ltd. and Zhongjing Xinhua Asset Management (Hong Kong) Limited are deemed to be interested in the shares held by Wealth Honest Limited in the Bank.
8. Vasari Investment Holdings Limited holds 332,569,000 H Shares (long position) of the Bank. Vasari Investment Holdings Limited is controlled by Zenith (H.K.) Holding Limited, which is in turn under the control of Zhu Mingliang. As such, Zhu Mingliang and Zenith (H.K.) Holding Limited are deemed to be interested in the shares held by Vasari Investment Holding Limited in the Bank.

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

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 INFORMATION ON THE LARGEST SHAREHOLDER OF THE BANK

As at 31 December 2015, Shanghai Soong Ching Ling Foundation is the largest shareholder of the Bank, indirectly holding 1,093,337,730 shares of the Bank in aggregate through Zhongjing Xinhua Asset Investment Management Co., Ltd., Zhongjing Sihai Company Ltd. and Wealth Honest Limited, which accounts for 9.89% of the total issued share capital of the Bank. Zhongjing Xinhua Asset Investment Management Company Ltd. holds 204,346,570 Domestic Shares directly, 444,295,000 H shares through its wholly-owned subsidiary Wealth Honest Limited and 444,696,160 Domestic Shares through its controlling subsidiary Zhongjing Sihai Company Ltd. To the best knowledge of the Bank, Shanghai Soong Ching Ling Foundation is a public welfare foundation established in 1986 by the China Welfare Institute, which was founded by Mme. Soong Ching Ling. The scope of operations of the foundation includes fund-raising, investment and management of funds, receiving donation, development and implementation of and support and subsidies to public welfare projects in relation to education, culture, health care and social sustainable development.

There is no controlling shareholder or actual controller of the Bank

7.5 INFORMATION ON OTHER SHAREHOLDERS HOLDING OVER 5% OF THE SHARES OF THE BANK

7.5.1 Anhui Energy Group Company Ltd., a wholly state-owned enterprise, directly holding 766,694,381 Domestic Shares and indirectly holding 280,000,000 H Shares through its wholly-owned subsidiary Xing An Holdings Limited, thus holding a total of 1,046,694,381 shares of the Bank, which accounts for 9.47% of the total issued share capital of the Bank. The company was established in Hefei, Anhui Province on 9 April 1990, with a registered capital of RMB4.232 billion. Its legal representative is Mr. Zhang Feifei. The principal scope of business of the company includes: engaging in management of state-owned assets of its wholly-owned subsidiary and its jointly-controlled entities; the investment, construction, production and operation, management of power, coal and other energy sources, and the exploration of raw materials for related investment projects.

7.5.2 China Vanke Co., Ltd. is a listed company, holding 883,986,000 H Shares which accounts for 8.00% of the total issued share capital of the Bank. Established in Shenzhen on 30 May 1984, China Vanke Co., Ltd. has a registered capital of RMB10,995,210,218 and its legal representative is Mr. Wang Shi. The company specializes in real estate development, industrial projects, domestic commercial, supply and marketing of materials, and import and export trades.

7.5.3 Anhui Guoyuan Holding (Group) Co., Ltd. is a wholly state-owned company, directly holding 645,388,876 Domestic Shares, and indirectly holding 149,087,330 Domestic Shares through its subsidiaries Anhui Guoyuan Ma'anshan Asset Management Co., Ltd., Anhui Guoyuan Trust Co., Ltd. and Guoyuan Securities Co., Ltd. The company held 794,476,206 Domestic Shares of the Bank, which accounts for 7.19% of the total issued share capital of the Bank. The company was established in December 2000 in Hefei, Anhui Province, and has a registered capital of RMB3 billion. Its legal representative is Mr. Guo Shigang. Its business scope includes: management of all of the state-owned assets and shares of the company and its holding company as authorized by the government, capital operation, asset management, mergers and acquisitions, asset restructuring and investment consulting.

7.5.4 Anhui Credit Guaranty Group Co., Ltd. is a wholly state-owned company, holding 752,416,446 Domestic Shares, which accounts for 6.81% of the total issued share capital of the Bank. The company was established in Hefei, Anhui Province in November 2005, with a registered capital of RMB10.766 billion, and its legal representative is Mr. Qian Li. Its principal business scope includes: provision of guarantees for SMEs and re-guarantees for guarantee institutions, project investment, capital operation, asset management and consulting services, credit rating, financial and business consulting.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.6 INITIAL PUBLIC OFFERING OF A SHARES

A general meeting was convened by the Bank on 29 May 2015, on which the proposal for initial public offering of A shares was considered and approved by the shareholders. The Bank proposed to issue no more than 1.228 billion shares. The matters in relation to the proposed issuance of A shares are set out in the circular dated 13 May 2015 and the announcement dated 29 May 2015 published by the Bank.

The Bank submitted application materials, including the A share prospectus, to the CSRC on 18 June 2015 and an acceptance has been given by the CSRC. The A share prospectus was published on the CSRC website (www.csrc.gov.cn) on 3 July 2015, and on the HKExnews website of Hong Kong Exchanges and Clearing Limited on the same day according to Rule 13.10B of the Hong Kong Listing Rules. The Bank submitted application materials including the supplemental A share prospectus, which set out the financial data for the six months ended 30 June 2015, to the CSRC on 29 September 2015 and an acceptance has been given by the CSRC.

7.7 PRIVATE PLACEMENT OF H SHARES

On 31 December 2015, the Bank entered an investment agreement with China Kingkong (Holdings) Group Limited (“China Kingkong”). It is intended to allot 572,000,000 H Shares to be issued by the Bank at the subscription price of HK\$4.09 per share under the general mandate granted to the Board at the annual general meeting. As the conditions precedent as agreed under the investment agreement have not been fully satisfied, and the Bank and China Kingkong were unable to reach an agreement on continuous implementation of the transaction, the investment agreement has been automatically terminated on 29 February 2016 in accordance with its terms. The subscription under the investment agreement will not process. The Board of the Bank is of the view that the termination of the investment agreement and the subscription thereunder will not have any material adverse effect on the business operation and financial position of the Bank.

For details, please refer to the announcements dated 31 December 2015, 25 January 2016 and 29 February 2016 published by the Bank.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Gender	Date of Birth	Position Held	Term of Office	Total remuneration from the Bank during the reporting period before tax (RMB 10 thousand) ^{Note 1}
Li Hongming	Male	September 1957	Chairman, Executive Director	10 July 2013 – 10 July 2016	181.1
Xu Demei	Female	November 1956	Vice Chairman, Executive Director	10 July 2013 – 10 July 2016	138.3
Wu Xuemin	Male	February 1968	President, Executive Director	10 July 2013 – 10 July 2016	163.8
Ci Yaping	Male	May 1959	Vice President, Executive Director	10 July 2013 – 10 July 2016	138.2
Zhang Feifei	Male	June 1959	Non-Executive Director	10 July 2013 – 10 July 2016	–
Zhu Jiusheng	Male	March 1969	Non-Executive Director	08 October 2014 – 10 July 2016	–
Qian Li	Male	March 1974	Non-Executive Director	13 July 2015 – 10 July 2016	–
Lu Hui	Female	July 1961	Non-Executive Director	13 July 2015 – 10 July 2016	–
Zhao Zongren	Male	February 1956	Non-Executive Director	08 October 2014 – 10 July 2016	–
Qiao Chuanfu	Male	August 1959	Non-Executive Director	13 July 2015 – 10 July 2016	–
Gao Yang	Male	June 1966	Non-Executive Director	10 July 2013 – 10 July 2016	–
Dai Genyou	Male	January 1950	Independent Non-Executive Director	10 July 2013 – 10 July 2016	13.7
Wang Shihao	Male	December 1951	Independent Non-Executive Director	10 July 2013 – 10 July 2016	8.8
Zhang Shenghuai	Male	June 1962	Independent Non-Executive Director	10 July 2013 – 10 July 2016	10.0
Au Ngai, Daniel	Male	October 1968	Independent Non-Executive Director	10 July 2013 – 10 July 2016	15.0
Fung Weichang	Male	February 1948	Independent Non-Executive Director	08 October 2014 – 10 July 2016	8.8
Zhu Hongjun	Male	January 1976	Independent Non-Executive Director	08 October 2014 – 10 July 2016	12.5

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Name	Gender	Date of Birth	Position Held	Term of Office	Total pre-tax income obtained by the Bank during the period (RMB 10 thousand) ^{Note 1}
Zhang Renfu ²	Male	March 1962	Employee Supervisor, Chairman of the Board of Supervisors	8 January 2016- 10 July 2016 15 January 2016- 10 July 2016	138.2
Xu Chongding	Male	November 1957	Employee Supervisor Chairman of Labor Union	10 July 2013- 10 July 2016	121.1
Zhou Tong	Female	September 1965	Employee Supervisor General Manager of the Compliance Department	23 August 2014- 10 July 2016	105.4
Cheng Rulin	Male	August 1963	Shareholder Supervisor	10 July 2013- 10 July 2016	–
Qian Xiaojun	Male	December 1957	Shareholder Supervisor	30 June 2014- 10 July 2016	–
Cheng Hong	Male	March 1966	Shareholder Supervisor	10 July 2013- 10 July 2016	–
Cheng Junpei	Female	October 1963	External Supervisor	10 July 2013- 10 July 2016	8.0
Fan Libo ⁴	Male	September 1964	External Supervisor	10 July 2013- 10 July 2016	2.0
Pan Shujuan	Female	October 1955	External Supervisor	10 July 2013- 10 July 2016	9.0

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Name	Gender	Date of Birth	Position Held	Term of Office	Total remuneration from the Bank during the reporting period before tax (RMB 10 thousand) ^{Note 1}
Gao Guangcheng	Male	January 1964	Vice President	10 July 2013 – 10 July 2016	138.2
Zhang Youqi	Male	October 1965	Vice President	10 July 2013 – 10 July 2016	138.2
Sheng Hongqing	Male	July 1971	Assistant to President and Chief Investment Officer	17 March 2015 – 10 July 2016	149.7
Yi Feng	Male	August 1963	Assistant to President	10 July 2013 – 10 July 2016	120.9
			Secretary to the Board of Directors	13 July 2015 – 10 July 2016	–
Yan Dongshun	Male	August 1963	Assistant to President	10 July 2013 – 10 July 2016	151.8
Xia Min	Male	April 1971	Assistant to President	10 July 2013 – 10 July 2016	144.1
Chen Hao	Male	July 1958	Chief Information Officer	10 December 2014 – 10 July 2016	166.1

Name	Gender	Date of Birth	Position Held	Term of Office	Total remuneration from the Bank during the reporting period before tax (RMB 10 thousand) ^{Note 1}
Guo Shigang	Male	August 1956	Former Non-Executive Director	10 July 2013 – 5 January 2015	–
Qian Zheng	Male	October 1953	Former Non-Executive Director	10 July 2013 – 8 January 2015	–
Wu Tian	Male	October 1964	Former Non-Executive Director	10 July 2013 – 26 January 2015	–
Zhang Renfu ²	Male	March 1962	Former Executive Director, Current Employee Supervisor, Chairman of the Board of Supervisors	10 July 2013 – 6 January 2016	–
Zhang Zheng ³	Male	October 1955	Former Employee Supervisor, Former Chairman of the Board of Supervisors	10 July 2013 – 8 January 2016	138.3
Wang Guisheng	Male	December 1954	Former Vice President	10 July 2013 – 3 February 2015	45.3
Hu Dongdong	Male	December 1964	Former Secretary to the Board of Directors, Former Joint Company Secretary	10 July 2013 – 6 February 2015	13.4
Liu Ming	Male	May 1957	Former Chief Administration Officer	10 July 2013 – 10 November 2015	120.9

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Notes:

1. Pursuant to the requirements of the relevant PRC authorities, the above remuneration payable to executive Directors, employee Supervisors and senior management of the Bank is still subject to final confirmation. Further disclosure will be made after the confirmation of the final remuneration. The total remuneration from the Bank during the reporting period before tax included the “five insurances and one pension fund” and the corporate contribution to enterprise annuity.
2. Mr. Zhang Renfu resigned his positions as an Executive Director and a member of the Strategy Development Committee of the Board on 6 January 2016. He was elected as the Employee Supervisor of the Bank on 8 January 2016. At the 16th meeting of the third session of Board of Supervisors held on 15 January 2016, Mr. Zhang Renfu was elected as the Chairman of the Board of Supervisors, whose tenure is the same with that of the third session of the Board of Supervisors.
3. Mr. Zhang Zhen tendered his resignation on 5 January 2016 as he had reached the retirement age, effective from 8 January 2016.
4. Mr. Fan Libo tendered his resignation on 9 November 2015 as he considered that he was unable to perform his duties of an external supervisor due to his desire to devote more time to his other business commitments. His resignation will take effect from the date upon the formal appointment of his succeeding external supervisor.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

1. The Bank made an announcement on 6 January 2015, announcing that the non-executive Director Mr. Guo Shigang had tendered his resignation on 5 January 2015 as a non-executive Director and a member of the Strategy Development Committee of the Bank with immediate effect due to age reason.
2. The Bank made an announcement on 9 January 2015, announcing that the non-executive Director Mr. Qian Zheng had tendered his resignation on 8 January 2015 as a non-executive Director, a member of the Strategy Development Committee and Audit Committee of the Bank with immediate effect due to retirement.
3. At the 11th meeting of the third session of the Board of Directors held on 23 January 2015, the Bank approved the appointment of Mr. Sheng Hongqing as its assistant to president, and the tenure of the assistant to president and chief investment office is consistent with the third Board of Directors, with effect from 17 March 2015 when the approval of his qualification was given by the CBRC Anhui Office.
4. The Bank made an announcement on 26 January 2015, announcing that the non-executive Director Mr. Wu Tian had tendered his resignation as a non-executive Director, a member of the Related Party Transaction Control Committee and Risk Management Committee of the Bank with immediate effect due to his desire to devote more time to other business commitments.
5. The Bank made an announcement on 5 February 2015, announcing that the vice president Mr. Wang Guisheng had tendered his resignation on 3 February 2015 as a vice president of the Bank due to reaching the retirement age. With effect from 3 February 2015, Mr. Wang ceased to perform his duties as a vice president of the Bank.
6. The Bank made an announcement on 6 February 2015, announcing that Mr. Hu Dongdong had tendered his resignation and resigned as the Joint Company Secretary and Board Secretary of the Bank due to work transfer. With effect from 6 February 2015, Mr. Hu ceased to perform his duties as a Joint Company Secretary and Board Secretary of the Bank.
7. At the 13th meeting of the third session of the Board of Directors held on 26 March 2015, the Bank appointed Mr. Yi Feng as its Secretary to the Board of Directors, whose tenure shall be the same as the term of the third session of the Board of Directors, with effect from 13 July 2015 when the approval of his qualification was given by the CBRC Anhui Office.
8. The Bank made an announcement on 31 March 2015, announcing that the independent non-executive Director Mr. Zhang Shenghuai ceased to be a member of the Audit Committee with effect from 27 March 2015 due to his desire to devote more time to other business commitments and shall become effective immediately.
9. At the 2014 AGM held on 29 May 2015, the Bank elected Mr. Qian Li, Mr. Qiao Chuanfu and Ms. Lu Hui as its non-executive Directors, whose tenures shall be the same as the term of the third session of the Board of Directors, with effect from 13 July 2015 when the approval of their qualifications was given by the CBRC Anhui Office.
10. At the 18th meeting of the third session of the Board of Directors held on 28 August 2015, the Bank elected Mr. Qian Li as a member of the Nomination Committee and Remuneration Committee of the Board, Mr. Qian Li and Ms. Lu Hui as members of the Strategy Development Committee of the Board, and Mr. Qiao Chuanfu as a member of the Risk Management Committee of the Board, whose tenures shall be the same as the term of the third session of the Board of Directors with effect from 28 August 2015.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK (Continued)

11. Due to position rearrangement in the Bank, Mr. Liu Ming ceased to be the Chief Administration Officer of the Bank from 10 November 2015.
12. As disclosed in the announcement of the Bank dated 16 December 2015, due to his desire to devote more time to other business commitments, Mr. Wang Shihao, an independent non-executive Director of the Bank, has tendered his resignation on the date of this announcement as an independent non-executive Director, member and chairman of the Risk Management Committee and member of the Strategic Development Committee of the Bank, with effect from the date of formal appointment of his succeeding independent non-executive Director by the Bank.
13. As disclosed in the announcement of the Bank dated 6 January 2016, due to position rearrangement in the Bank, Mr. Zhang Renfu has tendered his resignation on 6 January 2016 as an executive Director and member of the Strategic Development Committee of the Board with immediate effect.
14. The Bank made announcement on 9 November 2015, Mr. Fan Libo, who considered that he will be unable to perform his duties of an external supervisor due to his desire to devote more time to his other business commitments. He tendered his resignation on 9 November 2015 to resign his duties as external supervisor. His resignation will take effect on the date upon the formal appointment of his succeeding external supervisor. Mr. Fan will also cease to be the chairman of the supervisory committee of the Board of Supervisors with immediate effect.
15. The Bank made an announcement on 5 January 2016, Mr. Zhang Zhen, who tendered his resignation on 5 January 2016 for his positions as the chairman of the Board of Supervisors, an employee supervisor, a member of the nomination committee of the Board of Supervisors and a member of the supervisory committee of the Board of Supervisors as he has reached the retirement age, with effect from 8 January 2016.
16. The Bank made an announcement on 8 January 2016, pursuant to the Terms of Reference of the Board of Supervisors and through employees' democratic procedures of the Bank, Mr. Zhang has been elected as employee representative supervisor of the Bank with effect from 8 January 2016. The term of office of Mr. Zhang as an employee representative supervisor is the same as the term of the third session of the board of supervisors of the Bank.
17. The Bank made an announcement on 15 January 2016, at the sixteenth meeting of the third session of the Board of Supervisors of the Bank on January 15, 2016, Mr. Zhang was elected as the chairman of the third session of the Board of Supervisors. The term of office of Mr. Zhang as the chairman of the Board of Supervisors and member of the above-mentioned committee is the same as the term of the third session of the Board of Supervisors.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors



Mr. Li Hongming, joined the Bank in July 2013, is currently an executive Director and chairman of the Bank. Mr. Li's primary working experiences include: the first class inspector and then deputy head of the policy research division under the policy research office of Anhui Provincial CPC Committee, deputy head of the production system division and head of the enterprise system division of Anhui Provincial System Reform Commission, deputy director and director of the Development Research Center of Anhui Provincial Government, deputy secretary-general of the Anhui Provincial CPC Committee and director of its policy research office, deputy secretary of Huangshan Municipal CPC Committee, mayor and secretary of the CPC Committee of Huangshan Municipal Government, director of the Management Committee of Huangshan Scenic District, secretary of Suzhou Municipal CPC Committee, director of the Standing Committee of Suzhou Municipal People's Congress, and the first secretary of the Party Working Committee of Suzhou Ma'anshan Modern Industrial Park. Mr. Li obtained a bachelor's degree in automation from Hefei University of Technology, graduated from a research master's degree program in the principles of Marxism as offered by the University of Science and Technology of China, and studied in the University of Maryland in the United States of America as a visiting scholar from February 1998 to August 1998.



Ms. Xu Demei, joined the Bank in December 2005, is currently an executive Director and a vice chairman of the Bank. Her primary working experiences include: vice president and president of Fanchang County Sub-branch of Agricultural Bank of China, vice president of Wuhu Branch of Agricultural Bank of China, vice president of Ma'anshan Branch of Agricultural Bank of China, chairman of the board of directors and president of Ma'anshan City Commercial Bank, and vice secretary-general of Ma'anshan Municipal People's Government. She is the current chairman of Huiyin Finance Leasing Co., Ltd. Ms. Xu, a senior economist, obtained a bachelor's degree in economic management from the Correspondence College of Party School of the Central Committee of CPC.



Mr. Wu Xuemin, joined the Bank in October 2010, is currently an executive Director and president of the Bank. His primary working experiences include: deputy director of the newspaper and theories department of China Construction Bank, deputy director of the office of the board of directors and the administrative office of China UnionPay Co., Ltd., general manager of Anhui Branch of China UnionPay Co., Ltd., and general manager of the strategic development department and legal compliance department of China UnionPay Co., Ltd. Mr. Wu, a senior economist, obtained a master's degree in economics from Renmin University of China and a master's degree in business administration for senior management from Fudan University.



Mr. Ci Yaping, joined the Bank in December 2005, is currently an executive Director and vice president of the Bank. His primary working experiences include: vice president of Anqing Branch of the Bank of Communications, and chairman of the board of directors and president of Anqing City Commercial Bank. Mr. Ci, a senior economist, obtained an Executive Master of Business Administration (EMBA) master's degree from Arizona State University of United States.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Mr. Zhang Feifei, joined the Bank in April 2012, is currently a non-executive Director of the Bank. His primary working experiences include: deputy director and then director of Anhui Provincial System Reform Commission, mayor of Feixi County, Anhui Province, member of the standing committee of the government and then first deputy mayor of Huaibei, Anhui Province, and member of the standing committee of the government, first deputy mayor and then mayor of Chaohu, Anhui Province. Mr. Zhang is the chairman of the board of directors of Anhui Energy Group Co., Ltd., Anhui Province Wenergy Co., Ltd., and a director of Xing An Holdings Limited and Guoyuan Securities Company Ltd. Mr. Zhang obtained a master's degree in management from the University of Science and Technology of China.

Mr. Zhu Jiusheng, joined the Bank in October 2014, is currently a non-executive Director of the Bank. His primary working experiences include: deputy director (in charge of the work) of the risk management office of Shenzhen Branch of China Construction Bank Corporation Limited, vice president (in charge of the work) of Futian Sub-branch, deputy general manager (in charge of the work) and general manager of the credit business department, general manager of the credit approval department, general manager of the corporate business department, assistant to the president and vice president of China Construction Bank Corporation Limited. Mr. Zhu is a director of Shenzhen Kondarl (Group) Co., Ltd. and independent non-executive director of LVGEM (China) Real Estate Investment Co., Ltd. Mr. Zhu, a senior economist, obtained a doctoral degree in industrial economics from Zhongnan University of Economics and Law.

Mr. Qian Li, joined the Bank in July 2015, is currently a non-executive Director of the Bank. His primary working experiences include: executive of the comprehensive research office, deputy chief of Secretary Office I and head and deputy chief of the Financial Office under the Government of Anhui Province and vice mayor of Huainan City Government. He currently serves as the general manager of Anhui Credit Guaranty Group. He obtained a doctorate degree in political economics from Fudan University.

Ms. Lu Hui, joined the Bank in July 2015, is currently a non-executive Director of the Bank. Her primary working experiences include: assistant to manager and deputy manager of the planning and financial department of Anhui International Trust & Investment Company (安徽國際信託投資公司), manager of planning and finance department and deputy chief accountant of Anhui Guoyuan Holding (Group) Company Ltd. She is currently the chief accountant of Anhui Guoyuan Holding (Group) Co., Ltd. Ms. Lu obtained a bachelor's degree in finance from Anhui University of Finance & Economics.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Mr. Zhao Zongren, joined the Bank in October 2014, is currently a non-executive Director of the Bank. His primary working experiences include: director of the office of Jining Branch, president of Qufu Sub-branch, vice president of Jining Branch, and chief of the planning office and the finance planning office of Shandong Branch of China Construction Bank Corporation Limited, deputy general manager of Shandong Branch and general manager of Guangxi Branch of China Cinda Asset Management Co., Ltd., and assistant to the president and chief supervisor of Sunshine Insurance Group Corporation Limited. Mr. Zhao is a vice chairman, vice president and executive director of Sunshine Insurance Group Corporation Limited. Mr. Zhao, a senior economist, obtained a research master's degree from the investment department of Dongbei University of Finance and Economics.

Mr. Qiao Chuanfu, joined the Bank in July 2015, is currently a non-executive Director of the Bank. His primary working experiences include: general manager of Anhui Transportation Construction Investment and Development Corporation, head of office of World Bank Loan Project of the Department of Transportation of Anhui Province, chairman of Anhui Transportation Investment Group Company Limited, and general manager and vice chairman of Anhui Transportation Holding Group Co., Ltd. He is currently the chairman of Anhui Transportation Holding Group Co., Ltd. Mr. Qiao obtained an EMBA from Dongbei University of Finance and Economics. He is a senior economist.

Mr. Gao Yang, joined the Bank in December 2009, is currently a non-executive Director of the Bank. Mr. Gao was the chairman of the board of directors of China Strategic Holdings Limited, and is the chairman of the board of directors of Zhongjing Industry (Group) Co., Ltd. and Zhongjing Sihai Co., Ltd., a director of Guilin Automobile Industrial Group Co., Ltd. and Mudanjiang Foton Automotive Air Conditioner Technology Co., Ltd., the chairman of the board of directors of Guosheng Huaxing Investment Co., Ltd. and a director of Zhongjing Xinhua Asset Investment Management Co., Ltd. Mr. Gao studied hotel management at Meini Vocational School in Vienna from March 1985 to March 1987 as an audit student.

Mr. Au Ngai, Daniel, joined the Bank in July 2013, is currently an independent non-executive Director of the Bank. He was the deputy president of Bankers Trust New York Corporation, deputy manager director and general manager and partner of Newbridge Capital Limited, Chief Executive Director of Bohai Rim Industry Investment Fund, assistance to president of A.T. Kearney Management Consultants, director of Shenzhen Develop Bank Co., Ltd. (now as "Ping An Bank Co., Ltd."). He is currently the chairman of Star Capital Partners Limited. Mr. Au obtained a master's degree in business administration from McGill University in Canada.

Mr. Dai Genyou, joined the Bank in October 2010, an independent non-executive Director of the Bank. His primary working experiences include: vice president of Anqing Branch of the PBOC, division head of the first economic analysis division of investigation and research office of the headquarter, division head of the economic analysis division and then deputy director of the investigation and statistics department, director of the monetary policy department and secretary general of the monetary policy committee, director of the credit management department and director of the credit management center of the PBOC. Mr. Dai, a senior economist, obtained a bachelor's degree in political economy from Anhui Laodong University (the predecessor of Anhui University), and was an expert with special allowances from the State Council.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Mr. Wang Shihao, joined the Bank in October 2011, is currently an independent non-executive Director of the Bank. His primary working experiences include: deputy director and director of Shanghai Branch of the PBOC, director of Shanghai Urban Credit Cooperatives, vice president and director of Bank of Shanghai, director of City Commercial Bank Clearing Centre. Mr. Wang was employed as a special advisory expert for policy decision of Shanghai Municipal Government in March 2008. He is currently an independent director of Bank of Zhengzhou Co., Ltd. Mr. Wang, a senior economist, obtained a master's degree in economics from East China Normal University, a master's degree in business administration from the University of Arizona in the United States, an MBA certificate jointly granted by Shanghai Jiao Tong University and University Konstanz in Germany, as well as an EMBA certificate from Shanghai National Accounting Institute.

Mr. Zhang Shenghuai, joined the Bank in October 2011, is currently an independent non-executive Director of the Bank. Mr. Zhang was the commissioner of the ninth session of the Public Offering Review Committee of CSRC. Mr. Zhang is now a director and senior partner of TianYin Lawyer Co., Ltd., and an independent director of Beijing Haohua Energy Resources Co., Ltd., Beijing Trust & Far Technology Co., Ltd., Sinoma Energy Conservation Ltd. and Huabei Expressway Co., Ltd. Mr. Zhang obtained a doctoral degree in law from Renmin University of China and is a lawyer qualified to practice in China.

Mr. Fung Weichang, joined the Bank in October 2014, is currently an independent non-executive Director of the Bank. His primary working experiences include: chief of the export department of Dongfeng Oceanic Fisheries Co., Ltd., system analyst of the data processing center of Bank of America in San Francisco, senior system analyst of the data processing center of Wells Fargo & Company in California, manager of the IT department of PwC Taiwan, deputy general manager of the sale department of Weida Information Co., Ltd., consultant of Columbia Consultation Co., Ltd., general manager of the Taiwan region, senior vice president, executive vice president and general manager of the Greater China region and senior consultant of the Asia-pacific region of MasterCard Worldwide, as well as the chairman of Qian Fang Technology Limited Company. He currently serves as an executive director of China Smartpay Group Holdings Limited. Mr. Fung obtained a master's degree in business administration from Santa Clara University in the United States.

Mr. Zhu Hongjun, joined the Bank in October 2014, is currently an independent non-executive Director of the Bank. He was a lecturer, associate professor and associate dean at the School of Accountancy of Shanghai University of Finance and Economics. He is a professor, doctoral advisor and registrar at Shanghai University of Finance and Economics. He also served as an independent non-executive director of each of Jiangsu Hengrui Medicine Co., Ltd., Ningbo Huaxiang Electronic Co., Ltd., and Shanghai Chuangli Group Co., Ltd. Mr. Zhu obtained a doctoral degree in accountancy from Shanghai University of Finance and Economics.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Supervisors



Mr. Zhang Renfu, joined the Bank in December 2005, is currently the Chairman of Supervisor and an Employee Supervisor of the Bank. His primary working experiences include: executive Director of the Bank, deputy director of the liaison division of the general office of Anhui Provincial Government, researcher at the third division of the secretariat of the general office of Anhui Provincial Government, deputy director of the fifth division of the general office of Anhui Provincial Government, deputy director of the secretariat and then deputy director of the second division of the secretariat of the general office of Anhui Provincial Government, and the deputy director in charge of the work of the finance office of Anhui Provincial Government. Mr. Zhang, a senior economist, obtained a master's degree in law from Renmin University of China.



Mr. Xu Chongding, joined the Bank in February 1997, is currently the chairman of labor union and an employee Supervisor of the Bank. Mr. Xu once worked as the director of the personnel division of Hefei City United Bank, director of the personnel division of Hefei City Commercial Bank Corporation Limited and general manager of the human resources department of the Bank. Mr. Xu obtained a bachelor's degree in education from Anhui Normal University.

Ms. Zhou Tong, joined the Bank in February 1997, is currently the employee representative Supervisor and compliance department manager of the Bank. Ms. Zhou once worked as the president of Changjiang West Road Sub-branch and Mengcheng Road Sub-branch of Hefei City Commercial Bank, president of Changjiang West Road Sub-branch of Hefei branch, as well as an assistant to the president, vice president, vice president (in charge of work) and president of Anqing Branch of the Bank. Ms. Zhou, a senior economist, graduated from Nanjing University majoring in national economic management.

Mr. Cheng Rulin, joined the Bank in July 2013, is currently a shareholder Supervisor of the Bank. His primary working experiences include: assistant to the director and then deputy director of Beijing Liaison Office of Hefei Municipal Government, deputy director of Hefei Key Project Office and vice president of Hefei Xingtai Holding Group Co., Ltd., during which he worked as deputy director of the comprehensive division in the Comprehensive Investigation and Research Department of the Economic Restructuring Office of the State Council. Mr. Cheng is the president, chairman and a communist party secretary of Hefei Xingtai Financial Holding Group Co., Ltd. and a director of Guoyuan Agricultural Insurance Co., Ltd. Mr. Cheng obtained a master's degree in management from the Australian National University.

Mr. Qian Xiaojun, joined the Bank in July 2014, is currently a shareholder Supervisor of the Bank. His primary working experiences include: general manager of the operation department and the international department of Nanjing Branch of Huaxia Bank, manager of the planning and financial department of Jiangsu International Trust & Investment Corp., and legal representative of Jiangsu Mingde Industrial Co., Ltd. (江蘇明德實業有限公司). Mr. Qian is currently the chairman of Zhengyang Rural Small Loans Co., Ltd. at Pukou District, Nanjing and Nanjing Deyin Financing and Guarantee Co., Ltd., as well as vice chairman of Jiangsu Huijin Holding Group Co., Ltd. Mr. Qian graduated from the Graduate School of Chinese Academy of Social Sciences, majoring in international finance and trade.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Supervisors (Continued)

Mr. Cheng Hong, joined the Bank in December 2009, is currently a shareholder Supervisor of the Bank. His primary working experiences include: lecturer of Anhui Construction Industry Institute, general manager of Shenzhen Decorative Art Co., Ltd., and general manager of Hefei Taili Decorative Art Co., Ltd. Mr. Cheng is the chairman of the board of directors of Anhui Hengtai Real Estate Co., Ltd., a director of Tongling Maoyuan Investment Limited, an executive director and general manager of Anqing Huaxin Mines Ltd. (安慶華鑫礦業有限公司), Tongling Maoyuan Property Management Limited (銅陵茂源物業管理有限責任公司) and Nanxiang Hengtai (Suzhou) Logistics Industry Co., Ltd. Mr. Cheng, a senior engineer, obtained an EMBA degree in business management for executives from Cheung Kong Graduate School of Business.

Ms. Cheng Junpei, joined the Bank in December 2009, is currently an external Supervisor of the Bank. Her primary working experiences include: acting general manager of a German subsidiary of Metro Group, general manager of Swiss DKSH (Shanghai) International Trade and deputy general manager of Sinopharm Group Co., Ltd., managing director of Shanghai TianYi Consulting Co., Ltd. and DeKangHang International Trading Co., Ltd., general manager of Sinopharm Medicine Logistics Co., Ltd. She is currently the general manager of Sinopharm Holding Distribution Co., Ltd. She got a master's degree in business administration from Nyenrode Business University in the Netherlands.

Mr. Fan Libo, joined the Bank in December 2009, is currently an external Supervisor of the Bank. His primary working experiences include: professor and associate dean of International Business School and executive associate dean of Haier Business School of the University of International Business and Economics. He is currently a professor, doctoral advisor and dean of the School of Public Administration of the University of International Business and Economics. He obtained a doctoral degree in economics from the University of International Business and Economics. Mr. Fan was granted a special allowance by the State Council in February 2013.

Ms. Pan Shujuan, joined the Bank in July 2013, is currently an external Supervisor of the Bank. Her primary working experiences include: professor of Anhui University of Finance & Economics, head of the Finance Department of Anhui University of Finance & Economics, vice dean of the School of Economics and Finance and dean of the School of Finance of Anhui University of Finance & Economics, member of the Academic Committee and the Educational Committee of Anhui University of Finance & Economics, and director of the Professor Committee of the School of Finance of Anhui University of Finance & Economics. Ms. Pan is currently an independent director of Guang De Rural Commercial Bank. She got a bachelor's degree from Anhui Finance and Economics University (formerly known as Anhui Institute of Finance and Trade).

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Senior Management

Mr. Wu Xuemin is an executive Director and president of the Bank. See “Directors” section in this chapter for details of his biography.

Mr. Ci Yaping is an executive Director and a vice president of the Bank. Please refer to “Directors” section in this chapter for details of his biography.



Mr. Gao Guangcheng, joined the Bank in February 1997, is currently a vice president of the Bank. His primary working experiences include: president of Huaihe Road Sub-branch of Hefei City Commercial Bank Corporation Limited, assistant to the president, vice president and then president of Hefei City Commercial Bank Corporation Limited, and president of Hefei Branch of the Bank. Mr. Gao, a senior economist and certified public accountant in China, obtained a bachelor’s degree in economics from Anhui Finance and Economics University.



Mr. Zhang Youqi, joined the Bank in December 2005, is currently a vice president of the Bank. His primary working experiences include: working in Anhui Branch of the PBOC, vice president of Hefei Sub-branch of China Everbright Bank, chairman of the board of directors of Tongling Urban Credit Cooperatives, and executive Director of the Bank, president of Tongling Branch of the Bank, general manager of the business department and the institutional management department of the Bank and secretary of the Board. Mr. Zhang, a senior economist, obtained a bachelor’s degree in economics from Anhui Finance and Economics University (formerly known as Anhui Institute of Finance and Trade), and a master’s degree in business administration from Renmin University of China.



Mr. Sheng Hongqing, joined the Bank in March 2015, is currently an assistant to the president and the chief investment officer of the Bank. He served as the deputy director at Hubei Institute for Nationalities, a manager of Huaxia Bank and a business manager and officer of China Everbright Bank. He is a holder of a doctorate degree in international economics from Chinese Academy of Social Sciences.



Mr. Yi Feng, joined the Bank in May 2009, is currently an assistant to the president and secretary to the Board of the Bank. His primary working experiences include: deputy director of the administration office of CCB Anhui Branch, president of CCB Huangshan Branch, director of the entrustment loan department of CCB Anhui Branch, general manager of the institution and investment banking department of CCB Anhui Branch, president of CCB Hefei Sanxiaokou Sub-branch, and president of CCB Hefei City West Sub-branch, assistant to president and president of Hefei Branch of the Bank. Mr. Yi, a senior economist, obtained a master’s degree in arts from Xiamen University a MBA degree in business management from Cheung Kong Graduate School of business.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)



Mr. Yan Dongshun, joined the Bank in August 2006, is currently an assistant to the president and president of Nanjing Branch of the Bank. His primary working experiences include: working in Xiangfan Branch of Agriculture Bank of China, director of the administration office of Wuhan Branch and Shenzhen Branch of China Minsheng Banking Corporation, general manager of the corporate business department, assistant to the president of the Bank and general manager of the corporate banking department of the Bank, assistant to the president and general manager of the financial institutions department of the Bank. Mr. Yan graduated from Central China Normal University with a master's degree in management and an EMBA Degree in business management from Cheung Kong Graduate School of Business.



Mr. Xia Min, joined the Bank in February 1997, is currently an assistant to the president and president of Hefei Branch of the Bank. His primary working experiences include: assistant to the president of Changjiang Middle Road Subbranch of Hefei City United Bank, president of Xiaoyaojin Sub-branch of Hefei City Commercial Bank Corporation Limited, general manager of the fund and finance department of Hefei City Commercial Bank Corporation Limited, assistant to the president and vice president of Hefei City Commercial Bank Corporation Limited, assistant to the president and general manager of the planning and finance department of the Bank, and assistant to the president and general manager of the assets and liabilities department of the Bank. Mr. Xia obtained a doctoral degree in economics from the Research Institute for Fiscal Science of the MOF.



Mr. Chen Hao, joined the Bank in December 2014, is currently the chief information officer of the Bank. His primary working experiences include: the chief financial officer and cadre of the computer department of the head office of Bank of China, EDP vice manager of New York office of Bank of China, deputy director of the software center of the head office of Bank of China, general manager of Bocsoft Information Industrial Co., Ltd., leader of receipt and payment working team, deputy general manager of the IT department, general manager of the e-banking department of Bank of China as well as a full-time supervisor of Bank of China (Russia). Mr. Chen, a senior engineer, obtained a master's degree in management information from the City University of New York.

8.4 THE ASSESSMENT INCENTIVE MECHANISM AND ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank provides remunerations to independent Directors and external Supervisors according to the Proposals on Subsidies to Independent Directors of the Bank and Subsidies to External Supervisors of the Bank, and provides remuneration to executive Directors, employee Supervisors and senior management according to the "Measures of Huishang Bank on Directors' Remuneration", the "Measures of Huishang Bank on Supervisors' Remuneration", and the "Measures of Huishang Bank on Senior Management's Remuneration (2010 version)".

The non-executive Directors and shareholder Supervisors do not receive any remuneration from the Bank.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.4 THE ASSESSMENT INCENTIVE MECHANISM AND ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

According to the "Performance Appraisal Measures of the Board of Supervisors of Huishang Bank on the Board of Directors and Directors", the "Performance Appraisal Measures of the Board of Supervisors of Huishang Bank on Senior Management and its Members", and the "Performance Appraisal Measures on the Board of Supervisors and Supervisors of Huishang Bank", the Board of Supervisors of the Bank assesses annually the duties performance by Directors, Supervisors and the senior management.

During the reporting period, the Bank did not have any situation where Directors gave up or agreed to give up any remuneration as described in Rule 24A of Appendix 16 of the Hong Kong Listing Rules. The details of Directors', Supervisors' and senior management's remunerations received from the Bank for the year are stated in Clause 8.1 of this report. The top five highest paid individuals of the year are listed in Note 11 of the Financial Statements.

8.5 EMPLOYEE

As at 31 December 2015, the Bank had a total of 7,647 employees in service. The composition of employees is as follows:

1. Responsibilities:

Responsibilities	Management	1,513	19.79%
	Marketing	4,388	57.38%
	Supporting	1,746	22.83%

2. Academic distribution:

Academic structure	Master and above	918	12.00%
	Bachelor	5,658	73.99%
	Diploma degree and below	1,071	14.01%

Staff remuneration Policy

The Bank's remuneration policy aims to establish a well-developed, scientific and efficient incentive and control mechanisms for realization of shareholders value and optimization of the Bank and employees' interest. The policy will stimulate stable operation and sustainable development. It is useful to meet the strategic objectives, enhancing competitiveness, retaining talent and managing risk. By following the principle of being "advanced, sustainable, compliant, timely, and practical", the Bank will take initiatives and be creative, and prioritize efficient operation and fairness within the scope of unified rules and framework.

The Bank manages remuneration through three levels, namely the Board, senior management, head office and branches. The Board is responsible for the total amount of remuneration and senior management's remuneration. Under the Board's request, the senior management allocates the total amount of remuneration and drafts policy management of all branches. All branches manage employee salary within the scope of unified rules and framework.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.5 EMPLOYEE (Continued)

Staff training plan

According to the spirits and planning of its work conference, the Bank keeps improving its education and training system by reference to its needs arising from business development and the transformation and upgrades of education and training tasks, aiming to secure talents with competence and intelligence in support of its development. During the reporting period, the Bank made preliminary plans for developing and implementing education and training programmes, established a course system for operations, launched an online training platform and lessons on WeChat, built an independent training base and carried out a multi-layered training scheme. With orderly implementation of various trainings, the Bank conducted a total of 822 concentrated training sessions in the year, amounting to 443,214 training periods with a total enrolment of 59,555. For the year, the hours and sessions per capita were 57.96 and 7.8 respectively.

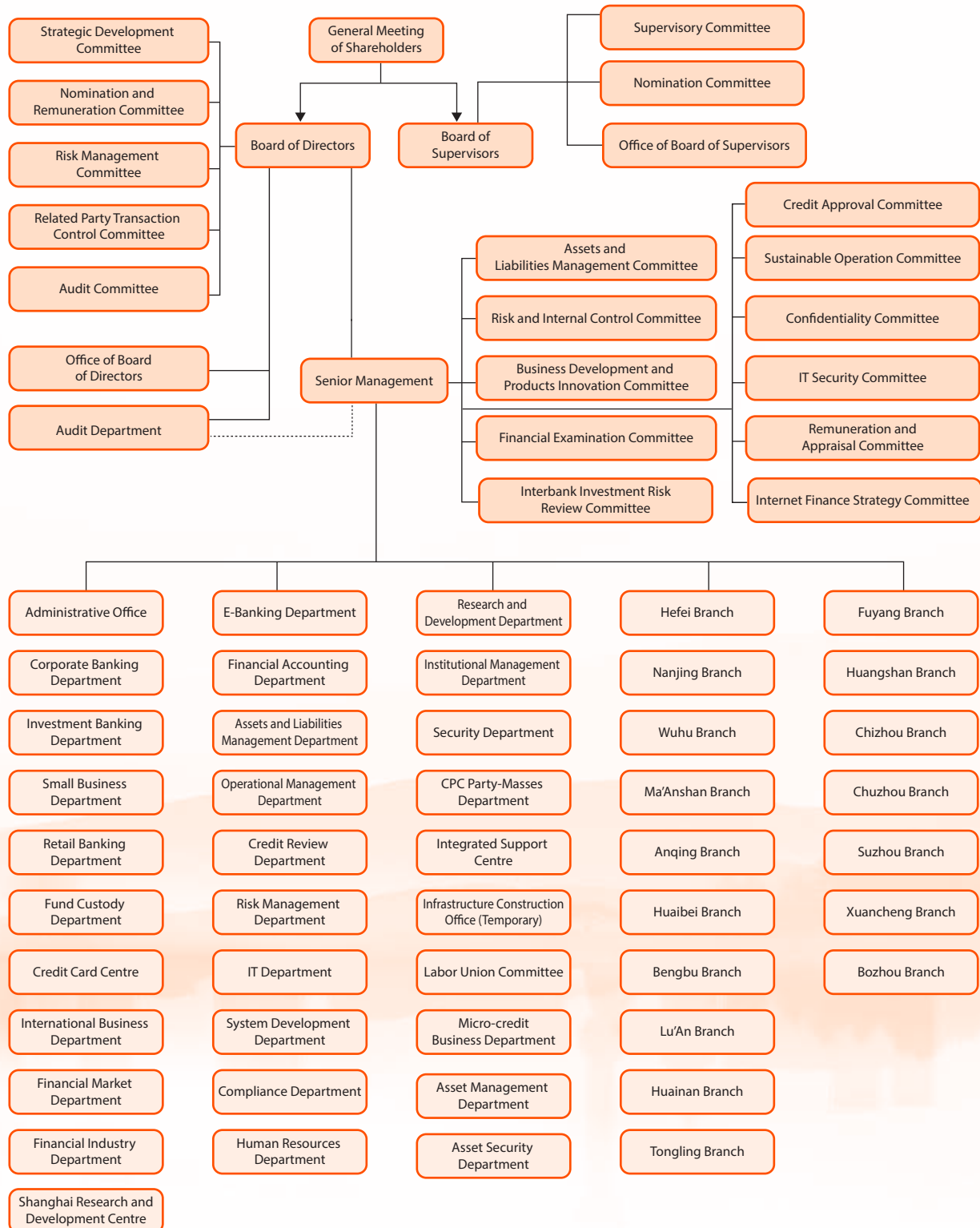
8.6 BRANCHES

As at 31 December 2015, the composition of branches is as follows:

Region	Name of the Institution	Address	Postcode	Number of Branch
Head Office	Head Office	No. 79, Anqing Road, Hefei	230001	1
Anhui Province	Hefei Branch	No. 235, Anqing Road, Hefei	230001	63
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	31
	Ma'Anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'Anshan	243000	22
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	29
	Huaibei Branch	No. 282, Huaihai Road, Huaibei	235000	19
	Bengbu Branch	No. 1018, Huaihe Road, Bengbu	233000	28
	Lu'an Branch	Kaixuan International Square, Meishan Nan Road, Lu'an	237000	23
	Huainan Branch	No. 39, Shungeng Xi Road, Huainan	232000	16
	Tonglin Branch	No. 999, Yangjiashan Road, Tonglin	244000	12
	Fuyang Branch	No. 666, Yidaohe Road, Fuyang	236000	21
	Huangshan Branch	No. 39, Huangshan Xi Road, Huangshan	245000	10
	Chizhou Branch	No. 515, Changjiang Zhong Road, Chizhou	247000	8
	Chuzhou Branch	No. 95, Longpan Main Road, Chuzhou	239000	12
	Suzhou Branch	No. 123, Yinheyi Road, Suzhou	234000	10
	Xuancheng Branch	No. 1, West Aofeng Road, Xuancheng	242000	16
	Jiangsu Province	Bozhou Branch	Xiangzhang Mansion, West Shaohua Road, Bozhou	236000
Nanjing Branch		No. 231, Zhongyang Road, Nanjing	210000	9
Total				338

Chapter IX Corporate Governance Report

9.1 CORPORATE GOVERNANCE STRUCTURE



Chapter IX Corporate Governance Report

9.2 CORPORATE GOVERNANCE

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality corporate governance is one of the key factors to improve our core competitiveness and to build a modern commercial bank. Therefore, the Bank focuses on high quality of corporate governance, abides by the best domestic and international corporate governance practice, to ensure the rights and interests of shareholders and improve the value of the enterprise.

The Bank has established a relatively comprehensive corporate governance structure, clearly setting forth the responsibilities of AGM, the Board of Directors, the Board of Supervisors and senior management, constantly improving the Bank's decision-making, execution and supervision mechanism so as to ensure the independent operation of various parties and an effective check and balance.

During the reporting period, the Bank has strictly complied with the Code of Corporate Governance set out in Appendix 14 to the Hong Kong Listing Rules. The Bank has also complied with most of the recommended best practices set out therein.

The Bank has incorporated the Code of Corporate Governance as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks issued by CBRC into the Bank's governance structure and policies. The Code and Guidelines are well reflected in the Bank's Articles of Association and the Terms of Reference of AGM, Board of Directors and special committees. The general meeting, Board of Directors and the Board of Supervisors performed their respective duties, and formed good corporate governance structure. The Bank ensured regulated operation according to the requirements of Corporate Governance Code, and Guidelines on the Corporate Governance of Commercial Banks.

The Bank has also strictly complied with the management of insider information required by the relevant laws and regulations and the Hong Kong Listing Rules.

The Bank will review the corporate governance and strengthen management constantly to ensure compliance with the Code of Corporate Governance and meet the higher expectations from the shareholders and investors.

The Board diversity policy

The Bank understands and believes that the diversity of the members of the Board of Directors could improve the performance of the Bank. It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development, achieve its strategies and maintain good corporate governance.

In respect of appointing the Board of Directors, the Bank will consider the diversity of the members in several aspects including but not limited to gender, age, culture, education background, region, professional experience, skills, knowledge, service term and other regulatory requirements, etc.

The Board members were appointed on the basis of their skills by taking into consideration the skills and experience required for smooth growth. In addition, the Bank thoroughly considers the goals and requirements for having a diversified Board of Directors.

Chapter IX Corporate Governance Report

9.2 CORPORATE GOVERNANCE (Continued)

The Board diversity policy (Continued)

Members of the Board of Directors will be selected according to a series of diversification benchmarks including but not limited to gender, age, culture, education background, region, professional skills, and knowledge and service term. The final decision will be made based on the candidate's specialty and his potential contribution to the Board.

The Nomination and Remuneration Committee of the Board is responsible for reviewing the structure, number of members, and composition of the Board of Directors. In addition, the Committee makes recommendations to the Board relating to the size and structure of the Board of Directors based on the Bank's strategic plans, business operations, asset size and shareholding structure. The Committee also discusses and reviews the selection standard, the nomination and appointment process, and makes recommendations to the Board of Directors. The candidates will be approved by the Board of Directors.

This policy needs to be followed when the Nomination and Remuneration Committee of the Board makes recommendations on the candidates or when the Board of Directors makes nomination. The Committee is responsible for monitoring the implementation of this policy and reviewing this policy at the appropriate time to ensure its effectiveness. The Nomination and Remuneration Committee will discuss any amendments when necessary and make recommendations to the Board of Directors for final approval.

During the reporting period, this policy was followed when the Nomination and Remuneration Committee of the Board made recommendations on the candidates and when the Board made nomination.

9.3 GENERAL MEETINGS

On 29 May 2015, the Bank held the 2014 AGM in Hefei, at which the following resolutions were considered and approved:

The 2014 Work Report of the Board of the Bank for Consideration and Approval

The 2014 Work Report of the Board of Supervisors of the Bank for Consideration and Approval

The 2014 Final Financial Reports for Consideration and Approval

The 2015 Financial Budget for Consideration and Approval

The 2014 Profit Distribution Plan for Consideration and Approval

The Appointment of External Auditors for 2015 for Consideration and Approval

The 2014 Directors (including Independent Non-executive Directors) Performance Appraisal Report of the Board for Consideration and Approval

The 2014 Supervisors (including External Supervisors) Performance Appraisal Report of the Board of Supervisors for Consideration and Approval

Chapter IX Corporate Governance Report

9.3 GENERAL MEETINGS (Continued)

The Resolution on Election of Ms. Lu Hui as a Non-executive Director of the Third Session of the Board of the Bank for Consideration and Approval

The Resolution on Election of Mr. Qian Li as a Non-executive Director of the Third Session of the Board of the Bank for Consideration and Approval

The Resolution on Election of Mr. Qiao Chuanfu as a Non-executive Director of the Third Session of the Board of the Bank for Consideration and Approval

The Resolution on Reporting of Relevant Matters about the Writing-off of Bad Debts for Consideration and Approval

The Resolution on Reporting of Special Authorization of the Writing-off of Bad Debts in 2015 for Consideration and Approval

The Resolution on Adjustment of the Remuneration Criteria for the Executive Directors and the Chairman of the Board of Supervisors in 2013 for Consideration and Approval

The Resolution on Three-year Dividend Plan after the Initial Public Offering and Listing of A Shares of the Bank for Consideration and Approval

The Resolution on Price Stabilization Plan of A Shares within Three Years after the Initial Public Offering and Listing of A Shares for Consideration and Approval

The Resolution on Undertakings on the Disclosure of Information in the Prospectus Published in connection with the A Share Offering for Consideration and Approval

The Resolution on Dilution of Current Returns as a Result of the Initial Public Offering of A Share and Remedial Measures for Consideration and Approval

The Resolution on Status Report on the Use of Previously Raised Funds for Consideration and Approval

The Resolution on Amendments to the Terms of Reference for General Meetings of Huishang Bank Corporation Limited for Consideration and Approval

The Resolution on Amendments to the Administrative Measures for the Control of Related Party Transactions of Huishang Bank Corporation Limited for Consideration and Approval

The Resolution on Extension of the Authorization Period of the Issuance of "Three-Agriculture" Special Financial Bonds for Consideration and Approval

The Resolution on Issuance of Secondary Capital Bonds by the Bank for Consideration and Approval

Chapter IX Corporate Governance Report

9.3 GENERAL MEETINGS (Continued)

The Resolution on Issuance of Special Financial Bonds by the Bank for Loans to Small and Micro Enterprises for Consideration and Approval

The Resolution on Authorization Granted to the Board in a General Meeting to Issue Ordinary Financial Bonds for Consideration and Approval

The Resolution on Amendments to Some of the Provisions of the Articles of Association of the Bank for Consideration and Approval

The Resolution on General Mandate for the Issue of Shares by the Bank for Consideration and Approval

The Resolution on General Mandate to Issue the Domestic Shares by the Bank for Consideration and Approval

The Resolution on Plan of the Initial Public Offering and Listing of A Share for Consideration and Approval

The Resolution on Authorization to Deal with Specific Matters relating to the Initial Public Offering and Listing of A Share for Consideration and Approval

The Resolution on Use of Proceeds from the Initial Public Offering and Listing of A Share for Consideration and Approval

The Resolution on Accumulated Profit Distribution Plan before the Initial Public Offering and Listing of A Share for Consideration and Approval

The Resolution on Amendments to the Articles of Association of the Bank in connection with the Initial Public Offering and Listing of A Share for Consideration and Approval

The convening, notification, holding and voting procedures of the meeting are in compliance with the Hong Kong Listing Rules, the Company Law, other relevant laws and regulations in China and the relevant provision of the Articles of Association of the Bank.

9.4 THE BOARD OF DIRECTORS

The Board of Directors is core to the corporate governance. The Bank adopts the president accountability system under the leadership of the Board of Directors. The Board is the independent decision-making body, which is responsible for implementing the resolution of the AGM, formulating the Bank's major strategy, policy and development plan, approving the operation plan, investment plan and the Bank's internal management setup, formulating the annual financial budget, final accounts and profit distribution plan, appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene specific daily affairs.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (Continued)

The Bank's Board of Directors emphasizes similarity in both externality and internality in system establishment and practical operation, making the Board's decision more scientific and reasonable through the establishment of a diversified board structure, improving the Board's efficiency through the operation of the special committees. It adheres to grasping key points, direction and strategy in Board operation. During the reporting period, there were a total of 11 meetings convened and 103 resolutions considered. Constantly strengthening balanced, sound and sustainable development concept, the Board of Directors ensures the rapid, sustainable and sound development of the Bank through the effective management of the strategy, risk, capital, compensation and audit.

9.4.1 Members of the Board of Directors

The Bank elects its Directors based on the qualification requirements and election procedures set out in the Articles of Association. As of 28 March 2016, the Board of Directors consists of 17 Directors, including 4 executive Directors, namely Li Hongming (chairman), Xu Demei (vice chairman), Wu Xuemin (president), and Ci Yaping (vice president); 7 non-executive Directors, namely Zhang Feifei, Zhu Jiusheng, Qian Li, Lu Hui, Zhao Zongren, Qiao Chuanfu and Gao Yang; 6 independent non-executive Directors, namely Dai Genyou, Wang Shihao, Zhang Shenghuai, Au Ngai Daniel, Fung Weichang, and Zhu Hongjun. The number of Directors and the composition of the Board are in compliance with relevant laws and regulations. The decision making, authorization and voting procedures strictly follow the relevant rules and regulations of regulatory authorities and the Bank's Articles of Association. During the reporting period, the Board of Directors discharged its duties diligently, carefully reviewed all matters that were significant to the Bank's future development, improved the Board operation mechanism, strengthened the corporate governance framework, implemented organizational changes, facilitated prudent decision making, ensured financial stability and protected the interests of the Bank and its shareholders.

9.4.2 Appointment, re-election and removal of directors

According to the Bank's Articles of Association, Directors shall be elected or removed from office by shareholders at a general meeting. The term of office of a Director shall be three (3) years, and a Director may be re-elected and re-appointed upon expiry of their term of office. Subject to the relevant laws and administrative regulations, a Director whose term of office has not expired may be removed by shareholders' ordinary resolution, without prejudice to any claim which may be instituted under any contract.

The term of service of non-executive Directors and independent non-executive Directors shall be the same as that of other Directors of the Bank and they may be re-elected and re-appointed upon the expiration of their term of office, provided that such term of office of independent non-executive Directors shall not be more than six (6) years on an accumulative basis.

The Directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association. The Nomination and Remuneration Committee is responsible for discussing and reviewing the qualification and experience of each candidate and recommending the suitable candidates to the Board of Directors. After the approval from the Board of Directors, the selective candidates will be recommended for further approval by the General Meeting of Shareholders. Except for the independent non-executive Directors who have to be treated separately due to the expiration of office, the other new Directors will be elected by General Meeting at the expiration of the term of that Board session (each session has a term of three years), instead of being elected during the first General Meeting after his/her appointment.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (Continued)

9.4.3 Responsibility of directors

During the reporting period, all the Bank's Directors are prudent, earnest, and diligent to exercise their rights granted by the Bank and domestic and overseas regulatory authorities. The Bank's Directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of Bank's operation with the requirement of national laws, administrative regulations and the requirements of national economic policies. The Bank's Directors have treated all the shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, implemented the laws and administrative regulations, departmental rules and other diligence obligations prescribed by the Articles of Association. The Board of Directors confirmed that they are responsible for the preparation of the annual financial statements for the year ended 31 December 2015.

The independent non-executive Directors of the Bank make full use of their respective professional expertise to provide professional and independent advices on the corporate governance, operation and management of the Bank in various Board committees, including the Strategic Development Committee, Nomination and Remuneration Committee, Risk Management Committee, Related Party Transaction Control Committee and Audit Committee, ensuring that scientific decision-making could be made by the Board of Directors.

The Bank also pays attention to the ongoing training of Directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities conferred by the relevant laws and regulatory requirements of the CBRC, the CSRC, the Hong Kong Stock Exchange and the Articles of Association of the Bank. The Bank has bought the director liability insurance for all Directors.

During the reporting period, the Bank carried out evaluation of the performance of Directors by the Board of Directors, evaluation of the performance of Board of Directors and Directors by the Board of Supervisors, evaluation of the performance of senior management and its members by the Board of Supervisors, evaluation of the performance of Supervisors by the Board of Supervisors and mutual assessment of external supervisors.

9.4.4 The Chairman and President

The role and responsibilities of the Bank's chairman and president are assumed by different persons, with their respective responsibilities clearly defined and in compliance with the requirements under the Hong Kong Listing Rules. Mr. Li Hongming, chairman of the Bank, leading and managing the Board of Directors, is responsible for ensuring that all Directors are aware of the current issues within the Board of Directors meeting and that each issue could be discussed in a timely and constructively manner. To assist the Board of Directors to discuss all important or other related matters, the chairman of the Board works with senior management to ensure that all directors receive timely, appropriate, complete and reliable information for their consideration and review.

Mr. Wu Xuemin serves as the president of the Bank, who is responsible for business operations, implementing the Bank's strategy and carrying out the business plan.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (Continued)

9.4.5 Summary of the directors attending the board and board committee meetings

	Directors	Board of Directors			Board Committees			
		Attendance of 2014 AGM ⁽⁷⁾	Strategic Development Committee	Nomination and Remuneration Committee	Risk Management Committee	Related Party Transaction Control Committee	Audit Committee	
Actual attendance/Required attendance								
Executive Directors	Li Hongming	✓	11/11	8/8	3/3	-	-	-
	Xu Demei	✓	10/11 ⁽³⁾	-	-	4/4	6/6	-
	Wu Xuemin	✓	11/11	8/8	-	-	-	-
	Zhang Renfu ⁽²⁾	✓	10/11 ⁽³⁾	8/8	-	-	-	-
	Ci Yaping	✓	11/11	-	-	4/4	-	-
Non-executive Directors	Zhang Feifei	-	10/11 ⁽⁴⁾	7/8 ⁽³⁾	-	-	-	5/6 ⁽³⁾
	Zhu Jiusheng	-	10/11 ⁽³⁾	7/8 ⁽³⁾	-	-	-	-
	Qian Li ⁽²⁾	-	3/4 ⁽³⁾	2/3 ⁽⁶⁾	0/0 ⁽⁶⁾	-	-	-
	Lu Hui ⁽²⁾	-	3/4 ⁽³⁾	2/3 ⁽⁶⁾	-	-	-	-
	Zhao Zongren	✓	8/11 ⁽³⁾⁽⁴⁾	4/8 ⁽³⁾	-	-	-	-
Independent Non-executive Directors	Qiao Chuanfu ⁽²⁾	-	3/4 ⁽³⁾	-	-	1/1 ⁽⁶⁾	-	-
	Gao Yang	✓	10/11 ⁽³⁾	8/8	3/3	-	-	-
	Dai Genyou	✓	11/11	-	3/3	-	-	6/6
	Wang Shihao	-	10/11 ⁽³⁾	7/8 ⁽³⁾	-	4/4	-	-
	Zhang Shenghuai ⁽⁵⁾	✓	10/11 ⁽³⁾	-	3/3	-	6/6	1/1 ⁽⁵⁾
	Au Ngai, Daniel	-	11/11	-	3/3	-	6/6	-
	Fung Weichang ⁽⁴⁾	-	5/11 ⁽³⁾⁽⁴⁾	5/8 ⁽³⁾	3/3	-	-	-
	Zhu Hongjun	✓	10/11 ⁽³⁾	-	-	-	6/6	6/6

- Note: 1. During the reporting period, the Bank held 11 Board meetings in total.
2. The appointment of the three Directors, namely Qian Li, Lu Hui and Qiao Chuanfu, has been approved by the CBRC Anhui Office and they formally assumed office on 13 July 2015. Mr. Zhang Renfu, a former executive Director, resigned from the Board and special committees thereunder on 6 January 2016. For details, please refer to "Changes to the Directors, Supervisors and Senior Management Employees of the Bank" under Section 8.2.
3. If the actual attendance is lower than required attendance, it represents the proxy attendance when the above directors are absent from Board meeting in person.
4. If the actual attendance is lower than required attendance, it represents absence of the above directors. Each of Zhang Feifei, Zhao Zongren and Fung Weichang was absent once.
5. Mr. Zhang Shenghuai has resigned as a member of the Audit Committee due to his desire to devote more time to other business commitments, with effect from 27 March 2015. For details, please refer to "Changes in Directors, Supervisors and Senior Management of the Bank" under Section 8.2.
6. At the 18th meeting of the third session of the Board of Directors, the Bank elected Mr. Qian Li as a member of the Nomination and Remuneration Committee of the Board, Mr. Qian Li and Ms. Lu Hui as members of the Strategic Development Committee of the Board, and Mr. Qiao Chuanfu as a member of the Risk Management Committee of the Board, with effect from 28 August 2015, whose tenure shall be the same as the term of the third session of the Board of Directors. For details, please refer to "Changes in Directors, Supervisors and Senior Management of the Bank" under Section 8.2.
7. For Directors who were unable to attend the 2014 AGM due to personal reasons, all of them have completed the formalities for leave application in writing.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (Continued)

9.4.6 Securities transaction by directors, supervisors and senior management

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules as its codes of conduct regulating securities transactions by the directors, the supervisors and the related employees (having the same meaning as defined in Corporate Governance Code) of the Bank. Having made specific enquiry of all Directors, Supervisors and the staff of senior management, the Bank confirmed that they had complied with the Model Code during the reporting period.

9.4.7 Performance of the independent non-executive directors

The Bank’s Board of Directors consists of six independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the CBRC, the CSRC and the Hong Kong Listing Rules. The six independent non-executive Directors are not involved in any conflict with the independence issue described in the rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive Director the annual independence confirmation in accordance with the rule 3.13 of the Hong Kong Listing Rules. Therefore, the Bank confirms that all the independent non-executive Directors complied with the Hong Kong Listing Rules in respect of their independence. Independent non-executive directors represent the majority of the Bank’s Nomination and Remuneration Committee, Audit Committee and Related Party Transaction Control Committee and serve as chairman of these committees. During the reporting period, the six independent non-executive Directors kept in touch with the Bank’s management through various means such as attending the meeting and holding symposiums. They earnestly participated in meetings of the Board of Directors and the Board committees and actively gave their opinions and emphasized on the interests of minority shareholders. The non-executive independent Directors have fully discharged their responsibilities.

During the reporting period, the Bank’s independent non-executive Directors issued independent opinions on the Bank’s related party transactions. They have not raised any objections to the resolutions passed during the meeting of the Board of Directors or resolutions passed during other meetings.

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS

The Bank’s Board of Directors has delegated some of its responsibilities to the different Board committees. The Bank has set up five Board committees, including the Strategic Development Committee, Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Related Party Transaction Control Committee according to the relevant PRC laws, regulations, the Bank’s Articles of Association and the Hong Kong Listing Rules.

During the reporting period, the Board committees exercised their respective authorities and powers in an independent, standardized and effective manner. In 2015, they held a total of 27 meetings, at which 106 resolutions that are significant to the sustainable development of the Bank and improvement of corporate governance, were studied and considered, improving the efficiency and scientific decision-making ability of the Board while promoting the sound development of the businesses of the Bank.

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9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (Continued)

9.5.1 Strategic Development Committee

Our Strategic Development Committee consists of two executive Directors, namely Mr. Li Hongming and Mr. Wu Xuemin; six non-executive Directors, namely Mr. Zhang Feifei, Mr. Zhu Jiusheng, Mr. Qian Li, Ms. Lu Hui, Mr. Zhao Zongren and Mr. Gao Yang; and two independent non-executive Directors, namely Mr. Wang Shihao and Mr. Fung Weichang. Currently, Mr. Li Hongming is the chairman of the committee.

The principal responsibilities of the Strategic Development Committee include:

- formulating operational and management goals, medium to long-term development strategy and listing plans of the Bank and making recommendations to the Board;
- reviewing the strategic capital allocation and management objectives of assets and liabilities and making recommendations to the Board;
- preparing plans for the overall development of various financial businesses and making recommendations to the Board;
- reviewing strategic development plans for human resources and making recommendations to the Board;
- supervising and examining the implementation of annual operating plans and investment proposals;
- reviewing annual financial budgets and final reports and making recommendations to the Board;
- considering plans for significant institutional restructuring and re-organization and making recommendations to the Board;
- reviewing the plan of significant investment and financing and relevant proposals submitted by the senior management, and making recommendations to the Board;
- reviewing the design of merger and acquisition plans and relevant proposals submitted by the senior management, and making recommendations to the Board;
- reviewing plans for information technology development and other special strategic development plans and making recommendations;
- reviewing and evaluating the effectiveness of corporate governance structure so as to ensure that the financial reporting, risk management and internal control meet our standards for corporate governance standards;
- formulating the strategy, policy and objective for protection of consumer rights and interests across the whole Bank, and making recommendations to the Board;
- reviewing the organizational structure and operating mechanism of works on protection of consumer rights and interests across the whole Bank, as well as the internal control system, and making recommendations to the Board;
- guiding the senior management in conducting works on protection of consumer rights and interests from the perspective of overall planning, supervising and evaluating the comprehensiveness, promptness and effectiveness of the works on protection of consumer rights and interests across the whole Bank and relevant duty performance of senior management, listening to special reports of senior management in respect of the progress of works on protection of consumer rights and interests on regular basis, and treating relevant works as an important part of information disclosure.

During the reporting period, our Strategic Development Committee held 8 meetings in total, at which resolutions on the work report of the Board, financial accounting report, profit distribution plan, annual general business operation plan, the proposal for the initial public offering and listing of A shares and the non-public offering of H shares were considered and approved.

Chapter IX Corporate Governance Report

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (Continued)

9.5.2 Nomination and Remuneration Committee

Our Nomination and Remuneration committee consists of one executive Director, namely Mr. Li Hongming; two non-executive Directors, namely Mr. Qian Li and Mr. Gao Yang; and four independent non-executive Directors, namely Mr. Dai Genyou, Mr. Zhang Shenghuai, Mr. Au Ngai, Daniel and Mr. Fung Weichang. Currently, Mr. Dai Genyou is the chairman of the committee.

The principal responsibilities of the Nomination and Remuneration Committee include:

- preliminarily reviewing the qualifications of candidates for Directors and candidates for senior management (especially the chairman and president), and making recommendations to the Board;
- making recommendations to the Board on the structure, number, size and composition (including the skills, knowledge and experience) of the Board based on our business operation, asset scale and shareholding structure;
- identifying candidates with suitable qualifications to serve as Directors and senior management, and establishing a mechanism for key talents pool;
- evaluating the independence of independent non-executive Directors;
- developing appraisal criteria for Directors and senior management, organizing performance appraisals for Directors and senior management on a regular basis, and submitting the appraisal results to the Board;
- considering our remuneration management system and policies, preparing the appraisal and remuneration proposals for Directors and senior management, making recommendations to the Board, developing policies and approval plans, and monitoring the implementation of such plans;
- making recommendations to the Board on the remuneration package of individual executive Directors and senior management. The factors that shall be considered by the committee include salaries paid by comparable companies, time commitment of Directors and their responsibilities, employment conditions of other positions within the Bank and whether salaries should be determined on the basis of performance;
- reviewing compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and making recommendations to the Board;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct, and making recommendations to the Board;
- ensuring that no Director or any of his or her associates (defined under the Hong Kong Listing Rules) is involved in deciding his or her own remuneration.

During the reporting period, our Nomination and Remuneration Committee held 3 meetings in total, at which resolutions on the performance report of Directors and senior management by the Board, the 2014 annual performance results of executive Directors and senior management, nomination of candidates for Directors and appointment of an assistant to the president and secretary to the Board, were considered and approved.

Chapter IX Corporate Governance Report

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (Continued)

9.5.3 Risk Management Committee

Our Risk Management Committee consists of 2 executive Directors, namely Ms. Xu Demei and Mr. Ci Yaping, 1 executive Director, namely Mr. Qiao Chuanfu, and 1 independent non-executive Director, namely Mr. Wang Shihao. Mr. Wang Shihao is the chairman of the committee.

The principal responsibilities of the Risk Management Committee include:

- reviewing our risk management policies to ensure they are in line with our overall strategy, supervising and evaluating their implementation and effectiveness, and making relevant recommendations to our Board;
- providing guidance on establishing our risk management systems;
- supervising and evaluating the establishment, organizational structure, working procedures and effects of the risk management department, and making suggestions for improvement;
- considering our risk report, conducting regular assessments on risk policy, management status and risk tolerance of the Bank, and making suggestions on improving our risk management and internal control;
- supervising and assessing the risk control by our senior management in respect of credit, market and operation risks;
- examining and approving significant risk management matters or transactions that are beyond the authority of the president or submitted by the president to the Risk Management Committee for consideration, in accordance with to the authorization of the Board.

During the reporting period, our Risk Management Committee held 4 meetings in total, at which issues related to the 2015 risk management policy, work plan on risk limit management, risk supervision and evaluation report, asset quality analysis, compliance risk management policies and credit policy execution report were studied.

9.5.4 Related Party Transaction Control Committee

Our Related Party Transaction Control Committee consists of 1 executive Director, namely Ms. Xu Demei; and three independent non-executive Directors, namely Mr. Zhang Shenghuai, Mr. Au Ngai, Daniel and Mr. Zhu Hongjun. Mr. Zhang Shenghuai is the chairman of the committee.

The principal responsibilities of the Related Party Transaction Control Committee include:

- identifying related parties and connected persons, the relationship among them and with us and related party transactions and connected transactions, managing the risks arising from related party transactions and connected transactions;
- identifying and reviewing significant related party transactions and connected transactions, and submitting the same to the Board for consideration;

Chapter IX Corporate Governance Report

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (Continued)

9.5.4 Related Party Transaction Control Committee (Continued)

- formulating our rules for the management of related party transactions and connected transactions;
- submitting to the Board, upon completion of each year, a detailed report of the overall status, risk analysis and structure of our related party transactions and connected transactions that occurred in the year.

During the reporting period, our Related Party Transaction Control Committee held 6 meetings in total, at which it considered Terms of Reference of the Related Party Transaction Control Committee of Huishang Bank (Revised), Huishang Bank Related Party Operation Regulations (Revised), the 2016 daily related party transaction business plan, confirmation of the related party information and two significant related party transactions.

9.5.5 Audit Committee

During the reporting period, our Audit Committee consists of one non-executive Director, namely Mr. Zhang Feifei; and two independent non-executive Directors, namely Mr. Zhu Hongjun and Mr. Dai Genyou. Mr. Zhu Hongjun is the chairman of the committee, and has the appropriate professional qualifications in accounting or relevant financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The principal responsibilities of the Audit Committee include:

- examining our financial statements, annual report and accounting records, interim report and quarterly reports (if drafted for publication), reviewing significant opinion on financial reporting contained in accounting statements and financial reports and other information related to our business operation, and conducting an audit on our operating efficiency, profit distribution and capital utilization;
- checking the letter of recommendations for management (or any equivalent document) given by an external auditor to the senior management and ensuring that the Board responds to it in a timely manner, and reviewing any major questions raised by the external auditor to the senior management with respect to our accounting records, financial accounts or monitoring system, and any responses given by the senior management;
- reviewing our disclosure made at the general meeting and to the public, and verifying the truthfulness, legality, completeness, and accuracy of our financial reports, capital utilization reports and major events;
- reviewing our internal control and financial control systems, and auditing our significant related party transactions, monitoring the implementation of our risk management system and its compliance, discussing the internal control system with the senior management and reporting it to the Board. Reviewing major investigation findings on matters relating to the internal control system as delegated by the Board or on its own initiative and the senior management's response to these findings;
- overseeing the implementation of our internal audit system;

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9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (Continued)

9.5.5 Audit Committee (Continued)

- organizing and guiding the internal audit under the authorization of the Board;
- taking in charge of our annual audit, making recommendations to the Board on the appointment, re-appointment or removal of the external auditor, and preparing reports confirming the truthfulness, accuracy, completeness and timeliness of information contained in the audited financial statements based on its own judgment, and submitting them to the Board for discussion and consideration. The Audit Committee should require the appointed external auditor to give an explanation on their services provided, terms of appointment, fees charged and other relationships or matters that may affect the independence of such external auditor, make an evaluation on the independence of external auditor and submit it to the Board for approval. The Audit Committee should deal with any issue related to the resignation or removal of the external auditor;
- reviewing our financial and accounting policies and practice;
- taking charge of the communication and coordination between the internal auditor and external auditor, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Bank;
- evaluating the mechanisms for our employees to make whistle blowing on financial statements, internal control or other irregularities, and conducting independent and fair investigations on matters relating to whistle blowing by us, and adopting any mechanism for appropriate actions.

During the reporting period, our Audit Committee held 6 meetings in total, at which it considered resolutions on the 2014 annual report, the 2014 profit distribution plan, the 2015 interim report, engaged external auditor and the 2015 audit plan etc. The Audit Committee reviewed the 2014 annual financial report and the 2015 interim report, discussed the key accounting policies, accounting estimates and internal control with the management. Besides, it also communicated with the external auditor and the management regarding the audit opinion and suggestions for internal control as proposed by the external auditor, reviewed and approved the 2014 annual report and the 2015 interim report of the Bank and submitted them to the Board for consideration.

9.6 CORPORATE GOVERNANCE FUNCTION

During the reporting period, the Board of Directors took the responsibilities of corporate governance as follows:

- revising and improving rules and regulations related to corporate governance, and making necessary changes to ensure the effectiveness of the policy;
- supervising the training of Directors and senior management and their sustained performance;
- supervising the policies and practice of the Bank with respect to the compliance with laws and regulations;
- supervising the code of conduct and compliance rules applicable to Directors and employees.

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9.7 MANAGEMENT

The Bank shall have one president and may have several vice presidents. They shall be appointed or dismissed by the Board of Directors. The president shall be accountable to the Board of Directors.

The president of the Bank shall perform the following functions and powers: take charge of the daily operation and management of the Bank, organize the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors; submit annual business plans and investment proposals to the Board of Directors and organize the implementation upon approval by the Board of Directors; draft proposals on the establishment of the Bank's internal management entities; draft the Bank's basic management system; formulate the Bank's specific regulations; propose to the Board of Directors to engage or dismiss the vice presidents and other members of senior management; engage or dismiss persons in charge of the internal departments and branches of the Bank other than those to be engaged or dismissed by the Board of Directors; authorize members of senior management of the Bank and persons in charge of internal departments and branches to conduct operational activities; draw up the Bank's proposals on annual financial budgets and final accounts, the Bank's profit distribution proposal, tax loss carry forward proposal, plans for increase or reduction of registered capital, issue and listing of bonds or negotiable securities, and put forward the proposals to the Board of Directors; review and approve general connected transactions; decide on the appointment and dismissal of the Bank's staff, and approve proposals on wages, benefits, rewards and punishment; formulate plans on emergency treatment and risk prevention; adopt emergency measures when any major emergency arises and promptly report them to the Board of Directors, the Board of Supervisors and the banking regulatory authority; and other powers and rights conferred by the laws, administrative regulations, departmental rules, the regulations of the relevant regulatory authorities, the Articles and by the Board of Directors.

9.8 BOARD OF SUPERVISORS

The Board of Supervisors, our supervisory body, aims to guarantee the legitimate interests of the Bank, shareholder, employees, depositors and other stakeholders and has the obligation to oversee our financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the general meeting of shareholders.

9.8.1 Composition of the Board of Supervisors

Our Board of Supervisors currently consists of 9 Supervisors, of whom three are shareholder Supervisors, three are employee Supervisors and three are external Supervisors. The structure of our Board of Supervisors is reasonable, and is sufficiently professional and independent to ensure the effective performance of its supervisory role. For the biographical details of members of the Board of Supervisors, please see "Profile of Directors, Supervisors and Senior Management" under Section 8.3 in this annual report.

During the reporting period, the Board of Supervisors fulfilled its duties diligently, supervised the legal compliance of performance of duties by Directors and the senior management. They also performed exit audit to the executive Directors and the senior management as required. They audited and supervised the financial activities, risk management and internal control and investigated any abnormal operating activities.

Chapter IX Corporate Governance Report

9.8 BOARD OF SUPERVISORS (Continued)

9.8.2 Responsibilities and operating model of the Board of Supervisors

The principal responsibilities of our Board of Supervisors include: (1) reviewing periodic reports of the Bank prepared by the Board and providing written review opinions; (2) supervising the discharge of duties by the Board of Directors and the senior management; (3) monitoring the due diligence of Directors, the chairman of the Board of Directors and the senior management and their violation of laws, administrative regulations as well as the Articles of Association when discharging their duties; (4) conducting exit audits of our Directors and the senior management when necessary; (5) requesting Directors and the senior management to rectify any acts that are detrimental to the interest of the Bank; (6) examining and supervising financial activities of the Bank; (7) supervising and examining our business decision-making, risk management and internal control and monitoring rectifying the deficiencies; (8) proposing to remove, or instituting proceedings according to law, against Directors and the senior management who are in violation of laws, administrative regulations or the Articles of Association or any resolutions adopted by shareholders' general meetings; (9) proposing for an extraordinary meeting of shareholders; convening and presiding over shareholders' general meetings when the Board of Directors fails to perform its duties in accordance with the Company Law; (10) putting forward proposals to shareholders' general meetings; (11) proposing for an extraordinary meeting of the Board; (12) reviewing the financial report, business report and profit distribution plans and other financial information submitted to shareholders' general meetings. The Board of Supervisors may conduct investigation when any question, or abnormal operation of the Bank is identified; it may, at the expenses of the Bank, hire an accounting firm, law firm or other professional personnel to assist its investigation when necessary; (13) making remuneration arrangement of Supervisors; (14) other functions and powers granted by laws, administrative regulations, departmental rules, relevant regulators and the Articles of Association, as well as shareholders' general meetings.

Our Board of Supervisors fulfills their supervisory responsibilities mainly in the following manners: convening regular Supervisor meetings, attending shareholders' general meetings, attending the Board meetings and some Board committee meetings, attending the relevant meetings of the senior management, review of various kinds of documents and materials from the senior management, listening to work report and project report of the senior management, evaluating the annual performance of Directors and the senior management, facilitating communications with Directors and the senior management, conducting exit audits of our executive Directors and the senior management, conducting on-site inspections of invested companies, conducting investigation and research on branches, carrying out a variety of special investigation etc. Through the above work, the Board of Supervisors monitors and evaluates our operation and management, risk management and internal control, as well as the performance of Directors and the senior management.

During the reporting period, the Board of Supervisors assessed the 2014 annual performance of the Board of Directors, Directors, the senior management and Supervisors of the Bank, and held the symposiums of shareholders' representatives, head office, branches and sub-branches to elicit various comments and conduct on-site evaluation. Based on the foregoing, the Board of Supervisors prepared a performance evaluation report and feedback for the Board of Directors and the senior management as well as relevant regulatory bodies.

Chapter IX Corporate Governance Report

9.8 BOARD OF SUPERVISORS (Continued)

9.8.3 Meetings of the Board of Supervisors during the reporting period

During the reporting period, the Board of Supervisors duly fulfilled its duties under the Articles of Association of the Bank and held 6 meetings, of which 4 were on-site, 1 was through telecommunications and 1 was circulating written documents, at which 27 resolutions were considered.

During the reporting period, there was no objection to the matters concerning the supervision of the Board of Supervisors.

The Attendance of Supervisors at meetings during the reporting period

	No. of Required Attendance	Attendance in Person	Attendance through Proxy
Zhang Zhen ⁽¹⁾	6	6	
Xu Chongding	6	5	1
Zhou Tong	6	6	
Cheng Rulin	6	4	2
Cheng Hong	6	6	
Qian Xiaojun	6	5	1
Pan Shujuan	6	6	
Fan Libo ⁽²⁾	6	5	1
Cheng Junpei	6	5	1

Notes: (1) On 5 January 2016, Mr. Zhang Zhen tendered his resignation for his positions as the chairman of the Board of Supervisors, an employee supervisor, a member of the nomination committee of the Board of Supervisors and a member of the supervisory committee of the Board of Supervisors as he has reached the retirement age, with effect from 8 January 2016. For details, please refer to "Changes in Directors, Supervisors and Senior Management of the Bank" under Section 8.2.

(2) On 9 November 2015, Mr. Fan Libo tendered his resignation for his positions as an external supervisor of the Bank as he desired to devote more time to his other business commitments. His resignation will take effect on the date upon the formal appointment of his succeeding external supervisor. For details, please refer to "Changes in Directors, Supervisors and Senior Management of the Bank" under Section 8.2.

9.8.4 Attendance at the general meetings during the reporting period

During the reporting period, the Board of Supervisors designated representatives to attend the AGM of the Bank. Mr. Zhang Zhen as the chief scrutineer, supervised legal compliance of the content of meetings, procedures of meetings, as well as the voting process on-site. The Board of Supervisors presented its report on work and results of performance appraisal of Supervisors, which were approved at the meeting.

9.8.5 Attendance at the meetings of the Board and the senior management

During the reporting period, the Board of Supervisors designated representatives to attend on-site meetings and some meetings of the special committees of the Board of Directors, and supervised legal compliance of the meetings, procedures of voting, as well as the attendance, speech and voting of Directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised the execution of resolutions by the Board of Directors and the business conducted according to the Articles of Association and the authorization by the Board of Directors.

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9.8 BOARD OF SUPERVISORS (Continued)

9.8.6 Operation of the committees of the Board of Supervisors

The Board of Supervisors has a Nomination Committee and a Supervisory Committee, compositions of which are as follows:

No.	Committee of the Board of Supervisors	Chairman	Members
1	Nomination Committee	Cheng Junpei	Xu Chongding, Pan Shujuan and Cheng Hong
2	Supervisory Committee	Pan Shujuan ¹	Cheng Rulin, Qian Xiao jun and Zhou Tong

Note:

1. During the reporting period, Ms. Pan Shujuan served as the chairman of the Supervisory Committee of the third session of the Board of Supervisors as elected at the fourth meeting of the Supervisory Committee of the third session of the Board of Supervisors in 2015 and approved at the 15th meeting of the third session of the Board of Supervisors.

Nomination Committee of the Board of Supervisors

The principal responsibilities of the Nomination Committee include:

- (I) formulating the selection standards and procedures of Supervisors, and making recommendations to the Board of Supervisors;
- (II) preliminarily reviewing the qualifications and conditions of candidates for Supervisors and making recommendations to the Board of Supervisors;
- (III) improving market-oriented selection and appointment mechanism, and making reservation of candidates for Supervisors;
- (IV) conducting a comprehensive assessment and evaluation of duties performance of Directors and senior management, and reporting it to the Board of Supervisors;
- (V) supervising the process of election and appointment of Directors;
- (VI) supervising the scientificity and reasonableness of the remuneration management system and policies of the Bank and the remuneration proposal for its senior management;
- (VII) determining the remuneration standards for Supervisors and subsidy standards for external Supervisors, and making recommendations to the Board of Supervisors in respect thereof;
- (VIII) establishing and improving the incentive and control system, conducting an assessment and evaluation of duties performance of Supervisors, and making recommendations to the Board of Supervisors in respect thereof;

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9.8 BOARD OF SUPERVISORS (Continued)

9.8.6 Operation of the committees of the Board of Supervisors (Continued)

Nomination Committee of the Board of Supervisors (Continued)

- (IX) ensuring that Supervisors shall not participate in the decision-making process in connection with the evaluation of their duties performance and remuneration (or subsidies), save for the self-assessment in the evaluation of duties performance;
- (X) other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of 2 meetings in 2015, at which nine resolutions were considered and approved.

Supervisory Committee of the Board of Supervisors

The principal responsibilities of the Supervisory Committee include:

- (I) formulating plans for supervision of duties performance of Board of Directors and the senior management of the Bank, and supervising the adoption by the Board of Directors of prudent business philosophy, value standards and formulating development strategies that are in line with the actual situations of the Bank;
- (II) formulating plans for supervision of the due diligence of Directors and the senior management of the Bank;
- (III) formulating plans for exit audits of executive Directors and the senior management of the Bank;
- (IV) formulating plans for the inspection and supervision of financial activities of the Bank;
- (V) formulating plans for supervision and inspection of the business decision-making, risk management and internal control of the Bank;
- (VI) formulating plans for assessing the scientificity, reasonableness and effectiveness of development strategies set by the Board of Directors;
- (VII) taking charge of the organization and implementation of the above (1) to (6) plans;
- (VIII) other matters authorized by the Board of Supervisors.

In 2015, the Supervisory Committee held 5 meetings in total, at which 14 resolutions were considered.

9.8.7 External Supervisors work report

Chairman of the Board of Supervisors committees are served by external Supervisors, which strengthens the role of external Supervisors in performance assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the management quality and governance structure.

In 2015, external supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of the sustainable development of the Bank and protection of its shareholders' interests, carefully gave independent opinions, and fulfilled the responsibilities of external Supervisors according to law.

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9.9 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Trainings to and Research of Directors

All Directors took part in a seminar and training with respect to the offering and listing of A shares provided by Guoyuan Securities Company Ltd. on 18 May 2015.

Some Directors took part in a seminar and training with respect to the compliance of companies listed in Hong Kong provided by Latham & Watkins on 17 December 2015.

During the reporting period, the Board conducted researches on branches of the Bank including the Huainan Branch and Anqing Branch, as well as some departments and offices of the head office. Some of the Directors of the Bank took part in such researches.

Investigation, research and training of the Board of Supervisors

During the reporting period, the Board of Supervisors commenced special investigation on the business development of the Bank's note operations, and then prepared reports based on findings. Some of the Bank's Supervisors participated in the investigation.

During the reporting period, the Board of Supervisors launched inspections over Wuwei Huiyin Rural County Bank Co. Ltd, Jinzhai Huiyin Rural Bank Co., Ltd, and Chery Motor Finance Service Co. Limited. Some of the Bank's Supervisors participated in the inspections.

During the reporting period, the Board of Supervisors organized and carried out special training on the topics of "New Challenges Faced by China's Economic Liberalization" and "Chinese Pharmaceuticals Companies under Reforms and their Supply Chain Finance". Some of our Supervisors participated in the training.

Some Supervisors took part in a seminar and training with respect of the compliance of companies listed in Hong Kong provided by Latham & Watkins on 17 December 2015.

9.10 COMPANY SECRETARY UNDER HONG KONG LISTING RULES

Mr. Ngai Wai Fung is the Bank's company secretary under the Hong Kong Listing Rules. Mr. Ngai Wai Fung is a director and the chief executive officer of SW Corporate Services Group Limited. Mr. Ngai took part in relevant professional trainings for no less than 15 hours during the reporting period. Mr. Yi Feng, assistant to the president and secretary to the Board of the Bank, was the primary contact of Mr. Ngai during the reporting period.

9.11 ILLEGAL ACT REPORTS AND ALLEGATIONS

In 2015, the Bank did not have any material internal disputes.

9.12 COMMUNICATION WITH SHAREHOLDERS

Investors relationship

We place great importance over the Bank's shareholders' opinions and suggestions. We actively take part in all kinds of communication activities with investors and analysts in order to maintain a good relationship, and meet reasonable requirements by the shareholders in a timely manner.

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9.12 COMMUNICATION WITH SHAREHOLDERS (Continued)

Investors relationship (Continued)

For investors inquiries, please contact the Board of Directors at:

The Office of the Board of Directors Huishang Bank Corporation Limited

Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, PRC

Telephone: +86-0551-62667787

Fax: +86-0551-62667787

E-Mail: djb@hsbank.com.cn

Investors can read the report from our website (www.hsbank.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Information disclosure

The Board of Directors and senior management place great importance to the information disclosure. They rely on good corporate governance and internal control to provide timely, accurate and fair information for the investors. During the reporting period, no insider dealing was identified.

In accordance with the requirement of “Measures for the Information Disclosure of Commercial Banks” and “Notice on the Normative Content of the Annual Report of the Joint-stock Commercial Banks”, the Bank continuously improved the timeliness, accuracy and completeness of the information to be disclosed. During the reporting period, the full texts of the annual report and interim report in both English and Chinese are available on the website of the Bank. Meanwhile, the Chinese and English versions of the annual report and interim report are available for review by the investors and stakeholders in the Board of Directors’ office of the Bank.

9.13 SHAREHOLDERS’ RIGHTS

Convening extraordinary shareholders’ meetings

When individual or joint shareholders of the Bank who have more than 10% of voting right present a written request, the Board of Directors shall hold an extraordinary shareholders’ general meeting within 2 months from the date of the request:

The shareholders shall put forward proposals to the Board in writing. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written feedback expressing an opinion of agreements or disagreements with the convening of an extraordinary shareholders’ general meeting or a class shareholders meeting within 10 days from the date of receiving the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting or class shareholders’ meeting, it should issue a notice to call for a shareholders’ general meeting within 5 days from the date on which the relevant Board resolution is made. Any amendments to the original proposal in the notice should obtain the consent from the individual or joint shareholders of the Bank who initiated the proposal of convening the extraordinary shareholders’ general meeting.

Proposing resolutions at shareholders’ general meeting

Shareholders individually or jointly holding more than 3% of the voting shares of the Bank may make provisional proposal to the shareholders’ general meeting and submit written request to the convener 10 days before the meeting. The convener shall issue a supplementary notice of the general meeting to the convener within two days after receiving the proposal. The contents of the provisional proposal will be announced.

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9.13 SHAREHOLDERS' RIGHTS (Continued)

Proposing resolutions at shareholders' general meeting (Continued)

Shareholders individually or jointly holding more than 3% of the voting shares of the Bank may propose candidates for Directors to the Board of Directors or to propose candidates for Supervisors to the Board of Supervisors.

Shareholders individually or jointly holding more than 1% of the outstanding voting shares of the Bank may nominate candidates for independent Directors to the Board, who can be elected at shareholders' general meeting as independent Directors. Those shareholders who have nominated Directors shall not nominate independent Directors.

Shareholders individually or jointly holding more than 1% of the outstanding voting shares of the Bank may nominate candidates for external Supervisors, who will be elected at shareholders' general meeting as external Supervisors.

Convening extraordinary Board meetings

When shareholders individually or jointly holding more than 10% of the total voting shares raise a proposal, the chairman of the Board of Directors shall, within 10 days after receiving the proposal, call for and preside over an extraordinary board meeting.

Making inquiries to the Board

Our shareholders are entitled to supervise the business activities of the Bank, make recommendations or inquiries.

Shareholders are entitled to access to the following information in accordance with the laws, administrative regulations, departmental rules, normative documents, relevant regulations of the securities supervision authorities of the place(s) where the shares of the Bank are listed, and the provisions of the Articles of Association, including:

1. Obtaining the Articles of Association of the Bank upon the payment of costs;
2. Inspecting, free of charge, or having the right to inspect and copy the following documents upon the payment of reasonable costs:
 - (1) the register of all shareholders;
 - (2) personal information of Directors, Supervisors and the senior management of the Bank;
 - (3) the Bank's share capital;
 - (4) report showing the total nominal value, quantity, highest and lowest prices of each class of shares repurchased by the Bank since the previous financial year and all costs paid by the Bank in this regard;
 - (5) minutes of shareholders' general meetings;
 - (6) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors.

Shareholders who request to inspect any such information or obtain data shall provide written documentation to the Bank, certifying the type of shares they held in the Bank as well as the number of their shareholdings. The Bank shall provide such documentation as required by shareholders after their identities are verified.

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9.14 APPOINTMENT OF CERTIFIED PUBLIC ACCOUNTANTS AND THEIR REMUNERATION

At the first meeting of the Audit Committee in 2015 held on 25 March 2015, the Resolution on Appointment of External Auditors for 2015 was considered and adopted, the resolution was considered and approved at the thirteenth session of the third session of Board Meeting held on 26 March 2015, and considered and approved at 2014 general meeting held on 29 May 2015. The Bank has appointed PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers as our domestic auditor and international auditor for the year ended 31 December 2015, respectively.

The Audit Committee was of the view that PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers can complete various engagements of the Bank satisfactorily, stick to the principles of independence, objectivity and impartiality and comply with the related accounting principles and ethical requirements for accountants, and are diligent and responsible when conducting the audit work. The Bank has appointed PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers as its domestic auditor and international auditor respectively for three consecutive years without any changes to such appointments.

In 2015, the total amount of remuneration paid to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers for audit of the annual financial statements as agreed by the Bank was RMB2.50 million, and other remuneration (including the fees for reviewing the interim financial statements) was RMB1.30 million.

9.15 AMENDMENTS TO THE ARTICLES OF ASSOCIATIONS OF THE BANK

According to the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (Yin Jian Fa [2013] No.43) promulgated by the CBRC, the Bank amended Article 60 (the relevant regulations on the shareholders, use of their equity interests in the Bank to provide guarantees for themselves or others), the amended resolution of this Articles of Association was considered and approved in 2014 Annual general meeting held on 29 May 2015. The Bank obtained the "Approval from CBRC Anhui Office for the Amendments to the Articles of Associations of Huishang Bank Corporation Limited" (Wan Yin Jian Fu [2015] No. 126) on 21 July 2015 for the approval of the revised Articles of Association. For details, please refer to the circular dated 14 April 2015 and the announcement dated 21 July 2015 published by the Bank.

9.16 COMPLIANCE AND RISK MANAGEMENT

1. Procedures for identification, evaluation and management of material risks

Pursuant to the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and its schedules issued by the CBRC, the definition of risk and relevant terminology issued by Basel Committee and practices of other banks in the PRC and overseas, the Bank has made overall identification of a series of potential quantifiable and non-quantifiable risks arising from the coupled effect of business strategies, product mix, clients' needs and external macro-economy and measurement and control of existing risks based on its own circumstances.

The Bank has identified key potential risks through collecting and issuing risk alerts, setting examples of and identifying, gathering and evaluating risk events and specifying key risks based on capital allocation to risk categories, regulatory identification of potential risks and requirements on capital for banks and identification and evaluation of risk events. Such key potential risks include credit risk, market risk, operational risk, liquidity risk, bank account interest rate risk, compliance risk, legal risk, reputation risk and strategic risk, which were quantified and evaluated through specific measurement methods and tools.

Chapter IX Corporate Governance Report

9.16 COMPLIANCE AND RISK MANAGEMENT (Continued)

2. Key features of risk management system

(I) Systemic structure

The Bank has a risk management information system mainly comprised of three layers, namely business application, risk analysis and midway data.

1. The business application includes: the core system, credit management system, credit card related systems, capital transaction system, risk mitigation management system and loss database.
2. The risk analysis includes: the internal rating system on corporate clients, retail internal rating/rule engine tools, market risk management information system, asset and liability management system, portfolio risk quota management system, asset impairment provision system and tools for measuring associated risks among the systems.
3. The midway data includes: corporate database for storing and pooling business-related data of the whole Bank for easy indexing data in details.

(II) Key features

The risk management system of the Bank was developed by customizing advanced domestic and foreign practices based on its strategic development planning and practical circumstances, with key features as follows:

1. Sound systems and data supported mechanisms under the general risk management system to underpin relevant decision-making on risk management of the Bank;
2. Collection, records and storage of relevant data to a certain breadth and depth with emphasis on completeness, accuracy and truthfulness to support the internal rating system, calculation of capital and relevant management and regulatory reporting of the Bank;
3. Tools improving systems of the Bank to support risk measurement and calculation of capital; and
4. A sound data management system of the Bank to ensure the accuracy, completeness and adequacy of risk management data.

Chapter IX Corporate Governance Report

9.16 COMPLIANCE AND RISK MANAGEMENT (Continued)

3. Key features of internal control system

The Bank places great importance to the implementation of the “Basic Norms of Internal Control for Enterprises” and its relevant guidelines and the Guidelines for Internal Control of Commercial Banks in a consistent manner, and has continued establishing the internal control management system from five key aspects in three layers, including corporate governance, business line management and procedural operation – which horizontally cover our business processes and management activities of various business lines and vertically managing bodies of the head office, branches and sub-branches and all employees. The internal control management structure was equipped with well-defined duties and responsibilities which clarified internal control management duties of the Board, the Board of Supervisors and senior management and three defense lines. Under the structure, the Board of Directors was responsible for ensuring the Bank to establish and implement adequate and effective internal control system, the Board of Supervisors was responsible for overseeing the establishment and implementation of internal control by the Board of Directors and senior management, and the senior management was responsible for organizing the day-to-day internal control operation of the Bank. The Bank strengthened its management of the operation of the internal control system by regularly reorganizing internal control and relevant self-assessment to identify the issues and deficiencies in the implementation thereof and promptly make rectifications and corrections. The Bank continuously improved and optimized the internal control of the Bank so as to support its business development. The Bank has also established an internal control compliance risk management system covering three key modules, namely internal control, compliance management and legal affairs, which enables the Bank to basically achieve a new compliance management model featured by systems, procedures and information technologies. The use of such systems has enabled the Bank to make use of information and digital technologies in its internal control management, strongly supporting the breadth and depth of internal control compliance analysis.

4. Risk management duties of the Board

The Board of the Bank has formulated the “Measures on Market Risk Management for Huishang Bank (Trial)”, “Basic Norms of Internal Control for Huishang Bank (Trial)” and other rules on the basis of laws and regulations such as the “Commercial Banks Internal Control Guidelines” and other laws and regulations, as well as the relevant requirements of the Hong Kong Stock Exchange in order to establish and implement a risk management and internal control system and undertake prompt review of the effectiveness of such systems. The Board is responsible for reviewing the effectiveness of these system in time. The Board of the Bank are of view that, the risk management and internal control system established and implemented by the Bank are sufficient and effective. The purpose of the risk management and internal control system of the Bank is to manage rather than eliminate such risks as would prevent the Bank from achieving its business goals, and such system reasonably (rather than absolutely) ensures that there would not be any material misrepresentation or loss.

Chapter IX Corporate Governance Report

9.17 PROCEDURES AND REGULATORY MEASURES FOR HANDLING INSIDER INFORMATION

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality and protect the legitimate interest of investors by maintaining fairness with regard to information disclosure, the Bank formulated the Insider Information and Insider Management System of Huishang Bank and the Measures on Information Disclosure Management of Huishang Bank pursuant to domestic and offshore laws and regulations such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, Rules on Establishment of Insider Registration and Management Systems of Listed Companies, Measures on Commercial Bank Information Disclosure and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other regulatory documents including laws and regulations and listing rules or other regulatory documents of places and stock exchanges where the securities of the Bank are listed.

Pursuant to laws and regulations of places where the securities of the Bank are listed, the Insider Information and Insider Management System of Huishang Bank expressly provides for the scope of operational, financial or other information that may have a material impact on the market price of securities of the Bank but has not yet been made available on any media for information disclosure designated by securities regulating authorities and the definition of insiders in connection thereof, as well as detailed requirements on management of insiders, confidentiality of such information and punishment measures for divulgence thereof.

The Bank discloses its information in strict accordance with regulatory requirements. The Measures on Information Disclosure Management of Huishang Bank expressly provide for basic principles of information disclosure, including the disclosure principles in prospectuses, offering circulars, listing documents, regular reports and interim reports, and explicitly requires that information disclosure of the Bank be unifiedly managed and undertaken by the Board, while the chairman and the president be the persons ultimately responsible and the secretary to the Board be the main person-in-charge. The Measures also provide for detailed requirements on information disclosure duties of directors, supervisors, senior management and persons-in-charge of branches.

As the general administrative body with respect to information disclosure, the office of the Board of Directors has always strictly complied with domestic and offshore regulatory requirements, kept strengthening system management and promptly and appropriately disclosed relevant information.

Chapter X Internal Control

10.1 INTERNAL CONTROL

10.1.1 Internal control system and operation

The Board of Directors of the Bank is responsible for ensuring the Bank to establish and implement an adequate and effective internal control system. The Board of Supervisors is responsible for the supervision of the establishment and implementation of internal control system by the Board of Directors and the senior management, and the senior management is responsible for the organization of the day-to-day operation of the internal control system of the Bank. The Bank has formulated the "Basic Norms of Internal Control for Huishang Bank" on the basis of the "Basic Norms of Internal Control for Enterprises" and its relevant guidelines, the "Commercial Banks Internal Control Guidelines" and other laws and regulations, as well as the relevant requirements of the Hong Kong Stock Exchange to clarify the objectives, principles and the organization of the internal control system, thereby setting up an internal control system comprised of five key elements, namely the internal environment, risk assessment, control activities, information and communication, and internal monitoring.

During the reporting period, the Bank launched a campaign of the "Management Promotion Year" and conducted the special inspection activity of "Enhancing Internal Control and Curbing Illegal Operations and Illegal Activities", as well as activities including "Annual Case Prevention Work Assessment for 2014", "New County Branch Internal Control Operation Assessment for 2014" and improvement of anti-money laundering management system. The Bank commenced the establishment of a comprehensive risk management system and further improved market risk, credit risk and operational risk management system. Therefore, the internal control system operated effectively. In addition, the Bank has conducted assessments of the internal control on all management departments and offices of the head office and branches, as well as sub-branches in 2015. After the inspection by the Board, no significant deficiencies regarding the integrity, rationality and effectiveness of the internal control were identified. The Bank continued to enhance the establishment of internal control system, and improve compliance review system. During the reporting period, 275 rules and regulations in various aspects were issued and distributed to further standardize the operation, management and business development of the Bank.

10.1.2 Implementation of the "Basic Norms of Internal Control for Enterprises" and its relevant guidelines in a consistent manner

The Bank places great importance to the implementation of the "Basic Norms of Internal Control for Enterprises" and its relevant guidelines in a consistent manner. Firstly, it has defined internal control management systems and internal control duties of operational divisions, business lines management departments and the compliance department to further clarify the relevant organizational structure and duty allocation. Secondly, it has compiled internal control management manuals with respect to 25 key products for the three business lines of corporate, credit and finance, with refined controlling measures over key business processes, county guidance for primary units on compliant operations and management. Thirdly, it has organized evaluation on internal control of county branches newly set up in 2014 to provide guidance on establishing sound internal control. Fourthly, it has organized a bank-wide self-assessment for 2015 covering 9 key business categories and 36 key business categories involving 25 divisions, 17 branches and 246 sub-branches. Based on results of the self-assessment, the design and execution of the internal control of the Bank were good, with basically sound internal control mechanisms and effective execution of controlling measures.

Chapter X Internal Control

10.2 INTERNAL AUDIT

The Bank set up an internal audit department which carried out independent and vertical management system, which enabled the establishment of a complete audit system comprised of detailed standards, internal requirements and work manual based on internal control audit rules. It established audit model which combines on-site and off-site audits. It orderly carried auditing activities in accordance with the mid to long-term audit plan and annual plan approved by the Board of Directors. The internal audit department regularly reports audit work to the Board of Directors, the Board of Supervisors and senior management.

The Bank's internal audit department is responsible for auditing and supervising the Bank's financial revenue and expenditures and business activities, conducting audits through systematic and standardized methods and improving the Bank's business activities, risk profile, internal control and corporate governance with a view to promoting the sound development of the Bank.

In 2015, the Bank's internal audit department continued to adhere to the developmental path of "stable growth, structure adjustment, market exploration and risk control" and used the tools of comprehensive audit, special audit, internal control evaluation, economic responsibility audit and audit investigations to conduct audits or inspections of its operation, management and internal controls, and strengthened supervision of key businesses, key aspects, key risks and key positions, and put forward certain opinions and recommendations, applying findings of the audit and further enhancing internal control and refined management.

10.3 EVALUATION ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM

At the beginning of 2015, as instructed by the audit committee under the Board, the Bank carried out internal control self-assessment for 2014 and issued a relevant report pursuant to requirements on internal control evaluation of commercial banks under "Commercial Banks Internal Control Guidelines" issued by the CBRC. The self-assessment represented an overall evaluation on the business, units and risk management policies of the Bank and the report was reviewed by the audit department. Huishang Bank 2014 Internal Control Assessment Report was considered by the audit committee and Board of the Bank respectively, which believed that this report has fully reflected the internal control situation of the Bank, and fully assessed internal control management and execution of various business line and branches. The Board of the Bank has reviewed the 2015 internal control system of the Bank, and is in view that such system is effective and adequate.

Chapter XI Report of the Board of Supervisors

During the reporting period, the Board of Supervisors supervised the Bank's internal control, risk management, financial activities, legal compliance operation, as well as the performance duties of and due diligence of the Board of Directors and senior management in accordance with the Company Law, Guidelines for the Corporate Governance of Commercial Banks, Guidelines for the Work of the Boards of Supervisors in Commercial Banks and the responsibilities defined by the Articles of Association.

The Board of Supervisors published an independent opinion on following matters:

1. Operation in accordance with laws and regulations

During the reporting period, the Bank operated its business activities in compliance with the provisions of the Company Law, Commercial Bank Law and the Bank's Articles of Association. The decision-making procedures of the Board of Directors were standardized with their contents in conformity with laws. The senior management managed the Bank in compliance with laws and regulations and the Bank's rules and regulations. No act in serious violation of laws and regulations and detrimental to the interests of shareholders was identified.

2. The truthfulness of financial report

The Bank's 2015 annual financial report has been audited by PricewaterhouseCoopers in accordance with the International Financial Reporting Standards and a standard audit report with unqualified opinions has been issued. The financial report truly, objectively and accurately reflects the Bank's financial activities and operating results.

3. Related party transactions

The Board of Supervisors is not aware of any related party transactions of the Bank that occurred during the reporting period and would damage the interests of shareholders and the Bank.

4. Internal Control

During the reporting period, the Bank insisted on the value of internal control taking priority, cultivated the philosophy of "compliance promoting development", strengthened the establishment internal control system, improved internal control self-assessment report system, strengthened compliance accountability, improved internal management level, and maintained external regulatory assessment in a good condition.

5. Risk management

During the reporting period, centering the theme of "steady growth, structural adjustment, market exploration and risk control", the Bank promoted the comprehensive risk management, optimized risk management procedures and improved risk management instruments. It also disposed its non-performing assets through diversified channels and methods, revitalized assets and streamlined its structure. The Bank optimized its liquidity management tools, and enhanced the standard for the identification, inspection and measure of liquidity risks. Hence, the downside risk exposure for asset quality is basically under control. Under the pressure on downside of economic growth with the rebound in overall non-performing assets of the banking industry, various regulatory indicators of the Bank remain at a better level. The overall risk exposure of the Bank is under control.

Chapter XI Report of the Board of Supervisors

6. Implementation of resolutions passed at shareholders' general meetings

The Board of Supervisors had no objection to the reports and resolutions submitted by the Board of Directors to shareholders' general meetings in 2015 for review, and supervised the implementation of the resolutions adopted by shareholders' general meetings. The Board of Supervisors was of the view that the Board of Directors had well implemented the relevant resolutions passed at shareholders' general meetings.

By Order of the Board of Supervisors

Zhang Renfu

Chairman of the Board of Supervisors

28 March 2016

Chapter XII Financial Report

Huishang Bank Corporation Limited
Auditor's Report and Consolidated Financial Statements
31 December 2015



Independent Auditor's Report



羅兵咸永道

To the shareholders of Huishang Bank Corporation Limited

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

We have audited the consolidated financial statements of Huishang Bank Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") set out on pages 138 to 242, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Independent Auditor's Report

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.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 March 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	2015	2014
Interest income	6	28,941,258	23,056,689
Interest expense	6	(14,098,106)	(11,633,866)
Net interest income		14,843,152	11,422,823
Fee and commission income	7	1,871,997	941,148
Fee and commission expense	7	(100,717)	(84,939)
Net fee and commission income		1,771,280	856,209
Net trading gains	8	55,439	63,526
Net gains on investment securities		210,419	255,049
Dividend income		440	360
Other operating income, net	9	96,370	150,086
Operating income		16,977,100	12,748,053
Operating expenses	10	(5,435,251)	(4,216,671)
Impairment losses on assets	13	(3,656,836)	(1,197,245)
Share of profits of associates		87,976	76,377
Profit before income tax		7,972,989	7,410,514
Income tax expense	14	(1,760,915)	(1,734,156)
Profit for the year		6,212,074	5,676,358
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value changes on available-for-sale financial assets	43	506,729	1,066,848
Less: related income tax impact	43	(126,682)	(266,712)
Other comprehensive income for the year, net of tax		380,047	800,136
Comprehensive income for the year		6,592,121	6,476,494
Net profit attributable to:			
Shareholders of the Bank		6,160,661	5,672,735
Non-controlling interests		51,413	3,623
		6,212,074	5,676,358
Total comprehensive income attributable to:			
Shareholders of the Bank		6,540,708	6,472,871
Non-controlling interests		51,413	3,623
		6,592,121	6,476,494
Earnings per share attributable to the shareholders of the Bank (express in RMB per share)			
Basic/Diluted	15	0.56	0.51

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

Consolidated Statement of Financial Position

As at 31 December 2015

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December	
		2015	2014
Assets			
Cash and balances with central bank	16	78,414,034	76,420,868
Deposits with banks and other financial institutions	17	10,283,249	11,352,332
Placements with banks and other financial institutions	18	20,990,412	9,232,910
Financial assets at fair value through profit or loss	19	2,730,120	2,963,949
Derivative financial assets	20	3,789	1,878
Financial assets held under resale agreements	21	42,919,944	53,200,619
Loans and advances to customers	22	237,428,103	214,734,236
Investment securities			
– available-for-sale	23	96,271,648	71,572,329
– held-to-maturity	23	42,257,244	30,020,845
– loans and receivables	23	89,134,252	7,797,472
Investment in associates	24	413,581	325,605
Property, plant and equipment	25	1,617,382	1,415,034
Deferred tax assets	35	1,274,063	955,787
Finance lease receivables	26	7,502,268	–
Other assets	27	4,890,532	2,770,450
Total assets		636,130,621	482,764,314
Liabilities			
Borrowing from central banks		–	107,000
Deposits from banks and other financial institutions	29	89,286,186	24,430,294
Placements from banks and other financial institutions	30	7,911,163	1,681,996
Derivative financial liabilities	20	19,997	2,391
Financial assets sold under repurchase agreements	31	45,431,767	72,481,217
Deposits from customers	32	359,224,554	317,870,043
Taxes payable	33	1,467,357	824,507
Debt securities issued	36	79,425,700	18,750,993
Other liabilities	34	11,018,636	10,062,949
Total liabilities		593,785,360	446,211,390
Equity			
Share capital	37	11,049,819	11,049,819
Capital reserve	37	6,751,041	6,751,041
Surplus reserve	38	5,249,966	4,071,254
General reserve	38	4,716,293	3,743,460
Investment revaluation reserve	43	270,636	(109,411)
Retained earnings		13,121,389	10,868,057
Equity attributable to shareholders of the Bank		41,159,144	36,374,220
Non-controlling interests		1,186,117	178,704
Total equity		42,345,261	36,552,924
Total equity and liabilities		636,130,621	482,764,314

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

Approved and authorized for issue by the Board of Directors on 28 March 2016.

Li Hongming

Chairman

Wu Xuemin

President

Yi Feng

Assistant President

Li Dawei

Head of Finance Department

Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

(All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank							Total equity
	Share capital Note 37	Capital reserve Note 37	Surplus reserve Note 38	General reserve Note 38	Investment revaluation reserve Note 43	Retained earnings	Non-controlling interests	
As at 1 January 2015	11,049,819	6,751,041	4,071,254	3,743,460	(109,411)	10,868,057	178,704	36,552,924
(1) Comprehensive income								
Profit for the year	-	-	-	-	-	6,160,661	51,413	6,212,074
Other comprehensive income, net of tax	-	-	-	-	380,047	-	-	380,047
Total comprehensive income for the year	-	-	-	-	380,047	6,160,661	51,413	6,592,121
(2) Changes in share capital								
Non-controlling interests	-	-	-	-	-	-	980,000	980,000
(3) Profit distribution								
Dividends	-	-	-	-	-	(1,755,784)	(24,000)	(1,779,784)
Appropriation to surplus reserve	-	-	1,178,712	-	-	(1,178,712)	-	-
Appropriation to general reserve	-	-	-	972,833	-	(972,833)	-	-
As at 31 December 2015	11,049,819	6,751,041	5,249,966	4,716,293	270,636	13,121,389	1,186,117	42,345,261
As at 1 January 2014	11,049,819	6,751,041	3,011,585	3,062,782	(909,547)	8,659,441	46,811	31,671,932
(1) Comprehensive income								
Profit for the year	-	-	-	-	-	5,672,735	3,623	5,676,358
Other comprehensive income, net of tax	-	-	-	-	800,136	-	-	800,136
Total comprehensive income for the year	-	-	-	-	800,136	5,672,735	3,623	6,476,494
(2) Changes in share capital								
Non-controlling interests	-	-	-	-	-	-	128,270	128,270
(3) Profit distribution								
Dividends	-	-	-	-	-	(1,723,772)	-	(1,723,772)
Appropriation to surplus reserve	-	-	1,059,669	-	-	(1,059,669)	-	-
Appropriation to general reserve	-	-	-	680,678	-	(680,678)	-	-
As at 31 December 2014	11,049,819	6,751,041	4,071,254	3,743,460	(109,411)	10,868,057	178,704	36,552,924

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015
(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2015	2014
Cash flows from operating activities:		
Profit before income tax	7,972,989	7,410,514
Adjustments:		
Depreciation and amortization	320,504	299,617
Loan impairment provision	2,686,042	978,584
Impairment provision of non-standard asset investment	875,521	218,661
Impairment provision of finance lease	95,273	–
Recovery of written-off loans	66,433	37,758
Net losses/(gains) on disposals of property, plant and equipment	945	(43,907)
Net gains on de-recognition of investment securities	(210,419)	(255,049)
Fair value changes in financial assets at fair value through profit or loss and derivatives	(17,765)	(24,363)
Dividends received	(440)	(360)
Share of results of associates	(87,976)	(76,377)
Interest income from investment securities	(8,493,007)	(3,684,332)
Interest expense from debt securities issued	2,122,001	565,550
Cash payments for IPO related expenses	–	17,131
Net changes in operating assets:		
Net decrease/(increase) in balances with the central bank	3,433,726	(8,558,739)
Net increase in deposits and placements with banks and other financial institutions	(7,146,219)	(4,254,035)
Net increase in financial assets at fair value through profit or loss	(267,289)	(1,133,136)
Net decrease/(increase) in financial assets held under resale agreements	10,280,675	(16,428,191)
Net increase in loans and advances to customers	(25,549,287)	(23,183,890)
Net increase in other assets	(7,654,901)	–
Net (increase)/decrease in other assets	(259,028)	288,594
Net changes in operating liabilities:		
Net increase in deposits and placements from banks and other financial institutions	73,878,059	7,141,828
Net (decrease)/increase in financial assets sold under repurchase agreements	(27,049,450)	29,721,511
Net increase in deposits from customers	41,364,511	43,346,712
Net increase in other liabilities	691,138	3,653,391
Income taxes paid	(1,670,626)	(1,534,281)
Net cash inflow from operating activities	65,381,410	34,503,191

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2015	2014
Cash flows from investing activities:		
Dividends received	440	360
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	150	54,042
Purchase of property, plant and equipment and other long-term assets	(526,317)	(419,452)
Cash received from investment securities interest income	7,417,478	3,347,394
Cash received from sale and redemption of investment securities	43,607,742	22,220,158
Purchase of investment securities	(162,018,356)	(72,047,073)
Cash received from combination of the subsidiary	–	661,382
Net cash outflow from investing activities	(111,518,863)	(46,183,189)
Cash flows from financing activities:		
Proceeds from issuance of debt securities	101,165,798	11,579,710
Cash payments for IPO related expenses	–	(220,848)
Cash received from non-controlling interests in investing in subsidiaries	980,000	–
Dividends and interests paid on debt issued	(2,245,225)	(2,140,311)
Cash paid relating to other financial activities	(44,703,000)	(1,900,000)
Net cash inflow from financing activities	55,197,573	7,318,551
Impact on cash and cash equivalents resulted from interest rate changes	116,513	(39,843)
Net increase/(decrease) in cash and cash equivalents	9,176,633	(4,401,290)
Cash and cash equivalents at beginning of year	33,127,922	37,529,212
Cash and cash equivalents at end of year (Note 45)	42,304,555	33,127,922

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

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION

Huishang Bank Corporation Limited (the “Bank”) is a joint stock commercial bank registered in Anhui Province, the People’s Republic of China (the “PRC”). The Bank was formerly known as Hefei City Cooperatives Bank, which was established on 4 April 1997 with the approval of the People’s Bank of China (“PBOC”), Anhui Branch and Anhui Economic Reform Committee and was renamed as Hefei Commercial Bank Co., Ltd. on 28 July 1998. The Bank was further renamed as Huishang Bank Corporation Limited on 30 November 2005 with approval of the general office of China Banking Regulatory Commission (“CBRC”) and CBRC Anhui Branch. Approved by CBRC Anhui Branch, the Bank acquired five former city commercial banks in Wuhu, Ma’Anshan, Anqing, Huaibei and Bengbu and seven city credit cooperatives in Lu’an, Huainan, Tongling and Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda on 28 December 2005. The Bank holds the financial institution license B0162H234010001 from CBRC Anhui Branch and the legal entity business license No. 340000000026144(1-1) from Anhui Provincial Administration of Industry and Commerce. The registered address of the Bank is Block A, Tianhui Building, No. 79, Anqing Road, Hefei, China. In November 2013, the Bank’s H-shares were listed on the Hong Kong Stock Exchange (Stock Code: 3698). As at 31 December 2015, the registered and paid-in capital of the Bank is RMB11.05 billion.

The Bank and its subsidiaries (together the “Group”) provide corporate banking, retail banking, and treasury operations which mainly encompass money market activities, investment and trading activities and transactions for customers in the PRC.

These consolidated financial statements were authorized for issue by the Board of Directors on 28 March 2016.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.2.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.1 New and amended standards adopted by the Group

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

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to IFRSs – 2010 – 2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

Amendments from annual improvements to IFRSs – 2011 – 2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The adoption of these new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group. Beside that, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

2.2 New Hong Kong Companies Ordinance

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

2.3 New standards and interpretations not yet adopted

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

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The principle and guidance on recognition and derecognition of financial instruments in IAS 39 remains unchanged.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.3 New standards and interpretations not yet adopted (Continued)

IFRS 9 will change the way the Group classifies and measures its financial assets. IAS 39 measurement categories 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables' and 'available-for-sale financial assets' will be replaced by three main categories in IFRS 9, which are 'amortized cost', 'fair value through other comprehensive income' and 'fair value through profit or loss'. The approach for classifying financial assets will also change. Under IAS 39 the characteristics of financial assets are analyzed for any embedded derivatives and whether those have to be separated from the host contract (bifurcation of hybrid instruments). IFRS 9 uses a different approach that does not involve the bifurcation of financial assets. Instead, financial assets are classified in their entirety into a measurement category. This classification of financial assets under IFRS 9 will require the Group to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement.

For financial assets that will be classified as 'amortised cost' or 'fair value through other comprehensive income', the Group will be required to apply an expected credit loss impairment model that will apply to both those measurement categories as well as other exposures to credit risk such as loan commitments and financial guarantees. This impairment model will replace the different impairment models in IAS 39 (the incurred loss impairment model and the impairment model for available-for-sale financial assets) as well as the requirements in IAS 37 that related to some types of credit risk exposures (such as loan commitments and financial guarantees). The main differences between the new expected credit loss impairment model compared to the incurred loss model in IAS 39 are that the expected credit loss model uses more forward-looking information and that it does not involve the existence of an objective evidence of impairment until which credit losses remain unrecognized. Consequently, financial assets in the scope of the new impairment model will require a loss allowance to be recognized throughout their lives and the relative change of credit risk since initial recognition of the financial asset drives whether that loss allowance is equal to 12-month expected credit losses or lifetime expected credit losses. Lifetime expected credit losses represent all credit losses over the remaining life of a financial asset on a probability-weighted basis. 12-month expected credit losses are a subset of the lifetime expected credit losses and represent the losses expected to arise from default events within the next 12 months after the reporting date.

Given IFRS 9 will change the way the Group classifies and measures its financial assets, adoption of IFRS 9 on 1 January 2018 could have material impact on the Group's financial information. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9, including assessing the need for any system modification related to expected credit loss model, updating financial instruments impairment policies and launching relevant staff training. The Group has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impacts on the Group's operating results and financial position have not been quantified.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.3 New standards and interpretations not yet adopted (Continued)

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

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The Group is currently assessing the impact of IFRS 16.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

3.1 Summary of significant accounting policies

3.1.1 Accounting year

The Group's accounting year starts on 1 January and ends on 31 December.

3.1.2 Functional and presentation currency

The Group's functional and presentation currency is RMB.

3.1.3 Subsidiaries

(a) Consolidation

The consolidated financial statements comprise the financial statements of the Bank and all of its subsidiaries.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.3 Subsidiaries (Continued)

(a) Consolidation (Continued)

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group.

Intra-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Group are recognized as non-controlling interests and presented separately in the consolidated financial statements within equity and net profits respectively.

(b) Separate financial report

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Bank based on dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.1.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.4 Associates (Continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the income statement.

3.1.5 Foreign currency translation

Monetary items denominated in foreign currency are translated into RMB with the closing rate as at the reporting date and translation differences are recognized in the income statement. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

3.1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserve with the central bank, deposits or placements with banks and other financial institutions with original tenors less than 3 months.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.7 Financial instruments

(1) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification of financial assets depends on the Group's intention to hold the financial assets. Management determines the classification of its financial assets at initial recognition.

The Group classified its financial liability in the following categories: at fair value through profit and loss and other financial liabilities. The Group does not hold any financial liabilities at fair value through profit or loss.

The classification of financial instruments depend on the Group's intention and ability to hold the financial instruments. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

There are no financial assets designated at fair value through profit or loss at inception for the Group.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

(d) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.7 Financial instruments (Continued)

(1) Classification (Continued)

(e) Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss. Other financial liabilities are initially recognized at fair value less transaction costs, and are subsequently measured at amortized cost using the effective interest method.

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'net trading gains/(losses)' in the period in which they arise. The dividend income of financial assets at fair value through profit and loss will be identified as Dividend Income when the group gain the rights to receive the fund.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as "net gains/(losses) from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.7 Financial instruments (Continued)

(3) *Offsetting financial instruments*

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

(4) *Impairment of financial assets*

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.7 Financial instruments (Continued)

(4) Impairment of financial assets (Continued)

(b) Financial assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(5) Derecognition of financial instruments

The Group derecognizes a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

The difference between the carrying amount of the financial asset derecognised and the consideration received and the cumulative changes in fair value previously recognised in equity are recognised in profit or loss.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.7 Financial instruments (Continued)

(5) Derecognition of financial instruments (Continued)

Financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(6) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

3.1.8 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.9 Asset securitizations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

3.1.10 Resale and repurchase agreements

Assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognized on the statement of financial position at time of acquisition. The corresponding cash paid is recognized on the balance sheet as "financial assets held under resale agreements". Conversely, assets sold under agreements to repurchase at a specified future date with a specific price ("repos") are not derecognized. The corresponding cash received is recognized on the balance sheet as "financial assets sold for repurchase agreements".

The differences between the purchase and resale prices and sale and repurchase prices are recognized as interest income and interest expense respectively and are accrued over the term of the agreement using the effective interest rate method.

3.1.11 Property, plant and equipment

Property, plant and equipment are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to property, plant and equipment when ready for its intended use.

(a) Cost

Property, plant and equipment are initially recognised at cost. The cost of a purchased property, plant and equipment comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed property, plant and equipment comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent costs, including the cost of replacing part of an item of property, plant 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. Expenditures relating to ordinary maintenance of property, plant and equipment are recognised in profit or loss.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.11 Property, plant and equipment (Continued)

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired property, plant and equipment are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and annual depreciation rates of respective property, plant and equipment are as follows:

	Estimated useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	3%	4.85%
Motor vehicles	5 years	3%	19.40%
Electronic and other equipment	5-10 years	3%	9.70%~19.40%

The Group reviews the estimated useful lives and estimated residual values of property, plant and equipment and the depreciation method applied at least once a financial year.

Impairment losses on property, plant and equipment are accounted for in accordance with the accounting policies as set out in Note 3.1.14.

(c) Disposal

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

3.1.12 Land use rights

Land use rights are initially recognized at costs and amortized using the straight-line basis over the legal term of use through profit and loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 3.1.14.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.13 Intangible assets

Software and other intangible assets are initially recognized at cost. The cost less estimated residual values, if any, of the intangible assets is amortized on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortized net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 3.1.14.

3.1.14 Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

3.1.15 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees. Employee benefits are recognized as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in the expenses in profit or loss.

(a) Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the 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 local government organizations. The contributions are charged to the 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.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.15 Employee benefits (Continued)

(a) *Defined contribution retirement schemes (Continued)*

In addition to the statutory provision schemes, the Bank's employees have joined the annuity scheme setup by the Bank under "Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

(b) *Housing fund and other social insurance*

In accordance with the related laws, regulations and policies of the PRC, the Group participates in mandatory social insurance programmes, including housing fund, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance etc. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employee's salary and expenses monthly and recognises them in profit or loss on an accrual basis. The Group has participated in commercial medical insurance schemes provided by commercial insurance companies since October 2012. The Group recognizes them directly in profit or loss when incurred.

(c) *Early retirement expenses*

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

3.1.16 Revenue Recognition

(a) *Interest income*

Interest income for interest bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant 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 instrument. 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 that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.16 Revenue Recognition (Continued)

(a) *Interest income (Continued)*

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

(b) *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 the Group making a loan, the fee is recognised as commission on expiry.

(c) *Dividend income*

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

3.1.17 Current and deferred tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items 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. At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.18 Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated 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 the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

3.1.19 Financial guarantee contracts

Financial guarantees are contracts that require the Group as the guarantor (the “issuer”) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs when 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 statement of financial position 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.

3.1.20 Fiduciary activities

The Group’s fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and related parties. The Group conducts entrusted lending business, hereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) according to the instructions of the customers. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.1 Summary of significant accounting policies (Continued)

3.1.21 Lease

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

(a) *As a lessee under operating leases*

Lease payments under an operating lease are recognized in profit or loss by a lessee on a straight-line basis over the lease term. Initial direct cost is also charged to profit or loss. Contingent rents are recorded into profit or loss of the period in which they actually arise.

(b) *As a lessor under finance leases*

At the lease commencement date, the present value of the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs is recognized as a receivable. The difference between the receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using an interest rate which reflects a constant rate of return, as interest income in the comprehensive income statement. Contingent rents are recorded into profit or loss of the period in which they actually arise. The differences between the finance lease receivables less the unearned finance income are presented in "Finance lease receivables". When making the judgment of de-recognition or impairment measurement, finance lease receivables are considered as loans and receivables.

(c) *As a lessor under operating lease*

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognized as the Group's property and equipment. Operating lease payments are recognized as an expense and charged to Other Operating Income in the consolidated income statement on a straightline basis over the lease term. Contingent rentals arising under operating leases are recognized as expenses in the periods in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are considered in determining the amount to be recognized over the lease term.

3.1.22 Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately. The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.2 Critical accounting estimates and judgments

The Group continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

3.2.1 Impairment allowances on loans and advances

The Group reviews its loan portfolios to assess impairment on a periodic basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change (e.g. the borrower failed to make repayments on time) in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.2.2 Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximizing observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.2 Critical accounting estimates and judgments (Continued)

3.2.3 Reclassification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investments to maturity. This classification requires significant judgment. If the Group fails to keep these investments to maturity other than for the specific circumstances, it will be required to reclassify the entire class as available-for-sale investments and is prohibited from recognizing this kind of investments as held-to-maturity investment within the following two accounting years.

3.2.4 Income taxes

The Group is subject to income taxes and significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as deductibility of asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

3.2.5 Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The recent evidence indicated that the Bank has a dominant position over operating activities of Wuwei Huiyin Rural Bank Co., Ltd. and in effect controls it. So the Group consolidated Wuwei Huiyin Rural Bank Co., Ltd.

4 TAXATION

The principal taxes to which the Group is subject are listed below:

	Tax basis	Tax rate
Corporate income tax	Taxable profit	25%
Business tax	Taxable operating income	5%
City construction and maintenance tax	Business tax	5%, 7%
Education surcharge	Business tax	3%

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

5 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGE EQUITY

	As at 31 December	
	2015	2014
Assets		
Cash and balances with central bank	78,096,599	76,114,697
Deposits with banks and other financial institutions	9,183,551	10,583,376
Placements with banks and other financial institutions	21,130,813	9,410,038
Financial assets at fair value through profit or loss	2,730,120	2,963,949
Derivative financial assets	3,789	1,878
Financial assets held under resale agreements	42,919,944	53,200,619
Loans and advances to customers	231,870,685	207,753,617
Investment securities		
– available-for-sale	100,104,140	81,484,920
– held-to-maturity	42,257,244	30,020,845
– loans and receivables	89,134,252	3,158,219
Investment in subsidiaries	1,122,313	118,313
Investment in associates	413,581	325,605
Property, plant and equipment	1,605,950	1,409,203
Deferred tax assets	1,268,450	955,787
Other assets	4,806,152	2,732,222
Total assets	626,647,583	480,233,288
Liabilities		
Deposits from banks and other financial institutions	89,604,290	24,433,616
Placements from banks and other financial institutions	3,071,163	1,681,996
Derivative financial liabilities	19,997	2,391
Financial assets sold under repurchase agreements	45,431,767	72,449,428
Deposits from customers	356,396,086	315,692,042
Taxes payable	1,437,278	819,520
Debt securities issued	79,425,700	18,750,993
Other liabilities	10,148,166	10,031,328
Total liabilities	585,534,447	443,861,314
Equity		
Share capital	11,049,819	11,049,819
Capital reserve	6,751,041	6,751,041
Surplus reserve	5,249,966	4,071,254
General reserve	4,716,293	3,743,460
Investment revaluation reserve	270,636	(109,411)
Retained earnings	13,075,381	10,865,811
Total equity	41,113,136	36,371,974
Total equity and liabilities	626,647,583	480,233,288

Li Hongming

Chairman

Wu Xuemin

President

Yi Feng

Assistant President

Li Dawei

Head of Finance Department

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

5 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGE EQUITY (Continued)

	Share capital	Capita reserve	Surplus reserve	Genera reserve	Investment revaluation reserve	Retained earnings	Total equity
As at 1 January 2015	11,049,819	6,751,041	4,071,254	3,743,460	(109,411)	10,865,811	36,371,974
(1) Comprehensive income							
Profit for the year	-	-	-	-	-	6,116,899	6,116,899
Other comprehensive income, net of tax	-	-	-	-	380,047	-	380,047
Total comprehensive income for the year	-	-	-	-	380,047	6,116,899	6,496,946
(2) Profit distribution							
Dividends	-	-	-	-	-	(1,755,784)	(1,755,784)
Appropriation to surplus reserve	-	-	1,178,712	-	-	(1,178,712)	-
Appropriation to general reserve	-	-	-	972,833	-	(972,833)	-
As at 31 December 2015	11,049,819	6,751,041	5,249,966	4,716,293	270,636	13,075,381	41,113,136
As at 1 January 2014	11,049,819	6,751,041	3,011,585	3,062,782	(909,547)	8,659,712	31,625,392
(1) Comprehensive income							
Profit for the year	-	-	-	-	-	5,670,218	5,670,218
Other comprehensive income, net of tax	-	-	-	-	800,136	-	800,136
Total comprehensive income for the year	-	-	-	-	800,136	5,670,218	6,470,354
(2) Profit distribution							
Dividends	-	-	-	-	-	(1,723,772)	(1,723,772)
Appropriation to surplus reserve	-	-	1,059,669	-	-	(1,059,669)	-
Appropriation to general reserve	-	-	-	680,678	-	(680,678)	-
As at 31 December 2014	11,049,819	6,751,041	4,071,254	3,743,460	(109,411)	10,865,811	36,371,974

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

6 NET INTEREST INCOME

	2015	2014
Interest income		
Balances with central bank	921,808	872,341
Deposits and placements with banks and other financial institutions	3,688,769	4,228,038
Loans and advances to customers	15,667,139	14,538,111
Investment securities	8,493,007	3,418,199
Finance lease	170,535	–
	28,941,258	23,056,689
Including: Interest income accrued on impaired loans to customers	65,251	35,297
Interest expense		
Borrowing from central banks	(2,474)	–
Deposits and placements from banks and other financial institutions	(5,507,430)	(4,706,895)
Deposits from customers	(6,466,201)	(6,361,421)
Debt securities issued	(2,122,001)	(565,550)
	(14,098,106)	(11,633,866)
Net interest income	14,843,152	11,422,823

7 NET FEE AND COMMISSION INCOME

	2015	2014
Fee and commission income		
Custodian and other fiduciary service fees	1,018,389	366,903
Bank card fees	293,113	161,408
Consultancy and advisory fees	162,422	154,214
Settlement and clearing fees	96,053	97,995
Guarantee and commitment fees	49,024	37,935
Agency commissions	46,650	31,270
Arrangement fees for international trade financing	32,809	27,476
Domestic factoring fees	10,658	14,627
Syndicated loan fees	23,438	9,948
Others	139,441	39,372
	1,871,997	941,148
Fee and commission expense	(100,717)	(84,939)
Net fee and commission income	1,771,280	856,209

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

8 NET TRADING GAINS

	2015	2014
Net gains from foreign exchange	21,979	38,004
Net gains from interest rate instruments	33,460	25,522
	55,439	63,526

Net gains from interest rate instruments mainly include gains arising from fair value changes of financial assets at fair value through profit or loss.

9 OTHER OPERATING INCOME, NET

	2015	2014
Net gains on bills	23,019	79,942
Others	73,351	70,144
	96,370	150,086

10 OPERATING EXPENSES

	2015	2014
Staff cost (Note 11)	(2,209,212)	(1,726,902)
General operating and administrative expenses	(1,243,423)	(1,016,288)
Business tax and surcharges	(1,356,530)	(967,050)
Depreciation (Note 25)	(214,415)	(205,988)
Amortization expenses for intangible assets (Note 27(d))	(32,895)	(32,294)
Amortization expenses for land use rights (Note 27(c))	(4,226)	(1,144)
Amortization expenses for long-term prepaid expenses	(68,968)	(60,191)
Operating lease rental expenses	(223,073)	(187,391)
Auditors' remuneration	(3,888)	(5,495)
– Audit Services	(3,800)	(4,183)
– Non-audit services	(88)	(1,312)
Others	(78,621)	(13,928)
	(5,435,251)	(4,216,671)

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

11 STAFF COST

	2015	2014
Salaries, bonuses , allowances and subsidies	(1,593,476)	(1,156,236)
Pension costs	(212,895)	(158,028)
Labor union fee and staff education fee	(54,568)	(49,995)
Other social insurance and welfare costs	(348,273)	(362,643)
	(2,209,212)	(1,726,902)

(a) Five highest paid individuals

For the year ended 31 December 2015, the five highest paid individuals include 2 directors (2014: 4 directors). Details are listed in note (12(a)).The emoluments for the rest of the five highest paid individual are as follows:

	2015	2014
Salaries, allowances and benefits in kind	2,829	859
Contribution to pension schemes	127	41
Discretionary bonuses	1,721	478
	4,677	1,378

The number of these individuals, other than directors, whose emoluments fell within the following bands, is as follows:

	2015	2014
RMB500,001-RMB1,000,000	–	–
RMB1,000,001-RMB1,500,000	3	1
RMB1,500,001-RMB2,000,000	–	–
	3	1

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS

(a) Details of the Directors' and Supervisors' emoluments are as follows:

Name	Fees	Salaries, allowance and benefits in kind	2015		Total
			Contribution to pension schemes	Discretionary bonuses	
Executive Directors					
Li Hongming ^(a)	–	1,053	57	701	1,811
Wu Xuemin (Chief Executive) ^(a)	–	952	55	631	1,638
Zhang Renfu ^(a)	–	804	52	526	1,382
Xu Demei ^(a)	–	805	52	526	1,383
Ci Yaping ^(a)	–	804	52	526	1,382
Non-executive Directors					
Zhang Feifei	–	–	–	–	–
Qian Zheng ⁽¹⁾	–	–	–	–	–
Guo Shigang ⁽²⁾	–	–	–	–	–
Wu Tian ⁽³⁾	–	–	–	–	–
Gao Yang	–	–	–	–	–
Zhu Jiusheng ⁽⁴⁾	–	–	–	–	–
Zhao Zongren ⁽⁵⁾	–	–	–	–	–
Qian Li ⁽⁶⁾	–	–	–	–	–
Lu Hui ⁽⁷⁾	–	–	–	–	–
Qiao Chuanfu ⁽⁸⁾	–	–	–	–	–
Au Ngai, Daniel	150	–	–	–	150
Dai Genyou	137	–	–	–	137
Wang Shihao ⁽⁹⁾	88	–	–	–	88
Zhang Shenghuai	100	–	–	–	100
Fung Weiquan ⁽¹⁰⁾	88	–	–	–	88
Zhu Hongjun ⁽¹¹⁾	125	–	–	–	125
Supervisors					
Zhang Zhen ^(a)	–	805	52	526	1,383
Xu Chongding ^(a)	–	737	48	426	1,211
Zhou Tong ^{(12)(a)}	–	764	40	250	1,054
Cheng Rulin	–	–	–	–	–
Cheng Hong	–	–	–	–	–
Qian Xiaojun ⁽¹³⁾	–	–	–	–	–
Cheng Junpei	80	–	–	–	80
Fan Libo ⁽¹⁴⁾	20	–	–	–	20
Pan ShuJuan	90	–	–	–	90
Total	878	6,724	408	4,112	12,122

(a) The total compensation packages for executive directors and supervisors for the year ended 31 December 2015 including discretionary bonus have not yet been finalised in accordance with relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2015 financial statements. The compensation amounts for these directors and supervisors for the year ended 31 December 2014 were restated based on the finalised amounts determined.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the Directors' and Supervisors' emoluments are as follows: (Continued)

Name	Fees	2014			Total
		Salaries, allowance and benefits in kind	Contribution to pension schemes	Discretionary bonuses	
Executive Directors					
Li Hongming	–	1,160	46	587	1,793
Wu Xuemin (Chief Executive)	–	1,005	44	573	1,622
Zhang Renfu	–	858	41	478	1,377
Xu Demei	–	858	41	478	1,377
Ci Yaping	–	847	41	478	1,366
Non-executive Directors					
Zhang Feifei	–	–	–	–	–
Qian Zheng ⁽¹⁾	–	–	–	–	–
Guo Shigang ⁽²⁾	–	–	–	–	–
Wu Tian ⁽³⁾	–	–	–	–	–
Gao Yang	–	–	–	–	–
Zhu Jiusheng ⁽⁴⁾	–	–	–	–	–
Zhao Zongren ⁽⁵⁾	–	–	–	–	–
Au Ngai, Daniel	125	–	–	–	125
Dai Genyou	125	–	–	–	125
Wang Shihao ⁽⁹⁾	113	–	–	–	113
Zhang Shenghuai	125	–	–	–	125
Fung Weiquan ⁽¹⁰⁾	28	–	–	–	28
Zhu Hongjun ⁽¹¹⁾	28	–	–	–	28
Wen Jinghui ⁽¹⁵⁾	–	–	–	–	–
Supervisors					
Zhang Zhen	–	870	41	478	1,389
Xu Chongding	–	796	39	376	1,211
He Tao ⁽¹⁶⁾	–	480	19	43	542
Zhou Tong ⁽¹²⁾	–	287	12	26	325
Cheng Rulin	–	–	–	–	–
Cheng Hong	–	–	–	–	–
Qian Xiaojun ⁽¹³⁾	–	–	–	–	–
Wu Guozhong ⁽¹⁷⁾	–	–	–	–	–
Cheng Junpei	90	–	–	–	90
Fan Libo ⁽¹⁴⁾	90	–	–	–	90
Pan ShuJuan	90	–	–	–	90
Total	814	7,161	324	3,517	11,816

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the Directors' and Supervisors' emoluments are as follows: (Continued)

- (1) Qian Zheng ceased to be non-executive director effective from January 2015.
- (2) Guo Shigang ceased to be non-executive director effective from January 2015.
- (3) Wu Tian ceased to be non-executive director effective from January 2015.
- (4) Zhu Jiusheng was elected to be non-executive director effective from October 2014.
- (5) Zhao Zongren was elected to be non-executive director effective from October 2014.
- (6) Qian Li was elected to be non-executive director effective from July 2015.
- (7) Lu Hui was elected to be non-executive director effective from July 2015.
- (8) Qiao Chuanfu was elected to be non-executive director effective from July 2015.
- (9) Wang Shihao resigned to be independent non-executive director from December 2015. The resignation will be effect immediately when the Group appoint the new independent non-executive directors.
- (10) Fung Weiquan was elected to be independent non-executive director effective from October 2014.
- (11) Zhu Hongjun was elected to be independent non-executive director effective from October 2014.
- (12) Zhou Tong was elected to be supervisor effective from August 2014.
- (13) Qian Xiaojun was elected to be supervisor effective from June 2014.
- (14) Fan Libo resigned to be supervisor from November 2015. The resignation will be effect immediately when the Group appoint the new supervisor.
- (15) Wen Jinghui ceased to be non-executive director effective from January 2014.
- (16) He Tao ceased to be supervisor effective from August 2014.
- (17) Wu Guozhong ceased to be supervisor effective from May 2014.

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(All amounts expressed in thousands of RMB unless otherwise stated)

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(b) Retirement benefits of directors and supervisors

For the year ended 31 December 2015 and 2014, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group.

(c) Termination benefits of directors and supervisors

For the year ended 31 December 2015 and 2014, no termination benefits were paid to the directors or supervisors by the Group.

(d) Consideration provided to third parties for making available services of directors and supervisors.

For the year ended 31 December 2015 and 2014, no consideration were provided to third parties for making available services of directors and supervisors by the Group.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by with such directors and supervisors

For the year ended 31 December 2015 and 2014, no loans, quasi-loans and other dealings were entered into by the Group, where applicable, in favour of directors and supervisors and their certain controlled body corporates and connected entities. Neither any guarantee or security provided to certain controlled body corporates and connected entities of the directors and supervisors in respect of their loan, quasi-loans or credit transactions provided by the Group.

(f) Material interests in the transaction, arrangement or contract of directors and supervisors

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director or a supervisor of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year of 2015 and 2014.

13 IMPAIRMENT LOSSES ON ASSETS

	2015	2014
Loans and advances to customers (Note 22(b))		
– Collectively assessed	(1,769,360)	(603,244)
– Individually assessed	(916,682)	(375,340)
Available-for-sale financial assets	(243,595)	(218,661)
Loans and receivables	(631,926)	–
Finance lease receivables	(95,273)	–
	(3,656,836)	(1,197,245)

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

14 INCOME TAX EXPENSE

	2015	2014
Current income tax		
– PRC mainland income tax	(2,205,873)	(1,843,413)
Deferred income tax (Note 35)	444,958	109,257
	(1,760,915)	(1,734,156)

The provision for China mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	2015	2014
Profit before tax	7,972,989	7,410,514
Tax calculated at applicable statutory tax rate of 25%	(1,993,247)	(1,852,629)
Tax effect of income not taxable or half taxed for tax purpose ^(a)	289,287	231,137
Tax effect of items such as expenses not deductible for tax purposes ^(b)	(43,757)	(49,663)
Tax filing differences from previous years	(13,198)	(63,001)
Income tax expense	(1,760,915)	(1,734,156)

(a) Non-taxable income mainly represents interest income arising from PRC treasury bonds.

(b) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

15 EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Net profit attributable to shareholders of the Bank (in RMB thousands)	6,160,661	5,672,735
Weighted average number of ordinary shares in issue (in thousands)	11,049,819	11,049,819
Basic earnings per share (in RMB Yuan)	0.56	0.51

(b) Diluted earnings per share

For the year ended 31 December 2015 and 2014, there were no potential dilutive ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

16 CASH AND BALANCES WITH THE CENTRAL BANK

	As at 31 December	
	2015	2014
Cash	1,179,229	1,067,900
Balances with the central bank		
– Statutory reserves	53,740,630	57,174,356
– Surplus reserves	23,494,175	18,178,612
	78,414,034	76,420,868

- (a) The Group places statutory deposit reserves with the People's Bank of China ("PBOC"). The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates of the bank were as follows:

	As at 31 December	
	2015	2014
Statutory reserve rate for RMB deposits	14.0%	17.5%
Statutory reserve rate for foreign currency deposits	5.0%	5.0%

- (b) Surplus deposit reserves maintained with the PBOC is mainly for clearing.

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2015	2014
Banks in PRC mainland	10,005,851	9,434,831
Banks in other countries and regions	277,401	1,917,504
	10,283,252	11,352,335
Less: allowances for impairment losses		
– Individually assessed	(3)	(3)
	10,283,249	11,352,332

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

18 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2015	2014
Banks in PRC mainland ^(a)	17,776,009	7,232,910
Other financial institutions in PRC mainland	3,214,403	2,000,000
	20,990,412	9,232,910

- (a) Placements with banks and other financial institutions in PRC mainland are mainly re-discounted bills. The amount of re-discounted bills is RMB16,497 millions by the end of 31 December 2015 and RMB7,233 million by the end of 31 December 2014 respectively.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2015	2014
Government bonds		
– Listed outside Hong Kong	207,309	532,030
Other debt securities		
– Listed outside Hong Kong	2,522,811	2,431,919
	2,730,120	2,963,949

As at 31 December 2015 and 2014, there was no significant limitation on the ability of the Group to dispose financial assets at fair value through profit or loss.

Debt securities traded on the China Domestic Interbank Bond Market are included in the category “Listed outside Hong Kong”.

Financial assets at fair value through profit or loss analyzed by categories of issuer are as follows:

	As at 31 December	
	2015	2014
Debt securities		
Issuers in PRC mainland		
– Government	207,309	532,030
– Financial institutions	2,167,558	1,882,479
– Corporates	355,253	549,440
	2,730,120	2,963,949

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

20 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2015		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	684,392	3,782	(2,872)
– Currency swaps	724,239	7	(1,770)
– Interest rate swaps	1,930,000	–	(15,355)
	3,338,631	3,789	(19,997)

	As at 31 December 2014		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	171,671	1,214	(1,109)
– Currency swaps	821,248	616	(1,244)
– Interest rate swaps	100,000	48	(38)
	1,092,919	1,878	(2,391)

21 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2015	2014
Securities held under resale	2,281,948	3,321,899
Bills held under resale	40,637,996	49,378,720
Trust beneficiary rights under resale	–	500,000
	42,919,944	53,200,619

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

22 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 31 December	
	2015	2014
Corporate loans and advances		
– Corporate loans	157,429,870	149,223,203
– Discounted bills	21,610,553	13,579,764
Subtotal	179,040,423	162,802,967
Personal loans and advances		
– Mortgage loans	44,627,089	40,069,638
– Revolving loans for individual business	10,316,157	10,420,318
– Others	9,450,523	6,103,736
Subtotal	64,393,769	56,593,692
Total	243,434,192	219,396,659
Less: Allowance for impairment losses		
– Collectively assessed	(5,314,731)	(4,235,487)
– Individually assessed	(691,358)	(426,936)
Total allowance for impairment losses	(6,006,089)	(4,662,423)
Loans and advances to customers, net	237,428,103	214,734,236

(b) Movement of allowance for impairment losses on loans and advances to customers by collective and individual assessments:

	2015		2014	
	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance
Balance at beginning of the year	4,235,487	426,936	3,797,825	371,213
Impairment allowance charges (Note 13)	1,769,360	916,682	603,244	375,340
Unwinding of discount on allowance	(42,897)	(22,354)	(8,932)	(26,365)
Recoveries	18,385	48,048	8,522	29,236
Written-off	(665,604)	(677,954)	(165,172)	(322,488)
Balance at end of the year	5,314,731	691,358	4,235,487	426,936

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movement of allowance for impairment losses on loans and advances to customers by customer type:

	2015		2014	
	Corporate	Retail	Corporate	Retail
Balance at beginning of the year	3,931,138	731,285	3,596,857	572,181
Impairment allowance charges (Note 13)	2,020,431	665,611	737,193	241,391
Unwinding of discount on allowance	(62,717)	(2,534)	(31,527)	(3,770)
Recoveries	48,048	18,385	29,236	8,522
Written-off	(1,278,098)	(65,460)	(400,621)	(87,039)
Balance at end of the year	4,658,802	1,347,287	3,931,138	731,285

(d) Analysis of loans and advances to customers by collective and individual allowance assessments:

As at 31 December 2015	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances			Subtotal	Total
		for which allowance is collectively assessed	for which allowance is individually assessed			
Total loans and advances						
– Corporate loans	177,176,562	405,505	1,458,356	1,863,861	179,040,423	
– Personal loans and advances	63,859,892	533,877	–	533,877	64,393,769	
Allowance for impairment losses	(4,882,393)	(432,338)	(691,358)	(1,123,696)	(6,006,089)	
Loans and advances to customers, net	236,154,061	507,044	766,998	1,274,042	237,428,103	

As at 31 December 2014	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances			Subtotal	Total
		for which allowance is collectively assessed	for which allowance is individually assessed			
Total loans and advances						
– Corporate loans	161,265,272	327,066	1,210,629	1,537,695	162,802,967	
– Personal loans and advances	56,304,911	288,781	–	288,781	56,593,692	
Allowance for impairment losses	(3,741,532)	(493,955)	(426,936)	(920,891)	(4,662,423)	
Loans and advances to customers, net	213,828,651	121,892	783,693	905,585	214,734,236	

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(All amounts expressed in thousands of RMB unless otherwise stated)

23 INVESTMENT SECURITIES

	As at 31 December	
	2015	2014
Available-for-sale financial assets		
Listed outside Hong Kong		
– Debt securities	23,920,037	29,581,937
Unlisted		
– Beneficial rights in trust and asset management plans ⁽¹⁾	68,075,176	41,755,308
– Certificates of deposit	229,191	444,245
– Equity securities	9,560	9,560
– Non-guaranteed wealth management products managed by other banks	4,500,000	–
Subtotal	96,733,964	71,791,050
Allowance for impairment losses	(462,316)	(218,721)
Available-for-sale financial assets, net	96,271,648	71,572,329
Held-to-maturity investments		
Listed outside Hong Kong		
– Debt securities	42,257,244	29,179,954
Unlisted		
– Debt securities	–	739,629
– Certificates of deposit	–	101,262
	42,257,244	30,020,845
Loans and receivables		
Unlisted		
– Debt securities	119,519	112,631
– Guaranteed wealth management products managed by other banks	5,800,000	3,045,588
– Beneficial rights in trust and asset management plans ⁽¹⁾	83,846,659	4,639,253
Subtotal	89,766,178	7,797,472
Allowance for impairment losses	(631,926)	–
Investment securities, net	89,134,252	7,797,472

Debt securities traded on the China Domestic Interbank Bond Market are included in the category “Listed outside Hong Kong”.

- (1) Beneficial rights in trust and asset management plans invested by the Group are the usufruct in trusts or asset management plans organized by security companies. The investment decisions of these products are made by the third-party asset managers or custodians. They mainly invest in collective investment products including: (a) liquid assets: deposits, repurchase agreements, money market funds and other cash management products, bond funds; bonds traded in exchange and inter-bank market, convertible bonds, ABS and ABN, or other qualified highly-liquid assets. (b) Financing assets to financing entities with good credit qualities and default history. The entities have adequate cash flow to repay the loans. Risk mitigation are adequate and the risks are relatively low; the financing forms including entrusted loans, loan assets bought from other financial institutions, specific asset usufruct and etc. (c) Products issued by other financial institutions mainly including non-cash management fixed return products issued by investment funds, trusts, insurance companies, securities companies, commercial banks and etc. The detail of unconsolidated structured entities invested by the Group is in Note 44.

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(All amounts expressed in thousands of RMB unless otherwise stated)

23 INVESTMENT SECURITIES (Continued)

Investment securities analyzed by issuer as follows:

	As at 31 December	
	2015	2014
Available-for-sale financial assets		
Issuers in PRC mainland		
– Government	9,108,252	10,590,381
– Banks	14,866,034	12,997,826
– Corporates	4,674,942	6,437,975
– Other non-bank financial institutions	68,075,176	41,755,308
Subtotal	96,724,404	71,781,490
Equity securities	9,560	9,560
Total	96,733,964	71,791,050
Allowance for impairment losses	(462,316)	(218,721)
Available-for-sale financial assets, net	96,271,648	71,572,329
Held-to-maturity investments		
Issuers in PRC mainland		
– Government	28,019,977	12,356,121
– Banks	9,828,924	11,436,239
– Corporates	4,198,343	6,018,485
– Other non-bank financial institutions	210,000	210,000
	42,257,244	30,020,845
Loans and receivables		
Issuers in PRC mainland		
– Government	119,519	112,631
– Banks	5,800,000	3,045,588
– Other non-bank financial institutions	83,846,659	4,639,253
Subtotal	89,766,178	7,797,472
Allowance for impairment losses	(631,926)	–
Loans and receivables, net	89,134,252	7,797,472

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24 INVESTMENT IN ASSOCIATES

Investments in associates of the Group comprise of ordinary shares of unlisted companies as follows:

As at 31 December 2015

Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of share
Chery Huiyin Motor Finance Service Co., Ltd.	PRC	19,963,026	17,837,427	1,193,676	439,881	20%

As at 31 December 2014

Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of share
Chery Huiyin Motor Finance Service Co., Ltd.	PRC	16,421,307	14,735,589	850,906	306,968	20%

	2015	2014
Balance at beginning of the year	325,605	334,741
Additions	-	-
Share of results, net of tax	87,976	76,377
Consolidation of a subsidiary	-	(85,513)
Balance at end of the year	413,581	325,605

Chery Motor Finance Service Co., Ltd. was established in 2009, with registered capital of RMB500 million, among which the Group accounted for RMB100 million or 20%. With the approval of CBRC Anhui Branch on 24 December 2012, the registered capital of Chery Motor Finance Service Co., Ltd. was authorized to increase to RMB1 billion. As at 31 December 2013, the Group's ownership in this associate has been increased to RMB200 million or 20%. In 2014, this company has completed its shareholding reform, renamed as Chery Huiyin Motor Finance Service Co., Ltd.

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(All amounts expressed in thousands of RMB unless otherwise stated)

25 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor Vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2015	1,207,827	65,654	1,061,625	158,692	2,493,798
Additions	142,283	2,183	113,386	177,209	435,061
Transfers in/(out)	156,074	–	–	(156,074)	–
Disposals	–	(247)	(48,749)	–	(48,996)
Other transfers out	–	–	–	(17,130)	(17,130)
As at 31 December 2015	1,506,184	67,590	1,126,262	162,697	2,862,733
Accumulated depreciation					
As at 1 January 2015	(486,283)	(36,321)	(556,160)	–	(1,078,764)
Depreciation charge	(62,479)	(9,095)	(142,841)	–	(214,415)
Disposals	–	27	47,801	–	47,828
As at 31 December 2015	(548,762)	(45,389)	(651,200)	–	(1,245,351)
Net book value					
As at 31 December 2015	957,422	22,201	475,062	162,697	1,617,382

	Buildings	Motor Vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2014	1,225,610	60,594	824,811	310,312	2,421,327
Additions	663	11,147	231,481	63,117	306,408
Transfers in/(out)	–	–	24,912	(24,912)	–
Disposals	(18,446)	(6,495)	(21,459)	–	(46,400)
Other transfers out	–	–	–	(189,825)	(189,825)
Consolidation impact	–	408	1,880	–	2,288
As at 31 December 2014	1,207,827	65,654	1,061,625	158,692	2,493,798
Accumulated depreciation					
As at 1 January 2014	(419,475)	(34,839)	(454,823)	–	(909,137)
Depreciation charge	(76,123)	(7,754)	(122,111)	–	(205,988)
Disposals	9,315	6,272	20,774	–	36,361
As at 31 December 2014	(486,283)	(36,321)	(556,160)	–	(1,078,764)
Net book value					
As at 31 December 2014	721,544	29,333	505,465	158,692	1,415,034

All lands and buildings of the Group are located outside Hong Kong.

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26 FINANCE LEASE RECEIVABLES

As at 31 December 2015	Within 1 year	1-3 years	Over 3 years	Total
Finance lease receivables	1,999,133	3,894,001	2,753,726	8,646,860
Unrealized revenue	(405,437)	(493,636)	(150,246)	(1,049,319)
Allowance	(19,945)	(42,565)	(32,763)	(95,273)
Net	1,573,751	3,357,800	2,570,717	7,502,268

The Group's finance lease receivables are all managed by its subsidiary Huishang Bank Financial Leasing Co., LTD. For the year ended 31 December 2015, the principle of the Group's top five finance lease receivables and the related allowance are RMB1,630 million and RMB20.38 million respectively, which accounted for 21.45% and 21.39% of the total balance respectively (31 December 2014: nil).

27 OTHER ASSETS

	As at 31 December	
	2015	2014
Interest receivable ^(a)	3,477,637	2,046,921
Other receivables ^(b)	662,308	209,693
Less: impairment allowance	(29,109)	(29,265)
Long-term prepaid expenses	212,555	198,004
Land use rights ^(c)	164,707	168,933
Intangible assets ^(d)	91,448	98,041
Funds to be settled	105,798	32,366
Foreclosed assets	85,335	207
Others	119,853	45,550
	4,890,532	2,770,450

(a) Interest receivable

	As at 31 December	
	2015	2014
Placements with and loans and advances to banks, other financial institutions, and the central bank	332,350	81,233
Investment securities and financial assets at fair value through profit or loss	2,440,833	1,374,479
Loans and advances to customers	659,178	591,209
Finance lease	45,276	-
	3,477,637	2,046,921

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(All amounts expressed in thousands of RMB unless otherwise stated)

27 OTHER ASSETS (Continued)

(b) Other receivable

The Group's and Bank's other receivable are analysed by age as follows:

As at 31 December 2015	Within 1 year	1-3 years	Over 3 years	Total
Other receivable	620,140	35,462	6,706	662,308
Bad debt allowance	(14,187)	(11,494)	(3,428)	(29,109)
Net	605,953	23,968	3,278	633,199

As at 31 December 2014	Within 1 year	1-3 years	Over 3 years	Total
Other receivable	194,461	6,498	8,734	209,693
Bad debt allowance	(16,761)	(3,770)	(8,734)	(29,265)
Net	177,700	2,728	–	180,428

(c) Land use rights

	2015	2014
Cost		
Balance at beginning of the year	171,835	10,429
Additions	–	161,406
Balance at end of the year	171,835	171,835
Accumulated amortization		
Balance at beginning of the year	(2,902)	(1,758)
Additions	(4,226)	(1,144)
Balance at end of the year	(7,128)	(2,902)
Net book value		
At end of the year	164,707	168,933

(d) Intangible assets

Intangible assets of the Group mainly are computer software.

	2015	2014
Cost		
Balance at beginning of the year	208,808	144,750
Additions	26,302	63,833
Consolidation impact	–	225
Balance at end of the year	235,110	208,808
Accumulated amortization		
Balance at beginning of the year	(110,767)	(78,473)
Additions	(32,895)	(32,294)
Disposals	–	–
Balance at end of the year	(143,662)	(110,767)
Net book value		
At end of the year	91,448	98,041

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(All amounts expressed in thousands of RMB unless otherwise stated)

28 IMPAIRMENT ALLOWANCE

	As at 1 January 2015		Recovery	Deductions		As at 31 December 2015
	2015	Additions		Reversal	Write-off	2015
Loans and advances	(4,662,423)	(2,686,042)	(66,433)	65,251	1,343,558	(6,006,089)
Deposits with banks and other financial institutions	(3)	-	-	-	-	(3)
Foreclosed assets	(38)	-	-	-	-	(38)
Financial assets available-for-sale	(218,721)	(243,595)	-	-	-	(462,316)
Financial assets loans and receivables	-	(631,926)	-	-	-	(631,926)
Finance lease	-	(95,273)	-	-	-	(95,273)
Other receivables	(29,265)	-	(552)	-	708	(29,109)
	(4,910,450)	(3,656,836)	(66,985)	65,251	1,344,266	(7,224,754)

	As at 1 January 2014		Recovery	Deductions		As at 31 December 2014
	2014	Additions		Reversal	Write-off	2014
Loans and advances	(4,169,038)	(978,584)	(37,758)	35,297	487,660	(4,662,423)
Deposits with banks and other financial institutions	(3)	-	-	-	-	(3)
Foreclosed assets	-	(38)	-	-	-	(38)
Financial assets available-for-sale	(60)	(218,661)	-	-	-	(218,721)
Other receivables	(33,134)	-	(254)	-	4,123	(29,265)
	(4,202,235)	(1,197,283)	(38,012)	35,297	491,783	(4,910,450)

29 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2015	2014
Banks in PRC mainland	48,403,505	20,547,051
Other financial institutions in PRC mainland	40,792,446	3,755,894
Banks outside PRC mainland	90,235	127,349
	89,286,186	24,430,294

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

30 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2015	2014
Banks in PRC mainland	7,911,163	1,681,996

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2015	2014
Securities sold under repurchase agreements	24,590,312	28,315,000
Bills sold under repurchase agreements	20,841,455	44,166,217
	45,431,767	72,481,217

32 DEPOSITS FROM CUSTOMERS

	As at 31 December	
	2015	2014
Corporate demand deposits	139,969,744	114,346,369
Corporate time deposits	103,212,991	94,699,418
Retail demand deposits	33,410,168	28,152,428
Retail time deposits	53,360,372	45,892,107
Other deposits	29,271,279	34,779,721
	359,224,554	317,870,043
Including:		
Pledged deposits held as collateral	28,751,563	34,426,989

33 TAX PAYABLE

	As at 31 December	
	2015	2014
Corporate income tax	1,036,414	501,167
Business tax and surcharges	402,313	287,647
Others	28,630	35,693
	1,467,357	824,507

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

34 OTHER LIABILITIES

	As at 31 December	
	2015	2014
Interest payable ^(a)	5,988,926	4,114,769
Funds to be settled	2,169,100	2,972,917
Salary and welfare payable ^(b)	1,323,732	1,185,471
Unearned rent and deposits under lease arrangements ^(c)	809,801	–
Dividends payable	209,536	133,739
Entrusted services	106,917	27,526
Suspense accounts	38,246	37,010
Project funds payable	19,139	17,761
Advance from a potential investor ^(d)	–	1,416,430
Others	353,239	157,326
	11,018,636	10,062,949

(a) Interest payable

	As at 31 December	
	2015	2014
Deposits and placement from banks and other financial institutions	1,254,164	71,740
Deposits from customers	4,126,340	3,676,363
Debt securities issued	608,422	366,556
Interest payable for loan from central bank	–	110
	5,988,926	4,114,769

(b) Salary and welfare payable

	As at 31 December	
	2015	2014
Short-term employee benefits	1,212,429	1,056,835
Defined contribution plans	29,224	48,042
Termination benefits	82,079	80,594
	1,323,732	1,185,471

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(b) Salary and welfare payable (Continued)

Short-term employee benefits

	As at 1 January 2015	Increase in current year	Decrease in current year	As at 31 December 2015
Wages, bonuses, allowances and subsidies	728,162	1,593,490	(1,438,734)	882,918
Employee benefits	702	382	(897)	187
Social insurance	1,074	62,782	(62,970)	886
Including: Medical Insurance	1,037	54,148	(54,363)	822
Occupational Injury Insurance	25	3,246	(3,239)	32
Maternity Insurance	12	5,388	(5,368)	32
Housing fund	535	140,538	(140,167)	906
Labour union fee and staff education fee	12,549	54,299	(53,129)	13,719
Other short-term employee benefits	313,813	571	(571)	313,813
	1,056,835	1,852,062	(1,696,468)	1,212,429

	As at 1 January 2014	Increase in current year	Decrease in current year	Wuwei Rural Bank	As at 31 December 2014
Wages, bonuses, allowances and subsidies	713,837	1,156,327	(1,153,144)	11,142	728,162
Employee benefits	25	22	(47)	702	702
Social insurance	950	55,272	(55,148)	-	1,074
Including: Medical Insurance	917	48,437	(48,317)	-	1,037
Occupational Injury Insurance	23	2,802	(2,800)	-	25
Maternity Insurance	10	4,033	(4,031)	-	12
Housing fund	899	111,907	(112,271)	-	535
Labour union fee and staff education fee	13,397	22,951	(24,201)	402	12,549
Other short-term employee benefits	311,412	3,884	(1,483)	-	313,813
	1,040,520	1,350,363	(1,346,294)	12,246	1,056,835

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(b) Salary and welfare payable (Continued)

Defined contribution plans

	As at 1 January 2015	Increase in current year	Decrease in current year	As at 31 December 2015
Basic pension insurance	5,933	115,729	(116,267)	5,395
Unemployment Insurance	239	10,210	(10,223)	226
Annuity scheme	41,870	98,295	(116,562)	23,603
	48,042	224,234	(243,052)	29,224

	As at 1 January 2014	Increase in current year	Decrease in current year	Wuwei Rural Bank	As at 31 December 2014
Basic pension insurance	7,448	92,663	(94,178)	-	5,933
Unemployment Insurance	226	8,270	(8,257)	-	239
Annuity scheme	7,381	74,372	(40,059)	176	41,870
	15,055	175,305	(142,494)	176	48,042

Termination benefits

	As at 31 December 2015	As at 31 December 2014
Early retirement benefits	82,079	80,594

(c) Unearned rent and deposits under lease arrangements

For the year ended 31 December 2015, the Group's unearned rent and deposits under lease arrangements are all contributed by its subsidiary Huishang Bank Financial Leasing Co.,LTD., which includes the deposits and deferred income of financial lease.

(d) Advance from a potential investor

The Bank received HK\$1,789 million (RMB1,416 million equivalent) advance on 31 December 2014 from a potential shareholder for its subscription to the Bank's private placement. Due to certain prerequisite conditions for the capital increase not fulfilled, the Bank repaid the advance, together with interest paying at relevant demand deposit rate to this potential investor on 16 January 2015.

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(All amounts expressed in thousands of RMB unless otherwise stated)

35 DEFERRED INCOME TAXES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority. The movement in the deferred income tax account is as follows:

	2015	2014
Balance at beginning of the year	955,787	1,113,242
Charged to income statement	444,958	109,257
Credited to shareholders' equity	(126,682)	(266,712)
Balance at end of the year	1,274,063	955,787

Items included in deferred tax assets and liabilities are as follows:

	2015	2014
Deferred tax assets		
Impairment allowance for assets	1,078,891	684,427
Salary and welfare payable	258,748	223,436
Changes in fair value	4,052	36,470
Others	32,817	13,321
	1,374,508	957,654
Deferred income tax liabilities		
Changes in fair value	(100,445)	(1,867)
	(100,445)	(1,867)
Deferred tax assets, net	1,274,063	955,787

Deferred taxes taken to the statement of comprehensive income comprise the following temporary differences:

	2015	2014
Impairment allowance for assets	394,464	89,019
Salary and welfare payable	35,312	23,103
Changes in fair value	(4,442)	(6,090)
Others	19,624	3,225
	444,958	109,257

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

36 DEBT SECURITIES ISSUED

	As at 31 December	
	2015	2014
Subordinated debts with fixed rate-2026 ^(a)	3,991,375	3,992,365
Financial bonds for SMEs-2016 ^(b)	2,798,426	2,798,041
Financial bonds for SMEs-2018 ^(c)	2,198,002	2,197,691
Financial bonds 01-2018 ^(d)	3,497,583	–
Financial bonds 02-2020 ^(e)	499,631	–
Tier 2 capital bonds-2025 ^(f)	7,986,356	–
Financial bonds 03-2018 ^(g)	3,497,444	–
Financial bonds 04-2020 ^(h)	499,620	–
Certificates of deposit issued ⁽ⁱ⁾	54,457,263	9,762,896
	79,425,700	18,750,993

- (a) The Group issued RMB4 billion of subordinated debts on 2 April 2011 in China's inter-bank bond market, with a maturity of 15 years and a fixed coupon rate of 6.55%, paid annually. The Group has an option to redeem these debts at face value on 2 April 2021.

Claims on subordinated debts are posterior to other liabilities but prior to the Group's share capital. From 1 January 2013, they are qualified for inclusion as Tier 2 capital in the calculation of capital adequacy ratio in accordance with "The Trial Measures for Capital Management of Commercial Banks" promulgated by the CBRC.

- (b) The Group issued RMB2.8 billion of financial bonds designated for lending to small and medium size enterprises ("SMEs") on 19 March 2013 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.30%, paid annually.
- (c) The Group issued RMB2.2 billion of financial bonds designated for SMEs lending on 19 March 2013 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.50%, paid annually.
- (d) The Group issued RMB3.5 billion of financial bonds on 30 July 2015 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.15%, paid annually.
- (e) The Group issued RMB0.5 billion of financial bonds on 30 July 2015 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.35%, paid annually.
- (f) The Group issued RMB8.0 billion of tier 2 capital bonds on 11 September 2015 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.69%, paid annually. The Group has an option to redeem part or all of the bonds at face value on 11 September 2020, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

36 DEBT SECURITIES ISSUED (Continued)

- (g) The Group issued RMB3.5 billion of financial bonds on 24 September 2015 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 3.90%, paid annually.
- (h) The Group issued RMB0.5 billion of financial bonds on 24 September 2015 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.10%, paid annually.
- (i) The Group issued 138 certificates of deposit at discounts with total face value of RMB84.51 billion with the maturities ranging from one month to one year, also issued 11 certificates of deposit with floating rate with total face value of RMB2.78 billion with the maturities ranging from one year to two year in 2015. As at 31 December 2015, the face value of the undue certificates of deposit issued is 55.39 billion.

As of 2015, there are no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

37 SHARE CAPITAL AND CAPITAL RESERVE

The Bank's share capital is comprised of fully paid common shares in issue, with par value of RMB1 per share. The number of shares is as follows:

	As at 31 December	
	2015	2014
Number of authorized shares fully paid in issue (in thousands)	11,049,819	11,049,819

Transactions of the following natures are recorded in the capital reserve:

- (i) share premium arising from the issuance of shares at prices in excess of their par value;
- (ii) donations received from shareholders; and
- (iii) any other items required by the PRC regulations.

Capital surplus can be utilized for the issuance of stock dividend or for increasing paid-up capital as approved by the shareholders.

The Group's capital surplus is as follows:

	As at 31 December	
	2015	2014
Share premium	6,751,041	6,751,041

Notes to the Consolidated Financial Statements

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38 OTHER RESERVE

	Surplus reserve (a)	General reserve (b)
As at 1 January 2014	3,011,585	3,062,782
Appropriation to surplus reserve	1,059,669	–
Appropriation to general reserve	–	680,678
As at 31 December 2014	4,071,254	3,743,460
Appropriation to surplus reserve	1,178,712	–
Appropriation to general reserve	–	972,833
As at 31 December at 2015	5,249,966	4,716,293

(a) Surplus reserve

Pursuant to the “Company Law of the PRC” and the Group’s Articles of Association, the Group is required to appropriate 10% of its net profit in statutory financial statements to a non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. The Bank can appropriate to the discretionary surplus reserve after statutory surplus reserve have been made.

As at 31 December 2015 and 2014, the Bank’s statutory surplus reserve balances were RMB3,140.16 million and RMB2,528.47 million respectively. The others were discretionary surplus reserve.

(b) General reserve

Pursuant to Cai Jin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions”(the “Requirements”) issued by Ministry of Finance on 20 March 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. The Requirements were effective from 1 July 2012.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

39 DIVIDENDS

	2015	2014
Dividends declared for the year	1,755,784	1,723,772
Dividends per ordinary share (in RMB Yuan)	0.159	0.159
Dividends paid during the year	1,679,987	1,658,911

The final dividend of RMB0.159 per share in respect of the year of 2015 amounting to RMB1,756.92 million in total has been proposed by the directors and is subject to approval by the shareholders in the general meeting.

Under the "Company Law of the PRC" and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up cumulative losses from prior years, if any;
- (ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank;
- (iii) Allocations to the discretionary reserve with approval from the General Meetings of Shareholders. These funds form part of the shareholders' equity.

In accordance with the relevant regulations, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with PRC Generally Accepted Accounting Principles and (ii) the retained profit determined in accordance with IFRS.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

40 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

(a) Financial guarantees and credit commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit commitments:

	As at 31 December	
	2015	2014
Bank bills acceptance	45,275,957	50,096,255
Loan commitments	8,513,436	5,814,673
Letters of credit issued	1,833,356	1,892,629
Unused credit card lines	6,293,828	2,793,824
Letters of guarantee issued	4,249,333	2,783,560
	66,165,910	63,380,941

(b) Capital commitments

	As at 31 December	
	2015	2014
Contracted but not provided for	762,889	145,588

(c) Operating lease commitments

Where the Group is the lessee, the future minimum lease payments on buildings under non-cancellable operating leases are as follows:

	As at 31 December	
	2015	2014
Within 1 year	224,169	186,218
Between 1 year to 5 years	629,040	549,690
Later than 5 years	253,332	244,582
	1,106,541	980,490

(d) Treasury bond redemption commitments

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 31 December 2015 and 2014, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity were RMB1.8 billion and RMB1.6 billion respectively.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

40 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(e) Legal proceedings

During the reporting period, the Group is involved as defendants in certain lawsuits arising from its normal business operations. At 31 December 2015, provision for litigation losses as advised by in-house or external legal professionals was 65,597 million (31 December 2014: nil). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

41 GUARANTY

(a) Pledged assets

Assets are pledged as collateral under repurchase agreements and for treasury deposits with other banks and Ministry of Finance.

	As at 31 December	
	2015	2014
Available-for-sale financial assets	7,834,272	14,754,839
Held-to-maturity investments	12,387,051	10,700,412
Securities held under resale agreements	–	3,321,899
Bills held under resale agreements	18,305,170	41,960,614
Discounted bills	2,577,160	2,163,771
Total	41,103,653	72,901,535

The carrying value of financial assets sold under repurchase agreements by the Group as at 31 December 2015 was RMB45,432 million (as at 31 December: 2014 RMB72,481 million) as set out in Note 31 Financial Assets Sold under Repurchase Agreements. Repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. The debt securities with title transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group did not derecognize amounted to RMB4,539.46 million as at 31 December 2015 (as at 31 December 2014: nil)

In addition, the Group has no debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

41 GUARANTY (Continued)

(b) Collateral accepted

The Group received debt securities, bills, loans and other assets as collateral in connection with the purchase of assets under resale agreements. Certain of these collateral can be resold or re-pledged. The Group has accepted collateral that can be resold or re-pledged with a carrying amount of RMB24,615 million as at 31 December 2015 (31 December 2014: RMB7,918 million). The Group has accepted collateral that can be re-pledged and the Group has the right to return with a carrying amount of RMB18,305 million as at 31 December 2015 (31 December 2014: RMB45,283 million).

42 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 31 December	
	2015	2014
Financial guarantees and credit related commitments	25,300,430	34,467,165

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

43 OTHER COMPREHENSIVE INCOME

	2015		
	Pre-tax amount	Tax charge	Net-of-tax amount
Other comprehensive income	(145,881)	36,470	(109,411)
Fair value changes in available-for-sale	525,536	(131,384)	394,152
Deduct: Included in the current profit and loss	(18,807)	4,702	(14,105)
Other comprehensive income for the year	360,848	(90,212)	270,636

	2014		
	Pre-tax amount	Tax charge	Net-of-tax amount
Other comprehensive income	(1,212,729)	303,182	(909,547)
Fair value changes in available-for-sale	1,014,800	(253,700)	761,100
Deduct: Included in the current profit and loss	52,048	(13,012)	39,036
Other comprehensive income for the year	(145,881)	36,470	(109,411)

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

44 STRUCTURED ENTITIES

a) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products (“WMP”) issued and managed by the Bank acting as an agent, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. Based on the analysis and research of the potential target customers, the Group designs and offers wealth management products to meet the needs of the customers. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Gains would be allocated to investors after the Group gained from investment. The Group receives commission income as the manager of these wealth management products. For the year ended 31 December 2015 and 2014, total wealth commission income the Group received are 67.30 million and 32.87 million respectively. The Group considered its variable returns from the structured entities are insignificant and hence they are not consolidated.

As at 31 December 2015, the carrying value of the off-balance sheet wealth management the Group issued and managed is RMB36,725 million (31 December 2014: 10,442 million). As at 31 December 2015, the Group’s maximum exposure to these unconsolidated structured entities is zero (31 December 2014: nil).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above. The Group is not required to absorb any losses incurred by WMPs before other parties. No loss was incurred by the WMP vehicles relating to the Group’s interests in the WMP vehicles, and the WMP vehicles did not experience difficulty in financing their activities.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

44 STRUCTURED ENTITIES (Continued)

b) Unconsolidated structured entities invested by the Group

To maximize the usage of capital, the Group enters into transactions with unconsolidated structured entities which include wealth management products and the asset management schemes issued by other independent third parties in 2014 and 2015. The Group classifies these assets into “loans and receivables” or “available-for-sale financial assets” based on their nature. As the investor of these entities, the Group earns interest from these transactions. The Group has not provided any liquidity support to these unconsolidated structured entities in 2014 and 2015.

The table below shows the carrying value and scale of unconsolidated structured entities invested by the Group.

	Carrying Value	Maximum Exposure to Loss
At 31 December 2015		
Loans and receivables		
– Guaranteed wealth management products	5,800,000	5,800,000
– Beneficial rights in trust and asset management plans	83,214,733	83,214,733
Available-for-sale financial assets		
– Non-guaranteed wealth management products	4,500,000	4,500,000
– Beneficial rights in trust and asset management plans	67,612,920	67,612,920
<hr/>		
	Carrying Value	Maximum Exposure to Loss
At 31 December 2014		
Loans and receivables		
– Guaranteed wealth management products	3,045,588	3,045,588
– Beneficial rights in trust and asset management plans	4,639,253	4,639,253
Available-for-sale financial assets		
– Beneficial rights in trust and asset management plans	41,536,647	41,536,647

The information of total size of the unconsolidated structured entities listed above is not readily available from the public.

c) Consolidated structured entities

Consolidated structured entities include guaranteed wealth management products established and managed by the Group and the beneficial rights in trust and asset management plans which the Group made the investment decision.

The Group did not provide liquidity support to these consolidated structured entities during 2014 and 2015.

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(All amounts expressed in thousands of RMB unless otherwise stated)

45 NOTES TO THE STATEMENT OF CASH FLOWS

For the purpose of the statement of cash flow, cash and cash equivalents comprises the following balances with an original maturity of less than three months and are used for the purpose of meeting short-term cash commitments:

	As at 31 December	
	2015	2014
Cash	1,179,229	1,067,900
Surplus reserve with central bank	23,494,175	18,178,612
Deposits with banks and other financial institutions	17,631,151	13,881,410
	42,304,555	33,127,922

46 CREDIT ASSETS SECURITISATION TRANSACTIONS

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains 5% interests in each tranche which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial positions to the extent of the Group's continuing involvement.

As at 31 December 2015, loans with an original carrying amount of RMB3,087 million (2014: RMB3,087 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2015, the carrying amount of assets that the Group continued to recognise was RMB38 million (2014: RMB154 million), and was recognized as available-for-sale financial assets.

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47 RELATED PARTY TRANSACTIONS

(1) Related parties

The table below listed major related legal entities of the Group:

Major related legal entities with the Group	Relationship with the Group	Share percentage (%)
Shanghai Soong Ching Ling Foundation	Major shareholders	9.89
Anhui Province Energy Group Co.	Major shareholders	9.47
China Vanke Co.,Ltd.	Major shareholders	8.00
Anhui Guoyuan Holding (Group) Co.	Major shareholders	7.19
Anhui Credit Guaranty Group Co.	Major shareholders	6.81

(2) Related party transactions and balances

Related-party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

a) Transactions with major shareholders and balances

As at balance sheet dates stated above, the balances and interest rate ranges of transactions with major shareholders of the Group are as follows:

	As at 31 December	
	2015	2014
Loans and advances to customers	49,000	–
Investment securities	–	29,870
Placements from banks and other financial institutions	28,980	49,210
Deposits from customers	785,557	863,123
Letters of guarantee	–	2,600
	863,537	944,803

	As at 31 December	
	2015	2014
Loans and advances to customers	6.60%	–
Investment securities	–	4.72%
Placements from banks and other financial institutions	0.72%-2.50%	0.42%~3.30%
Deposits from customers	0.35%-1.50%	0.42%~3.30%

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

47 RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions and balances (Continued)

a) Transactions with major shareholders and balances (Continued)

The interest income and expense of loans and deposits with respect to major shareholders are as follows:

	2015	2014
Interest income	1,852	2,198
Interest expense	15,465	7,817

b) Transactions with other related parties

As at the balance sheet date, the balances and interest rate ranges of transactions with other related parties of the Group are as follows:

	As at 31 December	
	2015	2014
Placements with banks and other financial institutions	–	800,000
Loans and advances to customers	1,271	597
Placements from banks and other financial institutions	101,681	347,209
Deposits from customers	29,249	14,884
	132,201	1,162,690

	As at 31 December	
	2015	2014
Placements with banks and other financial institutions	–	4.70%~5.00%
Loans and advances to customers	4.31%-5.00%	4.58%~6.40%
Placements from banks and other financial institutions	0.30%-1.08%	0.39%~0.72%
Deposits from customers	0.35%-1.30%	0.42%~5.50%

The interest income and expense of loans and deposits with respect to other related parties are as follows:

	2015	2014
Interest income	38	41
Interest expense	2,596	589

The group lent a five-year housing mortgage loan to one of the senior management named Chen Hao, with annual interest rate of 5% in 2015. As at 31 December 2015, the loan balance is 1,134 thousand (31 December 2014: nil).

c) Emoluments for directors, supervisors and senior management

	2015	2014
Emoluments for directors, supervisors and senior management	24,008	21,938

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

48 SEGMENT ANALYSIS

The Group manages the business from both business and geographic perspectives. From the business perspective, the Group provides services through four main business segments listed below:

Corporate banking

- Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

Retail banking

- Services to retail customers including savings deposits, personal loans and advances, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury

- Treasury segment conducts securities investment, money market and repurchase transactions. The results of this segment include the inter-segment funding income and expenses, resulting from interest bearing assets and liabilities and foreign currency translation gains and losses.

Others

- Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

Geographically, the Group mainly conducts its business in Anhui Province and the Yangtze River Delta area of the PRC. All information disclosed is based on the locations of bank branches.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

48 SEGMENT ANALYSIS (Continued)

	2015				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	12,045,780	3,643,515	12,912,425	339,538	28,941,258
Net interest expense to external customers	(4,931,136)	(1,483,130)	(7,560,750)	(123,090)	(14,098,106)
Intersegment net interest income/(expense)	1,674,696	262,744	(1,937,440)	–	–
Net interest income	8,789,340	2,423,129	3,414,235	216,448	14,843,152
Net fee and commission income	1,129,774	322,321	222,927	96,258	1,771,280
Net trading gains	–	–	55,439	–	55,439
Net gains from investment securities	–	–	210,419	–	210,419
Dividends	–	–	440	–	440
Other operating income	–	–	34,294	62,076	96,370
Operating expenses	(3,306,412)	(1,458,839)	(485,201)	(184,799)	(5,435,251)
– Depreciation and amortization	(165,437)	(144,132)	(5,418)	(5,517)	(320,504)
Impairment losses on assets	(1,902,639)	(655,856)	(995,800)	(102,541)	(3,656,836)
Share of profits of associates	–	–	–	87,976	87,976
Profit before income tax	4,710,063	630,755	2,456,753	175,418	7,972,989
Capital expenditure	235,988	205,596	7,729	12,050	461,363

	As at 31 December 2015				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	177,712,176	64,654,305	380,348,622	12,141,455	634,856,558
<i>Including: investment in associates</i>	–	–	–	413,581	413,581
Deferred tax assets					1,274,063
Total assets					636,130,621
Segment liabilities	(275,098,197)	(87,680,828)	(219,531,100)	(11,475,235)	(593,785,360)
Off-balance sheet credit commitments	59,445,023	6,293,828	–	427,059	66,165,910

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

48 SEGMENT ANALYSIS (Continued)

	2014				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	11,037,676	3,437,214	8,552,923	28,876	23,056,689
Net interest expense to external customers	(5,146,576)	(1,207,593)	(5,272,445)	(7,252)	(11,633,866)
Intersegment net interest income/ (expense)	219,801	634,246	(854,047)	–	–
Net interest income	6,110,901	2,863,867	2,426,431	21,624	11,422,823
Net fee and commission income	361,095	227,964	267,180	(30)	856,209
Net trading gains	–	–	63,526	–	63,526
Net gains/losses from investment securities	–	–	255,049	–	255,049
Dividends	–	–	360	–	360
Other operating income	–	–	–	150,086	150,086
Operating expenses	(2,763,233)	(1,224,137)	(196,420)	(32,881)	(4,216,671)
– Depreciation and amortization	(154,258)	(143,024)	(1,338)	(997)	(299,617)
Impairment losses on assets	(683,112)	(238,185)	(271,655)	(4,293)	(1,197,245)
Share of profits of associates	–	–	–	76,377	76,377
Profit before income tax	3,025,651	1,629,509	2,544,471	210,883	7,410,514
Capital expenditure	181,314	168,110	1,572	2,126	353,122

	As at 31 December 2014				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	161,083,728	57,541,957	259,757,059	3,425,783	481,808,527
<i>Including: investment in associates</i>	–	–	–	325,605	325,605
Deferred tax assets					955,787
Total assets					482,764,314
Segment liabilities	(245,965,263)	(75,252,315)	(117,873,177)	(7,120,635)	(446,211,390)
Off-balance sheet credit commitments	60,112,368	2,793,824	–	474,749	63,380,941

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

48 SEGMENT ANALYSIS (Continued)

	2015				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	13,739,142	1,945,912	13,256,204	–	28,941,258
Net interest expense to external customers	(6,889,521)	(535,654)	(6,672,931)	–	(14,098,106)
Intersegment net interest income/(expense)	3,047,644	(582,462)	(2,465,182)	–	–
Net interest income	9,897,265	827,796	4,118,091	–	14,843,152
Net fee and commission income	870,929	52,261	848,090	–	1,771,280
Net trading gains	37,656	527	17,256	–	55,439
Net gains from investment securities	–	–	210,419	–	210,419
Dividends	–	–	440	–	440
Other operating income	62,000	2	34,368	–	96,370
Operating expenses	(3,375,968)	(283,066)	(1,776,217)	–	(5,435,251)
– Depreciation and amortization	(219,477)	(13,859)	(87,168)	–	(320,504)
Impairment losses on assets	(2,576,296)	(209,276)	(871,264)	–	(3,656,836)
Share of profits of associates	–	–	87,976	–	87,976
Profit before income tax	4,915,586	388,244	2,669,159	–	7,972,989
Capital expenditure	227,100	1,445	232,818	–	461,363

	As at 31 December 2015				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Segment assets	335,142,188	56,924,328	415,008,734	(172,218,692)	634,856,558
<i>Including: investment in associates</i>	–	–	413,581	–	413,581
Deferred tax assets					1,274,063
Total assets					636,130,621
Segment liabilities	(219,484,231)	(67,024,237)	(479,495,534)	172,218,642	(593,785,360)
Off-balance sheet credit commitments	41,204,349	14,504,700	10,456,861	–	66,165,910

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

48 SEGMENT ANALYSIS (Continued)

	2014				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	13,649,208	1,008,319	8,399,162	–	23,056,689
Net interest expense to external customers	(6,995,261)	(689,343)	(3,949,262)	–	(11,633,866)
Intersegment net interest income/(expense)	874,228	66,851	(941,079)	–	–
Net interest income	7,528,175	385,827	3,508,821	–	11,422,823
Net fee and commission income	553,772	58,838	243,599	–	856,209
Net trading gains	22,511	1,908	39,107	–	63,526
Net gains/losses from investment securities	–	–	255,049	–	255,049
Dividends	–	–	360	–	360
Other operating income	65,206	3	84,877	–	150,086
Operating expenses	(2,834,399)	(259,424)	(1,122,848)	–	(4,216,671)
– Depreciation and amortization	(172,850)	(16,548)	(110,219)	–	(299,617)
Impairment losses on assets	(906,723)	(71,861)	(218,661)	–	(1,197,245)
Share of profits of associates	–	–	76,377	–	76,377
Profit before income tax	4,428,542	115,291	2,866,681	–	7,410,514
Capital expenditure	172,233	2,185	178,704	–	353,122

	As at 31 December 2014				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Segment assets	295,769,751	23,613,670	262,973,218	(100,548,112)	481,808,527
<i>Including: investment in associates</i>	–	–	325,605	–	325,605
Deferred tax assets					955,787
Total assets					482,764,314
Segment liabilities	(205,522,190)	(17,225,267)	(324,012,045)	100,548,112	(446,211,390)
Off-balance sheet credit commitments	42,548,658	15,371,111	5,461,172	–	63,380,941

There were no material transactions with a single external customer that the Group mainly relies on.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The most important types of risks are credit risk, liquidity risk and market risk which also includes currency risk and interest rate risk.

The Board of Directors is responsible for establishing the overall risk appetite of the Group. Management establishes corresponding risk management policies and procedures covering areas of credit risk, market risk and liquidity risk under the risk appetite approved by the Board of Directors.

49.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally in loans and advances to banks, customers and securities. There is also credit risk in off-balance sheet financial arrangements: such as loan commitments. The Group mainly conducts its business in Anhui Province of the PRC, indicating a concentration risk in the Group's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The credit risk management and control are centralized in the Risk Management Department of Head Office and reported to management regularly.

49.1.1 Credit risk measurement

(i) *Loans and advances and off-balance sheet commitments*

The Group measures and manages the credit quality of its credit assets through five-category system based on the "Guideline for Loan Credit Risk Classification" (the "Guideline") issued by the CBRC. The Guideline requires commercial banks to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss categories, among which loan classified in sub-standard, doubtful and loss categories are regarded as non-performing loans.

The five categories are defined by the Guideline as follows:

Pass: loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special-mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.1 Credit risk measurement (Continued)

(i) *Loans and advances and off-balance sheet commitments (Continued)*

Substandard: loans for which borrowers' ability to service the loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: loans for which borrowers cannot pay back principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.

Loss: principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

(ii) *Debt securities and other bills*

The Group manages the credit risk through restriction on the types of and management of issuers of debt securities and other bills invested. So far, the Group holds no foreign currency bonds.

(iii) *Deposits with banks and other financial institutions, Placements with banks and other financial institutions and Financial assets held under resale agreements*

The Group's Head Office executes regular review and management of credit risk related to individual financial institutions, and sets credit lines for individual banks and other financial institutions that it conducts business with.

(iv) *Other financial assets classified as loans and receivables or available-for-sale*

Other financial assets classified as loans and receivables or available-for-sale, include wealth management products issued and managed by other banks, trust plans and asset management plans. The Group established a risk evaluation system on the trust companies, security companies and fund management companies, set up credit limit for parties and performs ongoing post-lending monitoring on timely basis.

49.1.2 Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties, groups, industries and regions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The Group grants branches and business departments operational authority from Head Office. Based on the status of geographical economy, management level of branches, types of credit products, types of credit rating, collateral type, and scale of customers, Head Office gives flexible and dynamic authority to its branches with respect to credit business. Such authorities are monitored on a revolving basis and subject to a regular review to make sure operations of the branches are within limits of authority granted.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.2 Risk limit control and mitigation policies (Continued)

(i) *Credit risk mitigation policies*

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent policies taken by the Group include the taking of physical or cash collaterals, cash deposit and corporate or individual guarantees.

The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types are:

- Property and land use rights
- General movable assets
- Time deposit certificates, debt securities and commodity warehouse receipts etc.

The fair value of collaterals should be assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collaterals. The principal collateral types and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collateral	Maximum loan-to-value ratio
Residential property, commercial property, and construction land use rights	70%
Office buildings	60%
General movable assets	50%
RMB deposit receipts, bank notes, government bonds	90%
Debt securities issued by financial institutions	80%
Commodity warehouse receipt	60%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

(ii) *Credit-related off-balance sheet commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees are irrevocable commitments made by the Group for which the Group must make payments to the third party when its customers fail to satisfy this obligation. Hence, they carry the same credit risks as loans. The Group usually takes cash collateral to mitigate such credit risk. The Group's maximum exposure to credit risk equals the total amount of credit-related off-balance sheet commitments.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December	
	2015	2014
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Balances with the central bank	77,234,805	75,352,968
Deposits with banks and other financial institutions	10,283,249	11,352,332
Placement with banks and other financial institutions	20,990,412	9,232,910
Financial assets at fair value through profit or loss	2,730,120	2,963,949
Derivative financial assets	3,789	1,878
Financial assets held under resale agreements	42,919,944	53,200,619
Loans and advances to customers	237,428,103	214,734,236
Investment securities-available-for-sale	96,262,148	71,562,829
Investment securities-held-to-maturity	42,257,244	30,020,845
Investment securities-loans and receivables	89,134,252	7,797,472
Finance lease receivables	7,502,268	-
Other financial assets	4,216,634	2,259,715
	630,962,968	478,479,753
Credit risk exposures relation to off-balance sheet items are as follows:		
Bank acceptance	45,275,957	50,096,255
Letters of credit	1,833,356	1,892,629
Letters of guarantee	4,249,333	2,783,560
Loan commitments	8,513,436	5,814,673
Unused credit card lines	6,293,828	2,793,824
	66,165,910	63,380,941

The above table represents the worst-case scenario of credit risk exposure to the Group at 31 December 2015 and 31 December 2014, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As mentioned above, 37.63% of on-balance-sheet exposure is attributable to loans and advances to customers (2014: 44.88%).

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loans and advances portfolio based on the following:

- 95.72% of the loans and advances portfolio is categorized as Pass of the five-category system (2014: 97.93%);
- Collateralized loans and mortgage loans, which represents the biggest group in the corporate and retail portfolio respectively, are backed by collateral;
- 97.24% of the loans and advances portfolio are considered to be neither past due nor impaired (2014: 98.53%).

49.1.4 Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements

Placements with banks and other financial institutions and financial assets hold under resale agreements are neither overdue nor impaired. Their credit risk can be evaluated by the credibility of the counterparties. The Group has accrued sufficient allowance against the impaired deposits with banks and other financial institutions at 31 December 2015 and 31 December 2014.

	2015	2014
Commercial banks in PRC mainland	70,135,105	51,786,398
Other financial institutions in PRC mainland	3,781,099	20,081,959
Commercial banks not in PRC mainland	277,401	1,917,504
	74,193,605	73,785,861

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.5 Loans and advances to customers

(a) Analysis of loans and advances to customers by industry

Concentrations of credit risk of loans and advances to customers by industry are analysed as follow:

	As at 31 December			
	2015		2014	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	52,103,324	21	41,983,001	19
Manufacturing	37,420,059	15	40,946,313	19
Public utilities	26,878,790	11	19,600,277	9
Real estate	13,400,133	6	16,508,235	8
Construction	12,899,268	5	14,137,822	6
Transportation	5,432,828	2	6,281,562	3
Energy and chemistry	3,259,571	1	3,448,059	2
Catering and travelling	1,975,712	1	1,547,953	1
Education and media	1,707,544	1	1,911,795	1
Financial services	210,086	–	833,616	–
Others	2,142,555	1	2,024,570	1
Discounted bills	21,610,553	9	13,579,764	6
Subtotal	179,040,423	73	162,802,967	75
Personal loans and advances				
Mortgages	44,627,089	19	40,069,638	17
Revolving loans for private business	10,316,157	4	10,420,318	5
Others	9,450,523	4	6,103,736	3
Subtotal	64,393,769	27	56,593,692	25
Total loans and advances to customers, before impairment allowance	243,434,192	100	219,396,659	100

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.5 Loans and advances to customers (Continued)

(b) Analysis of loans and advances to customers by collateral type

The contractual amounts of loans and advances to customers are analyzed by security type:

	As at 31 December	
	2015	2014
Unsecured	16,697,788	11,722,745
Guaranteed	67,944,273	69,701,605
Collateralized	128,914,339	116,699,214
Pledged	29,877,792	21,273,095
Total loans and advances to customers	243,434,192	219,396,659

(c) Analysis of loans and advances to customers by geographical area

	As at 31 December					
	2015			2014		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	222,171,550	91.27%	0.97%	203,880,486	92.93%	0.86%
Pan Yangtze River Delta	21,262,642	8.73%	1.11%	15,516,173	7.07%	0.47%
Total loans and advances to customers	243,434,192	100.00%	0.98%	219,396,659	100.00%	0.83%

(d) Analysis of loans and advances to customers by overdue and impaired status

	2015		2014	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired ^(e)	174,946,447	63,451,201	160,532,288	55,647,626
Overdue but not impaired ^(f)	2,230,115	408,691	732,984	657,285
Impaired ^(g)	1,863,861	533,877	1,537,695	288,781
Total	179,040,423	64,393,769	162,802,967	56,593,692
Less: collectively assessed impairment allowance	(3,967,444)	(1,347,287)	(3,504,202)	(731,285)
individually assessed impairment allowance	(691,358)	–	(426,936)	–
Total impairment allowance	(4,658,802)	(1,347,287)	(3,931,138)	(731,285)
Net	174,381,621	63,046,482	158,871,829	55,862,407

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.5 Loans and advances to customers (Continued)

(e) *Loans and advances neither overdue nor impaired*

The credit quality of the portfolio of loans and advances that were neither past due nor impaired of single corporate customer can be assessed by reference to the five-category system adopted by the Group.

As at 31 December 2015

Neither overdue nor impaired	Five-category classification		Total
	Pass	Special- mention	
Corporate loans			
– Commercial loans	148,532,578	4,803,316	153,335,894
– Discounted bills	21,610,553	–	21,610,553
Subtotal	170,143,131	4,803,316	174,946,447
Personal loans and advances	62,951,756	499,445	63,451,201
Total	233,094,887	5,302,761	238,397,648

As at 31 December 2014

Neither overdue nor impaired	Five-category classification		Total
	Pass	Special- mention	
Corporate loans			
– Commercial loans	143,613,511	3,512,781	147,126,292
– Discounted bills	13,405,996	–	13,405,996
Subtotal	157,019,507	3,512,781	160,532,288
Personal loans and advances	55,643,687	3,939	55,647,626
Total	212,663,194	3,516,720	216,179,914

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.5 Loans and advances to customers (Continued)

(f) Loans and advances overdue but not impaired

Analysis of assets overdue but not impaired by overdue days:

As at 31 December 2015

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
Corporate loans	45,324	1,000	–	2,183,791	2,230,115
Personal loans and advances	64,653	72,378	36,845	234,815	408,691
Total	109,977	73,378	36,845	2,418,606	2,638,806

As at 31 December 2014

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
Corporate loans	166,911	239,384	138,104	188,585	732,984
Personal loans and advances	274,259	146,161	95,890	140,975	657,285
Total	441,170	385,545	233,994	329,560	1,390,269

The Group is of the view that these past due loans can be recovered from the operation income of borrowers, the payment from guarantors or disposal of collateral, are therefore not impaired.

As at 31 December 2015, the fair value of collateral for corporate loans that were past due but not impaired amounted to RMB1,828.08 million (31 December 2014: RMB624.43 million). The fair value of collateral for retail loans that were past due but not impaired amounted to RMB511.50 million (31 December 2014: RMB1,358.09 million).

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.5 Loans and advances to customers (Continued)

(g) Impaired loans and advances

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	As at 31 December	
	2015	2014
Corporate loans	1,863,861	1,537,695
Personal loans and advances	533,877	288,781
Total	2,397,738	1,826,476
Fair value of collateral		
Corporate loans	1,615,322	743,234
Personal loans and advances	531,667	217,497
Total	2,146,989	960,731

The fair value of collateral is estimated based on the latest external valuations available, considering the realization experience of the current collateral and the market conditions.

(h) Renegotiated loans and advances

Renegotiated loans represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. At 31 December 2015, carrying value of the renegotiated loans held by the Group amounted to RMB438.14 million (31 December 2014: Nil).

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.5 Loans and advances to customers (Continued)

(i) Overdue loans and advances by overdue days and collateral types

	As at 31 December 2015				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	76	205,137	25,794	190	231,197
Guaranteed	46,091	1,291,592	171,779	84	1,509,546
Collateralized	265,579	2,231,486	520,534	12,916	3,030,515
Pledged	2,560	90,295	79,118	–	171,973
	314,306	3,818,510	797,225	13,190	4,943,231

	As at 31 December 2014				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	214,876	31,859	7,204	215	254,154
Guaranteed	474,373	323,519	105,722	134	903,748
Collateralized	860,577	827,143	170,468	11,002	1,869,190
Pledged	2,259	90,427	53,762	–	146,448
	1,552,085	1,272,948	337,156	11,351	3,173,540

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.6 Debt securities

The table below presents an analysis of debt securities by external credit rating companies:

As at 31 December 2015	Held-for- Trading (a)	Available- for-sale (b)	Held-to- maturity (a)	Loans and receivables (c)	Total
RMB securities					
AAA	–	686,918	4,281,734	–	4,968,652
AA- to AA+	337,406	3,870,037	2,605,335	–	6,812,778
A- to A+	–	160,867	–	–	160,867
Unrated	2,392,714	92,006,582	35,370,175	89,766,178	219,535,649
Total	2,730,120	96,724,404	42,257,244	89,766,178	231,477,946
Allowance for impairment losses	–	(462,256)	–	(631,926)	(1,094,182)
Net balance	2,730,120	96,262,148	42,257,244	89,134,252	230,383,764

As at 31 December 2014	Held-for- trading	Available- for-sale	Held-to- maturity	Loans and receivables	Total
RMB securities					
AAA	139,604	1,633,663	3,866,326	–	5,639,593
AA- to AA+	409,836	4,709,506	3,757,439	–	8,876,781
A- to A+	–	744,057	776,729	–	1,520,786
Unrated	2,414,509	64,694,264	21,620,351	7,797,472	96,526,596
Total	2,963,949	71,781,490	30,020,845	7,797,472	112,563,756
Allowance for impairment losses	–	(218,661)	–	–	(218,661)
Total	2,963,949	71,562,829	30,020,845	7,797,472	112,345,095

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.6 Debt securities (Continued)

- (a) The unrated debt securities (held-for-trading and held-to-maturity) held by the Group mainly represent investments and trading securities issued by Ministry of Finance of the PRC ("MOF"), the PBOC and policy banks which are creditworthy issuers in the market, but are not rated by independent rating agencies.
- (b) The unrated available-for-sale held by the Group mainly represent investments and trading securities issued by MOF, the PBOC, policy banks, other well qualified issuers, and asset management schemes by securities firms or trust companies and other investment funds raised from issuing the principal-guaranteed wealth management products. The principle and income of asset management schemes and other investment funds are mainly guaranteed by financial institutions or third party companies, or secured by collateral. The Bank sets credit risk limit to the counter party banks and third party companies to mitigate the risk associated therewith.
- (c) Loans and receivables mainly include the principal-guaranteed wealth management products issued by other banks and other fixed-income financial instruments.

There are no overdue or impaired debt securities as of the reporting periods end. The Group holds no collateral, and no impairment provision has been provided against these debt securities.

49.1.7 Foreclosed collateral

	As at 31 December	
	2015	2014
Property and land use rights	82,773	153
Others	2,600	92
Total	85,373	245
Allowance for impairment losses (Note 28)	(38)	(38)
Net balance	85,335	207

Foreclosed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed property cannot be used for operating activities. Foreclosed property is classified in the balance sheet within other assets.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

As at 31 December 2015	PRC			Total
	mainland	Hong Kong	Others	
Financial assets				
Balances with the central bank	77,234,805	–	–	77,234,805
Deposits with banks and other financial institutions	10,005,848	90,091	187,310	10,283,249
Placements with banks and other financial institutions	20,990,412	–	–	20,990,412
Financial assets at fair value through profit or loss	2,730,120	–	–	2,730,120
Derivative financial assets	3,789	–	–	3,789
Financial assets held under resale agreements	42,919,944	–	–	42,919,944
Loans and advances to customers	237,428,103	–	–	237,428,103
Investment securities				
– available-for-sale	96,262,148	–	–	96,262,148
Investment securities				
– held-to-maturity	42,257,244	–	–	42,257,244
Investment securities				
– loans and receivables	89,134,252	–	–	89,134,252
Finance lease receivables	7,502,268	–	–	7,502,268
Other financial assets	4,216,634	–	–	4,216,634
	630,685,567	90,091	187,310	630,962,968
Off-balance sheet assets				
Bank acceptance	45,275,957	–	–	45,275,957
Letters of credit	1,833,356	–	–	1,833,356
Letters of guarantee	4,249,333	–	–	4,249,333
Loan commitments	8,513,436	–	–	8,513,436
Unused credit card lines	6,293,828	–	–	6,293,828
	66,165,910	–	–	66,165,910

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

49.1.8 Concentration of risks of financial assets with credit risk exposure (Continued)

Geographical sectors (Continued)

As at 31 December 2014	PRC mainland	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	75,352,968	–	–	75,352,968
Deposits with banks and other financial institutions	9,434,828	1,560,947	356,557	11,352,332
Placements with banks and other financial institutions	9,232,910	–	–	9,232,910
Financial assets at fair value through profit or loss	2,963,949	–	–	2,963,949
Derivative financial assets	1,878	–	–	1,878
Financial assets held under resale agreements	53,200,619	–	–	53,200,619
Loans and advances to customers	214,734,236	–	–	214,734,236
Investment securities				
– available-for-sale	71,562,829	–	–	71,562,829
Investment securities				
– held-to-maturity	30,020,845	–	–	30,020,845
Investment securities				
– loans and receivables	7,797,472	–	–	7,797,472
Other financial assets	2,259,715	–	–	2,259,715
	476,562,249	1,560,947	356,557	478,479,753
Off-balance sheet assets				
Bank acceptance	50,096,255	–	–	50,096,255
Letters of credit	1,892,629	–	–	1,892,629
Letters of guarantee	2,783,560	–	–	2,783,560
Loan commitments	5,814,673	–	–	5,814,673
Unused credit card lines	2,793,824	–	–	2,793,824
	63,380,941	–	–	63,380,941

The group's counterparties are mainly concentrated in mainland.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Market risk

49.2.1 Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

The Groups' market risk mainly includes trading risks arising from trading portfolio and interest rate and foreign exchange rate risks for non-trading portfolio resulted from changes in interest rates, foreign exchange rates and term structures.

The market risks arising from trading and non-trading activities are monitored by the Bank's Risk Management Department. Market risks arising from non-trading activities at the Bank level are monitored and controlled by Financial Planning Department while market risks resulting from trading activities at Bank level and non-trading activities of Financial Market Department are monitored and controlled by Financial Market Department. The Group also establishes daily, monthly and quarterly reporting mechanism in relation to market risk in which Financial Planning Department and Financial Market Department monitor and analyse market risk changes and quota execution before reporting to Risk Management Department and management on a regular basis.

49.2.2 Market risk measurement techniques

The Group mainly measures and controls market risk by conducting sensitivity analysis, foreign exchange exposure analysis, gap analysis, duration analysis, stress testing and the VaR (value at risk). The Group establishes strict authorization and exposure limits based on its overall ability to afford market risk, the types of products and the Group's business strategy. The Group sets different exposure limits and takes different quantitative measurements to manage different types of market risk of trading book and banking book. The Group also improves its funding risk management system, adjusts the related risk parameter and refines the risk measurement model in accordance with regulatory requirements.

49.2.3 Interest rate risk

The interest rate risk refers to the risk the adverse fluctuation of which has negative impact on the Group's financial performance. The Group's interest rate risk mainly arises from the mismatches between repricing dates of both on- and off-balance sheet assets and liabilities. Mismatches between repricing dates or contractual maturities may lead to the impact resulting from the fluctuation of the current interest rate on the net interest income. The Group is primarily exposed to interest rate risk through its lending, deposits and funding activities.

The Group performs business in PRC mainland in accordance with interest rate system set by the PBOC. According to previous experience, the PBOC will adjust benchmark rates for interest bearing loans and deposits in the same direction but not in parallel.

The PBOC established RMB benchmark interest rates whereby financial institutions are in a position to price their loans and deposits based on commercial and market factors. Meanwhile, the discount rate for RMB bills is market-oriented as well.

The table below summarizes the Group's exposure to interest rate risks. It includes the Group's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Market risk (Continued)

49.2.3 Interest rate risk (Continued)

As at 31 December 2015	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with the central bank	77,234,805	-	-	-	-	1,179,229	78,414,034
Deposits with banks and other financial institutions	4,389,949	3,506,300	2,387,000	-	-	-	10,283,249
Placements with banks and other financial institutions	5,484,051	3,303,284	11,151,673	979,167	-	72,237	20,990,412
Financial assets at fair value through profit or loss	89,326	320,013	493,116	1,433,785	393,880	-	2,730,120
Derivatives financial assets	-	-	-	-	-	3,789	3,789
Financial assets held under resale agreements	32,703,664	9,820,362	395,918	-	-	-	42,919,944
Loans and advances to customers	61,801,631	18,360,187	95,445,872	52,303,116	9,517,297	-	237,428,103
Investment securities							
– available-for-sale	7,299,909	11,199,705	36,681,480	37,180,234	3,900,820	9,500	96,271,648
– held-to-maturity	575,647	585,622	3,795,800	19,756,301	17,543,874	-	42,257,244
– loans and receivables	2,417,728	10,746,603	29,199,171	45,190,788	1,579,962	-	89,134,252
Finance lease receivables	42,540	276,591	1,249,280	5,877,367	56,490	-	7,502,268
Other financial assets	-	-	-	-	-	4,216,634	4,216,634
Total assets	192,039,250	58,118,667	180,799,310	162,720,758	32,992,323	5,481,389	632,151,697
Liabilities							
Deposits from banks and other financial institutions	(16,390,858)	(24,869,564)	(40,725,046)	(7,285,677)	(15,041)	-	(89,286,186)
Placements from banks and other financial institutions	(3,071,163)	-	(4,840,000)	-	-	-	(7,911,163)
Derivatives financial liabilities	-	-	-	-	-	(19,997)	(19,997)
Financial assets sold under repurchase agreements	(39,448,698)	(4,791,531)	(1,191,538)	-	-	-	(45,431,767)
Deposits from customers	(204,565,079)	(38,138,098)	(74,524,587)	(40,336,197)	(1,660,593)	-	(359,224,554)
Debt securities in issued	(3,194,183)	(12,634,853)	(39,976,654)	(11,642,279)	(11,977,731)	-	(79,425,700)
Other financial liabilities	-	-	-	-	-	(9,234,748)	(9,234,748)
Total liabilities	(266,669,981)	(80,434,046)	(161,257,825)	(59,264,153)	(13,653,365)	(9,254,745)	(590,534,115)
Total interest rate sensitivity gap	(74,630,731)	(22,315,379)	19,541,485	103,456,605	19,338,958	(3,773,356)	41,617,582

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Market risk (Continued)

49.2.3 Interest rate risk (Continued)

As at 31 December 2014	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with the central bank	75,352,968	-	-	-	-	1,067,900	76,420,868
Deposits with banks and other financial institutions	7,567,949	832,923	2,951,460	-	-	-	11,352,332
Placements with banks and other financial institutions	4,565,160	915,375	3,552,375	200,000	-	-	9,232,910
Financial assets at fair value through profit or loss	89,605	620,628	249,383	1,175,145	829,188	-	2,963,949
Derivatives financial assets	-	48	-	-	-	1,830	1,878
Financial assets held under resale agreements	25,794,379	16,552,146	10,854,094	-	-	-	53,200,619
Loans and advances to customers	106,951,482	12,349,226	80,871,813	13,172,881	1,388,834	-	214,734,236
Investment securities							
- available-for-sale	3,111,058	6,397,290	19,545,903	34,838,089	7,670,489	9,500	71,572,329
- held-to-maturity	1,074,338	1,356,860	5,024,721	11,597,331	10,967,595	-	30,020,845
- loans and receivables	-	4,419,295	3,295,567	82,610	-	-	7,797,472
Other financial assets	-	-	-	-	-	2,259,715	2,259,715
Total assets	224,506,939	43,443,791	126,345,316	61,066,056	20,856,106	3,338,945	479,557,153
Liabilities							
Borrowing from central banks	(50,000)	(27,000)	(30,000)	-	-	-	(107,000)
Deposits from banks and other financial institutions	(734,640)	(2,980,000)	(19,963,771)	(717,917)	(33,966)	-	(24,430,294)
Placements from banks and other financial institutions	(1,681,996)	-	-	-	-	-	(1,681,996)
Derivatives financial liabilities	-	(38)	-	-	-	(2,353)	(2,391)
Financial assets sold under repurchase agreements	(44,470,073)	(17,160,097)	(10,851,047)	-	-	-	(72,481,217)
Deposits from customers	(176,116,643)	(37,019,561)	(64,810,417)	(39,910,430)	(12,992)	-	(317,870,043)
Debt securities in issued	(2,992,664)	(1,044,457)	(5,725,775)	(4,995,732)	(3,992,365)	-	(18,750,993)
Other financial liabilities	-	-	-	-	-	(8,692,626)	(8,692,626)
Total liabilities	(226,046,016)	(58,231,153)	(101,381,010)	(45,624,079)	(4,039,323)	(8,694,979)	(444,016,560)
Total interest rate sensitivity gap	(1,539,077)	(14,787,362)	24,964,306	15,441,977	16,816,783	(5,356,034)	35,540,593

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Market risk (Continued)

49.2.3 Interest rate risk (Continued)

The Group mainly narrows its interest rate sensitivity gap between assets and liabilities through shorter durations for investments and resetting loan price.

The currency for the Group's majority of interest-bearing assets and liabilities is RMB. The potential impact on net interest income as at the balance sheet dates stated below with 100 bps changes along the yield curve is as follows:

	Estimated changes in net interest income	
	As at 31 December	
	2015	2014
100 bps up along the yield curve	833,665	1,321,252
100 bps down along the yield curve	(833,665)	(1,321,252)

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as available-for-sale financial assets held, whose fair value changes are recorded as an element of other comprehensive income. The potential impact is as follows:

	As at 31 December	
	2015	2014
100 bps up	(539,062)	(822,716)
100 bps down	565,092	877,073

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49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Market risk (Continued)

49.2.3 Interest rate risk (Continued)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- Demand deposits will not be re-priced;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- No consideration of impact on customers' behaviour resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

49.2.4 Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle for control over currency risk of the Group is to match assets and liabilities in different currencies and to keep currency risk within limits. Based on the guidelines provided by Risk Management Committee, relevant laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and traders' limits of authority.

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Market risk (Continued)

49.2.4 Currency risk (Continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

	RMB	USD	EUR	Others	Total
As at 31 December 2015					
Assets					
Cash and balances with the central bank	78,266,183	145,385	162	2,304	78,414,034
Deposits with banks and other financial institutions	9,826,702	248,227	95,337	112,983	10,283,249
Placements with banks and other financial institutions	19,711,172	1,279,240	–	–	20,990,412
Financial assets at fair value through profit or loss	2,730,120	–	–	–	2,730,120
Derivative financial assets	3,789	–	–	–	3,789
Financial assets held under resale agreements	42,919,944	–	–	–	42,919,944
Loans and advances to customers	236,345,202	1,082,901	–	–	237,428,103
Investment securities					
– available-for-sale	96,271,648	–	–	–	96,271,648
– held-to-maturity	42,257,244	–	–	–	42,257,244
– loans and receivables	89,134,252	–	–	–	89,134,252
Finance lease receivables	7,502,268	–	–	–	7,502,268
Other financial assets	4,215,959	675	–	–	4,216,634
Total assets	629,184,483	2,756,428	95,499	115,287	632,151,697
Liabilities					
Deposits from banks and other financial institutions	(88,899,818)	(386,368)	–	–	(89,286,186)
Placements from banks and other financial institutions	(7,756,966)	(63,962)	(90,235)	–	(7,911,163)
Derivative financial liabilities	(19,997)	–	–	–	(19,997)
Financial assets sold under repurchase agreements	(45,431,767)	–	–	–	(45,431,767)
Deposits from customers	(356,294,418)	(2,905,565)	(7,428)	(17,143)	(359,224,554)
Debt securities in issued	(79,425,700)	–	–	–	(79,425,700)
Other financial liabilities	(9,232,104)	(2,609)	(1)	(34)	(9,234,748)
Total liabilities	(587,060,770)	(3,358,504)	(97,664)	(17,177)	(590,534,115)
Net on-balance sheet financial position	42,123,713	(602,076)	(2,165)	98,110	41,617,582
Financial guarantees and credit commitments	63,487,358	2,658,815	8,950	10,787	66,165,910

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Market risk (Continued)

49.2.4 Currency risk (Continued)

	RMB	USD	EUR	Others	Total
As at 31 December 2014					
Assets					
Cash and balances with the central bank	76,367,545	51,545	53	1,725	76,420,868
Deposits with banks and other financial institutions	8,836,588	895,891	87,843	1,532,010	11,352,332
Placements with banks and other financial institutions	9,232,910	–	–	–	9,232,910
Financial assets at fair value through profit or loss	2,963,949	–	–	–	2,963,949
Derivative financial assets	1,177	701	–	–	1,878
Financial assets held under resale agreements	53,200,619	–	–	–	53,200,619
Loans and advances to customers	213,084,126	1,601,865	42,331	5,914	214,734,236
Investment securities					
– available-for-sale	71,572,329	–	–	–	71,572,329
– held-to-maturity	30,020,845	–	–	–	30,020,845
– loans and receivables	7,797,472	–	–	–	7,797,472
Other financial assets	2,259,706	9	–	–	2,259,715
Total assets	475,337,266	2,550,011	130,227	1,539,649	479,557,153
Liabilities					
Borrowing from central banks	(107,000)	–	–	–	(107,000)
Deposits from banks and other financial institutions	(24,288,122)	(14,823)	(127,349)	–	(24,430,294)
Placements from banks and other financial institutions	(1,006,937)	(675,059)	–	–	(1,681,996)
Derivative financial liabilities	(724)	(1,419)	(248)	–	(2,391)
Financial assets sold under repurchase agreements	(72,481,217)	–	–	–	(72,481,217)
Deposits from customers	(316,459,278)	(1,336,232)	(4,720)	(69,813)	(317,870,043)
Debt securities in issued	(18,750,993)	–	–	–	(18,750,993)
Other financial liabilities	(7,269,335)	(6,856)	(1)	(1,416,434)	(8,692,626)
Total liabilities	(440,363,606)	(2,034,389)	(132,318)	(1,486,247)	(444,016,560)
Net on-balance sheet financial position	34,973,660	515,622	(2,091)	53,402	35,540,593
Financial guarantees and credit commitments	61,093,141	2,215,147	43,239	29,414	63,380,941

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Market risk (Continued)

49.2.4 Currency risk (Continued)

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact on net profits resulted from foreign currency translation gain or loss with 1% fluctuation of foreign currency against RMB is as follows:

	Estimated change in net profit/(loss)	
	As at 31 December	
	2015	2014
1% of appreciation of FX against RMB	(3,796)	4,252
1% of depreciation of FX against RMB	3,796	(4,252)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index, regardless of:

- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behaviour resulted from interest rate changes;
- No consideration of impact on market price resulted from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

49.3 Liquidity risk

49.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatch is of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are all key factors when evaluating its' exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and from margin and other calls on cash settled derivatives. According to previous experience, a large portion of matured deposits is not withdrawn on the maturity date. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Liquidity risk (Continued)

49.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Deposits from banks and other financial institutions	(16,425,456)	(25,041,756)	(41,560,002)	(7,929,872)	(15,041)	(90,972,127)
Placements from banks and other financial institutions	(3,072,855)	-	(4,855,375)	-	-	(7,928,230)
Financial assets sold under repurchase agreements	(39,470,453)	(4,816,294)	(1,200,701)	-	-	(45,487,448)
Deposits from customers	(204,986,743)	(38,048,454)	(76,422,860)	(44,562,214)	(1,818,991)	(365,839,262)
Debt securities in issued	(3,211,777)	(12,843,774)	(41,942,100)	(15,149,402)	(15,448,000)	(88,595,053)
Other financial liabilities	(3,245,822)	-	-	-	-	(3,245,822)
Total liabilities (contractual maturity)	(270,413,106)	(80,750,278)	(165,981,038)	(67,641,488)	(17,282,032)	(602,067,942)
Assets						
Cash and balances with the central bank	78,414,034	-	-	-	-	78,414,034
Deposits with banks and other financial institutions	4,395,659	3,541,969	2,452,166	-	-	10,389,794
Placements with banks and other financial institutions	5,567,914	3,354,132	11,377,977	1,038,719	-	21,338,742
Financial assets at fair value through profit or loss	103,257	341,307	556,864	1,595,827	408,920	3,006,175
Financial assets held under resale agreements	32,729,325	9,860,168	399,700	-	-	42,989,193
Loans and advances to customers	16,346,417	22,096,254	106,333,424	80,651,053	52,155,606	277,582,754
Investment securities						
- available-for-sale	7,268,264	11,705,419	39,610,955	45,131,485	4,121,841	107,837,964
- held-to-maturity	689,092	791,526	5,111,442	24,602,435	19,256,430	50,450,925
- loans and receivables	2,626,159	11,343,723	30,877,238	59,213,801	-	104,060,921
Finance lease receivables	92,525	350,761	1,550,506	6,593,857	59,198	8,646,847
Other financial assets	738,997	-	-	-	-	738,997
Financial assets held for managing liquidity risk (contractual maturity)	148,971,643	63,385,259	198,270,272	218,827,177	76,001,995	705,456,346
Net liquidity	(121,441,463)	(17,365,019)	32,289,234	151,185,689	58,719,963	103,388,404

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Liquidity risk (Continued)

49.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

As at 31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Borrowing from central banks	(50,156)	(27,597)	(30,149)	-	-	(107,902)
Deposits from banks and other financial institutions	(740,248)	(3,003,160)	(20,691,398)	(775,907)	(34,572)	(25,245,285)
Placements from banks and other financial institutions	(1,683,628)	-	-	-	-	(1,683,628)
Financial assets sold under repurchase agreements	(44,539,778)	(17,262,474)	(11,081,958)	-	-	(72,884,210)
Deposits from customers	(176,149,128)	(37,235,752)	(66,205,485)	(45,867,782)	(16,388)	(325,474,535)
Debt securities in issued	(3,034,706)	(1,075,526)	(6,202,920)	(5,417,400)	(5,834,000)	(21,564,552)
Other financial liabilities	(4,577,857)	-	-	-	-	(4,577,857)
Total liabilities (contractual maturity)	(230,775,501)	(58,604,509)	(104,211,910)	(52,061,089)	(5,884,960)	(451,537,969)
Assets						
Cash and balances with the central bank	76,420,868	-	-	-	-	76,420,868
Deposits with banks and other financial institutions	7,575,930	840,402	3,034,136	-	-	11,450,468
Placements with banks and other financial institutions	4,422,540	1,099,417	3,660,754	206,504	-	9,389,215
Financial assets at fair value through profit or loss	105,036	651,921	336,814	1,440,630	825,517	3,359,918
Financial assets held under resale agreements	25,841,188	16,670,715	17,101,379	-	-	59,613,282
Loans and advances to customers	20,048,214	16,805,976	95,210,233	70,462,279	46,815,043	249,341,745
Investment securities						
- available-for-sale	3,305,475	6,880,159	21,481,902	43,854,548	7,935,521	83,457,605
- held-to-maturity	1,205,354	1,577,987	5,920,334	14,769,572	11,382,216	34,855,463
- loans and receivables	-	4,538,858	3,479,236	92,501	-	8,110,595
Other financial assets	212,794	-	-	-	-	212,794
Financial assets held for managing liquidity risk (contractual maturity)	139,137,399	49,065,435	150,224,788	130,826,034	66,958,297	536,211,953
Net liquidity	(91,638,102)	(9,539,074)	46,012,878	78,764,945	61,073,337	84,673,984

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Liquidity risk (Continued)

49.3.3 Derivative financial instruments cash flow

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet of 2015 and 2014 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2015	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(95,582)	(492,505)	(820,999)	-	-	(1,409,086)
– Inflow	95,797	492,564	835,978	-	-	1,424,339
	215	59	14,979	-	-	15,253

As at 31 December 2014	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(460,523)	(487,723)	(49,043)	-	-	(997,289)
– Inflow	461,616	487,182	49,084	-	-	997,882
	1,093	(541)	41	-	-	593

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Liquidity risk (Continued)

49.3.4 Maturity analysis

The table below analyses the Group's net assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

As at 31 December 2015	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with the central bank	78,414,034	-	-	-	-	-	-	-	78,414,034
Deposits with banks and other financial institutions	1,572,933	2,817,016	3,506,300	2,387,000	-	-	-	-	10,283,249
Placements with banks and other financial institutions	72,237	5,484,051	3,303,284	11,151,673	979,167	-	-	-	20,990,412
Financial assets at fair value through profit or loss	-	-	300,054	553,355	1,482,831	393,880	-	-	2,730,120
Derivative financial assets	-	687	1,467	1,635	-	-	-	-	3,789
Financial assets held under resale agreements	-	32,703,664	9,820,362	395,918	-	-	-	-	42,919,944
Loans and advances to customers	-	15,423,366	18,474,089	95,921,880	55,779,230	47,841,541	3,987,997	-	237,428,103
Investment securities									
- available-for-sale	-	8,022,210	14,844,377	46,735,687	26,659,874	-	-	9,500	96,271,648
- held-to-maturity	-	-	370,047	2,978,469	21,364,854	17,543,874	-	-	42,257,244
- loans and receivables	-	2,417,728	10,746,603	29,199,171	45,190,788	1,579,962	-	-	89,134,252
Finance lease receivables	-	42,540	276,591	1,249,280	5,877,367	56,490	-	-	7,502,268
Other assets (including deferred tax assets)	84,057	483,693	1,943,797	1,121,259	1,772,214	1,371,275	145,200	1,274,063	8,195,558
Total assets	80,143,261	67,394,955	63,586,971	191,695,327	159,106,325	68,787,022	4,133,197	1,283,563	636,130,621
Borrowing from central banks									
Deposits from banks and other financial institutions	(1,051,967)	(15,338,892)	(24,869,563)	(40,725,046)	(7,285,677)	(15,041)	(89,286,186)	-	-
Placements from banks and other financial institutions	-	(3,071,163)	-	(4,840,000)	-	-	-	-	(7,911,163)
Derivative financial liabilities	-	(531)	(1,401)	(8,475)	(9,590)	-	-	-	(19,997)
Financial assets sold under repurchase agreements	-	(39,448,698)	(4,791,531)	(1,191,538)	-	-	-	-	(45,431,767)
Deposits from customers	(182,723,865)	(22,241,362)	(37,924,614)	(75,346,137)	(39,487,659)	(1,500,917)	-	-	(359,224,554)
Debt securities in issued	-	(3,194,183)	(12,634,853)	(39,976,654)	(11,642,279)	(11,977,731)	-	-	(79,425,700)
Other liabilities (including deferred income tax liabilities)	(5,122,537)	(581,740)	(1,246,562)	(2,701,508)	(1,316,905)	(49,384)	-	(1,467,357)	(12,485,993)
Total liabilities	(188,898,369)	(83,876,569)	(81,468,524)	(164,789,358)	(59,742,110)	(13,543,073)	-	(1,467,357)	(593,785,360)
Net liquidity gap	(108,755,108)	(16,481,614)	(17,881,553)	26,905,969	99,364,215	55,243,949	4,133,197	(183,794)	42,345,261

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49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Liquidity risk (Continued)

49.3.4 Maturity analysis (Continued)

As at 31 December 2014	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with the central bank	76,420,868	-	-	-	-	-	-	-	76,420,868
Deposits with banks and other financial institutions	3,116,959	4,450,990	832,923	2,951,460	-	-	-	-	11,352,332
Placements with banks and other financial institutions	-	4,565,160	915,375	3,552,375	200,000	-	-	-	9,232,910
Financial assets at fair value through profit or loss	-	20,003	309,514	329,909	1,475,334	829,189	-	-	2,963,949
Derivative financial assets	-	1,138	247	493	-	-	-	-	1,878
Financial assets held under resale agreements	-	25,794,379	16,552,146	10,854,094	-	-	-	-	53,200,619
Loans and advances to customers	-	19,208,262	13,416,543	85,837,282	49,208,632	45,384,445	1,679,072	-	214,734,236
Investment securities									
- available-for-sale	-	3,885,045	10,958,246	33,708,636	22,296,768	714,134	-	9,500	71,572,329
- held-to-maturity	-	499,968	1,141,689	3,477,915	13,878,518	11,022,755	-	-	30,020,845
- loans and receivables	-	-	4,419,295	3,295,567	82,610	-	-	-	7,797,472
Other assets (including deferred tax assets)	146,789	333,831	786,941	766,176	215,287	1,682,008	254,452	1,281,392	5,466,876
Total assets	79,684,616	58,758,776	49,332,919	144,773,907	87,357,149	59,632,531	1,933,524	1,290,892	482,764,314
Borrowing from central banks	-	(50,000)	(27,000)	(30,000)	-	-	-	-	(107,000)
Deposits from banks and other financial institutions	(496,151)	(238,489)	(2,980,000)	(19,963,771)	(717,917)	(33,966)	-	-	(24,430,294)
Placements from banks and other financial institutions	(1,681,996)	-	-	-	-	-	-	-	(1,681,996)
Derivative financial liabilities	-	(1,646)	(312)	(433)	-	-	-	-	(2,391)
Financial assets sold under repurchase agreements	-	(44,470,073)	(17,160,097)	(10,851,047)	-	-	-	-	(72,481,217)
Deposits from customers	(155,767,124)	(20,349,519)	(37,019,561)	(64,810,417)	(39,910,430)	(12,992)	-	-	(317,870,043)
Debt securities in issued	-	(2,494,514)	(1,542,606)	(5,725,776)	(4,995,732)	(3,992,365)	-	-	(18,750,993)
Other liabilities (including deferred income tax liabilities)	(4,863,444)	(1,618,584)	(1,463,408)	(1,419,614)	(1,522,025)	(381)	-	-	(10,887,456)
Total liabilities	(162,808,715)	(69,222,825)	(60,192,984)	(102,801,058)	(47,146,104)	(4,039,704)	-	-	(446,211,390)
Net liquidity gap	(83,124,099)	(10,464,049)	(10,860,065)	41,972,849	40,211,045	55,592,827	1,933,524	1,290,892	36,552,924

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Liquidity risk (Continued)

49.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amount of cash collaterals. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, funds required for guarantees and letters of credit are not so much as required for other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amount for credit commitment cannot represent the actual funds required.

As at 31 December 2015	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptance	45,275,957	–	–	45,275,957
Letters of credit	1,831,541	1,815	–	1,833,356
Letters of guarantee	1,823,498	2,423,485	2,350	4,249,333
Loan commitments	8,378,436	135,000	–	8,513,436
Unused credit card lines	1,168,196	4,831,950	293,682	6,293,828
Total	58,477,628	7,392,250	296,032	66,165,910

As at 31 December 2014	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptance	50,096,255	–	–	50,096,255
Letters of credit	1,864,155	28,474	–	1,892,629
Letters of guarantee	1,370,067	1,411,143	2,350	2,783,560
Loan commitments	5,509,273	305,400	–	5,814,673
Unused credit card lines	791,944	2,001,326	554	2,793,824
Total	59,631,694	3,746,343	2,904	63,380,941

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49 FINANCIAL RISK MANAGEMENT (Continued)

49.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, including listed equity securities on exchange or debt instruments..

Level 2 – Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter derivative contracts and debt securities for which quotations like yield curve or counterparty credit risk are available from Thomson Reuters, Bloomberg and China Bond.

Level 3 – Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

(b) Financial instruments not measured at fair value

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair value of all kinds of financial instruments is based on the following methods and assumptions:

(i) *Balances with central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets and other liabilities*

Since these financial instruments are in short-term or under floating interest rate linked to market interest rate, their carrying value is approximate to the fair value.

(ii) *Loans and advances to customers*

Since most loans and advances to customers are repriced at least annually according to market interest rate, their carrying value is approximate to the fair value.

(iii) *Deposits from customers*

The fair value of a checking account, a savings account and a short-term money market deposit shall be the amount currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers is approximate to the fair value.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(iv) Finance lease receivables

The balance of finance lease receivables is calculated based on effective interest rate method. Since the actual interest rate of a financial leasing is linked and timely adjusted to the interest rates that PBOC stipulates, the carrying value is approximate to fair value.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet, including investment securities-held-to-maturity, investment securities-loans and receivables and debt securities in issued.

	As at 31 December 2015				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Investment securities					
– Held-to-maturity	42,257,244	–	43,456,228	–	43,456,228
Investment securities					
– Loans and receivables	89,134,252	–	111,613	89,014,734	89,126,347
Financial Liabilities					
Debt securities issued	(79,425,700)	–	(79,456,804)	–	(79,456,804)

	As at 31 December 2014				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Investment securities					
– Held-to-maturity	30,020,845	–	29,956,771	–	29,956,771
Investment securities					
– Loans and receivables	7,797,472	–	106,564	7,669,559	7,776,123
Financial Liabilities					
Debt securities issued	(18,750,993)	–	(18,853,112)	–	(18,853,112)

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(i) Loans and receivables and held-to-maturity investments

Investment securities held-to-maturity whose fair value is based on quoted market prices are included in level 1. When such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics are used where applicable, the fair value measurement will be included in level 2 or level 3.

(ii) Debt securities in issued

If the fair value is based on quoted market prices, the fair value measurement will be included in level 1. When the fair value of debt securities issued is determined by valuation techniques and all significant inputs required to fair value are observable, it is included in level 2.

The other financial instruments not measured at fair value in the financial statements are calculated as the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets are not significant.

(c) Financial instruments measured at fair value

As at 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,730,120	–	2,730,120
Derivative financial assets	–	3,789	–	3,789
Available-for-sale				
– Debt securities	–	23,920,037	–	23,920,037
– Certificates of deposit	–	229,191	–	229,191
– Equity securities	–	–	9,500	9,500
– Asset management schemes by securities firms or trust companies	–	–	67,612,920	67,612,920
– wealth management products	–	–	4,500,000	4,500,000
Total assets	–	26,883,137	72,122,420	99,005,557
Derivative financial liabilities	–	(19,997)	–	(19,997)
Total liabilities	–	(19,997)	–	(19,997)

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(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

As at 31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,963,949	–	2,963,949
Derivative financial assets	–	1,878	–	1,878
Available-for-sale				
– Debt securities	–	29,581,937	–	29,581,937
– Certificates of deposit	–	444,245	–	444,245
– Equity securities	–	–	9,500	9,500
– Asset management schemes by securities firms or trust companies	–	–	27,181,866	27,181,866
– Others	–	3,027,482	11,327,299	14,354,781
Total assets	–	36,019,491	38,518,665	74,538,156
Derivative financial liabilities	–	(2,391)	–	(2,391)
Total liabilities	–	(2,391)	–	(2,391)

The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available.

Financial assets classified into level 2 includes bonds investment, foreign exchange forward contracts, currency swap contracts, and interest rate swap contracts, etc. The fair values of RMB bonds are determined based on the yield curve provided by China Central Depository and Clearing Co., Ltd. The fair values of foreign exchange forward contracts, currency swap contracts, and interest rate swap contracts are calculated by discounted cash flow and Black-Scholes Model, etc. All significant valuation inputs are observable market data.

The nature of the assets classified within Level 3 of the fair value measurement hierarchy is primarily investment products issued by domestic trust companies or other financial institutions, underlying assets of which include credit assets, deposits with financial institutions and debt securities. The significant unobservable inputs related to the credit assets are those around credit risk and liquidity risk. This largely relates to the lack of historical default and liquidity information through one or more economic cycles, which Mainland China has not experienced. Management has made assumptions, based on observed indicators of impairment or significant changes in yield, but the actual value realized from these underlying assets in a current arm's length sale could differ from those disclosed.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

The following table presents the changes in level 3 instruments:

	Available-for-sale
Balance at 1 January 2015	38,518,665
– Additions	58,089,000
– Disposals	(20,652,753)
– The effect of the consolidation of structured entity	(3,832,492)
Balance at 31 December 2015	72,122,420
Total gains for the year included in profit or loss for assets/liabilities held at 31 December 2015	440

	Available-for-sale
Balance at 1 January 2014	1,070,732
– Additions	88,094,761
– Disposals	(40,734,237)
– The effect of the consolidation of structured entity	(9,912,591)
Balance at 31 December 2014	38,518,665
Total gains for the year included in profit or loss for assets/liabilities held at 31 December 2014	360

49.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management also aims to stimulate expansion of capital scale and to improve risk management.

The Group prudently sets the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions, like limit management to ensure the realization of the objectives and proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes modification of dividend distribution plan, raising new capital and issuance of new bonds.

From 1 January 2013 onward, the Group started to implement "The Trial Measures for Capital Management of Commercial Banks" as promulgated by the CBRC on 7 June 2012.

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.5 Capital management (Continued)

The tables below summarize the capital adequacy ratio of the Group for 2015:

	As at 31 December 2015	As at 31 December 2014
Core Tier 1 capital	41,542,138	36,445,587
Including: Paid-up capital	11,049,819	11,049,819
Capital reserve	7,021,677	6,641,630
Surplus reserve, general and statutory reserve	9,966,259	7,814,714
Retained Earnings	13,121,389	10,868,057
Non-controlling interests	382,994	71,367
Regulatory deductions for core Tier 1 capital	(91,448)	(98,041)
Total core Tier 1 capital, net of deductions	41,450,690	36,347,546
Other Tier 1 capital	41,411	9,516
Total Tier 1 capital, net of deductions	41,492,101	36,357,062
Tier 2 capital	14,539,229	6,029,945
Including: Tier 2 capital instruments and premium	10,780,640	3,193,463
Surplus loan loss provisions	3,688,754	2,817,451
Non-controlling interests	69,835	19,031
Regulatory deductions for Tier 2 capital	-	-
Total capital, net of deductions	56,031,330	42,387,007
Credit risk-weighted assets	397,271,089	294,901,889
Market risk-weighted assets	755,403	806,874
Operational risk-weighted assets	24,906,106	20,288,384
Total risk-weighted assets	422,932,598	315,997,147
Capital adequacy ratio	13.25%	13.41%
Tier 1 capital adequacy ratio	9.81%	11.51%
Core Tier 1 capital adequacy ratio	9.80%	11.50%

According to regulatory requirement, the capital adequacy ratio calculation by the Group above is based on the consolidated results after consolidating Jinzhai Huiyin Rural Bank Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd and Huishang Bank Financial Leasing Co.,LTD..

Notes to the Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the financial statements either.

	As at 31 December	
	2015	2014
Entrusted loans	91,666,204	59,437,680
Off-balance sheet wealth management products	36,725,100	10,441,510

50 SUBSEQUENT EVENTS

Pursuant to the meeting of the Board of Directors on 28 March 2016, the directors proposed the following profit appropriations for the year ended 31 December 2015:

- (i) An appropriation of RMB611.69 million to the statutory surplus reserve;
- (ii) An appropriation of RMB611.69 million to the discretionary surplus reserve;
- (iii) An appropriation of RMB1,559.98 million to the general reserve;
- (iv) A cash dividend of RMB0.159 per share in respect of the year ended 31 December 2015 based on the number of shares issued as at 31 December 2015 amounting to RMB1,756.92 million in total.

The statutory surplus reserve appropriation has been recognized in the financial statements for the year ended 31 December 2015. The other appropriation items will be recognized on the Group's financial statements after approval by shareholders in the forthcoming general meeting.

Appendix I – Unaudited Consolidated Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

1 LIQUIDITY RATIOS

	As at 31 December	
	2015	2014
RMB current assets to RMB current liabilities	39.15%	33.92%
Foreign currency current assets to foreign currency current liabilities	63.68%	88.67%

2 CURRENCY CONCENTRATIONS

	USD	EUR	Other	Total
As at 31 December 2015				
Spot assets	2,756,428	95,499	115,287	2,967,214
Spot liabilities	(3,358,504)	(97,664)	(17,177)	(3,473,345)
Forward purchases	1,082,173	–	–	1,082,173
Forward sales	(343,683)	–	(12,950)	(356,633)
Net long/(short) position	136,414	(2,165)	85,160	219,409
As at 31 December 2014				
Spot assets	2,550,011	130,227	1,539,649	4,219,887
Spot liabilities	(2,034,389)	(132,318)	(1,486,247)	(3,652,954)
Forward purchases	911,909	1,230	–	913,139
Forward sales	289,666	(1,230)	–	288,436
Net long/(short) position	1,717,197	(2,091)	53,402	1,768,508

Appendix I – Unaudited Consolidated Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

3 CROSS-BORDER CLAIMS

The Bank is principally engaged in business operations in China mainland, and we regard all claims on third parties outside China mainland as cross-border claims.

Cross-border claims include “Deposits with banks and other financial institutions”.

Cross-border claims are disclosed by country or geographical area. A country or geographical area claim is reported where it constitutes 10% or more of the aggregate amount of total cross-border claims. Risk transfers where the claim is guaranteed by a party whose location is different from that of the counterparty or the claimant is an overseas branch of the bank whose Head Office is in another country.

	Banks and other financial institutions
As at 31 December 2015	
Asia Pacific excluding China mainland	92,944
– Hong Kong	90,091
Europe	92,281
North and South America	78,879
Subtotal	264,104
As at 31 December 2014	
Asia Pacific excluding China mainland	1,564,163
– Hong Kong	1,560,947
Europe	88,444
North and South America	238,511
Subtotal	1,891,118

Appendix I – Unaudited Consolidated Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

4 LOANS AND ADVANCES TO CUSTOMERS

4.1 Overdue loans and advances to customers

Total amount of overdue loans and advances to customers:

	As at 31 December	
	2015	2014
Total loans and advances to customers which have been overdue for		
– within 3 months	314,306	1,552,085
– between 3 to 6 months	1,951,769	457,691
– between 6 to 12 months	1,866,740	815,257
– over 12 months	810,416	348,507
Total	4,943,231	3,173,540
Percentage		
– within 3 months	6.36%	48.91%
– between 3 to 6 months	39.48%	14.42%
– between 6 to 12 months	37.76%	25.69%
– over 12 months	16.39%	10.98%
Total	100.00%	100.00%

Total amount of overdue loans and advances to customers and allowance assessment by geographic segment:

	Pan Yangtze		Total
	Anhui Province	River Delta	
As at 31 December 2015			
Overdue loans and advances to customers	3,963,415	979,816	4,943,231
– Individually assessed	(609,774)	(60,161)	(669,935)
– Collectively assessed	(609,219)	(62,604)	(671,823)
	Pan Yangtze		
	Anhui Province	River Delta	Total
As at 31 December 2014			
Overdue loans and advances to customers	3,085,214	88,326	3,173,540
– Individually assessed	(392,494)	(22,448)	(414,942)
– Collectively assessed	(1,115,702)	(7,193)	(1,122,895)

Appendix I – Unaudited Consolidated Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

4 LOANS AND ADVANCES TO CUSTOMERS (Continued)

4.1 Overdue loans and advances to customers (Continued)

Fair value of collaterals against overdue loans and advances to customers:

	As at 31 December	
	2015	2014
Fair value of collaterals		
– Corporate loans	3,443,404	1,367,662
– Personal loans and advances	1,043,167	1,575,589
Total	4,486,571	2,943,251

4.2 Identified impaired loans and advances

	Anhui Province	Pan Yangtze River Delta	Total
As at 31 December 2015			
Identified impaired loans and advances for which allowance is	2,162,676	235,062	2,397,738
– Individually assessed	(631,198)	(60,161)	(691,359)
– Collectively assessed	(382,343)	(45,958)	(428,301)
As at 31 December 2014			
Identified impaired loans and advances for which allowance is	1,753,081	73,395	1,826,476
– Individually assessed	(404,488)	(22,448)	(426,936)
– Collectively assessed	(493,955)	–	(493,955)



徽商銀行股份有限公司
Huishang Bank Corporation Limited