



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 2014



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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: 徽商銀行股份有限公司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 Feng²
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office: Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, PRC
- 1.1.4 Contact address: Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, 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 Certified public accountants: PricewaterhouseCoopers
22/F, Prince's Building, Central, Hong Kong
- 1.1.7 Legal advisor as to PRC laws: King & Wood Mallesons
Legal advisor as to Hong Kong laws: Latham & Watkins
Compliance Advisor: Guotai Junan Capital Limited
- 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 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. The Bank convened a Board meeting on 17 February 2015 and designated Mr. Yi Feng, assistant to the President, to perform the duties as the Board Secretary during the vacancy of the Board Secretary. The Bank convened a Board meeting on 26 March 2015 and appointed Mr. Yi Feng as the Board Secretary of the Bank. His tenure is the same as the term of the third session of the Board of Directors. Mr. Yi's position as the Board Secretary will become effective from the date of approval of his qualification as Board Secretary by the PRC banking regulators.

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 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and 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, PRC. At the end of 2014, the total registered capital of the Bank was RMB11.05 billion.

The Bank's principal activities include the taking of deposits from corporate and retail customers, granting of loans with the use of deposits received, and conducting of capital business in the PRC, which encompass money market activities, investment and trading activities and transactions on behalf of customers. As of 31 December 2014, Huishang Bank had 6,697 on-the-job employees. Apart from its headquarters, the Bank had 17 branches, 250 front offices (including 8 branches of business departments and 242 sub-branches) and 498 self-service areas. The Bank also has two subsidiaries, Jinzhai Huiyin Rural Bank Co., Ltd and Wuwei Huiyin Rural Bank Co., Ltd and owns equity interests 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)"), serving the general public", the Bank has continuously experienced a relatively fast growth in business development, has gradually strengthened its comprehensive strength, has steadily improved its operation and management standards, and has achieved a synergic development of scale, quality and efficiency, thus building up a good social image of "local bank", "people's bank" and "SME bank", and becoming a regional commercial bank that is more well-known and that 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. 194, 85 places up from that in 2013.

Chapter I Corporate Information

1.3 AWARDS FOR 2014

During 2014, the Bank has won numerous accolades and rewards in contests organized by domestic authorities and organizations:

- ◆ In January, the Bank was awarded the “Best City Commercial Bank of Trading and Finance in 2013” by the Third China Trade and Finance Annual Conference.
- ◆ In January, the Bank was awarded the “2013 Gold Medals for Chinese Financial Institution – Small and Medium-Sized Bank with the Best Potential Growth of the Year” by the Financial Times.
- ◆ In January, the Bank was awarded the First Prize in “Non-Tax Agency Work of Provincial Government in 2013” by the Anhui Provincial Department of Finance and the Hefei Central Sub-branch of PBOC.
- ◆ In March, the Bank was awarded the “Outstanding Dealers in China’s Bond Market” in the selection of Outstanding Members in China’s Bond Market in 2013 organized by China Central Depository & Clearing Co. Ltd.
- ◆ In March, the Bank was awarded the “Excellent Trader in Inter-bank Local Currency Market in 2013” as well as the individual awards of “Outstanding Trading Supervisor” and “Outstanding Trader” by the national inter-bank lending center.
- ◆ In April, the Bank was recognised as an “A-class Institution of the Underwriting Institutions of Saving Bonds in 2013” by the Hefei Central Sub-branch of PBOC.
- ◆ In May, the Bank was awarded the “First Prize in Business Performance Evaluation of Support on Local Development in 2013” by Anhui provincial government.
- ◆ In July, the Bank was recognised as an “Advanced Banking Enterprise Providing Financial Services to Small and Micro Enterprises in Anhui in 2013” by the CBRC Anhui Office.

Chapter I Corporate Information

- ◆ In August, the Bank was awarded the “Best Corporate Business” and the “Best Financial Information Technology Security” in the Third Best Medium and Small Banks Selection.
- ◆ In September, the Bank was awarded the First Prize (Group) and the “Best Organization” in the Second RMB Management Business Competition for Anhui Banking and Financial Institutions.
- ◆ In November, the Bank was awarded the “Best Innovative Mobile Banking” in the “Comprehensive Evaluation of Anhui Financial Industry in 2014” by Sina Anhui.
- ◆ In November, the Bank was awarded the “Best Bank of Cash and Treasury Innovation in 2014” by the 2014 Annual Conference of China Cash and Treasury Management.
- ◆ In November, the Bank was awarded the prizes of “Excellent Service” and “Valuable Contribution” in the “Selection of Excellent Customer Service Center in the PRC Banking Industry” 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”.

In January 2015, the Bank was awarded “2014 Excellent Enterprise of Corporate Social Responsibility in China” by the 7th China Corporate Social Responsibility Summit and the 4th White Paper on Chinese CSR Report (2014) Presentation.

Chapter II Summary of Accounting Information and Financial Index

2.1 MAIN FINANCIAL INFORMATION

Unit: in millions of RMB

Results of operation	2014	2013	Year-on-year changes +/-(-)%
Net operating income ⁽¹⁾	12,748	10,173	25.32%
Profit before income tax	7,411	6,399	15.81%
Net profit attributable to shareholders of the Bank	5,673	4,926	15.15%

Unit: RMB

By per share	2014	2013	Year-on-year changes +/-(-) %
Basic earnings attributable to shareholders of the Bank	0.51	0.58	-12.07%
Diluted earnings attributable to shareholders of the Bank	0.51	0.58	-12.07%
Net closing assets attributable to shareholders of the Bank	3.29	2.86	15.10%

Unit: in millions of RMB

Scale indicators	31 December 2014	31 December 2013	Year-on-year changes +/-(-) %
Total assets	482,764	382,109	26.34%
Including: Total loans and advances	219,396	195,449	12.25%
Total liabilities	446,211	350,437	27.33%
Including: Total deposits from customers	317,870	272,798	16.52%
Equity attributable to shareholders of the Bank	36,374	31,625	15.02%

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.

Chapter II Summary of Accounting Information and Financial Index

2.2 FINANCIAL RATIOS

			<i>Unit: %</i>
			Year-on-year
			changes +/(-)
Profitability indicators⁽¹⁾	2014	2013	
Return on average assets ("ROAA")			
attributable to shareholders of the Bank after tax	1.31	1.39	-0.08
Return on average equity ("ROAE")			
attributable to shareholders of the Bank after tax	16.68	18.91	-2.23
Net interest spread	2.47	2.44	0.03
Net interest margin	2.74	2.63	0.11

			<i>Unit: %</i>
			Year-on-year
			changes +/(-)
Proportion of net operating income	2014	2013	
- Net interest income	89.60	94.40	-4.80
- Net non-interest income ⁽²⁾	10.40	5.60	4.80
Cost-to-income ratio (including business tax and surcharges) ⁽³⁾	33.08	33.29	-0.21

			<i>Unit: %</i>
			Year-on-year
			changes +/(-)
Asset quality indicators	31 December 2014	31 December 2013	
Non-performing loan ratio	0.83	0.54	0.29
Allowance to non-performing loan ratio	255.27	396.61	-141.34
Allowance to loans	2.13	2.13	0.00

			<i>Unit: %</i>
			Year-on-year
			changes +/(-)
Capital adequacy indicators	31 December 2014	31 December 2013	
Core tier I capital adequacy ratio	11.50	12.60	-1.10
Capital adequacy ratio	13.41	15.19	-1.78
Total equity to total assets ⁽⁴⁾	7.57	8.29	-0.72

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 net operating income, but excludes net income from investment by joint ventures and associates;

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

(4) Equity includes minority interests.

Chapter II Summary of Accounting Information and Financial Index

2.3 FIVE-YEAR FINANCIAL SUMMARY

	2014	2013	2012	2011	2010
Results for the year (RMB'000)					
Net operating income ⁽¹⁾	12,748,053	10,172,509	9,234,965	7,651,124	6,270,057
Operating expenses	(4,216,671)	(3,386,435)	(3,132,268)	(2,500,374)	(2,203,049)
Assets impairment loss	(1,197,245)	(435,365)	(457,715)	(578,853)	(578,375)
Profit before income tax	7,410,514	6,398,744	5,680,038	4,603,647	3,502,073
Net profit attributable to shareholders of the Bank	5,672,735	4,926,202	4,306,393	3,492,610	2,702,353
By per share (RMB)					
Dividends		0.156	0.10	0.10	0.10
Basic earnings	0.51	0.58	0.53	0.43	0.33
Diluted earnings	0.51	0.58	0.53	0.43	0.33
Closing net assets attributable to shareholders of the Bank	3.29	2.86	2.51	2.09	1.76
At year end (RMB'000)					
Paid-in capital stock	11,049,819	11,049,819	8,174,819	8,174,819	8,174,819
Equity attributable to shareholders of the Bank	36,374,220	31,625,121	20,480,924	17,083,526	14,357,293
Total liabilities	446,211,390	350,437,158	303,743,433	239,898,030	194,618,855
Deposits from customers	317,870,043	272,798,242	239,543,123	203,579,704	159,582,006
Total assets	482,764,314	382,109,090	324,224,357	256,981,556	208,976,148
Net loans and advances	214,734,236	191,280,398	159,941,475	133,922,883	114,058,443
Key financial ratios					
ROAA attributable to shareholders of the Bank after tax	1.31%	1.39%	1.48%	1.50%	1.46%
ROAE attributable to shareholders of the Bank after tax	16.68%	18.91%	22.93%	22.22%	19.89%
Cost-to-income ratio ⁽²⁾	33.08%	33.29%	33.92%	32.68%	35.14%
Non-performing loan ratio	0.83%	0.54%	0.58%	0.48%	0.60%
Core Tier 1 capital adequacy ratio	11.50%	12.60%	10.30%	10.87%	11.19%
Capital adequacy ratio	13.41%	15.19%	13.54%	14.68%	12.06%

Notes: (1) In order to ensure consistence with the disclosure contents of that part in the precious years, that part does not include share of profits of associates;

(2) Cost-to-income ratio = operating expenses / operating income.

Chapter III Chairman's Statement



Li Hongming

Chairman

Chapter III Chairman's Statement

2014 was the first financial year after the Listing of the H shares of Huishang Bank and also an important year during which breakthroughs were made in reform, innovation, transformation and upgrading. Facing a complex and changing operating environment, the Bank actively implemented reforms for overall development and promotion of transformation and upgrade. It continued to push forward the optimization and adjustment of client portfolio, business and income structures, and to strengthen risk prevention and control. The Bank has achieved excellent operating results and presented a satisfactory report to our shareholders, investors and all sectors of society in the first financial year after the Listing.

As at the end of 2014, the Bank's total assets were RMB482,764 million (in domestic and foreign currencies), with net assets of RMB36,553 million. In 2014, the Bank recorded a net profit of RMB5,676 million, representing an increase of 15.24% as compared with last year, with an average return on assets (ROA) of 1.31%, average return on equity (ROE) of 16.64%, capital adequacy ratio of 13.41% and core tier 1 capital adequacy ratio of 11.50%. All of the various types of regulatory indicators were at leading levels among the city commercial banks in China.

The macroeconomic development entered the new normal era last year. Under the dual pressure of an overall slowdown in macroeconomic growth and structural adjustment this year, Huishang Bank proactively adapted to the new normal era, conformed to new changes, accelerated reforms and innovations in systems and mechanisms and the operating model so as to promote the "second entrepreneurship". Having been market-oriented and customer-focused all along, the Bank seized market opportunities to optimize its business structure and processes, which further enhanced its operational and management efficiency and improved its market competitiveness. Hence, the Bank has managed to maintain its asset quality at a satisfactory level among all peers in the banking industry while achieving good operating results.

Our good operating results achieved last year 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 government 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!

Being the 10th anniversary of Huishang Bank's establishment, the year 2015 will mark the beginning of the implementation of our new five-year strategic plan, and will also be a critical year for the development of transformation and upgrade. Standing at this new starting point in history, and facing the new normal era, new development trends, new challenges and new opportunities, Huishang Bank will stick closely to the strategic goal of "creating an all-round mainstream bank serving the economic development of local communities and making itself become a first-tier city commercial bank". Having been market-oriented and customer-focused all along, the Bank will take advantage of any possible opportunities arising from the macroeconomics trends and the development of banking industry to aggressively expand its business, constantly strengthen the establishment of work ethics, talent pool and corporate culture, and comprehensively promote the development of transformation and upgrade by adhering to the approach of "development driven by innovation and development guaranteed by management improvement" to achieve the annual objective of "stable growth, structure adjustment, market exploration and risk control", with a view to rewarding the trust and support of our shareholders, investors and all sectors of society in us with better operating results.

Li Hongming
Chairman

Chapter IV *President's Statement*



Wu Xuemin | President

Chapter IV President's Statement

The year 2014 was the first year after the Listing of the H shares of Huishang Bank, and also a year where the Bank pushed forward various reforms comprehensively and accelerated transformation and upgrade. Faced with a complicated operating environment, our employees at all levels closely followed the main theme of "stable growth, risk control, enhancing innovation, promoting transformation, deepening reforms, and increasing vitality" in carrying out reforms and innovations and aggressively expanding business. The operational and management levels of the Bank improved steadily, and businesses continued to grow quickly. This not only resulted in steady growth in operating results for the year, but also provided more momentum for future development.

As at the end of 2014, the Bank's total assets were RMB482,764 million in domestic and foreign currencies, representing an increase of 26.34 % as compared with the beginning of the year. Total deposits were RMB317,870 million, representing an increase of 16.52%; total loans were 219,396 million, representing an increase of 12.25%, with a non-performing loan ratio of 0.83%. Net profit for the year was RMB5,676 million, representing a year-on-year increase of 15.24%.

The Bank was committed to deepening reforms in 2014. The activities of "Reform Deepening Year" were carried out at all levels of the Bank, with a view to making an overall development plan and promoting transformation and upgrading under the direction of reforms. Through such activities, the concept of reform became deeply rooted among people, our systems and mechanisms improved further, our operating model innovated effectively, our business process constantly optimized, and our management system continuously improved.

The Bank was committed to transformation and upgrade in 2014. The Bank developed its corporate business based on the concept of comprehensiveness and developed small and micro finance under the concept of professionalism, creating a financial service platform for small enterprises, pushing forward pilot programs of inclusive finance, and strengthening retail cross sales and coordinated marketing efforts to enhance network effectiveness. Emerging businesses, such as investment banking, peer industry and fund custodianship, developed rapidly. Debt sources, assets utilization and income sources were further diversified, and the pace of transformation and upgrade gradually accelerated.

The Bank was committed to risk control in 2014. The Bank carried out an asset quality "double control" special campaign by implementing a "double" accountability system of risk prevention and control, and conducted risk investigations to strengthen risk warning, mitigation and disposal by adhering to the principle of reducing old risks while controlling new risks, thus maintaining our asset quality at a better level. The Bank continued to strengthen business continuity management and enhance control of various risks, thus maintaining liquidity risk, market risk, operational risk and legal risk at a controllable level. No reputational risk event occurred during the year.

Chapter IV President's Statement

The Bank was committed to accelerating innovation in 2014. The Bank developed new businesses including credit asset securitization and the issuance of interbank certificates of deposits, obtained qualifications for acting as a lead underwriter of non-financial corporate debt financing instruments and fund custodian, etc., and became a founding member of the self-regulated market interest rate pricing mechanism. Being market-driven and customer-oriented, the Bank carried out innovations in business, product and services, with a view to gradually improving the product system and further enhancing customer services.

The Bank was committed to improving management in 2014. The Bank devoted much efforts in improving and refining the management of plans, performance appraisal, internal and external pricing, and financial costs to enhance the standardisation and delicacy of management. The Bank improved and optimized its credit approval process and online small enterprise paperless approval system. The Bank also improved its information technology governance structure, set up same city disaster recovery centers, and promoted the construction and maintenance of information technology projects, which therefore contributed to the further improvement of the levels of infrastructure management.

The Bank was committed to the establishment of branch outlets in 2014. The Bank enhanced the branch outlets by optimising the distribution of branches, thus achieving a full coverage of branch outlets in the counties of the province. The Bank penetrated its network into lower cities by setting up community and small and micro sub-branches and sub-branches at county and township levels. As at the end of the year, the Bank had 250 branches capable of providing financial services and 498 self-services branches, with its businesses involving internet finance, direct banking construction, online WeChat banking, initially forming a multi-level, vertical and differentiated branch outlets system that integrates both physical and electronic branch outlets.

The Bank's good operating results achieved in 2014 were attributable to the joint efforts made by our employees as well as the great support from our customers, investors and all sectors of the community. On behalf of the Senior Management of the Bank, I extend my sincere thanks to those friends who care and support the development of Huishang Bank!

2015 will mark the beginning of the implementation of the Bank's five-year strategic development plan, and will also be a critical year for the Bank to accelerate the development of transformation and upgrade. With the focus particularly on the theme of "steady growth, structural adjustment, market exploration, and risk control" and the close adherence to the two key approaches of "development driven by innovation, and development guaranteed by management improvement", the Bank will continue to build up our work ethics, talent pool and corporate culture, and accelerate the development of transformation and upgrade comprehensively, work hard to create an all round mainstream bank serving the economic development of local communities, establish itself as a first-tier city commercial bank, as well as create greater returns for our shareholders and investors!

Wu Xuemin
President

Chapter V Management Discussion and Analysis

5.1 OVERALL BUSINESS REVIEW

In the face of the complex domestic and international situations and increasingly fierce competition among peer banks in 2014, 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 our various business segments and continuous improvement in operation and management level.

5.2 ANALYSIS OF INCOME STATEMENT

5.2.1 Particular of financial performance

	<i>Unit: in millions of RMB</i>	
	2014	2013
Net interest income	11,423	9,602
Net fee and commission income	856	540
Other net income	469	30
Operating expenses	4,216	3,386
Share of profits of associates	76	48
Impairment losses on assets	1,197	435
Profit before income tax	7,411	6,399
Income tax	1,735	1,473
Net profit	5,676	4,926
Net profit attributable to shareholders of the Bank	5,673	4,926

In 2014, the Bank recorded a net profit attributable to shareholders of the Bank of RMB5,673 million, representing an increase of 15.15% as compared with last year. The effective income tax rate was 23.40%, representing an increase of 0.38 percentage point 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 2014, the Bank had a net operating income (including share of profits of associates) of RMB12,824 million, representing an increase of 25.48% as compared with last year, among which, net interest income accounted for 89.07%, representing a decrease of 4.88 percentage points from last year; net non-interest income accounted for 10.93%, representing an increase of 4.88 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:

	2014	2013	Unit: % 2012
Net interest income	89.07	93.95	92.44
Net fee and commission income	6.67	5.28	4.27
Other net income	3.66	0.29	2.91
Income from investment in associates	0.60	0.48	0.38
Total	100.00	100.00	100.00

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

5.2.3 Net interest income

In 2014, the Bank's net interest income amounted to RMB11,423 million, representing an increase of 18.95% 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 period indicated. The average balances of interest-earning assets and interest-bearing liabilities represented the daily average balances.

	Unit: in millions of RMB except percentages					
	2014			2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances	204,783	14,273	6.97	184,449	12,494	6.77
Bond investments	75,829	3,684	4.86	60,194	2,524	4.19
Balances with central bank	57,350	872	1.52	50,489	768	1.52
Deposits and placements from banks and other financial institutions	78,756	4,228	5.37	69,529	3,071	4.42
Total interest-earning assets and interest income	416,718	23,057	5.53	364,661	18,857	5.17

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.3 Net interest income (Continued)

Unit: in millions of RMB except percentages

Item	2014			2013		
	Average balance	Interest expenses	Average cost ratio (%)	Average balance	Interest expenses	Average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	278,013	6,361	2.29	241,728	4,927	2.04
Deposits and placements from banks and other financial institutions	91,241	4,707	5.16	89,581	3,893	4.35
Debt securities in issue	10,752	566	5.26	7,871	434	5.52
Total interest-bearing liabilities and interest expenses	380,006	11,634	3.06	339,180	9,254	2.73
Net interest income	/	11,423	/	/	9,603	/
Net interest spread	/	/	2.47	/	/	2.44
Net interest margin	/	/	2.74	/	/	2.63

In 2014, the net interest spread of the Bank was 2.47%, representing an increase of 0.03% as compared with last year. The annualized average yield of interest-earning assets was 5.53%, while the annualized average cost ratio of interest-bearing liabilities was 3.06%.

In 2014, the net interest margin of the Bank was 2.74%, representing an increase of 0.11% as compared with last year.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.3 Net interest income (Continued)

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 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.

Unit: in millions of RMB

	2014 vs. 2013		Net increase (decrease)
	Increase/(decrease) factors		
	Scale	Interest rate	
Assets			
Loans and advances	1,377	402	1,779
Bond investments	656	504	1,160
Balances with central bank	104	–	104
Deposits and placements from banks and other financial institutions	408	749	1,157
Changes in interest income	2,545	1,655	4,200
Liabilities			
Deposits from customers	740	694	1,434
Deposits and placements from banks and other financial institutions	72	742	814
Debt securities in issue	159	(27)	132
Changes in interest expenses	971	1,409	2,380
Changes in net interest income	1,574	246	1,820

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.4 Interest income

In 2014, the Bank realized an interest income of RMB23,057 million, an increase of 22.27% 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 2014, the Bank's interest income from loans and advances amounted to RMB14,273 million, representing an increase of RMB1,778 million or 14.23% 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: in millions of RMB except percentages

	2014			2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	138,483	9,977	7.20	129,762	9,268	7.14
Retail loans	54,822	3,452	6.30	44,218	2,667	6.03
Discounted bills	11,478	844	7.35	10,469	559	5.34
Loans and advances	204,783	14,273	6.97	184,449	12,494	6.77

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.5 Interest expenses

In 2014, the Bank's interest expenses amounted to RMB11,634 million representing an increase of RMB2,380 million or 25.72% 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 2014, the Bank's interest expense on deposits from customers recorded RMB6,361 million, representing an increase of RMB1,433 million or 29.10% as compared with last year. Such increase was mainly due to an increase in the average balance on deposits from customers by 15.01% from last year.

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: in millions of RMB except percentages

	2014			2013		
	Average balance	Interest expenses	Annualized average yield (%)	Average balance	Interest expenses	Annualized average yield (%)
Corporate deposits						
Demand deposits	104,052	807	0.78	97,395	721	0.74
Time deposits	75,877	3,370	4.44	60,105	2,861	4.76
Sub-total	179,929	4,177	2.32	157,499	3,582	2.27
Retail deposits						
Demand deposits	26,005	104	0.40	24,061	93	0.39
Time deposits	33,994	1,107	3.26	28,903	921	3.19
Sub-total	59,999	1,211	2.02	52,964	1,014	1.91
Others	38,085	973	2.56	31,265	332	1.06
Total deposits from customers	278,013	6,361	2.29	241,728	4,928	2.04

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.6 Net non-interest income

In 2014, the Bank realized a net non-interest income of RMB1,401 million, an increase of RMB783 million or 126.91% 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: in millions of RMB</i>	
	2014	2013
Fee and commission income	941	624
Less: Fee and commission expenses	(85)	(84)
Net fee and commission income	856	540
Other net non-interest income⁽¹⁾	545	78
Total net non-interest income	1,401	618

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

5.2.7 Net fee and commission income

In 2014, the Bank's fee and commission income was RMB941 million, representing an increase of RMB317 million or 50.94% as compared with last year. Such increase was primarily attributable to an increase in custodian and other fiduciary service fees, bank card fees, settlement and clearing fees, as well as financial advisory services fees.

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

	<i>Unit: in millions of RMB</i>	
	2014	2013
Fee and commission income	941	624
Bank card fees	161	109
Settlement and clearing fees	98	85
Agency services commissions	31	31
Consultancy and advisory fees	154	121
Guarantee and commitment fees	38	42
Custodian and other fiduciary service fees	366	108
Others ⁽¹⁾	93	128
Fee and commission expenses	(85)	(84)
Net fee and commission income	856	540

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 2014, the Bank's other net non-interest income was RMB545 million, representing an increase of RMB467 million or 598.18% as compared with last year. Such increase was mainly due to an increase in net income from investment in securities and net trading income.

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

	<i>Unit: in millions of RMB</i>	
	2014	2013
Net income from investment in securities	255	(7)
Net trading income	64	(83)
Net income from investment in associates	76	48
Other net operating income	150	120
Dividend income ⁽¹⁾	0.36	0.32
Total other net income	545	78

Note: (1) If the amount of dividend income is not kept in two decimal places, such amount cannot be shown after rounding.

5.2.9 Operating expenses

In 2014, the Bank's operating expenses were RMB4,216 million, representing an increase of 24.52% 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: in millions of RMB</i>	
	2014	2013
Staff costs	1,726	1,402
Business tax and surcharges	967	773
Depreciations and amortization	300	239
Lease expenses	187	150
Other general and administrative expenses	1,036	822
Total operating expenses	4,216	3,386

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (Continued)

5.2.10 Asset impairment losses

In 2014, the Bank's allowance to asset impairment losses recorded RMB1,197 million, representing an increase of 175.00% as compared with last year.

	Unit: in millions of RMB	
	2014	2013
Loans and advances to customers		
– collectively-assessed	603	267
– individually-assessed	375	168
Available-for-sale financial assets	219	–
Reversal of provision for impairment of foreclosed assets ⁽¹⁾	–	0.25

Note: (1) If the amount of reversal of provision for impairment of foreclosed assets is not kept in two decimal places, such amount cannot be shown after rounding.

5.3 BALANCE SHEET ANALYSIS

5.3.1 Assets

As of 31 December 2014, the Bank's total assets amounted to RMB482,764 million, representing an increase of 26.34% as compared with the end of 2013. The increase of total assets was primarily due to an increase in loans and advances, investments, inter-bank loans and financial assets held under resale agreements.

Items	31 December 2014		31 December 2013	
	Amounts	% of the total	Amounts	% of the total
Total loans and advances	219,396	45.45%	195,449	51.15%
Provision for loan impairment	(4,662)	(0.97%)	(4,169)	(1.09%)
Net loans and advances	214,734	44.48%	191,280	50.06%
Investments	112,356	23.28%	60,271	15.77%
Cash	1,068	0.22%	956	0.25%
Balances with the central bank	75,353	15.61%	75,222	19.69%
Due from banks and other financial institutions	11,352	2.35%	11,000	2.88%
Inter-bank loans and financial assets held under resale agreements	62,434	12.93%	37,965	9.94%
Investments in associates	326	0.07%	335	0.09%
Fixed assets	1,415	0.29%	1,512	0.40%
Deferred income tax assets	956	0.20%	1,113	0.29%
Other assets	2,770	0.57%	2,454	0.64%
Total assets	482,764	100.00%	382,109	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 2014, the Bank's total loans and advances amounted to RMB219,396 million, representing an increase of 12.25% as compared with the end of last year, and the total loans and advances accounted for 45.45% of the Bank's total assets, down 5.70 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.

Items	31 December 2014		31 December 2013	
	Amounts	% of the total	Amounts	% of the total
Corporate loans	149,222	68.02%	136,856	70.02%
Discounted bills	13,580	6.19%	9,725	4.98%
Retail loans	56,594	25.79%	48,868	25.00%
Total loans and advances	219,396	100.00%	195,449	100.00%

Unit: in millions of RMB

Corporate loans

As of 31 December 2014, the Bank's total corporate loans recorded RMB149,222 million, representing an increase of 9.04% as compared with the end of last year, and accounted for 68.02% of the total loans and advances of the Bank, which was down 2.00 percentage points from the end of last year. In 2014, 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 2014, the Bank's total discounted bills amounted RMB13,580 million, representing an increase of 39.64% as compared with the end of last year. Since 2014, according to business development requirements and the customer financing demand, the Bank has flexibly adjusted the size of bill financing and improved the comprehensive return of bill assets by optimizing the structure, 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 2014, the Bank's total retail loans amounted to RMB56,594 million representing an increase of 15.81% as compared with the end of last year, and accounted for 25.79% of the total loans and advances, which was up 0.79 percentage point from the end of 2013. In 2014, the Bank adjusted the direction of its business development, and gave guidance to branches for the strong development of retail loan business through the adjustment of internal transfer pricing and the strengthening of the evaluation system. During the year, retail loans grew faster than the corporate loans.

Unit: in millions of RMB

Items	31 December 2014		31 December 2013	
	Amounts	% of the total	Amounts	% of the total
Residential Mortgage Loans	40,070	70.80	34,790	71.19
Personal Business Loans	10,420	18.41	9,451	19.34
Others	6,104	10.79	4,626	9.47
Total retail loans	56,594	100.00	48,868	100.00

5.3.1.2 Investments

Investments of the Bank consist of Renminbi-denominated listed and non-listed securities, including financial assets at fair value through profit or loss, available-for-sale investments, held-to-maturity investments and investments classified as receivables.

The following table sets forth the components of the investment portfolio of the Bank according to the accounting classification.

Unit: in millions of RMB

	31 December 2014		31 December 2013	
	Amounts	% of the total	Amounts	% of the total
Financial assets at fair value				
through profit or loss	2,964	2.64	1,805	3.00
Available-for-sale investments	71,574	63.70	29,965	49.72
Held-to-maturity investments	30,021	26.72	27,772	46.08
Investment classified as receivables	7,797	6.94	724	1.20
Total investments	112,356	100.00	60,266	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.

Unit: in millions of RMB

	31 December	31 December
	2014	2013
Government bonds	532	275
PBOC bonds	–	10
Financial bonds	1,883	598
Corporate bonds	549	922
Total financial assets at fair value through profit or loss	2,964	1,805

Available-for-sale investments

As of 31 December 2014, the Bank's available-for-sale investments increased by RMB41,609 million over the end of 2013, with an increase of 138.85%, which was mainly due to a significant increase in targeted asset management schemes of brokers.

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

Unit: in millions of RMB

	31 December	31 December
	2014	2013
Government bonds	10,590	6,963
Financial bonds	12,554	10,989
Corporate bonds	6,438	5,400
Asset management schemes by securities firms or trust companies	27,395	1,061
Interbank certificates of deposit	444	–
Equity securities	10	10
Other	14,362	5,542
Less: provision for impairment	219	–
Available-for-sale investments, net	71,574	29,965

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 2014, net held-to-maturity investments held by the Bank increased by RMB2,249 million from the end of last year, with an increase of 8.10%. Held to maturity investments will be held in the long run for our investment strategy. In 2014, based on the requirements of our bank account interest rate risk management, the Bank increased the proportion of fixed-rate bonds when bond market yield was high, and improved the earning level of investment portfolio.

Unit: in millions of RMB

	31 December 2014	31 December 2013
Government bonds	12,356	12,017
Financial bonds	11,545	11,634
Corporate bonds	6,019	4,121
Interbank certificates of deposit	101	–
Total held-to-maturity investments	30,021	27,772

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 2014, net investments classified as receivables held by the Bank amounted to RMB7,797 million, an increase of RMB7,073 million from the end of 2013.

Unit: in millions of RMB

	31 December 2014	31 December 2013
Government bonds	113	130
Asset management schemes by securities firms or trust companies	2,405	–
Investment in wealth management products of other banks	3,045	594
Others	2,234	–
Total investments classified as receivables	7,797	724

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 securities 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: in millions of RMB

	31 December 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Held-to-maturity investments	30,021	29,957	27,772	26,541
Investments classified as receivables	7,797	7,776	724	713

Subsidiaries and major companies in which the Bank has shareholdings

Name	Initial investment amount (in thousands of RMB)	Percentage of shareholdings (%)	Number of shares held at the end of the period (in thousands of shares)	Carrying value at the end of the period (in thousands of RMB)	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	85,513	Promotion	Subsidiary
Chery HuiYin Motor Finance Service Co., Ltd.	100,000	20	200,000	325,605	Promotion	Associate

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.2 Liabilities

As of 31 December 2014, total liabilities of the Bank amounted to RMB446,211 million, representing an increase of 27.33% as compared with the end of last year. Such increase was mainly due to the steady growth of deposits from customers, issuance of bonds, deposits from banks and other financial institutions and other liabilities, etc.

Unit: in millions of RMB

Items	31 December 2014		31 December 2013	
	Amounts	% of the total	Amounts	% of the total
Loans from central bank	107	0.02%	–	–
Deposits from banks and other financial institutions	24,430	5.48%	17,433	4.97%
Placements from banks and other financial institutions	1,682	0.38%	1,537	0.44%
Derivative financial liabilities	2	0.00%	5	0.00%
Financial assets sold under repurchase agreements	72,481	16.24%	42,728	12.19%
Deposits from customers	317,870	71.24%	272,798	77.85%
Taxes payable	825	0.18%	376	0.11%
Issuance of bonds	18,751	4.20%	8,986	2.56%
Other liabilities	10,063	2.26%	6,573	1.88%
Total liabilities	446,211	100.00%	350,437	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 2014, 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 2014, total deposits from customers of the Bank amounted to RMB317,870 million, representing an increase of 16.52% from the end of 2013, and accounted for 71.24% 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: in millions of RMB

	31 December 2014		31 December 2013	
	Amounts	% of the total	Amounts	% of the total
Corporate Deposits				
Demand deposits	114,346	35.97%	111,788	40.98%
Time deposits	94,699	29.79%	65,915	24.16%
Subtotal	209,045	65.76%	177,703	65.14%
Retail Deposits				
Demand deposits	28,152	8.86%	24,914	9.13%
Time deposits	45,892	14.44%	37,530	13.76%
Subtotal	74,044	23.30%	62,444	22.89%
Others	34,781	10.94%	32,651	11.97%
Include: Pledged Deposits	34,427	10.83%	32,355	11.86%
Total deposits from customers	317,870	100.00%	272,798	100.00%

As of 31 December 2014, retail deposits of the Bank accounted for 23.30% of total customer deposits, representing an increase of 0.41 percentage point from the end of 2013.

In 2014, deposits from customers of the Bank showed a regular trend. As of 31 December 2014, the Bank's demand deposits to total customer deposits ratio was 44.83%, a decrease of 5.28 percentage points from the end of 2013. Among them, the proportion of demand deposits in corporate deposits was 54.70%, showing a decrease of 8.21 percentage points over the end of 2013; while the proportion of demand deposits in retail deposits was 38.02%, showing a decrease of 1.88 percentage points over the end of 2013.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (Continued)

5.3.3 Equity

Unit: in millions of RMB

Items	31 December	31 December
	2014	2013
Share capital	11,050	11,050
Capital reserve	6,751	6,751
Surplus reserve	4,071	3,012
General risk provision	3,743	3,063
Investment revaluation reserve	(109)	(910)
Retained earnings	10,868	8,659
Total equity attributable to shareholders of the Bank	36,374	31,625
Non-controlling interest	179	47
Total equity	36,553	31,672

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.

Unit: in 100 millions of RMB except percentages

	31 December 2014		31 December 2013	
	Amounts	% of the total	Amounts	% of the total
Pass	2,130.18	97.10	1,906.69	97.56
Special mention	45.52	2.07	37.29	1.91
Substandard	15.65	0.71	8.25	0.42
Doubtful	2.13	0.10	2.17	0.11
Loss	0.48	0.02	0.09	0.00
Gross loans and advances to customers	2,193.96	100.00	1,954.49	100.00
Total non-performing loans	18.26	0.83	10.51	0.54

Under the five-category classification system, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. In 2014, affected by the change of the external business environment, the Bank's asset quality faced a serious challenge. By focusing on risk prevention and speeding up the disposal treatment, the Bank maintained stable quality of assets. As at the end of the reporting period, the non-performing loan ratio ("NPL ratio") of the Bank was 0.83%. Although it was 0.29 percentage point higher than that of the end of last year, the Bank was still able to maintain an outstanding position among its peers.

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.

Unit: in 100 millions of RMB except percentages

	31 December 2014				31 December 2013			
	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)
Corporate loans	1,492.22	68.02	15.38	1.03	1,368.56	70.02	9.03	0.66
Working capital loans	858.01	39.11	7.69	0.90	833.90	42.67	6.80	0.82
Fixed assets loans	577.03	26.30	0.00	0.00	479.17	24.52	2.04	0.43
Trade finance	45.44	2.07	0.13	0.29	51.94	2.66	0.18	0.35
Others ⁽¹⁾	11.74	0.54	7.56	64.40	3.55	0.18	0.01	0.28
Discounted bills	135.80	6.19	–	–	97.25	4.98	–	–
Retail loans	565.94	25.79	2.88	0.51	488.68	25.00	1.48	0.30
Residential mortgages	345.04	15.72	0.48	0.14	301.35	15.42	0.47	0.16
Personal business loans	187.98	8.57	1.90	1.01	161.27	8.25	0.71	0.44
Credit card loans	25.03	1.14	0.39	1.56	17.18	0.88	0.12	0.70
Personal consumption loans	7.89	0.36	0.11	1.39	8.88	0.45	0.18	2.03
Total loans and advances to customers	2,193.96	100.00	18.26	0.83	1,954.49	100.00	10.51	0.54

Note: (1) Mainly include corporate mortgage 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.

Unit: in 100 millions of RMB except percentages

	31 December 2014				31 December 2013			
	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)
Corporate loans	1,492.22	68.01	15.38	1.03	1,368.56	70.02	9.03	0.66
Commerce and services	419.81	19.15	7.17	1.71	414.05	21.19	5.54	1.34
Manufacturing	409.46	18.66	4.63	1.13	410.55	21.01	3.09	0.75
Public utilities	196.00	8.93	–	–	139.28	7.13	0.00	0.00
Real estate	165.08	7.52	–	–	134.59	6.89	0.00	0.00
Construction	141.38	6.44	0.47	0.33	112.71	5.77	0.16	0.14
Energy and chemical	34.48	1.57	0.10	0.29	43.95	2.25	0.01	0.02
Transportation	62.82	2.86	2.79	4.44	44.89	2.30	0.01	0.02
Education and media	19.12	0.87	–	–	21.76	1.11	0.15	0.69
Catering and travelling	15.48	0.71	0.09	0.58	21.82	1.12	0.02	0.09
Financial services	8.34	0.38	–	–	9.84	0.50	0.00	0.00
Others	20.25	0.92	0.13	0.64	15.12	0.77	0.05	0.33
Discounted bill	135.80	6.19	–	–	97.25	4.98	–	–
Retail loans	565.94	25.80	2.88	0.51	488.68	25.00	1.48	0.30
Total loans and advances to customers	2,193.96	100.00	18.26	0.83	1,954.49	100.00	10.51	0.54

Others: mainly include planting, forestry, livestock industry and fishery industry.

In 2014, 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 over-capacity industries, and implemented industry risk prevention and control on the “Non-green Industries” such as steel trade, PV and shipbuilding industries. During the reporting period, the increments of non-performing corporate loans of the Bank were mainly from two sectors, namely manufacturing, commercial and services 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.

Unit: in 100 millions of RMB except percentages

	31 December 2014				31 December 2013			
	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)
Anhui	2,038.80	92.93	17.53	0.86	1,804.37	92.32	10.18	0.56
Jiangsu	155.16	7.07	0.73	0.47	150.12	7.68	0.33	0.22
Total loans and advances to customers	2,193.96	100.00	18.26	0.83	1,954.49	100.00	10.51	0.54

The Bank has expanded its business into Nanjing, Jiangsu Province since the beginning of 2009. As at the end of 2014, total loans of Jiangsu Province accounted for 7.07% of the total loans and advances to customers, while NPLs of Jiangsu Province accounted for 4.00% of the Bank's total NPLs.

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.

Unit: in 100 millions of RMB except percentages

	31 December 2014				31 December 2013			
	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)
Collateralized loans	1,166.98	53.19	8.86	0.76	1,009.43	51.65	5.94	0.59
Pledged loans	76.93	3.51	1.34	1.74	97.21	4.97	0.18	0.19
Guaranteed loans	697.02	31.77	6.03	0.87	620.73	31.76	1.97	0.32
Unsecured loans	117.23	5.34	2.03	1.73	129.87	6.64	2.42	1.86
Discounted Bills	135.80	6.19	-	-	97.25	4.98	-	-
Total loans and advances to customers	2,193.96	100.00	18.26	0.83	1,954.49	100.00	10.51	0.54

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, loans secured by pledged assets 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.

Unit: in millions of RMB

Top 10 borrowers	Industry borrower belongs to	Amount of loans as of 31 December	
		2014	% of net capital
A	Public utility	1,500	3.54
B	Real estate	1,199	2.83
C	Commerce and services	1,100	2.60
D	Manufacturing	1,058	2.50
E	Manufacturing	1,000	2.36
F	Commerce and services	994	2.35
G	Commerce and services	960	2.26
H	Manufacturing	885	2.09
I	Financial services	831	1.96
J	Manufacturing	826	1.95
Total		10,353	24.44

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.

Unit: in millions of RMB

	31 December 2014	31 December 2013
Total overdue customers loans and advances listed by duration:		
Within 3 months	1,552	515
3 to 6 months	458	168
6 to 12 months	815	387
Over 12 months	349	442
Total	3,174	1,512
%		
Within 3 months	48.91%	34.07%
3 to 6 months	14.42%	11.12%
6 to 12 months	25.69%	25.57%
Over 12 months	10.98%	29.24%
Total	100.00%	100.00%

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (Continued)

5.4.8 Restructuring loans

The Bank had no restructuring loan during the reporting period.

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 management 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: in millions of RMB</i>	
	2014	2013
Balance at beginning of the year	4,169	3,853
Net allowances for impairment on loans to customers	978	435
Unwind of discount on allowance	(35)	(34)
Loans written-off	(488)	(87)
Loans collected	38	2
Balance at end of the year	4,662	4,169

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5.5 CAPITAL ADEQUACY RATIO

The Bank calculated the capital adequacy ratio in 2014 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 2014, the Bank's capital adequacy ratio was 13.41%, core Tier 1 capital adequacy ratio was 11.50%, and Tier 1 capital adequacy ratio was 11.51%. During 2014, affected by expansion of asset scale, the capital adequacy ratio of various tiers has declined.

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

Unit: in millions of RMB

	31 December 2014
Core Tier 1 capital	36,446
Including: Paid-up capital	11,050
Capital reserve	6,642
Total surplus reserve, general and statutory reserve	7,815
Retained earnings	10,868
Non-controlling interests	71
Regulatory deductions for Tier 1 Capital	(98)
Total core Tier 1 capital, net of deductions	36,348
Other Tier 1 capital	10
Total Tier 1 capital, net of deductions	36,358
Tier 2 capital	6,030
Including: Tier 2 capital instruments and premium	3,194
Surplus loan loss provisions	2,817
Non-controlling interests	19
Regulatory deductions for Tier 2 capital	-
Total capital, net of deductions	42,388
Credit risk-weighted assets	294,902
Market risk-weighted assets	807
Operational risk-weighted assets	20,288
Risk-weighted assets	315,997
Capital adequacy ratio	13.41%
Tier 1 capital adequacy ratio	11.51%
Core Tier 1 capital adequacy ratio	11.50%

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 listed the performance of four operating segments as of the periods indicated.

Unit: in millions of RMB except percentages

	Jan-Dec 2014		Jan-Dec 2013	
	Profit before income tax	Percentage (%)	Profit before income tax	Percentage (%)
Corporate banking	3,026	40.82%	3,427	53.56%
Retail banking	1,630	21.99%	1,837	28.71%
Treasury	2,544	34.34%	989	15.46%
Others	211	2.85%	146	2.27%
Total	7,411	100.00%	6,399	100.00%

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.

Unit: in millions of RMB except percentages

31 December 2014					
	Anhui Province	Yangtze River Delta	Head Office	Offsets	Total
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 liability	(205,522)	(17,225)	(324,012)	100,548	(446,211)
Profit before income tax	4,429	115	2,867	-	7,411

Unit: in millions of RMB except percentages

31 December 2013					
	Anhui Province	Yangtze River Delta	Head Office	Offsets	Total
Segment assets	292,783	25,925	154,700	(92,412)	380,996
Include: investments in associates	/	/	335	/	335
Deferred income tax assets	/	/	/	/	1,113
Total assets	/	/	/	/	382,109
Segment liability	(202,893)	(19,113)	(220,843)	92,412	(350,437)
Profit before income tax	5,173	191	1,035	-	6,399

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. Loan commitment is the main component of the bank commitment letters. Contingencies and commitments can be found in Note 39 of the financial statements.

5.7.2 Overdue outstanding debt

As of the end of 2014, 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 2014, China's economy remained stable, with an annual GDP growth rate of 7.4%, which was in line with the government's target level of "about 7.5%". China's export growth was faster than before while consumption fell slowly. However, investment was a major force dragging the economy. The year-on-year growth for total industry added value was still declining amidst a weak demand. Although companies voluntarily cut down production, the inventory was still increasing and the problem of overcapacity has not been solved. In 2014, the central bank of China continued to implement prudent monetary policies while constantly providing innovative regulatory concept and methods to enrich its monetary policy tools so as to provide appropriate and timely measures for pre-tuning and fine-tuning the economic structure. It has also adopted asymmetric interest rate cuts to reduce social financing costs, expand the floating range of deposits and promote market-oriented interest rate reform.

As China's economy has entered the new normal era, there will be a change in the economic development and adjustment in the economic structure. The banking industry is facing challenges such as declining growth rate, narrowing interest spread, "double disintermediation" of assets and liabilities, and non-performing assets.

1. Slowdown in the increase of the size and profit of the banking industry

In terms of the banking industry's development trend, the speed of increase of the asset-to-debt ratio and the profit of China's banking industry is changing from rapid growth to medium-high growth, indicating a slowdown of the development. By the end of 2014, the year-on-year growth of total banking assets was 13.6% while the year-on-year growth of loan fell to 13.6%. A stable growth rate will become a long-term trend in the banking industry. In addition, with the continuous liberalization of interest rate and the release of the draft deposit insurance regulation to seek public input, the interest spread will be further narrowed down and the proportion of non-interest income will continue to increase. The narrow-down of the interest spread and the changes in income structure means that banks must adjust their profit model and look for new profit growth points.

2. Serious financial disintermediation

With the deepening of the financial reform and the rapid growth of internet finance, there are more and more channels of financial disintermediation in China and the process of such disintermediation becomes much faster. On the assets' side, as more and more corporate customers began to issue stocks and bonds for direct financing, the proportion of funds from the banking system for corporations is gradually declining. Looking at the social financing structure, the proportion of bank loans in total social financing accounted for 92% by the end of 2002 but decreased to 59% by the end of 2014. Diversified customer financing channels not only reduced the demand for loans, but also lowered the bargaining power of banks in lending loans. On the liabilities' side, internet finance such as third-party payment, Yu'E Bao, P2P and Zhongchou has changed the awareness of residents on wealth management, which has caused an obvious diversion from saving deposits with banks.

3. Non-performing assets

Another challenge that the new normal economy brings to commercial banks is the asset quality problem. In the process of economic slowdown and restructuring, operation problems of some enterprises become worse, with declining repayment ability. The banking industry cannot be immune from such impact. For a period of time from now on, there may be more and more conflicts and risk incidents. Financial risks in overcapacity, real estate, shadow banking and other areas may continue to deteriorate, which will subject the asset quality of the banking industry to even greater pressure.

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 corporate, financial institutions and government and institutional customers. During 2014, based on its characteristics as a city commercial bank, 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, restructured its business and promoted the fast and healthy development of the wholesale business. As of 31 December 2014, the Bank's market share of domestic and foreign currency corporate deposit continued to rank the first in Anhui Province for seven consecutive years and has further expanded its leading position. Its other businesses, including investment banks, interbank bills, and supply chain finance and cash management, have all achieved rapid growth and were widely recognized by the market.

During 2014, the Bank continued to expand in the local market of Anhui Province. In the meanwhile, it also explored markets in cities like Nanjing that are outside of Anhui Province. It fostered new sources of business growth and strengthened risk management and control to enhance the profitability of assets in a comprehensive manner so as to promote the steady growth of interest income and a rapid increase in the proportion of non-interest income.

In 2015, facing the new economic and financial situation, the Bank will continue to look for high-quality clients and expand its business capacity. It will also continue its efforts in product innovation and service optimization, enhancing professional service capabilities and accelerating restructuring and business transformation to achieve sustainable and healthy development of the wholesale banking 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. During 2014, 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. At the same time, the Bank effectively controlled the growth of government financing platforms and loans to the "Non-green Industries". As of 31 December 2014, the Bank's corporate loans (including discounted bills) balance was RMB162.803 billion, increased by RMB16.222 billion from the beginning of the year.

During 2014, through small and micro financial reforms, the Bank continued to push forward professional, process-oriented and standardized services to small enterprises. It endeavored to strengthen its ability in marketing of its services and providing micro and small products specialization and risk management in order to continually improve its comprehensive financial services ability and standard for small businesses. The main approaches of its efforts are:

Firstly, improvement of products and services for micro and small enterprises to meet customer's demand in full scale. The Bank has successfully developed a small enterprise financial service platform and has become the first among all city commercial banks to make breakthrough and transformation for cash management in small enterprise financial services. The Bank has also made good attempt in exploring small enterprise asset management. It has established a cross-department and integrated multiple-line product sales platform to provide strong support for small enterprise financial services. It has also launched special products like Easy-Revolving-Loan(易連貸) and small micro loans and self-service which are designed specifically for small enterprises. Such products effectively reduced the financing cost for micro and small enterprises and improved the financing efficiency of the Bank. It has also taken the opportunity of the launch of the New Fourth Board to develop an equity trading capital depository system through collaborating with the Anhui Equity Exchange Center.

Secondly, the Bank continued its business development efforts in the trade circles and industrial chains to solicit customers. It started from the trade circles, industrial chains, supply chains and industrial parks, and promoted the connection between various marketing platforms, commencing the development of bulk marketing for a bunch of micro and small enterprise clients. The Bank has also stepped up its efforts in chain marketing, selected good industries and clients like large core manufacturers, good quality medium-sized customers and e-commerce clients with strong foundation. The Bank has compiled chain marketing plans to further develop supply chain financial customers comprehensively. It continued to maintain the leading position in Anhui Province for its market share in micro and small enterprise business and has achieved better economic and social benefits.

Thirdly, the Bank further has improved its business model and operating system for micro and small business finance, which effectively enhances its market competitiveness. Through the implementation of micro-loan projects, the Bank's Hefei Branch has conducted pilot micro-loan business. It has also established a sub-branch in Ningguo City in cooperation with Mintai Commercial Bank as a pilot scheme for micro and small finance business. Reforms on organizational setting, personnel deployment, performance appraisal and risk tolerance have been launched in order to serve small enterprises. It has also set up a paperless operating system throughout the whole process for small enterprises and has created an innovative business model with new advantages. The Bank continues to promote professional business management system serving small enterprises. It has formed a multi-level marketing management system consisting of Headquarter Small Enterprise Banking Department, Branch Small Enterprise Operation Centers and Small Enterprise special Sub-branches.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.1 Wholesale Banking (Continued)

Discounted bills

During 2014, 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 bill business development, shortened turnover days of bills, enhanced the profitability of the bill business, and promoted the healthy development of bill business according to law. As of 31 December 2014, the Bank's balance of discounted bills amounted to RMB13,580 million, representing an increase of RMB3,855 million as compared with the end of last year.

Corporate deposits

While continuing its efforts to maintain current customers, the Bank focused on application and innovation of its deposit product portfolios to improve the efficiency of corporate deposits. Through developing innovative businesses such as investment banking, cash management and supply chain finance, 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 2014, the scale of the Bank's corporate deposits grew steadily. As of 31 December 2014, the balance of corporate deposits amounted to RMB209,045 million, representing an increase of RMB31,342 million from the previous year.

Cash management business

Cash management business was a new strategic corporate finance business of the Bank in response to the challenge brought by interest rate liberalization. The Bank endeavored to provide customers with a variety of comprehensive and integrated cash management services, such as account management, collection and payment management, liquidity management, investment and financing services, risk management and information services. In particular, the Bank, as an industry leader, has significant advantages in asset and cash management solutions for the public sector. In 2014, the Bank was named the Best Bank of Cash and Treasury Innovation in China again for its cash management business after it was named the Most Innovative Cash Management Bank in 2012 and the Best Regional Cash and Treasury Management Bank in 2013 by Treasury China.

Investment banking business

In the past 2014, the investment banking business of the Bank gained a leap forward and recorded an inter-bank revenue of RMB272 million, representing an increase of 42.41% over 2013.

Lead underwriting of debt financing instruments

In March 2014, the Bank obtained the lead underwriting qualification for non-financial corporate debt financing instrument Class B, becoming the first batch of approved banks since the National Association of Financial Market Institutional Investors released its lead underwriting qualifications. At the end of 2014, through co-lead underwriting, the Bank registered three non-financial corporate debt financing instruments, of which one was successfully issued in an amount of RMB700 million. This provides the Bank with a leading position among city commercial banks in such business. The obtaining of the lead underwriting qualification and the commencement of business have laid down the foundation for the Bank to transform business and develop investment banking business, and provided a solid guarantee to the Bank for the rapid development of the direct financing business as well as the business transformation of the whole bank.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.1 Wholesale Banking (Continued)

Credit asset securitization

To accelerate business transformation, the Bank has actively explored all kinds of new business development opportunities. In September 2014, the Bank successfully tendered for the issue of Huishang Bank 2014 First Tranche Credit Asset Securitization Trust Asset-backed Securities, with a total amount of RMB3,086.9 million. The interest rate for the issue of A tranche was 5.13%, which is the lowest rate in the same tranche among city commercial banks in the same period. Conducting credit asset securitization business will help revitalize the Bank's stock assets, improve asset liquidity, lower its loan-deposit ratio, and enhance the flexibility of the Bank's operations.

International Business

By utilizing the platform created by the product "Zhi Hui 360", the Bank is able to share business resources with corporations and small enterprises and complement each other's advantages. The Bank has launched more than 40 foreign exchange products in 7 categories, including international settlement, trade financing, foreign exchange funds, derivative products, account services, correspondent banking, and cross-border RMB business, which provides customers with comprehensive, multi-level financial services in settlement, financing, wealth management, and hedging.

The Bank's international business strives to serve the local economy and promote corporate development by gradually expanding a broad customer base and actively expanding its service channels to enhance its cross-border service capabilities. By the end of 2014, there were 2,422 international business customers, representing an increase of 12.55% compared to the beginning of the year and a market share of over 40% for import and export enterprises in Anhui Province. Throughout 2014, the Bank handled a total of USD5,507 million in international settlement for its customers, representing a year-on-year increase of 11.19%. The foreign exchange settlement amounted to USD3,689 million, representing a year-on-year increase of 13.09%. The total international trade financing amounted to USD1,511 million, representing a year-on-year increase of 28.6%. The domestic letter of credit and financing under it accumulated to RMB6,975 million. In particular, the turnover of cross-border foreign exchange receipts and payments for and on behalf of customers and the amount of foreign exchange settlement were both ranked in the top five among the 25 financial institutions in Anhui Province. In 2014, the Bank has strengthened its new product development efforts in international business, with a yearly cross-border RMB settlement of RMB2,098 million and a year-on-year increase of 115%. The Bank has conducted derivatives business (including forward foreign exchange settlement, forward foreign exchange trading, foreign exchange swaps, and RMB foreign exchange swaps) amounting to a total of USD332 million. The Bank's annual international intermediary business income was RMB84.2289 million, representing a year-on-year increase of 23.81%.

At the end of 2014, the Bank has established correspondent banking relationship with 760 banks in more than 80 countries and regions across six continents and has set up 16 overseas clearing accounts for the main settlement currencies. This increasingly improved overseas network and the convenient and smooth clearing channels fully meet 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 2014, through enhancing market expansion, providing innovative financial products and services, accelerating business channel and team building, the Bank actively built wealth management systems, 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 2014, the Bank's active customer base maintained a steady growth, among which the number of high-value customers grow faster than others. Services for some inactive and low-end customers have been terminated. Customer structure was further optimized, and the number of high-value customers continued to increase. As of the end of December 2014, the number of customers with assets of RMB500,000 or above amounted to 21,182, with an increase of 38.7% from the beginning of the year. The number of customers with assets over RMB2 million increased by 42.4% from the beginning of the year. Wealth management business maintained a rapid growth rate. Apart from the significant increase in the sales of wealth management products (WMPs), sales of non-principal-guaranteed WMPs were also promoted. Debt sales were in a leading position in the province. Retail customer deposits and loans expanded continuously. New index of savings deposits recorded its historical high. Meanwhile, the three indexes, namely the market share of retail deposits in Anhui Province, retail deposits and personal loans, kept rising for three consecutive years. Moreover, the growth rate of retail business deposits also exceeded the average growth rate of Anhui Province.

Bank card fees amounted to RMB161.41 million from January to December 2014, compared to RMB109.34 million from January to December 2013, representing a year-on-year increase of RMB52.07 million or 47.62%, which were primarily led by a rapid growth in the income generated from the promotional campaigns of bank card consumptions and credit card installments.

In 2015, with the acceleration of interest rate liberalization, the strong impact from Internet finance and the further deepening of financial reform, 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 its ability to use data to conduct marketing activities. At the same time, the Bank will accelerate the speed to build up a series of infrastructural work, such as establishment of inclusive finance, wealth centers and community branches, setting up of consumer finance companies as well as promotion of optimization of sales capacity of outlets. The Bank continues to maintain a rapid and healthy growth in each of the retail business, aiming to keep the deposit and loan growth rate above the market average and industry average 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 and agency services for sales of PRC treasury bonds. Of which:

In 2014, personal wealth management business of the Bank has raised RMB41,638 million in aggregate, representing an increase of 34% as compared with the same period of the last year. Meanwhile, ownership volume of personal wealth management products amounted to RMB15,863 million, representing an increase of 73% as compared with the same period of the last year. Also, sale of open-end funds amounted to RMB3,373 million, representing an increase of 214.35% as compared with the same period of the last year. The ownership volume of open-end funds amounted to RMB617 million, representing an increase of 118.02% as compared with the same period of the last year. Furthermore, agency services for insurance products was RMB24.1713 million, representing a decrease of RMB4.2278 million or 14% as compared with the same period of the last year, whereas the agency services for sales of PRC treasury bonds amounted to RMB996 million, representing a decrease of RMB338 million as compared with the same period of the last year, while its ownership volume was RMB2,145 million, representing a decrease of RMB193 million as compared with the same period of the last year, primarily attributable to the decrease in number of tranche issuance of national saving bonds and being affected by other wealth management products.

In 2014, intermediary personal wealth management business income of the Bank amounted to RMB62.6024 million, representing an increase of RMB15.2676 million or 32% as compared with the corresponding period of the last year. Among those, personal wealth management business achieved an intermediary business income of RMB52.7211 million, representing an increase of 45%, whereas agency sales of funds achieved an intermediary business income of RMB1.2407 million, representing an increase of 115% as compared with the same period of the last year. Also, agency sales of insurance products achieved an intermediate business income of RMB3.0225 million, a decrease of 3% over the corresponding period of the last year. Moreover, sales of government bonds achieved an intermediary business income of RMB5.6138 million, representing a decrease of 23% as compared with the corresponding period of the last year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.2 Retail banking business (Continued)

Bank card business

One card

In 2014, 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 2014, a total of 7.0777 million cards were issued by the Bank. Total deposits of the cards amounted to RMB27,943 million, accounted to 37.74% of total retail deposits. Deposit per card amounted to RMB3,900. Throughout the year, the Bank has realized a POS trading volume of RMB52,974 million, an increase of 26.71% over the corresponding period of the last year.

Credit card

In 2014, by strengthening its business management and risk control, the Bank improved its products' functions and services with an aim to establish an influential credit card brand in the Anhui Province. During the reporting period, the Bank used its corporate and retail business customer base to enhance the coordination between various business lines and actively carry out cross-marketing, significantly improving marketing results. By actively innovating product functions and optimizing product structure, the Bank introduced various consumer credit products and services such as Preferred Gold Card (惠享金卡), Huishang Agricultural Credit Card (徽農信用卡), decoration installments and garage installments. Meanwhile, the Bank improved its installment functions such as automatic installments and transfer installments so as to meet the needs of customers of different types. While improving services and trying to promote services designed for different client groups, the Bank further improved customer experience and customer services ability by actively utilizing e-channels such as Huishang Bank's WeChat account and mobile terminals.

As of the end of the reporting period, the Bank issued a total of 297,642 credit cards, of which 275,799 were valid cards. The number of credit cards newly issued during the reporting period was 121,389. Throughout 2014, the transaction amount of credit cards was RMB14,692 million; the monthly average transaction amount of valid cards was RMB11,205. The outstanding overdraft amount was RMB2,503 million, representing an increase of RMB785 million as compared with the end of last year. Credit card interest income amounted to RMB42.9409 million, representing an increase of 57.66% as compared to the same period of the last year. Credit card non-interest income amounted to RMB100.6111 million, representing an increase of 102.70% as compared to the same period of the last year. As of 31 December 2014, credit cards NPL ratio was 1.56%, representing an increase of 0.86 percentage point from the last year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.2 Retail banking business (Continued)

Bank card business (Continued)

Retail loans

In 2014, 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 asset quality of personal loans was generally good and the level of NPL ratio was relatively lower. Meanwhile, given that the vast majority of such new NPLs was fully secured by collaterals, the possibility of sustaining eventual losses on such loans is slim. As of 31 December 2014, personal loans (excluding outstanding overdraft) of the Bank amounted to RMB54,091 million, representing an increase of RMB6,941 million or 14.72% as compared with the end of last year, while it accounted for 24.65% within the industry, with an increase of 0.53 percentage point from the beginning of the year. Among those, balance of personal business loans amounted to RMB18,798 million, representing an increase of RMB2,671 million or 16.56% as compared with the end of last year. Personal loans NPL ratio of the Bank was 0.51%, with an increase of 0.21 percentage point from the end of the last year.

Retail customer deposits

In 2014, the Bank experienced substantial development of interest rate liberalization, diversification of customer financial needs, diversion effect of heating-up of capital market on customer deposits, and intense competition in the industry. The Bank, by adhering to customer-oriented business philosophy, focus on customer wealth management, customer needs on demand payment settlement and loan financing, through product innovation, marketing innovation and multi-channel interaction model, achieved rapid growth in customer deposits. As of 31 December 2014, the Bank's retail customer deposits amounted to RMB74,044 million, with an increase of 18.58% as compared with the end of last year. As of 31 December 2014, the market share of the Bank's retail deposits in Anhui Province reached 4.76%, representing an increase of 0.16 percentage points 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 2014, based on accurate judgment on the movements of domestic bond market, the Bank timely adjusted investment strategies and made innovations in investment philosophy so as to maximize bond portfolio returns under the premise of avoiding interest rate risk. In respect of traditional bonds, the Bank continued to optimize its product portfolio, and increase its investment on various emerging products. Meanwhile, the Bank strengthened the market research and analysis, and put greater efforts on selective investment on interest rate instruments. In respect of OTC investments, the Bank increased its investments with the focus on wealth management products and asset management schemes, aiming to increase continuously the returns on its investment portfolio. As of the end of reporting period, the average duration of the RMB bond investment portfolio was 3.10 years. Portfolio annual yield was 5.11%, taking into account of the yield of interest income after tax rebate on treasury bonds of 5.48%.

Business development

In 2014, the Bank promoted its healthy growth in the financial markets by optimizing the Bank's asset portfolio structure, strengthening business innovation, creating varieties of business and strengthening the study of the market. For asset management business, the Bank issued a total of 625 financial products during 2014, with proceeds of RMB85,031 million, representing an increase of RMB30,799 million or 56.79% as compared to the same period of the last year. Balance of wealth management products amounted to RMB32,245 million, representing an increase of RMB20,953 million or 185.56% as compared to the same period of the last year. Besides, average daily balance for the year amounted to over RMB18,000 million, which was twice as much as the corresponding amount in previous year. As at the end 2014, the Bank's proprietary investments was RMB112,356 million, representing an increase of 86.43% as compared with the end of the 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

The Bank distribution networks are mainly in the cities and rural areas of Anhui Province and Nanjing, Jiangsu Province, China. As of 31 December 2014, the Bank has 17 branches and 250 front offices (including 8 branches of business department and 242 sub-branches), 498 self-service banks, including 256 off-bank self-service banks (including single-point), 242 in-bank self-service banks, 1,515 bank self-service terminal including: 1,076 cash self-service equipment (of which there are 579 ATMs and 497 cash recycle system) and 439 self-inquire machines.

Electronic banking channels

By expanding our product offerings and enhance service capabilities, the Bank further promoted the use of the Bank's electronic banking services, effective diversified the pressure of sales network. In 2014, the trading via alternative electronic channel accounted for 71.52%, the trading of retail alternative electronic channel accounted for 73.77%, the trading of alternative corporate electronic channel accounted for 54.56%, representing an increase of 6.56 percentage points, 6.33 percentage points, and 6.26 percentage points, respectively.

Online banking

The Bank's retail online banking business continued to grow rapidly in 2014, due to the substantial growth of customer base and the increasing trading activities of customers. As of 31 December 2014, the total number of retail online banking customers amounted to 1.3152 million. Alternative trading accounts transactions of online banking accounted for 36.29%. The transactions of retail online banking accumulated to 79.7538 million, representing a year-on-year increase of 32.03%. The transaction amount accumulated to RMB867,341 million, representing a year-on-year increase of 26.35%. Of which, the accumulative number of online payment transactions was 6.7263 million, representing a year-on-year increase of 296.13%. The accumulative total transaction value amounted to RMB4,377 million, representing a year-on-year increase of 538.98%.

In recent years, the corporate online banking platform of the Bank experienced a comprehensive and rapid development, customer base continued to consolidate, and channel efficiency continued to improve. As of 31 December 2014, the coverage of enterprise online banking reached 66.24%. The transactions of enterprise online banking accumulated to 30.4022 million, representing an increase of 20.61% as compared with the corresponding period of the last year. The amounts of enterprise online banking accumulated to RMB1,369,892 million, representing an increase of 13.47% as compared with the corresponding period of the last year.

Mobile banking

The mobile banking service of the Bank continued to maintain a rapid growth in 2014. In addition to vigorously developing mobile banking business, the Bank put greater efforts to develop mobile payment business through cooperation with telecommunications operators, such as China UnionPay and China Financial Computerization Corporation. The Bank completed its connection with MTPS platform of the central bank and TSM platform of UnionPay, and realized near field communication payment over the air through NFC-SIM mode. In 2014, the Bank successfully launched its "WeChat Bank" to expand its online financial services into daily communication application with higher customer viscosity and provide an easy and convenience channel for business handling. Such service is widely appreciated by the customers. As of 31 December 2014, the number of mobile banking customers reached 326.5 thousand. The trading transactions amounted to 3.5955 million, representing a year-on-year increase of 362.58%. The accumulated transaction amount was RMB4,491 million, representing a year-on-year increase of 396.79%.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (Continued)

5.9.5 Subsidiaries and major companies in which the Bank has shareholdings

Subsidiaries

Jinzhai Huiyin Rural Bank Co., Ltd.

Jinzhai Huiyin Rural Bank Co., Ltd. commenced its business on 28 June 2013 with its registered address at Jinzhai County, Lu'an City and registered capital of RMB80 million. It is jointly established by the Bank and Anhui GuoYuan Investment Co., Ltd, along with other enterprises and individuals. Huishang Bank invested RMB32.8 million, accounted for 41% of total shares. The principal scope of business includes: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement as agents; (4) 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) acting as agent for collection and payments and bank assurance business; (9) other businesses approved by the banking regulatory institution of the State Council.

Since establishment, with the support from shareholders, Jin Zhai Huiyin Rural Bank 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 Jin zhai 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. The Nan Xi sub-branch and Gu Bei sub-branch which were set up on 19 July 2014 and 31 July 2014, respectively, are the bank's second and third sales network in Jinzhai County, respectively. As of the end of 2014, the total assets and total liabilities of Jin Zhai Huiyin Rural Bank were respectively RMB545 million and RMB460 million. Loans and deposits were respectively RMB349.36 million and RMB452.91 million. In 2014, it recorded a net profit of RMB6.14 million and zero NPL ratio. Its various major operation indicators were in line with regulatory standards.

Wuwei Huiyin Rural Bank Co., Ltd.

Registered in Wuwei County of Wuhu City, Wuwei Huiyin Rural Bank Co., Ltd. commenced its business on 8 August 2010. Its registered capital was RMB100 million, of which the Bank invested RMB40 million, accounting for 40% shareholding. Other major shareholders are local enterprises and individual shareholders in Wuwei. Its principal scope of business 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 interbank 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; (9) other businesses as approved by the banking regulatory authorities under the State Council.

Since opening, Wuwei Huiyin Rural Bank has been adhering to the business philosophy of Huishang Bank, which is to support the economy with regard to the "Three Dimensional Rural Issues", individual businesses and SMEs by upholding the scientific concept of development, establishing presence in Wuwei County and utilizing the rural village resources for expansion. In accordance with the business philosophy of "Be close to towns, dealing with the "Three Dimensional Rural Issues", the bank leverages fully on the comprehensive governance, sound internal control mechanism, advanced management and strong brand image of its parent bank. Under the premise of effective risk control, the bank made innovations on a variety of loans with different nature and operation processes. These loans and processes are tailored to provide flexible, high quality and efficient financial services to the customers in relation to the "Three Dimensional Rural Issues" in supporting the county's economic development. The bank strives to extend its services to the wider rural areas by providing financial support to farmers in agricultural production. The sub-branch at Shijian was officially opened on 26 December 2014. It is the bank's fourth outlet in Wuwei County, also the bank's second sub-branch set up in rural towns. As of the end of 2014, the bank's total assets and total liabilities were respectively RMB2,107 million and RMB1,894 million. Deposit balance was RMB1,725 million, and loan balance was RMB1,213 million. In 2014, it recorded a net profit of RMB38.0058 million and zero NPL ratio. Various major operation indicators were 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 shareholdings (Continued)

Major companies in which the Bank has shareholdings

Chery Huiyin Motor Finance Service Co., Ltd.

Chery Huiyin Motor Finance Service Co., Ltd., 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% shareholding, while Chery Automobile Co., Ltd. invested RMB400 million, a funded ratio of 80%. According to the resolution of 2011 shareholders' meeting, 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 were funded in cash by the Bank and Chery Automobile Co., Ltd. according to the proportion of 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 equity structure of Chery Huiyin Motor Finance Service Co., Ltd. remains: the Bank invested RMB200 million, accounting for 20% shareholding; Chery Automobile Co., Ltd. invested RMB490 million, accounting for 49% shareholding; and Chery Holding invested RMB310 million, accounting for 31% shareholding.

In 2014, the company has 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 Fortune Plaza, Wanjiang, Jiujiang District, Wuhu City to Dianxin Avenue (Ankang Road) East, Shenxiang County, Wuhu City, Anhui Province.

Approved by CBRC, the company's principal scope of business 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 interbank lending; (5) obtaining loans from financial institutions; (6) providing car loans; (7) providing car 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 car 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; (12) upon approval, engaging in auto finance related financial institution equity investment business. At the end of 2014, the Company's total assets and total liabilities were RMB16,421 million and RMB14,737 million, respectively. In 2014, the Company recorded operating incomes of RMB851 million and net profit of RMB306 million.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT

In 2014, the Bank kept a close eye on macroeconomic situation and policy changes, with adherence to a “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 the hope of striking a balance among “capital, risk and profit”, while 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 potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Bank. The Bank’s credit risk primarily comes from loan business, interbank lending, investment business and off-balance sheet business.

Risk Management Committee under the Board of Directors together with Risk Management and Internal Control Committee are the highest decision-making body of the Bank’s credit management. They consider and make decision on significant credit risk management policies within the risk preferences, strategies, policies and authority framework approved by the Board. The Bank sets up a “business, risk and monitoring “three lines of defense “system, placing credit risk management controls over every aspect of the credit business. Business sector as the first line of defense keeps the balance between risks and benefits, strictly screens and evaluates customers, develops appropriate risk control schemes. Risk management department as the second line of defense is independent from the Bank’s business units, setting risk management standard for risk identification, monitoring, measuring, early warning, risk reporting and disposal, and etc., assesses the reasonableness of asset allocation, the ability to achieve risk management objectives set by the Board. Compliance, audit and other oversight authorities as the third line of defense, monitor the effectiveness and adequacy of various types of risk management policies, systems, methods, procedures and processes. In addition, the Bank has developed and standardized lending policies and procedures, as well as customer credit rating system. The Bank is also in compliance with the regulatory requirements. Based on the borrower’s ability and will to repay, together with the guarantor, mortgage and pledge status, as well as overdue period and the five-category classification, the Bank refines the risk assets classification and strengthens the security of assets management.

In 2014, the Bank strengthened its control in key areas to reinforce credit risk management. The Bank continued with its quota management of high-risk industries such as government financing platform, real estate development industries, etc., to enhance the monitoring and analysis of credit risks. The Bank conducted stress tests on government financing platforms, real estate enterprises and their upstream and downstream enterprises to evaluate the quality and potential losses of loans granted in extreme scenarios. The Bank paid greater attention to centralizing control of customers by including group customers into comprehensive credit management while strengthening related party transaction control in which significant related party transactions should be submitted for approval by Related Party Transaction Control Committee. Risk screening was also conducted by the Bank, from the level of portfolio risk management to enhance higher level of asset control ability. Holding to macroeconomic control policies, the Bank adopted scientific allocation of credit resources, reinforced portfolio risk management featuring stricter credit authorization guidance for high-risk industries and withdrawal management for industries suffering from overcapacity. Therefore, the Bank optimised its credit structure while providing support to real economy. During the reporting period, the Bank’s non-performing loan balance has increased. Thanks to the timely and effective risk mitigation, recovery and disposal, accelerated loan writing off and other measures, asset quality remained stable. Please refer to section 5.4 “Loan Quality Analysis” of this annual report for distribution structure.

Currently, the impact of the new financial normal under the “superimposition of the three periods” on the credit risk of commercial banks is becoming increasingly significant. The business operation in real estate, steel, chemical, photovoltaic and other industries as well as SMEs remain difficult. The overall rising trend of credit risk has not been fundamentally changed. Under this circumstance, the Bank will continue to be customer-centered, market-oriented, it will accelerate the risk management mechanism reform to further establish and improve overall risk management system compatible with the business development to further strengthen credit risk management. It will speed up the establishment and application of risk measuring tools, accurately grasp the risk trends and apply the risk prevention mechanism beforehand. The Bank will do its best to prevent regional or systemic risk and ensure stable and controllable asset quality.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

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 arising from movements in interest rates, foreign exchange rates and other market factors. The Bank faces market risk with both trading accounts and banking accounts. The primary market risk related to the banking account is interest rate risk and exchange rate risk. The key market risk of trading accounts is from fluctuations in the market value of trading positions, which is affected by changes in observable market variables such as interest rates, exchange rates, etc.

The Bank was committed to managing market potential losses and providing earnings stability within acceptable 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 2014, PBOC continued to implement stable currency policy. It has been formulating innovative macro-control ideas and measures, enriching its policies and optimizing policy portfolio. Focusing on significant problems under economic cycle, PBOC conducted accommodative micro-control in a timely manner through structure adjustment. It also conducted flexible open market operation, and implemented accommodative two-way operation in a timely manner using short-term liquidity operations (SLO). PBOC formulated and commenced the operation of medium-term lending facility (MLF), which lead the market interest rate and lower the social financing costs while maintaining overall liquidity at a sufficient level. In general, the effects of various policies have been reflected. There was sufficient liquidity in banking system, and the market interest rate has been declined. The Bank strived to enhance market risk management tools, streamline market risk management processes, and optimize treasury risk management systems for complex and changing external environment. Aiming at better daily market risk management, the Bank made use of various analytical tools and means such as cash flow analysis, sensitivity analysis, scenario analysis, VaR analysis and, stress testing to conduct quantitative analysis on capital business investment, enhanced market risk quotas management, conducted stress test on interest rate risk, further improved the risk control and measurement capacity so as to avoid market risk in an effective way.

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 inappropriate or problematic internal procedures, personnel, IT systems, or external events. The operational risk of the Bank involves each business unit. The Bank has established uniform operational risk assessment method to identify and assess the risk of every business line, and set up and implemented continuous and effective operational risk monitoring, controlling and reporting procedures.

In terms of operational risk management, the Bank further strengthened the operational risk management system. On one hand, the Bank implemented operational risk management through hierarchical methods, established operational risk management guidance to strengthen the operation monitoring, warning and control, practiced two-way reporting system. The Bank also carried out a series of risk investigation activities, collecting information of internal and external operational risk incidents and publishing classic cases of operational risk. On the other hand, the Bank continued to improve operational risk management system, strengthened the capital measurement research and relevant data analysis, commenced the establishment of the capital measurement projects, and continued to improve operational risk management techniques. The Bank further strengthened information technology risk management, taking various measures such as firewall, data encryption, intrusion detection and real-time data backup technology, strengthening information security prevention and management, and guaranteeing information systems security's continuous service, strengthening business continuity management and external risk management.

Facing the challenges of internal and external operational management, the Bank will continue to promulgate the Board's risk appetite, improve risk management techniques, enhance monitoring and controlling operational risk, with an aim to prevent and reduce operational risk losses.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

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 the risk of being unable 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 share 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 entire bank. The Risk Management Department, the Financial Market Department, the Financial Industry Department and the International Business Department and other relevant departments are the major departments for the Bank's liquidity management, and responsible for the full implementation of various tasks as required by the Assets and Liabilities Management Committee.

The Bank's liquidity risk management aims at ensuring that whether in normal operation environment or under pressure, the Bank has sufficient funds to deal with both expected and unexpected financial needs (including loan growth, deposit withdrawal, debt maturity, and changes in off-balance sheet irrevocable commitments). This helps provide a stable liquidity environment for continuing operations, rendering a positive interaction between liquidity management and business development. The Bank makes reasonable adjustments to the size and structure of assets and liabilities based on market conditions and business development needs. Under the premise of ensuring liquidity, the Bank strives to pursue profit growth and value growth in maintaining "liquidity, safety and profitability" of the Bank's funds at the same time.

The Bank's liquidity risk management insists on stable, prudent and rational principles. When it promotes business development and profit growth, it emphasizes risk prevention and mitigation at the same time. It values the importance of "ensuring adequate liquidity" and adopts a flexible approach to manage and control the most efficient ratio of liquidity asset portfolio. Based on our own conditions and external market environment, the Bank develops liquidity stress scenarios to ensure that there will be no liquidity risk in any stress scenarios or within the prescribed shortest survival period. At the same time, contingency plans are put in place to prevent the occurrence of potential liquidity crisis with effective emergency plans to control risk spreading in liquidity crisis scenarios.

By closely monitoring macro-economic policies and capital market conditions, the Bank dynamically adjusts its liquidity management strategies and financial operation tempo according to the Bank's balance sheet business development and liquidity position. The objective is to effectively deal with the impact of periodic, seasonal factors on the Bank's liquidity and effectively improve the Bank's ability to respond to liquidity risk.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

5.10.5 Interest Rate Risk Management

Interest rate risk is the risk of having an adverse effect on the financial condition of the Bank as a result of adverse movements in interest rates. The main source of interest rate risk is the mismatch of the on- and off-balance sheet assets and liabilities during the re-pricing period. Mismatch on the maturity or re-pricing dates may lead to net interest income affected by the change of prevailing level of interest rates. In carrying out our daily borrowing and lending, deposits and capital operations, the Bank faces interest rate risk.

The Bank controlled interest rate risk exposure of assets and liabilities priced in RMB by adjusting interest rate and management maturity. The Bank carried out duration analysis on the debt investment in the investment portfolio, assessed bond's potential price volatility by measuring its sensitivity to interest rates. The Bank uses interest rate sensitivity analysis, stress testing and scenario analysis to measure potential interest rate exposure in the investment portfolio.

5.10.6 Exchange Rate Risk Management

Exchange rate risk is the risk of loss in earnings of the Bank 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 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 risks at an acceptable level, the Bank implemented strict limit management measures, primarily including trading limits, risk limits, foreign exposure limits and stop loss limits.

The current and forward foreign exchange transactions of the Bank are mainly transactions on behalf of customers, which implemented "back-to-back" position elimination. This avoided exchange rate risk to a great 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 SAFE. In addition, the Bank proactively utilized derivatives to avoid exchange rate risk.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

5.10.7 Reputation Risk Management

In 2014, 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 media, and media reviews provided favorable feedback overall. 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, respected the fact and the freedom of media, established positive interaction with the media, and effectively avoided reputational risk that may occur.

Looking forward, the Bank will focus on enhancing the techniques of directing external public opinion, integrating the Bank's media investing resources and fostering the culture of prevention of reputation risk. 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 being subject to legal sanctions, regulatory punishments, major financial losses, or reputation damage as a result of violation of the laws, rules and guidelines.

The Board of Directors of the Bank takes ultimate responsibility for the compliance of operating activities and authorizes the Risk Management Committee under the Board of Directors to monitor compliance risk effectively. The Board of Supervisors is responsible for the supervision of the Board of Directors, while the Senior Management is responsible for the performance of compliance management functions. Senior Management is responsible for managing compliance risks; submit compliance risk management reports to the Board annually. The Bank have established a more robust compliance risk management system and organizational structure, forming three interactive defense lines with foreground, middle-ground, background, and vertical dual reporting system between headquarters and branches. The measures enable the Bank to achieve effective compliance risk management and control through continuous improvement in working mechanism of risk management and technique as well as procedures.

During the reporting period, centering on its strategies in relation to its operation development, the Bank strived to implement its policy of prioritizing compliance issues. It aimed to build up the philosophy of facilitating development through compliance, and enhance the vision and direction of compliance management. The Bank fully implemented various requirements from external regulatory authorities, and strengthened the establishment of internal control system. Hence, the compliance risk management mechanism operated effectively and has obtained favorable review from external regulatory evaluation. The Bank reinforced its efforts to establish compliance culture by launching special campaigns such as the "Compliance Establishment Year" and "Two First Approvals (兩個一批)". Moreover, the Bank continued to optimize internal rules and regulations, proactively focus on and comprehensively implement latest regulatory requirements, optimize compliance risk identification and assessment process, strengthen accountability system for non-compliance, and enhance the support on legal compliance review and product innovation, thereby ensure the compliance operation of the Bank.

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. Tackling the abnormal risk involved in account opening through agents, the Bank has issued the "Notice on Further Strengthening the Risk Management on Individuals Acting as Agents in Handling Huangshan Debit Cards". 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 the strict implementation of regulatory requirements for identification of customers' identity to enhance investigating suspicious activities and creating money laundering risk investigation mechanism. According to the changes in money laundering risk, the Bank makes timely adjustment on the monitoring of suspicious funds, screens the extracting of key monitoring customer lists, and organizes the investigation of money laundering risks. With reference to the trading background, customers' funds flow and capital chain are traced back to analyze the matching of customers' identity with their wealth, business and financial situation. Suspicious transactions for reporting are then identified in 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. Data exchange of monitoring systems on credit cards, online banking and accounting warning is set up, expanding customer risk information sources to improve the applicability of the system scoring. Utilization of the results on customer money laundering risk assessment is strengthened as a means of front line defense in money laundering risk and implementing the money laundering risk control mechanism. Relying on our internal control system, the Bank has sorted out money laundering risk areas of different products and established matching of job posts, products, processes with money laundering risk areas and risk control measures. This serves as a guideline for staff in different positions to effectively carry out anti-money laundering work. 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.

The current 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.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (Continued)

5.10.10 Implementation of Basel Accord

The Bank is one of earliest city commercial banks in China which dedicated itself to the implementation of the Basel New Capital Accord. By complying with the requirements of the “Administrative Measures for the Capital of Commercial Banks (Trial)” and other regulatory policies through its strategy of improving its management while achieving compliance at the same time, the Bank proactively promoted the development and application of the advanced methods for capital measurement by choosing the construction path which is in line with the operating strategies, scale and business complexity of the Bank. It strived to fully comply with regulatory requirements by optimising corporate governance, completing risk management system, improving risk management level, strengthening data quality management and improving information systems to enhance verification and audit, as well as improving the accuracy of measuring the risk weighted assets. Currently, the Bank has established a non-retail credit risk internal grading system by customers and launched it in 2012. The non-retail credit risk internal grading system by loan types has successfully completed business consultation during the year. The establishment of the system is currently in progress and is expected to be put into use during 2015. In 2013, the Bank completed the establishment of non-retail credit risk internal grading system. In 2014, the Bank focused on promoting the actual application of various products such as personnel residential mortgage loans and credit cards. In addition, the Bank initiated the establishment of operational risk standard in 2014, which is currently under consultation stage. During the year, the Bank also carried out consultations on comprehensive risk management system. Coupled with the actual implementation progress of new capital accord at present, the Bank further clarified its comprehensive risk management structure and system. In addition, the Bank proactively advanced the works on various projects such as internal model for market risk, which is expected to be launched in 2015.

5.11 INFORMATION TECHNOLOGY

In 2014, the information technology work, while following the Bank’s development strategy, focused on “safeguarding, serving and guiding” our business development. The Bank aims to achieve “independence, controllable and appropriately advanced prevention” in the integration between information technology and business development. Our capabilities in information technology to support our business services have been continuously improving, maintaining a safe, highly efficient and stable operation in various information systems.

Firstly, the Bank has further improved its governance structure of information technology by setting up the IT Management Committee and appointing the Chief Information Officer. Under the committee, the IT Department and System Development Department were formed. Management systems were set up and guidance documents were issued, defining various duties and responsibilities in details so as to enhance the level of information technology governance.

Secondly, the Bank has actively strengthened the management of its information technology infrastructure by upgrading the network bandwidth and core database of the Bank. The Bank has set up a wireless authentication and customer service platform for supporting the development of new business. It has also set up a management platform for operation services, improving the operating environment of information technology to enhance the Bank’s information technology service capabilities.

Thirdly, the Bank has actively strengthened its system development for conducting analysis and research of Internet financing and huge volume data. The Bank promoted the application of virtual technology in building its self-developed platform. The Bank also commenced its interest rate liberalization reform of the core system and a series of “Inclusive Finance products”. A platform for micro financial services was launched in exploring new mobile financial products. The Bank continuously made innovations in its service models to enhance its customer experience and support to the Bank’s business development.

Fourthly, the Bank has actively strengthened its management of information security by implementing information security examination and assessing significant information systems and infrastructure environment risks throughout the Bank. Special information security equipment was purchased to improve the prevention and control system of information technology risks, strengthening its information technology risk management.

Fifthly, the Bank has actively promoted business continuity by completing the same city applicable disaster recovery of its significant information systems including the core system. The Bank organized contingency drills and also electricity supply suspension and contingency switching drills to enhance the protection capabilities for the continuous, stable operation of its information technology systems, therefore improving the protection for business continuity.

Chapter V Management Discussion and Analysis

5.12 CORPORATE SOCIAL RESPONSIBILITY

In 2014, the Bank persisted in fulfilling its mission to serve the local economic and social development in order to further strengthen its corporate social responsibility management. Under the main theme of “stabilizing growth, controlling risks, seeking innovation, promoting transformation, advancing reform and increasing vitality”, the Bank has taken actions to fulfill our responsibility to society.

Firstly, the Bank has fulfilled its economic responsibility to promote local development. By following the regional development strategies of Anhui Province in macro-economic control, the Bank has provided to the local government a full range of financial services through a package of comprehensive service solutions. Besides, the Bank has set up a small enterprise financial service platform and launched specialty products such as Handy-Revolving-Loan(易連貸), 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 operations 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 harmony with society. Upholding its mission of “serving customers, repaying shareholders, developing employees, and contributing to society”, the Bank focuses on employee development and promotes a win-win situation with its stakeholders. By launching inclusive finance, financial literacy and services are improved, 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 they may grow together with the Bank. The Bank has a strong interest in social benefit and is willing to help the poor. By doing so, the Bank would like to contribute to the harmony of the society.

The fulfillment of corporate responsibility is related to sustainable development whose essence lies in perseverance. As for the Bank, its next step is to continue reform, innovation and transformation for its development. It will further improve its management, build a friendly and harmonious relationship with its stakeholders, and achieve economic, environmental and social efficacies to better fulfill its corporate social responsibilities.

Chapter V Management Discussion and Analysis

5.13 PROSPECTS AND MEASURES

At present, the world economy is still at the stage of in-depth adjustments after the global financial crisis. World economic growth may recover slightly next year. However, it is difficult to see any obvious change to the overall weak trend of recovery. Non-economic factors are increasingly exerting its impacts such as increasing volatility in international financial markets, international commodity price fluctuations and geopolitics. China's economy is now evolving into a more advanced form, having a more complicated division of labour and a more reasonable structure. Economic development has entered into a new normal state. The development mode is changing from extensive growth focusing on scale and speed into intensive growth focusing on quality and efficiency. The economic structure is undergoing an in-depth adjustment from focusing on incremental expansion to both quality and incremental expansion. Economic momentum is shifting from traditional growth points to new growth points.

2015 is a crucial year for the comprehensive deepening of the reform for China. It is the first year for the comprehensive promotion of the rule of law in the country and also the year marking the completion of the "Twelfth Five-Year Plan". It is anticipated that the economy of China will continue to travel on the down-turn track which started since the second half of 2010: slowing growth, structural transformation, weakening enterprise earnings, and increasing bad debts of financial institutions. From the perspective of investment needs, investment growth will slow down in 2015, and manufacturing investments will continue to fall slowly and will still be subject to depression in the course of eliminating industrial production capacity, whereas infrastructure investments will be a major force to support fixed asset investments. From the perspective of consumption needs, residents' income growth will remain stable and consumption growth will remain steady. From the perspective of export needs, improvement of the external economies such as the United States will be beneficial to exports, but weak and sluggish domestic demand and industrial production slowdown may have a negative impact on imports, leading to the possibility of trade surplus expansion.

Following the transformation of China's economic structure, coordinated development of regional economies and new growth points are continuously nurturing. Banks also have to accelerate their own transformation in looking for new impetus for growth. Firstly, it will be the opportunities that the adjustments of the economic structure bring about. The effects of the support from emerging strategic industries and services are gradually increasing, providing ample room for expansion for the banking sector. Interconnecting infrastructure brings about huge investment opportunities in new technologies, new industries, new formats and new business modes. Increasing investment and financing needs will also bring about new business growth for banks. Secondly, it is the deepening of the reform. 2015 is the year for comprehensive deepening of the reform of our country. The reform of state-owned enterprises will come to a substantive stage in the course of which banks will have many new development opportunities ranging from conventional financing to investment banking such as merger and acquisition consultation, financial advice and asset management. Major reforms in the local government debt management system will also be gradually implemented, providing banks with the opportunities for local government bonds underwriting business and good prospects for PPP-model business in a mix of state and social capital. Further, it is the development of emerging technologies. Under the impetus of a new generation of Internet technologies, such as huge data, cloud computing, social networking and mobile communication networks, banks may explore Internet financial business in gaining new development momentum through cross-sector innovation leveraging their advantages such as professional risk management capabilities and large customer base.

Chapter V Management Discussion and Analysis

5.13 PROSPECTS AND MEASURES (Continued)

The Bank will proactively adapt to the changes in economic and financial situation, follow the theme of “stable growth, structure adjustment, market exploration and risk control”, adhere to the approach of development driven by innovation and development guaranteed by management improvement, and strengthen the work style construction, talents building, and cultural development in order to build a path for sustainable development that boosts the elements of fast growth, optimized structure and efficiency. The measures which the Bank intends to adopt in 2015 include the following four areas. Firstly, the Bank will pursue an integrated development of its business. Integrated business development emphasizes on “needs research, innovative products, vertical linkage, and overall progress”. On the basis of customer segmentation, the Bank will study the changes in customer needs, and meet customer demand through multi-channels of innovative products. The Bank will strengthen its vertical linkage between the headquarters, branches and sub-branches, and make planning for longitudinal and horizontal expansion. Using collective signing of agreements and comprehensive product pricing as the media, the Bank’s range of comprehensive financial product provides customers with complete, integrated financial solutions. Secondly, the Bank will professionally penetrate into the small and micro business. Considering small and micro enterprises as special entities, professional operation is achieved in five aspects namely “organizations, teams, products, workflows and audits” by setting up a team of professional customer account managers. The Bank will improve its techniques and data application capabilities, exploring and consolidating internal and external data sources, and gradually develop scorecards and risk management models on the data platform to promote automated approvals and assist in decision making. Thirdly, the Bank will enhance its intelligence based retail business. To improve the intelligence level in the retail business, there bound to be innovations in channel technologies, product services and business models. Utilizing the technology platform, resources will be consolidated to meet diverse customer demand. The Bank will pay heed to the diversity, dispersion and randomness of retail customer needs in the design of products and in achieving integration of online and offline business models. Fourthly, the Bank will diversify its interbank business. Interbank business must be conducted under the premise of effective prevention and control of credit risk and liquidity risk, and expand through diversified distribution, measures and means. The opportunities to share and partake in entity economic projects across regions and regulations will be achieved through strengthening the collaboration with financial institutions such as securities companies, funds, insurance companies and trusts. At the same time, diversification of floor counterparties and transaction targets will be strengthened, and the capital financing and facility system of the Bank will be enhanced, improving our arbitrage capabilities and also the Bank’s liquidity and risk management capabilities.

Chapter VI Report of the Board of Directors

The Bank presents annual report and the audited financial statements for the year ended 31 December 2014.

6.1 PRINCIPAL SCOPE OF BUSINESS

The Bank is engaged in a range of banking services and related financial services.

6.2 SUMMARY OF FINANCIAL INFORMATION

Please refer to Chapter II “Summary of Accounting Information and Financial Index” 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 Note 36, 37 and 42 in the financial statements for details of the reserves available for distribution as at 31 December 2014.

6.5 FIXED ASSETS

Please refer to Note 25 in the financial statements of this annual report for details of movements in fixed asset of the Bank for the year ended 31 December 2014.

6.6 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

There was no holding and trading of shares of other listed companies during the reporting period.

6.7 PURCHASE, SALE AND REDEMPTION OF SHARES

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

6.8 PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank does not have such provisions under which the Bank’s shareholders have pre-emptive rights. There are no pre-emptive rights for the shareholders of the Bank.

6.9 RETIREMENT BENEFITS

Please refer to Note 33 in the financial statements of this annual report 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 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. Directors of the Bank and its related persons do not have any real interest in the above-mentioned five largest depositors/borrowers.

Chapter VI Report of the Board of Directors

6.11 INITIAL PUBLIC OFFERING

The Bank was listed on the Hong Kong Stock Exchange on 12 November 2013. After the full exercise of the over-allotment option, the Bank issued an additional 2.875 billion shares and raised funds of approximately 10.147 billion Hong Kong dollars in total, which is the second city commercial bank to list on overseas capital market.

6.12 USE OF PROCEEDS

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing growth of the Bank.

For future development and planning disclosed in the public disclosure documents such as the offering prospectuses and fund raising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described upon verification and analysis.

6.13 PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

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

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

As at 31 December 2014, 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 SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to 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 (%)	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
Qian Zheng	Director	Domestic Shares	Beneficial Owner	32,212	0.0004	0.0003
Xu Chongding	Supervisor	Domestic Shares	Beneficial Owner	497,801	0.0063	0.0045
He Tao	Supervisor	Domestic Shares	Beneficial Owner	97,376	0.0012	0.0009
Zhou Tong	Supervisor	Domestic Shares	Beneficial Owner	167,974	0.0021	0.0015

Notes: 1. The Bank made an announcement on 9 January 2015, announced that Mr. Qian Zheng, a non-executive Director of the Bank, has retired and has accordingly tender his resignation to the Bank as a non-executive Director and the member of Strategic Development Committee and Audit Committee, with effect from 8 January 2015.

2. The Bank made an announcement on 12 August 2014 and 21 October 2014, respectively, announced that Mr. He Tao has tendered his resignation to the Board of Supervisors of the Bank on 11 August 2014 with effect from the date of formal appointment of his replacement employee representative supervisor (i.e. 23 August 2014), due to his desire to devote more time to his other business commitments. Accordingly, Mr. He Tao has also resigned his position as a member of the Supervisor Committee of the Board of Supervisors with effect from 11 August 2014. On 23 August 2014, the Bank convened employee representatives' meeting. During the meeting, Ms. Zhou Tong was elected as employee representative supervisor of the Bank with effect from 23 August 2014 until the end of employee representatives' meeting of the Bank to be held in 2016.

Save as disclosed above, as of 31 December 2014, 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.

Chapter VI Report of the Board of Directors

6.15 DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

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

During the reporting period, no director or supervisor of the Bank had any interest in any contract of significance in relation to the business 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 acquisition of shares in and debentures of the Company or any other corporate body.

6.18 PENALTY AND INVESTIGATION OF THE BANK, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK

The Bank made two announcements on 8 January 2014 and 13 January 2014, respectively, which announced that Mr. Wen Jinghui has tendered his resignation as an Independent Non-executive Director (with effect from the date of formal appointment of his replacement as independent non-executive Director) of the Bank and he has been under investigation by the CSRC in relation to alleged breaches to certain securities laws and regulations of the PRC. The Board of the Bank was informed by Mr. Wen Jinghui on 15 April 2014 that CSRC has published its ruling of the investigation on the night of 14 April 2014. Pursuant to the ruling, Mr. Wen has been prohibited from undertaking any securities related work in any organization, acting as director, supervisor or senior management of any listed company for a period of 10 years commencing from the date of publication of the Ruling. Hence, Mr. Wen Jinghui is no longer qualified to act as the Bank's Independent Non-executive Director, and all his positions in the Bank were terminated on 15 April 2014. The Bank has accordingly made an announcement of "Termination of Independent Non-Executive Directorship" on 16 April 2014.

6.19 CONTINUING CONNECTED TRANSACTIONS

In the ordinary course of the business, the Bank provides commercial banking service 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 of non-connected persons. The transaction terms are fair and reasonable and in line with whole interests of the Bank and shareholders. The Bank conducted a series of connected transactions with connected persons as defined under the Hong Kong Listing Rules, and such transactions also constitute related party transactions as disclosed in the financial statements of this annual report. All these transactions are conducted under normal commercial terms in the ordinary and usual course of its business and are exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

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

The Bank is taking deposit from its connected persons (including directors, supervisors and/or their respective associates) under normal deposits interest rate and normal commercial terms.

Chapter VI Report of the Board of Directors

6.19 CONTINUING CONNECTED TRANSACTIONS (Continued)

Commercial banking services in the ordinary and usual course of the business – deposit taking (Continued)

The Bank takes deposits from its connected persons in the ordinary and usual course of the Bank's business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties. These transactions constitute exempted continuing connected transactions under Rule 14A.65 (4) 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 and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 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. The loans and credit facilities offered by the Bank to its connected persons are in the ordinary and usual course of its business and on normal commercial terms and on comparable terms to independent third parties. Therefore, these transactions constitute exempted continuing connected transactions under Rule 14A.65(1) 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 thus will be exempt from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

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) at normal prescription fees, service fees and charges and on normal commercial terms and conditions. None of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in respect of the annual aggregate service and/or product fees paid to us by a particular connected person and its associates exceed 0.1%. Therefore, these transactions constitute exempted continuing connected transactions pursuant to Rule 14A.33(3)(a) of the Hong Kong Listing Rules, and thus, will be exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

Please refer to Note 46 in the financial statements for details of the related party transactions of the Bank under the accounting standards.

6.20 MATERIAL LITIGATIONS AND ARBITRATIONS

As was known to the Bank, as of 31 December 2014, the Bank was involved in the following litigation cases in its regular course of business: the number of pending litigation and arbitration cases involving the Bank was 377 in aggregate, with a total principal amount of RMB1,247.6989 million. Of these pending litigation and arbitration cases, there were a total of 8 pending litigation and arbitration cases against the Bank, with a total principal amount of RMB34.5557 million. In all cases, single case amount is no more than RMB100 million. The Bank made full provision for allowances for doubtful accounts of loans involved in the above cases according to expected losses. All the cases have no material adverse effect on the Bank's financial position and operating results.

Chapter VI Report of the Board of Directors

6.21 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

During the reporting period, some assets of the Bank have been pledged to other banks and the Ministry of Finance as pledge 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 Financial Statements for details of asset pledge.

6.22 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 used the funds of the Bank through any unfair related party transactions.

6.23 REVIEW OF ANNUAL RESULTS

The report of the Bank prepared under International Financial Reporting Standard has been audited by PricewaterhouseCoopers with 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 2014.

6.24 PROFIT AND DIVIDENDS

The profit of the Bank for the year ended 31 December 2014 and the Bank's financial position as of that date are set out in the "Consolidated Financial Statements" of this annual report. In accordance with the resolutions passed at the 2013 Annual General Meeting held on 30 June 2014, the Bank paid an annual cash dividend for 2013 of RMB0.156 per share (including tax) in an aggregate amount of RMB1,724 million, to all of its shareholders whose names appeared on the register of members on 10 July 2014.

The Board recommends a cash dividend for 2014 of RMB0.159 per share (including tax) in an aggregate amount of RMB1,757 million, subject to the approval of the 2014 Annual General Meeting. The Board of Directors suggested no special dividend except for the above one.

6.25 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

In order to determine the holders of shares who are eligible to attend and vote at the 2014 Annual General Meeting to be held on 29 May 2015, the register of members of the Bank will be closed from 29 April 2015 to 29 May 2015, both days inclusive. To be eligible to attend and vote at the said Annual General Meeting, unregistered holders of H shares of the Bank shall lodge 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 28 April 2015.

In order to determine the holders of shares who are entitled to receive the above-mentioned final dividend for 2014, the register of members of the Bank will be closed from 5 June 2015 to 10 June 2015, both days inclusive. To be eligible to receive the said final dividend (subject to the approval of the Bank's shareholders), unregistered holders of H shares of the Bank shall lodge 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 4 June 2015.

Chapter VI Report of the Board of Directors

6.26 PUBLICATION OF ANNUAL REPORT

The Bank has prepared its annual report under International Financial Reporting Standards and Hong Kong Listing Rules in both Chinese and English languages. The annual report can be found on the website of the Hong Kong Stock Exchange and the Bank's website. If there is any inconsistency between the English and Chinese annual reports, the Chinese version prevails.

6.27 SUFFICIENT PUBLIC SUPPORT OF SHARE VOLUME

Based on the public information that the Bank obtained and the knowledge of the Board of Directors, the Bank holds sufficient public support of share volume before and after the reporting date which is regulated by the Hong Kong Stock Exchange.

6.28 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 is released by State Administration of Taxation on 28 June 2011, the responsible party should withhold overseas individual shareholders' dividend income deriving from non-foreign funded companies. However, the overseas individual shareholders who receive dividend income deriving from H shares of non-foreign funded companies may enjoy 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 above regulation, the Bank will withhold personal income tax based on 10% tax rate for the H shareholders. However, when other relevant tax regulations and tax arrangements have different requirements, the Bank will follow the requirement of the tax bureau.

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

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

6.29 INVESTMENT IN THE ESTABLISHMENT OF A FINANCE LEASING COMPANY

As approved by shareholders at the general meeting held on 30 June 2014, the Bank intended to invest and establish a finance leasing company, with registered capital of RMB2 billion. The Bank, as the major contributor, intends to contribute 51% of the capital with an amount of RMB1.02 billion and the amount contributed shall be fully paid in full a lump sum. The general contributor of Huiyin Finance Leasing Co., Ltd. is to be determined (other than the connected party (as defined in the Hong Kong Listing Rules) of the Bank). The scope of business of that company includes: financial leasing; transfers of subject assets of financial leases; investment businesses in securities with fixed revenues; acceptance of lease deposit from lessee; accepting non-bank shareholders time deposits of more than three months (inclusive); interbank lending; borrowing from financial institutions; overseas loan; sales and disposals of leased objects; economic consulting; issuing bonds; establishment of project companies to engage in financing and leasing business in the bonded areas in the PRC; asset securitization; provide guarantees for the external financing of subsidiaries and project companies; other businesses approved by the CBRC. The Bank has obtained the reply of CBRC on the establishment of Huiyin Finance Leasing Co., Ltd. on 25 November 2014, which currently is under construction.

By order of the Board
Li Hongming
Chairman

26 March 2015

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.1 CHANGES IN SHARES OF THE BANK DURING THE REPORTING PERIOD

	31 December 2013		Changes during the reporting period Number of shares	31 December 2014	
	Number of shares	Percentage (%)		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	100.00	0	11,049,819,283	100.00

- Notes:
- As at the end of the reporting period, the Bank had 18,626 shareholders, including 2,302 shareholders of H Shares and 16,324 shareholders of Domestic Shares.
 - The domestic shares of the Bank shall not be transferred within one year upon the listing of the Bank, and the restricted transfer period for such shares has expired on 11 November 2014.
 - Based on the public information available and as far as the Directors are aware, as of 31 December 2014, the Bank had 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

No.	Name of shareholder	Nature of shareholder	Shares held by the end of the period (share)	Percentage		Share change in the reporting period (share)	Number of shares pledged or frozen (share)
				of total share capital (%)	Type of share		
1	HKSCC Nominees Limited ⁽¹⁾	–	3,156,768,000	28.57	H Share	308,000	–
2	Anhui Guoyuan Holding (Group) Company Ltd. ⁽²⁾	State-owned legal person	794,476,206	7.19	Domestic Share	–	50,000,000
3	Anhui Energy Group Company Ltd.	State-owned legal person	766,694,381	6.94	Domestic Share	–	–
4	Anhui Credit Guaranty Group Company Ltd.	State-owned legal person	752,416,446	6.81	Domestic Share	–	–
5	Anhui Highway Holding Group Company Ltd.	State-owned legal person	469,032,613	4.24	Domestic Share	–	–
6	Zhongjing Sihai Company Ltd.	Domestic non-state owned legal person	444,696,160	4.02	Domestic Share	–	229,666,700
7	Hefei Xingtai Holding Group Company Ltd.	State-owned legal person	343,591,483	3.11	Domestic Share	–	100,000,000
8	Wuhu Construction Investment Company Ltd.	State-owned legal person	267,284,394	2.42	Domestic Share	–	–
9	CCB Trust Company Ltd.	State-owned legal person	225,548,176	2.04	Domestic Share	–	–
10	Xiuning Xinhua Asset Investment Management Company Ltd.	Domestic non-state owned legal person	204,346,570	1.85	Domestic Share	–	204,200,000

Notes: (1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of the Bank trading on the transaction platform of HKSCC Nominees Ltd.

(2) The shareholding of Anhui Guoyuan Holding (Group) Company Ltd. includes the domestic shares of the Bank held by its subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Company Ltd., Anhui Guoyuan Trust Company Ltd. and Guoyuan Securities Company 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 of 31 December 2014, 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) Company Ltd.	Domestic Share	Long	Interest of controlled corporation	149,087,330	1.89	1.35	1
	Domestic Share	Long	Beneficial owner	645,388,876	8.18	5.84	
Anhui Energy Group Company Ltd.	Domestic Share	Long	Beneficial owner	766,694,381	9.72	6.94	4
Anhui Credit Guaranty Group Company Ltd.	Domestic Share	Long	Beneficial owner	752,416,446	9.54	6.81	
Anhui Highway Holding Group Company Ltd.	Domestic Share	Long	Beneficial owner	469,032,613	5.95	4.24	
Zhongjing Sihai Company Ltd.	Domestic Share	Long	Beneficial owner	444,696,160	5.64	4.02	6
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	883,986,000	27.95	8.00	2
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	511,140,000	16.16	4.63	2
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	372,846,000	11.79	3.37	2
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	543,722,000	17.19	4.92	3
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	543,722,000	17.19	4.92	3
Zhu Mingliang	H Share	Long	Interest of controlled corporation	328,521,000	10.39	2.97	5
Jiangsu Huijin Investment Holdings Group Co., Ltd	H Share	Long	Interest of controlled corporation	328,521,000	10.39	2.97	5
Nanjing Overseas Trade Co., Ltd.	H Share	Long	Interest of controlled corporation	328,521,000	10.39	2.97	5
Vasari Investment Holdings Limited	H Share	Long	Beneficial owner	328,521,000	10.39	2.97	5
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	326,575,000	10.33	2.96	6
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	326,575,000	10.33	2.96	6
Zhongjing Industry (Group) Hong Kong Limited	H Share	Long	Interest of controlled corporation	326,575,000	10.33	2.96	6
Zhongjing Finance (HK) Limited	H Share	Long	Interest of controlled corporation	326,575,000	10.33	2.96	6
Wealth Honest Limited	H Share	Long	Beneficial owner	326,575,000	10.33	2.96	6
Anhui Energy Group Company Limited	H Share	Long	Interest of controlled corporation	280,000,000	8.85	2.53	4

- Notes: 1. The shareholding of Anhui Guoyuan Holding (Group) Company Ltd. included the domestic shares of the Bank held by its subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Company Ltd., Anhui Guoyuan Trust Company Ltd. and Guoyuan Securities Company Ltd.
2. China Vanke Co., Ltd. was 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 held direct interests in the Bank:
- "2.1" Wkland Finance Holding Company Limited held 511,140,000 H shares (long position) of the Bank. Wkland Finance Holding Company Limited is an indirect wholly-owned subsidiary of China Vanke Co., Ltd.
- "2.2" Wkland Finance Holding II Company Limited held 372,846,000 H shares (long position) of the Bank. Wkland Finance Holding II Company Limited is an indirect wholly-owned subsidiary of China Vanke 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 (Continued)

3. Sunshine Life Insurance Corporation Limited held 543,722,000 H shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a directly controlled subsidiary of Sunshine Insurance Group Corporation Limited. As such, Sunshine Insurance Group Corporation Limited was deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.
4. Xing An Holdings Limited held 280,000,000 H shares (long position) of the Bank. Xing An Holdings Limited is a direct wholly-owned subsidiary of Anhui Energy Group Company Ltd. As such, Anhui Energy Group Company Ltd. was deemed to be interested in the shares held by Xing An Holdings Limited. At the same time, Anhui Energy Group Company Ltd. held 766,694,381 domestic shares of the Bank.
5. Vasari Investment Holdings Limited held 328,521,000 H shares (long position) of the Bank. Vasari Investment Holdings Limited is an indirectly controlled subsidiary of Nanjing Overseas Trade Co., Ltd., which is a wholly-owned subsidiary of Jiangsu Huijin Investment Holdings Group Co., Ltd., which in turn is controlled by Zhu Mingliang. As such, Zhu Mingliang, Jiangsu Huijin Investment Holdings Group Co., Ltd. and Nanjing Overseas Trade Co., Ltd. were deemed to be interested in the shares of the Bank held by Vasari Investment Holdings Limited.

In addition, the total number of shares purchased by Vasari Investment Holdings Limited from 14 February 2014 to 28 March 2014 amounted to 4,048,000 shares, which did not meet the disclosure requirements under the Hong Kong Listing Rules. Therefore, no disclosure was made in the Stock Exchange of Hong Kong. As such, as of 31 December 2014, 332,569,000 shares were ultimately held by Vasari Investment Holdings Limited and its actual controllers.

6. Wealth Honest Limited held 326,575,000 H shares (long position) of the Bank. Wealth Honest Limited is a direct wholly-owned subsidiary of Zhongjing Finance (HK) Limited, which is a wholly-owned subsidiary of Zhongjing Industry (Group) Hong Kong Limited, which in turn is a wholly-owned subsidiary of Zhongjing Industry (Group) Limited. Zhongjing Industry (Group) Limited is controlled by Shanghai Soong Ching Ling Foundation. As such, Shanghai Soong Ching Ling Foundation, Zhongjing Industry (Group) Limited, Zhongjing Industry (Group) Hong Kong Limited, Zhongjing Finance (HK) Limited were deemed to be interested in the shares of the Bank held by Wealth Honest Limited.

In addition, Wealth Honest Limited sold 1,500,000 shares on 8 December 2014, which did not meet the disclosure requirements under the Hong Kong Listing Rules. Therefore, no disclosure was made in the Stock Exchange of Hong Kong. As such, as of 31 December 2014, 325,075,000 shares were ultimately held by Wealth Honest Limited and its actual controllers.

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 2014 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

7.4 INFORMATION ON THE LARGEST SHAREHOLDER OF THE BANK

Anhui Energy Group Company Ltd. is the largest shareholder of the Bank, 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 company is a wholly state-owned company, and its principal scope of business 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.

There is no controlling shareholder or actual controller of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

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

- 7.5.1** 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.
- 7.5.2** Anhui Guoyuan Holding (Group) Company 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 Company Ltd., Anhui Guoyuan Trust Company Ltd. and Guoyuan Securities Company 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 authorised by the government, capital operation, capital management, mergers and acquisitions, asset restructuring and investment consulting.
- 7.5.3** Anhui Credit Guaranty Group Company 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 RMB6.966 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, credit rating, financial and business consulting.

7.6 RIGHT ISSUE OF H SHARE

In order to enlarge shareholder basis and raise additional funds, on 11 November 2014, the Bank entered into a subscription agreement with GOME Electrical Appliances Holding Limited, pursuant to which, the Bank intended to allocate and issue 632,500,000 H shares of RMB1.00 each to GOME Electrical Appliances Holding Limited, at an agreed subscription price of HK\$ 3.80 per subscription share. Thereafter, the subscription agreement lapsed due to the conditions precedent have not been fully satisfied, and accordingly the subscription has been terminated in accordance with the terms of the agreements on 31 January 2015. Please see announcements issued by the Bank on 11 November 2014, 2 January 2015 and 1 February 2015 for details.

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	The remuneration from the Bank during the reporting period before tax (in ten thousands of RMB) ^{Note 2}
Li Hongming	Male	September, 1957	Chairman, Executive Director	2013.7.10.– 2016.7.10.	179.3
Xu Demei	Female	November, 1956	Vice Chairman, Executive Director	2013.7.10.– 2016.7.10.	137.7
Wu Xuemin	Male	February, 1968	President, Executive Director	2013.7.10.– 2016.7.10.	162.2
Zhang Renfu	Male	March, 1962	Executive Director	2013.7.10.– 2016.7.10.	137.7
Ci Yaping	Male	May, 1959	Vice President, Executive Director	2013.7.10.– 2016.7.10.	136.6
Zhang Feifei	Male	May, 1959	Non-Executive Director	2013.7.10.– 2016.7.10.	–
Zhu Jiusheng	Male	March, 1969	Non-Executive Director	2014.10.8.– 2016.7.10.	–
Zhao Zongren	Male	February, 1956	Non-Executive Director	2014.10.8.– 2016.7.10.	–
Gao Yang	Male	June, 1966	Non-Executive Director	2013.7.10.– 2016.7.10.	–
Dai Genyou	Male	January, 1950	Independent Non-Executive Director	2013.7.10.– 2016.7.10.	12.5
Wang Shihao	Male	December, 1951	Independent Non-Executive Director	2013.7.10.– 2016.7.10.	11.3
Zhang Shenghuai	Male	June, 1962	Independent Non-Executive Director	2013.7.10.– 2016.7.10.	12.5
Au Ngai, Daniel	Male	October, 1968	Independent Non-Executive Director	2013.7.10.– 2016.7.10.	12.5
Fung Weichang	Male	February, 1948	Independent Non-Executive Director	2014.10.8.– 2016.7.10.	2.8
Zhu Hongjun	Male	January, 1976	Independent Non-Executive Director	2014.10.8.– 2016.7.10.	2.8
Gao Guangcheng	Male	January, 1964	Vice President	2013.7.10.– 2016.7.10.	136.5
Zhang Youqi	Male	October, 1965	Vice President	2013.7.10.– 2016.7.10.	137.8
Yi Feng	Male	August, 1963	Assistant to the President, Secretary to the Board of Directors	Note 1	120.5
Yan Dongshun	Male	August, 1963	Assistant to the President	2013.7.10.– 2016.7.10.	119.9
Xia Min	Male	April, 1971	Assistant to the President	2013.7.10.– 2016.7.10.	119.9
Liu Ming	Male	May, 1957	Chief Administration Officer	2013.7.10.– 2016.7.10.	119.8
Chen Hao	Male	July, 1958	Chief Information Officer	2014.12.10.– 2016.7.10.	–

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	The remuneration from the Bank during the reporting period before tax (in ten thousands of RMB) ^{Note 2}
Wen Jinghui	Male	April, 1970	Former Independent Non-Executive Director	2013.7.10.–2014.4.15.	–
Guo Shigang	Male	August, 1956	Former Non-Executive Director	2013.7.10.–2015.1.5.	–
Qian Zheng	Male	October, 1953	Former Non-Executive Director	2013.7.10.–2015.1.8.	–
Wu Tian	Male	October, 1964	Former Non-Executive Director	2013.7.10.–2015.1.26.	–
Wang Guisheng	Male	December, 1954	Former Vice President	2013.7.10.–2015.2.3.	137.7
Hu Dongdong	Male	December, 1964	Former Secretary to the Board of Directors, Former Joint Company Secretary	2013.7.10.–2015.2.6	120

Name	Gender	Date of Birth	Age	Position Held	Term of Office	The remuneration from the Bank during the reporting period before tax (in ten thousands of RMB) ^{Note 2}
Zhang Zhen	Male	October, 1955	59	Employee Supervisor, Chairman of the Board of Supervisors	2013.7.10.–2016.7.10.	138.9
Xu Chongding	Male	November, 1957	57	Employee Supervisor, Chairman of Labor Union	2013.7.10.–2016.7.10.	121.1
Zhou Tong	Female	September, 1965	49	Employee Supervisor, General Manager of Compliance Department	2014.8.23.–2016.7.10.	32.5
Cheng Rulin	Male	August, 1963	51	Shareholder Supervisor	2013.7.10.–2016.7.10.	–
Qian Xiaojun	Male	December, 1957	57	Shareholder Supervisor	2014.6.30.–2016.7.10.	–
Cheng Hong	Male	March, 1966	49	Shareholder Supervisor	2013.7.10.–2016.7.10.	–
Cheng Junpei	Female	October, 1963	51	External Supervisor	2013.7.10.–2016.7.10.	9
Fan Libo	Male	September, 1964	50	External Supervisor	2013.7.10.–2016.7.10.	9
Pan Shujuan	Female	October, 1955	59	External Supervisor	2013.7.10.–2016.7.10.	9

Notes:

1. Yi Feng's tenure as an assistant to the president was effective from 10 July 2013, and his tenure is the same as the term of the third session of the Board of Directors. The Bank convened a Board meeting on 17 February 2015 and designated Mr. Yi Feng, assistant to the president, to perform the duties as the Board Secretary during the vacancy of the Board Secretary. The Bank convened a Board meeting on 26 March 2015 and appointed Mr. Yi Feng as the Board Secretary of the Bank. His tenure is the same as the term of the third session of the Board of Directors. Mr. Yi's position as the Board Secretary will become effective from the date of approval of his qualification as Board Secretary by the PRC banking regulators. For details, please refer to section 8.2 "Changes to the Directors, Supervisors and Senior Management Employees of the Bank".
2. 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.

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

8.2 CHANGES TO THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT EMPLOYEES OF THE BANK

1. The Bank made an announcement on 8 January 2014 and 13 January 2014, respectively, which announced that Mr. Wen Jinghui had tendered his resignation as an independent non-executive Director (with effect from the date of formal appointment of his replacement as independent non-executive Director) and had been under investigation by the CSRC in relation to alleged breaches of certain securities laws and regulations of PRC. The Board of the Bank was informed by Mr. Wen Jinghui on 15 April 2014 that the CSRC had published its ruling of the investigation on the night of 14 April 2014. Pursuant to the ruling, Mr. Wen was prohibited from undertaking any securities related work in any organization, and acting as director, supervisor or senior management of any listed company for a period of 10 years commencing from the date of publication of the ruling. Given the disqualification order, Mr. Wen Jinghui was no longer qualified to act as the Bank's independent non-executive Director, and accordingly, Mr. Wen Jinghui's all positions in the Bank were terminated on 15 April 2014. The Bank therefore made an announcement of "Termination of Independent Non-Executive Directorship" on 16 April 2014. On 15 April 2014, after termination of Mr. Wen Jinghui's all positions in the Bank, there were a total of 14 Directors in the Bank's Board of Directors. According to Rules 3.10A and 3.21 of the Hong Kong Listing Rules, during the period from 15 April 2014 to 8 October 2014, the Bank did not fully comply with the Hong Kong Listing Rules, the details of which were as below: (1) despite the number of independent non-executive Directors of the Bank must represent at least one-third of the Board, the number of independent non-executive Directors of the Bank represented less than one-third of the Board; (2) there was a vacancy for chairman of the Audit Committee of the Bank. Upon Mr. Wen Jinghui's termination on 15 April 2014, the appointment of Mr. Zhu Hongjun as his successor was approved at the AGM of the Bank held on 30 June 2014. The appointment was approved by CBRC Anhui Office on 8 October 2014.
2. In the 2013 AGM of the Bank, Mr. Zhu Jiusheng and Mr. Zhao Zongren were elected as non-executive Directors while Mr. Fung Weichang and Mr. Zhu Hongjun were elected as independent non-executive Directors. Their qualifications of serving were approved by CBRC Anhui Office on 8 October 2014. Their tenures are the same as the term of the third session of the Board of Directors and become effective from the date of approval, and are expected to expire at the AGM to be held in 2016.
3. The Bank made an announcement on 7 May 2014, which announced that Mr. Wu Guozhong, a shareholder Supervisor of the Bank, had tendered his resignation as a Supervisor and member of respective committees of the Board of Supervisors on 4 May 2014 with immediate effect due to his desire to devote more time to other business commitments. In the 2013 AGM of the Bank, Mr. Qian Xiaojun was elected as a shareholder Supervisor for the period from 30 June 2014 until the expiry of the AGM to be held in 2016.
4. The Bank made an announcement on 12 August 2014, which announced that Mr. He Tao had tendered his resignation to the Board of Supervisors on 11 August 2014 with effect from the date of formal appointment of his replacement as employee representative supervisor (i.e. 23 August 2014) due to his desire to devote more time to his other business commitments. Mr. He Tao also ceased to be a member of the Supervisory Committee of the Board of Supervisors with effect from 11 August 2014. On 23 August 2014, the Bank convened an employee representatives' meeting, at which Ms. Zhou Tong was elected as employee representative Supervisor of the Bank with effect from 23 August 2014 until the expiry of the employee representatives' meeting to be held in 2016.

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

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

5. The Bank made an announcement on 17 March 2015, which announced that the qualification of Mr. Chen Hao, the Chief Information Officer of the Bank, had been approved by the CBRC. His tenure is the same as the term of the third session of the Board of Directors and became effective from the date of approval.
6. The Bank made an announcement on 6 January 2015, which announced that Mr. Guo Shigang, a non-executive Director of the Bank, had tendered his resignation as a non-executive Director and member of the Strategic Development Committee of the Board of Directors on 5 January 2015 with immediate effect due to age reason.
7. The Bank made an announcement on 9 January 2015, which announced that Mr. Qian Zheng, a non-executive Director of the Bank, had tendered his resignation as a non-executive Director and member of the Strategic Development Committee and the Audit Committee of the Board of Directors on 8 January 2015 with immediate effect, due to retirement.
8. The Bank made an announcement on 26 January 2015, which announced that Mr. Wu Tian, a non-executive Director of the Bank, had tendered his resignation as a non-executive Director and member of the Related Party Transaction Control Committee and the Risk Management Committee with immediate effect, due to his desire to devote more time to other business commitments.
9. The Bank made an announcement on 5 February 2015, which announced that Mr. Wang Guisheng, a vice president of the Bank, had tendered his resignation as a vice president of the Bank on 3 February 2015 due to the attainment of retirement age and ceased to perform his duties as a vice president of the Bank with effect from 3 February 2015.
10. The Bank made an announcement on 6 February 2015, which announced that Mr. Hu Dongdong had tendered his resignation as a Joint Company Secretary and Board Secretary of the Bank due to work transfer and ceased to perform his duties as a Joint Company Secretary and Board Secretary of the Bank with effect from 6 February 2015.
11. The Bank convened a Board meeting on 17 February 2015 and designated Mr. Yi Feng, an assistant to the president of the Bank, to perform the duties as the Board Secretary during the vacancy of the Board Secretary. The Bank convened a Board meeting on 26 March 2015 and appointed Mr. Yi Feng as the Board Secretary of the Bank. His tenure is the same as the term of the third session of the Board of Directors. Mr. Yi's position as the Board Secretary will become effective from the date of approval of his qualification as Board Secretary by the PRC banking regulators.
12. The Bank made an announcement on 31 March 2015. 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.

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

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors



Mr. Li Hongming, 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, 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. 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, 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.

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

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



Mr. Zhang Renfu, an executive Director of the Bank. His primary working experiences include: 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. Ci Yaping, 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.

Mr. Zhang Feifei, 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., and Anhui Province Wenergy Company Limited. Mr. Zhang obtained a master's degree in management from the University of Science and Technology of China.

Mr. Zhu Jiusheng, 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, member of the Party committee and vice president of China Construction Bank Corporation Limited. Mr. Zhu is a senior vice president of China Vanke Co., Ltd., director of Shenzhen Kondarl (Group) Co., Ltd. and independent non-executive director of LVGEM (China) Real Estate Investment Company Limited. Mr. Zhu, a senior economist, obtained a doctoral degree in industrial economics from Zhongnan University of Economics and Law.

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

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

Mr. Zhao Zongren, 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 president and executive director of Sunshine Insurance Group Corporation Limited, a member of the standing committee of the fourth session of the national committee of China Financial Federation and the sixth session of Hainan Committee. Mr. Zhao, a senior economist, obtained a research master's degree from the investment department of Dongbei University of Finance and Economics.

Mr. Gao Yang, 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 Company Ltd., a director of Guilin Automobile Industrial Group Company Ltd. and Mudanjiang Futong Automotive Air Conditioning Co., Ltd, and the chairman of the board of directors of Guosheng Huaxing Investment Co., Ltd. Mr. Gao studied hotel management at Meinl Vocational School in Vienna from March 1985 to March 1987 as an audit student.

Mr. Au Ngai, Daniel, an independent non-executive Director of the Bank. Mr. Au once worked for A.T. Kearney Inc. and Bankers Trust Company in the United States. His other primary working experiences include: vice president, director, managing director and then partner of Newbridge Capital Limited and director of Shenzhen Development Bank Co., Ltd. (currently known as PingAn Bank Co., Ltd.). Mr. Au was involved in the establishment of Bohai Industrial Investment Fund and was the chief executive officer of that fund. He established Star Capital Partners Limited in March 2010, which is engaged in businesses such as fund management and financial advisory services for financing and merger and acquisition. Mr. Au obtained a master's degree in business administration from McGill University in Canada.

Mr. Dai Genyou, 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)

Mr. Wang Shihao, 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 of Shanghai Bank, director of City Commercial Bank Clearing Centre, special advisory expert of Shanghai Municipal Government, independent non-executive director of Shanghai Jinfeng Investment Company Ltd., and a visiting professor of the National Accounting Institute, Shanghai Jiao Tong University, Fudan University and Shanghai University of Finance and Economics. Mr. Wang was employed as a special advisory expert for policy decision of Shanghai Municipal Government in March 2008. 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, 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 senior partner of TianYin Lawyer Company Ltd., and an independent director of Beijing Haohua Energy Resources Co., Ltd. and Beijing Trust & Far Technology 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, 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, an independent non-executive Director of the Bank. He was a lecturer and associate professor at the School of Accountancy of Shanghai University of Finance and Economics. Mr. Zhi is currently the vice dean, a doctoral supervisor, an accounting lecturer of the School of Accountancy, a member of the review group of the business management discipline, a member of the professor committee of the School of Accountancy of Shanghai University of Finance and Economics, as well as a vice director of the Financial and Cost Branch of Accounting Society of China. He also served as an independent non-executive director of each of Jiangsu Hengrui Medicine Co., Ltd., Ningbo Huaxiang Electronic Co., Ltd., Hubei Hongcheng General Machinery Co., Ltd., Zhejiang Material Industrial Zhongda Yuantong Group 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 Zhen has been the chairman of the Board of Supervisors and an employee Supervisor of the Bank since December 2005. Mr. Zhang has over 36 years' working experience in the financial industry. His primary working experiences include: working in Sixian District Center Sub-branch of Agricultural Bank of China from December 1979 to December 1985, vice president of Suxian District Branch of the PBOC, vice president and then president of Huaibei Center Sub-branch of the PBOC, director of the bank administration department of Hefei Center Sub-branch of the PBOC, the ICBC supervision department of the CBRC Anhui Office and the first supervision department of a state-owned bank. He was seconded to the Tibet Autonomous Region Branch of the PBOC as deputy director of its planning and saving department from 1987 to 1989 to support the construction of Tibet. Mr. Zhang, 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. Xu Chongding has been the chairman of labor union and an employee Supervisor of the Bank since April 2011. Mr. Xu has over 22 years' working experience in the financial industry. 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 has been an employee Supervisor of the Bank since August 2014. 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, Heifei, as well as an assistant to the president, vice president, vice president (in charge of work) and president of Anqing Branch of Huishang Bank. She is currently the general manager of the compliance department of Huishang Bank. Ms. Zhou, a senior economist, graduated from Naning University majoring in National Economics.

Mr. Cheng Rulin has been a shareholder Supervisor of the Bank since July 2013. 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 chairman of Hefei Xingtai Assets Management Co., Ltd., president of Hefei Xingtai 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.

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

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

Mr. Qian Xiaojun has been a shareholder Supervisor of the Bank since July 2014. 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., chairman of each of Jiangsu Huijin Finance Leasing Co., Ltd., Jiangsu Zhengyang Cars Parts Stores Co., Ltd., 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.

Mr. Cheng Hong has been a shareholder Supervisor of the Bank since December 2009. His primary working experiences include: lecturer of Anhui Construction Industry Institute, general manager of Shenzhen Decorative Art Co., Ltd., and chairman of the board of directors of Hefei Taili Decorative Art Co., Ltd. Mr. Cheng is the chairman of the board of directors of Anhui Hengtai Real Estate Company Limited, Anhui Hengtai Group Co. Ltd., Tongling Maoyuan Investment Limited 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 has been an external Supervisor of the Bank since December 2009. Her primary working experiences include: acting general manager of a German subsidiary of Metro Group, general manager of Swiss DKSH (Shanghai) International Trade, deputy general manager of Sinopharm Group Co., Ltd, and managing director of Shanghai TianYi Consulting Company Ltd and DeKangHang International Trading Company Ltd., and general manager of Sinopharm Medicine Logistics Company 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 has been an external Supervisor of the Bank since December 2009. His primary working experiences include: professor of International Business School of the University of International Business and Economics and a tutor of doctoral students. Mr. Fan was also an executive deputy dean of Haier Business School of the University of International Business and Economics, and is a deputy dean of the International Business School of the University of International Business and Economics. Mr. Fan was granted a special allowance by the State Council in February 2013. He obtained a doctoral degree in economics from the University of International Business and Economics.

Ms. Pan Shujuan has been an external Supervisor of the Bank since July 2013. 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 a member of the Professor Committee of the School of Finance of Anhui University of Finance & Economics, director of China Financial Engineering Annual Meeting, member of the Finance Professional Collaboration Team under the Higher Financial Education Branch of China Higher Education Association and an executive director of Anhui Finance Association. 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. Zhang Renfu is an executive Director 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, 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, 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. Yi Feng, an assistant to the president 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.

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

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



Mr. Yan Dongshun, 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.



Mr. Xia Min, an assistant to the president and president of Hebei Branch of the Bank. His primary working experiences include: assistant to the president of Changjiang Middle Road Sub-branch 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. Liu Ming, the chief administration officer of the Bank. His primary working experiences include: working in the planning committee of Wuhu City, assistant to the president of Wuhu Branch of CCB, vice president and president of Wuhu City Commercial Bank, president of Wuhu Branch of the Bank, and general manager of the compliance department and director of the administration office of the Bank. Mr. Liu, an economist, obtained a bachelor's degree in finance from Anhui Finance and Economics University (formerly known as Anhui Institute of Finance and Trade).



Mr. Chen Hao, 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.

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

The Bank provides remunerations to independent Directors and external supervisors according to the proposal for the subsidies of the independent Directors and the proposal for the subsidies of external Supervisors passed at the first extraordinary general meeting in 2009, 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.

According to the “Provisional Measures on the Supervision and Assessment of the Board of Directors’ Duties Performance by the Board of Supervisor of Huishang Bank”, the “Provisional Measures on the Supervision and Assessment of the Senior Management and its Members’ Duties Performance by the Board of Supervisors of Huishang Bank” and the “Provisional Rules on the Assessment of Duties Performance and Due Diligence of 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.

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

8.5 EMPLOYEE

As at 31 December 2014, the Bank had a total of 6,697 employees in service. The composition of employees is as follows:

1. Responsibilities:			
	Management	1,234	18.43%
Responsibilities	Marketing	3,840	57.34%
	Supporting	1,623	24.23%
2. Academic distribution:			
	Master and above	676	10.09%
Academic structure	Bachelor	4,875	72.79%
	Diploma degree and below	1,146	17.12%

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 the Board, 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 head office allocates the total amount of remuneration and drafts policy management. All branches manage employee salary within the scope of unified rules and framework.

Staff training plan

According to our comprehensive development strategic and training programme, the Bank will develop and implement the annual training plan to support our training, enhance staff professionalism and provide support to their career development. During the reporting period, the Bank arranged various important training programmes such as mid-level and senior management training programmes, trainings for talent reserve, trainings for young and middle-aged managerial staff, enhancement trainings for professionals, trainings for new joiners and online training platform establishment. The Bank further optimized the establishment of its training system and enhanced training efficiency, thereby facilitating the progress of informationization and computerization of our training programmes. In 2014, the Bank conducted a total of 749 line assembly training sessions, with a total enrolment of 50,793.

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

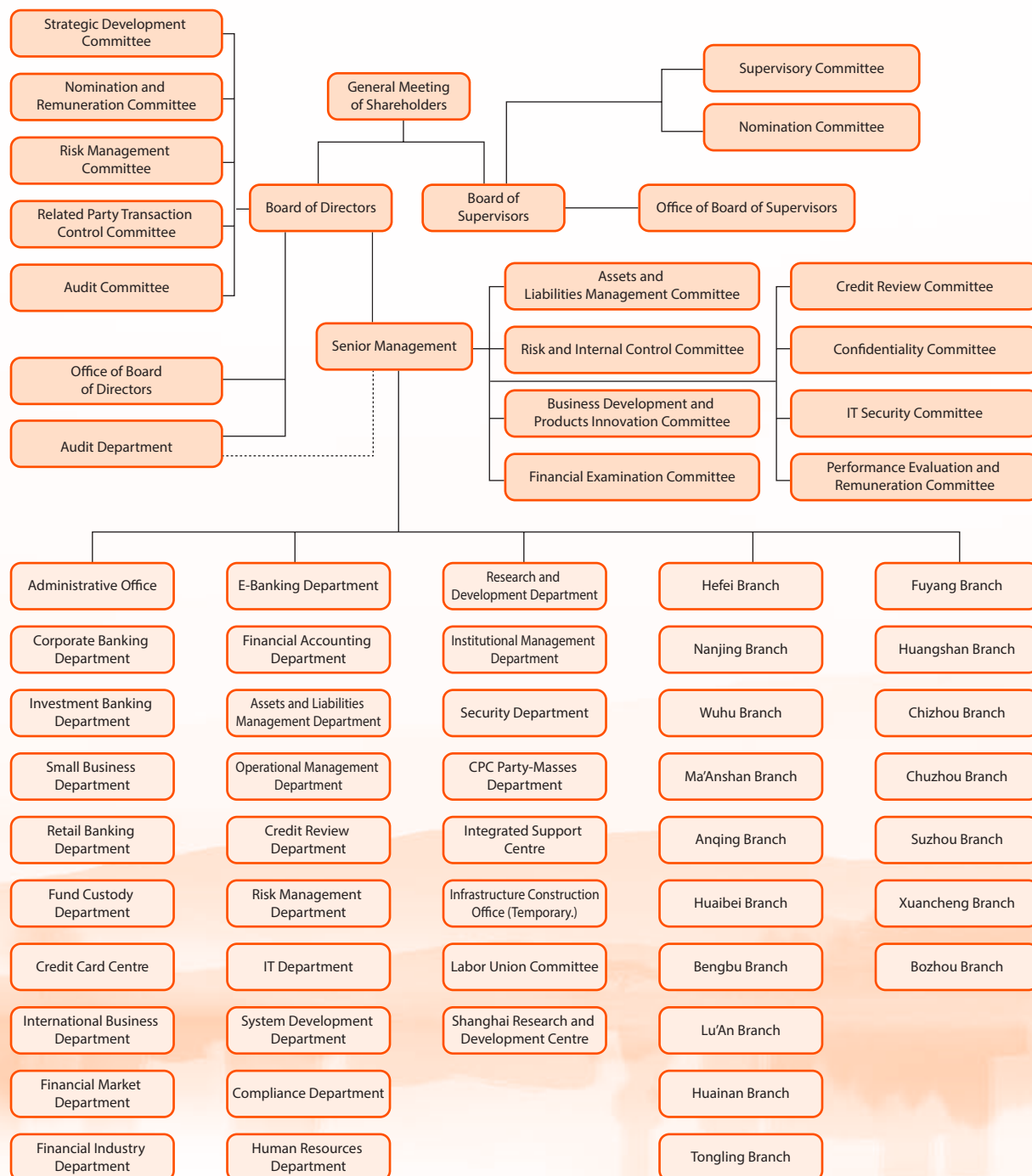
8.6 BRANCHES

As at 31 December 2014, 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	45	
	Wuhu Branch	No. 45, Beijing Xi Road, Wuhu	241000	25	
	Ma'an shan Branch	No. 75, Hunan Xi Road, Huashan District, Ma'Anshan	243000	20	
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	22	
	Huaibei Branch	No. 108, Huaihai Zhong Road, Huaibei	235000	15	
	Bengbu Branch	No. 1018, Huaihe Road, Bengbu	233000	19	
	Lu'an Branch	Kaixuan International Square, Meishan Nan Road, Lu'an	237000	17	
	Huinan Branch	No. 39, Shungeng Xi Road, Huinan	232000	13	
	Tonglin Branch	No. 999, Yanjiashan Road, Tonglin	244000	11	
	Fuyang Branch	No. 666, Yidaohe Road, Fuyang	236000	13	
	Huangshan Branch	No. 39, Huangshan Xi Road, Huangshan	245000	9	
	Chizhou Branch	No. 515, Changjiang Zhong Road, Chizhou	247000	6	
	Chuzhou Branch	No. 95, Longpan Main Road, Zhengwu New District, Chuzhou	239000	10	
	Suzhou Branch	No. 123, Yinheyi Road, Suzhou	234000	8	
	Xuancheng Branch	No. 1, West Aofeng Road, Xuancheng	242000	11	
	Bozhou Branch	No. 277, Plaza Xiangzhang, West Shaohua Road, Bozhou	236000	7	
	Jiangsu Province	Nanjing Branch	No. 231, Zhongyan Road, Nanjing	210000	8
	Total				260

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 corporate governance practice within both domestically and internationally, 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, 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 of the Hong Kong Listing Rules. The Bank has also substantially complied with the recommended best practices set out therein.

The Bank has incorporated the Code of Corporate Governance as set out in Appendix 14 of the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks of 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 Rules of AGM, Board of Directors and special committees.

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.

Details of non-full compliance with Rule 3.10A and Rule 3.21 of the Hong Kong Listing Rules from 15 April 2014 to 8 October 2014 are set out in section 8.2.

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 in order 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.

Chapter IX Corporate Governance Report

9.2 CORPORATE GOVERNANCE (Continued)

The Board diversity policy (Continued)

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.

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, knowledge and service term. The final decision will be made based on the candidate's speciality 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 assumes the role of recommending to the Board as to the size and structure of the Board of Directors based on the Bank's strategic plans, business operations, asset size and equity investment structure, and discussing and reviewing the selection standard, the nomination and appointment process, and making recommendations to the Board of Directors, which 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 execution 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.

This policy has been discussed and passed at the third meeting of the third session of the Board of Directors. 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.

Chapter IX Corporate Governance Report

9.3 GENERAL MEETINGS

On 30 June 2014, the Bank held the 2013 AGM in Hefei, at which the following resolutions were considered and approved:

- The 2013 Work Report of the Board of the Bank for Consideration and Approval
- The 2013 Work Report of the Board of Supervisors of the Bank for Consideration and Approval
- The 2013 Final Financial Accounts for Consideration and Approval
- The 2013 Profit Distribution Plan for Consideration and Approval
- The 2014 Financial Budget for Consideration and Approval
- The Resolution on Investment to Establish a Finance Leasing Company for Consideration and Approval
- The Resolution on Investment to Establish a Consumer Finance Company for Consideration and Approval
- The 2013 Directors (including Independent Non-executive Directors) Performance Appraisal Report of the Board for Consideration and Approval
- The 2013 Supervisors (including External Supervisors) Performance Appraisal Report of the Board of Supervisors for Consideration and Approval
- The Resolution on Election of Fung Weichang as an Independent Non-executive Director of the Third Session of the Board of the Bank for Consideration and Approval
- The Resolution on Election of Zhu Hongjun as an Independent Non-executive Director of the Third Session of the Board of the Bank for Consideration and Approval
- The Resolution on Election of Zhu Jiusheng as a Non-executive Director of the Third Session of the Board of the Bank for Consideration and Approval
- The Resolution on Election of Zhao Zongren as a Non-executive Director of the Third Session of the Board of the Bank for Consideration and Approval
- The Resolution on Election of Qian Xiaojun as a Shareholder Supervisor of the Third Session of the Board of Supervisors of the Bank for Consideration and Approval
- The Resolution on Appointment of External Auditors for 2014 for Consideration and Approval
- The Resolution on Reporting of Relevant Matters about Disposal of Historical Burden and Writing-off of Bad Debts in 2013 for Consideration and Approval
- The Resolution on General Mandate to Issue Shares of the Bank for Consideration and Approval
- The Resolution on Amendments to Part of the Provisions of the Articles of Association for Consideration and Approval
- The Resolution on Issue of Financial Bonds for Consideration and Approval

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

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS

The Board of Directors is core to the corporate governance. The Bank's president takes the responsibility of the Bank 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 interpose specific daily affairs.

The Bank's Board of Directors emphasizes similarity in both externality and internality in system contraction 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 grasp key points, direction and strategy in Board operation. Constantly strengthening balanced, healthy and sustainable development concept, the Board of Directors ensures the rapid, sustainable and healthy 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 26 March 2015, the Board of Directors consists of 15 Directors, including 5 executive Directors, namely Li Hongming (chairman), Xu Demei (vice chairman), Wu Xuemin (president), Zhang Renfu, and Ci Yaping (vice president); 4 non-executive Directors, namely Zhang Feifei, Zhu Jiusheng, Zhao Zongren, 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, discussed 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 Band of 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 recommend 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 for 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 enough time and effort to deal with the Bank's affairs, ensuring the Bank's operation complies 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 diligent obligations prescribed by the Articles of Association. The Board of Directors confirmed that they are responsible for the preparation of the financial statements for the year ended 31 December 2014.

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, CSRC, 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 has carried out the evaluation of the Board of Directors and the Directors' performance by the Board of Supervisors and independent non-executive Directors and external Supervisors' assessment with each other and presented the results to shareholders at the general meeting.

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 recommendations of 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	Attendance of 2013 AGM ⁽⁶⁾	Board of Directors	Board Committee				
			Strategic Development Committee	Nomination and Remuneration Committee	Risk Management Committee	Related Party Transaction Committee	Audit Committee	
The amount of actual attendance/The amount of required attendance								
Executive Directors	Li Hongming	✓	7/7	4/4	3/3	-	-	-
	Xu Demei	✓	7/7	-	-	4/4	4/4	-
	Wu Xuemin	✓	7/7	4/4	-	-	-	-
	Zhang Renfu	✓	7/7	4/4	-	-	-	-
	Ci Yaping	✓	7/7	-	-	4/4	-	-
Non-executive Directors	Zhang Feifei	-	7/7	3/4 ⁽³⁾	-	-	-	2/3 ⁽³⁾
	Zhu Jiusheng ⁽²⁾	-	2/2	1/1	-	-	-	-
	Guo Shigang ⁽²⁾	✓	7/7	4/4	-	-	-	-
	Qian Zheng ⁽²⁾	✓	7/7	4/4	-	-	-	3/3
	Zhao Zongren ⁽²⁾	-	2/2	0/1 ⁽³⁾	-	-	-	-
	Wu Tian ⁽²⁾	-	7/7	-	-	4/4	4/4	-
	Gao Yang	✓	7/7	4/4	3/3	-	-	-
Independent Non-executive Directors	Dai Genyou	✓	7/7	-	3/3	-	-	3/3
	Wang Shihao	-	6/7 ⁽³⁾	3/4 ⁽³⁾	-	4/4	-	-
	Zhang Shenghuai ⁽⁴⁾	-	7/7	-	3/3	-	4/4	3/3
	Au Ngai, Daniel	✓	7/7	-	3/3	-	4/4	-
	Fung Weichang ⁽²⁾	-	2/2	1/1	0/0	-	-	-
	Zhu Hongjun ⁽²⁾	-	2/2	-	-	-	2/2	1/1
Wen Jinghui ⁽⁵⁾	-	0/2 ⁽⁵⁾	-	-	-	-	0/1 ⁽⁵⁾	0/1 ⁽⁵⁾

- Note:
- During the reporting period, the Bank held 7 Board of Directors meetings in total.
 - The appointment of the four Directors, namely Zhu Jiusheng, Zhao Zongren, Fung Weichang and Zhu Hongjun, has been approved by the CBRC Anhui Office and they formally assumed office on 8 October 2014. Three directors, namely Guo Shigang, Wu Tian and Qian Zheng, resigned from the Board and special committees thereunder in January 2015. See section 8.2 "Changes to the Directors, Supervisors and Senior Management Employees of the Bank" for details.
 - The actual attendance lower than required attendance represents the proxy attendance when the above directors are absent from Board meeting in person.
 - 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.
 - The Bank made an announcement on 16 April 2014 in relation to the termination of Mr. Wen Jinghui's position as an independent non-executive Director of the Bank. See section 8.2 "Changes to the Directors, Supervisors and Senior Management Employees of the Bank" for details. Mr. Wen Jinghui should attend 2 Board meetings, among which he appointed other directors as his proxy to attend 1 Board meeting and was absent from 1 Board meeting; he should attend 1 Audit Committee meeting and was absent from 1 Audit Committee meeting.
 - For Directors who were unable to attend the 2013 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 for directors and supervisors

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) set out in Appendix 10 of the Hong Kong Listing Rules as its codes of conduct regarding securities transactions by the directors and the supervisors of the Bank. Having made specific enquiry of all Directors and Supervisors, and 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 CBRC, 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 participate in meetings of the Board of Directors and the Board committees seriously, actively giving their opinions and emphasizing 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 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 2014, they held a total of 18 meetings, at which 87 resolutions that are significant to sustainable development of the Bank and the 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.

Chapter IX Corporate Governance Report

9.5 THE BOARD OF DIRECTORS COMMITTEES (Continued)

9.5.1 Strategic Development Committee

Our Strategic Development Committee consists of three executive Directors, namely Mr. Li Hongming, Mr. Wu Xuemin and Mr. Zhang Renfu; four non-executive Directors, namely Mr. Zhang Feifei, Mr. Zhu Jiusheng, 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 accounts and making recommendations to the Board;
- considering plans for significant restructuring and re-organization and making recommendations to the Board;
- reviewing the plan of significant investment 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 our corporate governance structure so as to ensure that the financial reporting, risk management and internal control meet our standards for corporate governance.

Our Strategic Development Committee held 4 meetings in total in 2014, at which resolutions on the work report of the Board, financial accounting report, profit distribution plan, annual general business plan, capital planning for 2014-2018, investment in the establishment of a finance leasing company, increasing the Bank's shareholdings in Chery HuiYin Motor Finance Service Co., Ltd, were considered and approved.

Chapter IX Corporate Governance Report

9.5 THE BOARD OF DIRECTORS COMMITTEES (Continued)

9.5.2 Nomination and Remuneration Committee

Our Nomination and Remuneration committee consists of one executive Director, namely Mr. Li Hongming; one non-executive Director, namely 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 equity 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 2013 annual performance results of executive Directors and senior management, nomination of candidates for Directors and appointment of the chief information officer, were considered and approved.

Chapter IX Corporate Governance Report

9.5 THE BOARD OF DIRECTORS COMMITTEES (Continued)

9.5.3 Risk Management Committee

Our Risk Management Committee consists of two executive Directors, namely Ms. Xu Demei and Mr. Ci Yaping, one 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 exposure 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 2014 risk management policy, risk limit management work plan, risk supervision and evaluation report, asset quality analysis, compliance risk management policies and credit policy execution report were studied.

Chapter IX Corporate Governance Report

9.5 THE BOARD OF DIRECTORS COMMITTEES (Continued)

9.5.4 Related Party Transaction Control Committee

Our Related Party Transaction Control Committee consists of one 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;
- 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 4 meetings in total, at which it considered and approved the 2014 daily related party transaction business plan, the 2013 annual report of related party transactions, confirmation of the related party information and seven significant related party transactions.

Chapter IX Corporate Governance Report

9.5 THE BOARD OF DIRECTORS COMMITTEES (Continued)

9.5.5 Audit Committee

During the reporting period, our Audit Committee consists of one non-executive Director, namely Mr. Zhang Feifei; and three independent non-executive Directors, namely Mr. Zhu Hongjun, Mr. Dai Genyou and Mr. Zhang Shenghuai. 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:

- inspecting our financial statements, annual report and accounting records, interim report and (if drafted for publication) quarterly reports, 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) to be 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;

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.

Chapter IX Corporate Governance Report

9.5 THE BOARD OF DIRECTORS COMMITTEES (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 3 meetings in total, at which it reviewed resolutions on the annual report, the 2014 interim report, engaged external auditor, the 2014 audit plan, the internal audit quality internal evaluation report, the Opinions on Further Intensifying Audit Rectification Work, etc. The Audit Committee reviewed the 2013 annual financial report and the 2014 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 2013 annual report and the 2014 interim report of the Bank and submitted them to the Board for consideration.

9.6 ENTERPRISE MANAGEMENT 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.

Chapter IX Corporate Governance Report

9.7 BOARD OF SUPERVISORS

The Board of Supervisors, our supervisory body, aims to guarantee legitimate interest of the Bank, shareholder, employees, depositors and other related parties 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.

9.7.1 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 section 8.3 "Profile of Directors, Supervisors and Senior Management" 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.

9.7.2 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 acts in 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) checking 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 interim 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 a temporary 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, provisions of other 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, inspecting foreign investment institutions, 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 supervised the 2013 annual performance of the Board of Directors, Directors, the senior management and Supervisors of the Bank, and held the symposium of head office, symposium of branches and sub-branches, and symposium of shareholders to conduct on-site evaluation and soliciting advice from the senior management. Based on the foregoing, the Board of Supervisors prepared the "Feedback on the 2013 Annual Supervision and Evaluation of the Board of Supervisors", and gave feedback to the Board of Directors and the senior management.

Chapter IX Corporate Governance Report

9.7 BOARD OF SUPERVISORS (Continued)

9.7.3 Meetings of the Board of Supervisors during the reporting period

During the reporting period, the Boards of Supervisors held 4 physical meetings (regular) and 2 meetings by way of circulating written documents, 6 Nomination Committee meetings and 4 Supervisory Committee meetings, at which 31 resolutions related to our operation and management, risk management, as well as the performance of Directors, Supervisors and the senior management, 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 physical meetings during the reporting period

	No. of Required Attendance	Attendance in Person	Attendance through Proxy
Zhang Zhen	4	4	–
Xu Chongding	4	4	–
Zhou Tong	2	2	–
Cheng Rulin	4	4	–
Cheng Hong	4	3	1
Qian Xiaojun	2	2	–
Pan Shujuan	4	4	–
Fan Libo	4	4	–
Cheng Junpei	4	4	–
Wu Guozhong	1	1	–
He Tao	2	2	–

Notes: (1) During the reporting period, He Tao and Wu Guozhong resigned as employee Supervisor and shareholder Supervisor, respectively, of the third session of the Board of Supervisors and members of relevant special committees due to work reason. Qian Xiaojun was appointed as a shareholder Supervisor on 30 June 2014. Zhou Tong was appointed as an employee representative Supervisor of the Bank on 23 August 2014.

(2) During the reporting period, our Board of Supervisors held 4 physical meetings. In case of absence, he/she had appointed a proxy to attend meetings on his/her behalf.

Chapter IX Corporate Governance Report

9.7 BOARD OF SUPERVISORS (Continued)

9.7.4 Attendance at the general meetings during the reporting period

During the reporting period, the Bank held 1 general meeting of shareholders. The Board of Supervisors designated representatives to attend all of the meetings, and the chairman of the Board of Supervisors, as the chief scrutineer, supervised legal compliance of the content of meetings, procedures of meetings, as well as the voting process on-site.

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

In 2014, the Supervisors designated representatives to attend physical 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 sent 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.

9.7.6 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	Zhang Zhen, Xu Chongding, Pan Shujuan and Cheng Hong;
2	Supervisory Committee	Fan Libo	Zhang Zhen, Cheng Rulin, Qian Xiao Jun and Zhou Tong

Chapter IX Corporate Governance Report

9.7 BOARD OF SUPERVISORS (Continued)

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

Nomination Committee of the Board of Supervisors

The principal responsibilities of the Nomination Committee include:

- formulating the selection standards and procedures of Supervisors, and making recommendations to the Board of Supervisors;
- preliminarily reviewing the qualifications and conditions of candidates for Supervisors and making recommendations to the Board of Supervisors;
- improving market-oriented selection and appointment mechanism, and making reservation of candidates for Supervisors;
- conducting a comprehensive assessment and evaluation of duties performance of Directors and senior management, and reporting it to the Board of Supervisors;
- supervising the process of election and appointment of Directors;
- supervising the scientificity and reasonableness of the remuneration management system and policies of the Bank and the remuneration proposal for its senior management;
- determining the remuneration standards for Supervisors and subsidy standards for external Supervisors, and making recommendations to the Board of Supervisors in respect thereof;
- 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;
- 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;
- other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of 6 meetings in 2014, at which resolutions on the "Working Rules of the Nomination Committee of the Board of Supervisors of Huishang Bank (Revised)", the "Performance Appraisal Measures of the Board of Supervisors of Huishang Bank on the Board of Directors and Directors (Revised)", and commencement of the performance appraisal work on the Board of Directors and Directors for 2014, etc., were considered and approved.

Chapter IX Corporate Governance Report

9.7 BOARD OF SUPERVISORS (Continued)

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

Supervisory Committee of the Board of Supervisors

The principal responsibilities of the Supervisory Committee include:

- 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;
- formulating plans for supervision of the due diligence of Directors and the senior management of the Bank;
- formulating plans for exit audits of executive Directors and the senior management of the Bank;
- formulating plans for the inspection and supervision of financial activities of the Bank;
- formulating plans for supervision and inspection of the business decision-making, risk management and internal control of the Bank;
- formulating plans for assessing the scientificity, reasonableness and effectiveness of development strategies set by the Board of Directors;
- taking charge of the organization and implementation of the above (1) to (6) plans;
- other matters authorized by the Board of Supervisors.

In 2014, the Supervisory Committee held 4 meetings in total, at which resolutions on the 2013 annual report of Huishang Bank, the "Working Rules of the Supervisory Committee of the Board of Supervisors of Huishang Bank (Revised)", the "Provisional Measures of Financial Responsibility Audit on Executive Directors and the Senior Management by the Supervisory Committee of Huishang Bank (Revised)", etc., were considered and approved.

9.7.7 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 2014, 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.

Chapter IX Corporate Governance Report

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

Trainings to and Research of Directors

All Directors took part in all/part of seminars/trainings/investigations and visits organized/held by the following professional institutes:

A seminar and training with respect to the latest global trend of the banking industry and leading bank practices was provided by McKinsey & Company.

A seminar and training with respect to the functions and operation of the capital market in Hong Kong was provided by UBS AG.

A seminar and training with respect to the Hong Kong Listing Rules was provided by Latham & Watkins.

A seminar and training with respect to the global economic development analysis was provided by Morgan Stanley Asia Limited.

The Directors visited the headquarters of UBS AG, Santander Bank and Societe Generale for investigation and research, as well as inspection.

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 credit cards and the management of doubtful loans written off, respectively, and then prepared reports based on findings. Some of the Bank's employee Supervisors and external 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 employee Supervisors and external Supervisors participated in the inspections.

During the reporting period, the Board of Supervisors organized and carried out a special training on the topic "the Crash of Commercial Banks with Internet Finance". Some of our Supervisors participated in this training.

Chapter IX Corporate Governance Report

9.9 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. Hu Dongdong, a former company secretary of the Bank, resigned on 6 February 2015. Mr. Ngai and Mr. Hu took part in relevant professional trainings for no less than 15 hours during the reporting period. Mr. Hu Dongdong was the key internal contact of Mr. Ngai during the reporting period, and Mr. Yi Feng, assistant to the president of the Bank, is the current key internal contact of Mr. Ngai.

9.10 ILLEGAL ACT REPORTS AND ALLEGATIONS

In 2014, the Bank did not have any material internal disputes.

9.11 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.

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 reports and interim reports 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 reports are available for review by the investors and stakeholders in the Board of Directors' office of the Bank.

Chapter IX Corporate Governance Report

9.12 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.

The Board of Directors which agrees to convene an extraordinary general meeting or class shareholders' meeting should issue a notice to call for a shareholders' general meeting within 5 days from the date on which a 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 such amendments.

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.

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 will 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.

Chapter IX Corporate Governance Report

9.12 SHAREHOLDERS' RIGHTS (Continued)

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 where 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 their shareholdings. The Bank shall provide such documentation as required by shareholders after their identity is verified.

Chapter IX Corporate Governance Report

9.13 APPOINTMENT OF CERTIFIED PUBLIC ACCOUNTANTS AND THEIR REMUNERATION

The Bank has appointed PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers as our domestic auditor and offshore auditor for the year ended 31 December 2014, respectively.

In 2014, 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 RMB2.40 million, and other remuneration (including the fees for reviewing the half-year financial statements) was RMB1.30 million.

9.14 AMENDMENTS TO THE ARTICLES OF ASSOCIATIONS OF THE BANK

In light of the requirements of Hong Kong Securities Clearing Company Limited and the practical need of our work, the Bank has made amendments to Article 32, Article 93, Article 161 and Article 190 in the Articles of Association of the Bank during the year, and the resolution on such amendments was considered and approved by the 2013 AGM held on 30 June 2014. 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 [2014] No. 257) on 13 October 2014 for the approval of the revised Articles of Association. For details, please refer to the circular dated on 15 May 2014 and the announcement dated on 30 June 2014 and 16 October 2014, respectively, published by the Bank.

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 Board of Directors and the senior management to establish and implement an internal control system. The management is responsible for implementing the internal Control system and policies approved by the Board of Directors. The Bank has formulated the “Basic Norms of Internal Control for Huishang Bank (Trial)” 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 consisting of five elements, including the internal environment, risk assessment, control activities, information and communication, and internal monitoring.

During the reporting period, the Bank placed high importance on the construction of internal control system. It actively pushed forward the reforms of internal control management mechanisms by formulating the “Opinion on Strengthening Internal Control Management and Improving the Execution of Systems”, which further enhanced internal control from such aspects including meeting the basic internal control requirements, strengthening staff behaviour management and internal control accountability system. The Bank continued to track changes in external regulatory polices, enhanced the construction of internal control system, and improved compliance review system. During the reporting period, 187 new rules and regulations were formulated to further standardize the conduct of operation and management. The Bank promoted special activities of the “Compliance Development Year” in great depth pursuant to the requirements of banking regulators in the PRC. The Bank arranged 201 persons-in-charge from 17 branches of the Bank to take part in a compliance knowledge contest for sub-branch managers, further strengthening the compliance awareness of local branches on internal control. The Bank organized a self-assessment on internal control in 2014. Looking from the self-assessment results, the Bank performed better in the design and implementation of internal control. Its internal control mechanisms were basically sound, and internal control measures were effectively implemented.

Chapter X Internal Control

10.1 INTERNAL CONTROL (Continued)

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, and has subsequently formulated the systems including the “Basic Norms for Internal Control of Huishang Bank(Trial)”, the “Measures for the Administration of Internal Control Rationalization of Huishang Bank(Trial)” and the “Measures for the Administration of Self-assessment of Internal Control of Huishang Bank(Trial)”, which established the basic structure of internal control that covered horizontally our business processes and management activities of various business lines, and vertically the Board of Directors, the Board of Supervisors, senior management and all employees, and formed three internal control management systems including internal control rationalization, internal control evaluation, internal control rectification and accountability. During the reporting period, the Bank continued to track the rectification of problems identified in the self-assessment of internal control last year so as to improve the capability and level of internal control management. The Bank organized internal control rationalization work, which covered eight business categories including accounting operation business, assets and liabilities management, scientific information management and credit card businesses at business level, and five major processes including custodian business management, derivative business management, and accounting operation management at process level, to comprehensively investigate their deficiencies and guide the whole Bank to improve the effectiveness of internal control. The Bank carried out internal control evaluation on new sub-branches, innovative testing and evaluation methods, continued to strengthen the internal control of local branches. The Bank conducted an internal control self-assessment at three levels from headquarters, branches and sub-branches, with the scope of assessment covering 10 business categories at company level, 35 business categories at business level, and produced an internal control self-assessment report of the Bank.

10.2 INTERNAL AUDIT

The Bank set up an internal audit department staffed with full-time auditors, and established an independent and vertical internal audit management system and an internal audit reporting system and route that is compatible with such internal audit management system, established a complete audit system and an inspection system which combines on-site and off-site audits. The internal audit is independent from operation and management and is risk-oriented to ensure objectivity and fairness. The audit person-in-charge is accountable to the Board of Directors and its Audit Committee and report the audit work to them. The internal audit department regularly reports their work to the Board of Directors 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, and making recommendations to the management, conducting audits through systematic and standardized methods, examining assessments and improving the Bank’s business activities, risk profile, internal control and corporate governance with a view to promoting the healthy development of the Bank.

In 2014, the Bank’s internal audit department continued to adhere to the working policy of “regulating audit, serving the overall interests, focusing on the central task, emphasizing the key points and being truthful and practical”. The Bank strived to improve audit technical standards and quality through active innovations in and improvement of audit methods and ways. The Bank’s business management conditions were objectively reflected by continuously enhancing its audit coverage and project audit efficiency. The Bank’s internal audit department made certain recommendations on improving management, effectively improving its internal control and management mechanisms and systems continuously.

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 the duties performance 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) Legal compliance operation. 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 strict compliance with laws and regulations and the Bank's rules and regulations. A performance appraisal system for compliance operation was established for implementation of performance-related management. No act in serious violation of laws and regulations and detrimental to the interests of shareholders occurred.
- (2) The true situation of financial report. The Bank's 2014 annual financial report has been audited by PricewaterhouseCoopers in accordance with International Financial Reporting Standards and issued a standard audit report with unqualified opinions. 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 occurred during the reporting period that damage the interests of shareholders and the Bank.
- (4) Internal Control. During the reporting period, the Bank continued to improve its internal control system. In accordance with the new requirements of the "Guidelines for Internal Control of Commercial Banks", it actively pushed forward reforms on an internal control management mechanism, organized and implemented the work on identification and assessment of compliance risks, carried out activities of the "Compliance Development Year", commenced a special activity of "Two First Approvals" (兩個一批), reinforced its internal control accountability system and established an self-assessment reporting system for the execution of internal control system to further improve the internal control management standards.
- (5) 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 2014 for review, and supervised the implementation of the resolutions adopted by shareholders' general meetings. The Board of Directors was considered to have well implemented the relevant resolutions passed at shareholders' general meetings.

By Order of the Board of Supervisors
Zhang Zhen
Supervisor

26 March 2015

Chapter XII Financial Report

Huishang Bank Corporation Limited
Consolidated Financial Statement and Report of Independent Auditor
31 December 2014



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 120 to 255, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated and the Bank's statements 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 Bank and of the Group as at 31 December 2014, 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, 26 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

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

	Note	2014	2013
Interest income	5	23,056,689	18,856,829
Interest expense	5	(11,633,866)	(9,253,978)
Net interest income		11,422,823	9,602,851
Fee and commission income	6	941,148	623,544
Fee and commission expense	6	(84,939)	(83,968)
Net fee and commission income		856,209	539,576
Net trading gains/(losses)	7	63,526	(82,971)
Net gains/(losses) on investment securities		255,049	(6,954)
Dividend income		360	320
Other operating income, net	8	150,086	119,687
Operating income		12,748,053	10,172,509
Operating expenses	9	(4,216,671)	(3,386,435)
Impairment losses on assets	12	(1,197,245)	(435,365)
Share of profits of associates		76,377	48,035
Profit before income tax		7,410,514	6,398,744
Income tax expense	13	(1,734,156)	(1,472,931)
Profit for the year		5,676,358	4,925,813
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value changes on available-for-sale financial assets	42	1,066,848	(1,045,151)
Less: related income tax impact	42	(266,712)	261,287
Other comprehensive income for the year, net of tax		800,136	(783,864)
Comprehensive income for the year		6,476,494	4,141,949
Net profit attributable to:			
Shareholders of the Bank		5,672,735	4,926,202
Non-controlling interests		3,623	(389)
		5,676,358	4,925,813
Total comprehensive income attributable to:			
Shareholders of the Bank		6,472,871	4,142,338
Non-controlling interests		3,623	(389)
		6,476,494	4,141,949
Earnings per share attributable to the shareholders of the Bank (express in RMB per share)			
Basic/Diluted	14	0.51	0.58

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

Consolidated Statement of Financial Position

As at 31 December 2014

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

	Note	As at 31 December	
		2014	2013
Assets			
Cash and balances with central bank	15	76,420,868	76,178,455
Deposits with banks and other financial institutions	16	11,352,332	10,999,655
Placements with banks and other financial institutions	17	9,232,910	1,192,253
Financial assets at fair value through profit or loss	18	2,963,949	1,805,291
Derivative financial assets	19	1,878	5,698
Financial assets held under resale agreements	20	53,200,619	36,772,428
Loans and advances to customers	21	214,734,236	191,280,398
Investment securities			
– available-for-sale	22	71,572,329	29,964,720
– held-to-maturity	22	30,020,845	27,772,207
– loans and receivables	22	7,797,472	723,568
Investment in associates	24	325,605	334,741
Property, plant and equipment	25	1,415,034	1,512,190
Deferred tax assets	34	955,787	1,113,242
Other assets	26	2,770,450	2,454,244
Total assets		482,764,314	382,109,090
Liabilities			
Borrowing from central banks		107,000	–
Deposits from banks and other financial institutions	28	24,430,294	17,433,406
Placements from banks and other financial institutions	29	1,681,996	1,537,045
Derivative financial liabilities	19	2,391	5,052
Financial assets sold under repurchase agreements	30	72,481,217	42,727,917
Deposits from customers	31	317,870,043	272,798,242
Taxes payable	32	824,507	375,775
Debt securities issued	35	18,750,993	8,986,415
Other liabilities	33	10,062,949	6,573,306
Total liabilities		446,211,390	350,437,158
Equity			
Share capital	36	11,049,819	11,049,819
Capital reserve	36	6,751,041	6,751,041
Surplus reserve	37	4,071,254	3,011,585
General reserve	37	3,743,460	3,062,782
Investment revaluation reserve	42	(109,411)	(909,547)
Retained earnings		10,868,057	8,659,441
Equity attributable to shareholders of the Bank		36,374,220	31,625,121
Non-controlling interests		178,704	46,811
Total equity		36,552,924	31,671,932
Total equity and liabilities		482,764,314	382,109,090

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

Approved and authorized for issue by the Board of Directors on 26 March 2015.

Li Hongming	Wu Xuemin	Yi Feng	Li Dawei
Chairman	President	Assistant to the President, in-charge of Finance	Head of Finance Department

Statement of Financial Position

As at 31 December 2014

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

	Note	As at 31 December	
		2014	2013
Assets			
Cash and balances with central bank	15	76,114,697	76,149,465
Deposits with banks and other financial institutions	16	10,583,376	10,894,655
Placements with banks and other financial institutions	17	9,410,038	1,192,253
Financial assets at fair value through profit or loss	18	2,963,949	1,805,291
Derivative financial assets	19	1,878	5,698
Financial assets held under resale agreements	20	53,200,619	36,772,428
Loans and advances to customers	21	207,753,617	191,152,035
Investment securities			
– available-for-sale	22	81,484,920	29,964,720
– held-to-maturity	22	30,020,845	27,772,207
– loans and receivables	22	3,158,219	723,568
Investment in subsidiaries	23	118,313	32,800
Investment in associates	24	325,605	334,741
Property, plant and equipment	25	1,409,203	1,510,327
Deferred tax assets	34	955,787	1,113,022
Other assets	26	2,732,222	2,452,122
Total assets		480,233,288	381,875,332
Liabilities			
Deposits from banks and other financial institutions	28	24,433,616	17,452,555
Placements from banks and other financial institutions	29	1,681,996	1,537,045
Derivative financial liabilities	19	2,391	5,052
Financial assets sold under repurchase agreements	30	72,449,428	42,727,917
Deposits from customers	31	315,692,042	272,592,926
Taxes payable	32	819,520	375,644
Debt securities issued	35	18,750,993	8,986,415
Other liabilities	33	10,031,328	6,572,386
Total liabilities		443,861,314	350,249,940
Equity			
Share capital	36	11,049,819	11,049,819
Capital reserve	36	6,751,041	6,751,041
Surplus reserve	37	4,071,254	3,011,585
General reserve	37	3,743,460	3,062,782
Investment revaluation reserve	42	(109,411)	(909,547)
Retained earnings		10,865,811	8,659,712
Total equity		36,371,974	31,625,392
Total equity and liabilities		480,233,288	381,875,332

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

Approved and authorized for issue by the Board of Directors on 26 March 2015.

Li Hongming

Chairman

Wu Xuemin

President

Yi Feng

Assistant to the President, in-charge of Finance

Li Dawei

Head of Finance Department

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

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

	Equity attributable to shareholders of the Bank							
	Share capital Note 36	Capital reserve Note 36	Surplus reserve Note 37	General reserve Note 37	Investment revaluation reserve Note 42	Retained earnings	Non-controlling interests	Total equity
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
As at 1 January 2013	8,174,819	1,806,700	2,088,299	1,472,380	(125,683)	7,064,409	-	20,480,924
(1) Comprehensive income								
Profit for the year	-	-	-	-	-	4,926,202	(389)	4,925,813
Other comprehensive income, net of tax	-	-	-	-	(783,864)	-	-	(783,864)
Total comprehensive income for the year	-	-	-	-	(783,864)	4,926,202	(389)	4,141,949
(2) Changes in share capital								
Non-controlling interests	-	-	-	-	-	-	47,200	47,200
Shares issued	2,875,000	4,944,341	-	-	-	-	-	7,819,341
(3) Profit distribution								
Dividends	-	-	-	-	-	(817,482)	-	(817,482)
Appropriation to surplus reserve	-	-	923,286	-	-	(923,286)	-	-
Appropriation to general reserve	-	-	-	1,590,402	-	(1,590,402)	-	-
As at 31 December 2013	11,049,819	6,751,041	3,011,585	3,062,782	(909,547)	8,659,441	46,811	31,671,932

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

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

	Year ended 31 December	
	2014	2013
Cash flows from operating activities:		
Profit before income tax	7,410,514	6,398,744
Adjustments:		
Depreciation and amortization	299,617	238,802
Loan impairment provision	978,584	435,390
Impairment provision of non-standard asset investment	218,661	–
Recovery of written-off loans	37,758	1,800
Net gains on disposals of property, plant and equipment	(43,907)	(8,734)
Net (gains)/losses on de-recognition of investment securities	(255,049)	6,954
Fair value changes in financial assets at fair value through profit or loss and derivatives	(24,363)	23,551
Dividends received	(360)	(320)
Share of results of associates	(76,377)	(48,035)
Interest income from investment securities	(3,684,332)	(2,523,563)
Interest expense from debt securities issued	565,550	434,482
Cash payments for IPO related expenses	17,131	–
Net changes in operating assets:		
Net increase in balances with the central bank	(8,558,739)	(7,447,902)
Net decrease in deposits and placements with banks and other financial institutions	(4,254,035)	1,001,793
Net decrease in financial assets at fair value through profit or loss	(1,133,136)	1,769,346
Net (increase)/decrease in financial assets held under resale agreements	(16,428,191)	1,425,695
Net increase in loans and advances to customers	(23,183,890)	(31,740,220)
Net (decrease)/increase in other assets	288,594	(127,211)
Net changes in operating liabilities:		
Net increase in deposits and placements from banks and other financial institutions	7,141,828	12,107,001
Net increase/(decrease) in financial assets sold under repurchase agreements	29,721,511	(5,155,549)
Net increase in deposits from customers	43,346,712	33,255,119
Net increase in other liabilities	3,653,391	1,390,044
Income taxes paid	(1,534,281)	(1,541,572)
Net cash inflow from operating activities	34,503,191	9,895,615

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2014	2013
Cash flows from investing activities:		
Dividends received	360	320
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	54,042	13,575
Purchase of property, plant and equipment, intangible assets and other long-term assets	(419,452)	(374,960)
Cash received from investment securities interest income	3,347,394	2,451,971
Cash received from sale and redemption of investment securities	22,220,158	18,211,002
Purchase of investment securities	(72,047,073)	(24,266,082)
Cash paid in increasing investment in associates	–	(66,460)
Cash received from combination of WuWei	661,382	–
Net cash outflow from investing activities	(46,183,189)	(4,030,634)
Cash flows from financing activities:		
Proceeds from issuance of shares	–	7,819,341
Proceeds from issuance of debt securities	11,579,710	4,992,700
Cash payments for IPO related expenses	(220,848)	–
Cash received from non-controlling interests in investing in subsidiaries	–	47,200
Dividends and interests paid on debt issued	(2,140,311)	(1,076,225)
Cash paid relating to other financial activities	(1,900,000)	–
Net cash inflow from financing activities	7,318,551	11,783,016
Impact on cash and cash equivalents resulted from interest rate changes	(39,843)	(20,068)
Net (decrease)/increase in cash and cash equivalents	(4,401,290)	17,627,929
Cash and cash equivalents at beginning of year	37,529,212	19,901,283
Cash and cash equivalents at end of year (Note 44)	33,127,922	37,529,212

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 2014, 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 26 March 2015.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required by the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited.

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 consolidated financial statements are prepared in accordance with the applicable of the predecessor Companies Ordinance (Cap. 32) for this year and the comparative period.

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.

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 standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

(I) Changes effective for annual periods beginning on or after 1 January 2014

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations, which are effective for the financial year beginning on 1 January 2014, are not material to the Group.

Notes to the Consolidated Financial Statements

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

2 BASIS OF PREPARATION (Continued)

2.2 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 2014, 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 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

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 assessing the impact of IFRS 15.

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.

2.3 New Hong Kong Companies Ordinance (Cap.622)

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

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

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 Consolidation

(a) Subsidiaries

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.

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.

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

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.

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 associate 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.

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)

3.1.6 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.

3.1.7 Financial instruments

(1) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity.

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.

(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.

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)

(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.

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.

(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.

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

(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.

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)

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.

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.

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)

3.1.8 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.

3.1.9 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.

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

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.

(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%	9.7%~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.

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)

(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.

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 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.

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

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.

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.

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

(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.

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.

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)

3.1.17 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.

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.

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)

3.1.19 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.

3.1.21 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 on 31 December, 2014.

Notes to the Consolidated Financial Statements

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

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	7%
Education surcharge	Business tax	3%

5 NET INTEREST INCOME

	2014	2013
Interest income		
Balances with central bank	872,341	768,194
Deposits and placements with banks and other financial institutions	4,228,038	3,070,553
Loans and advances to customers	14,271,978	12,494,519
Investment securities and Financial assets at fair value through profit or loss	3,684,332	2,523,563
	23,056,689	18,856,829
Including: Interest income accrued on impaired loans to customers	35,297	34,093
Interest expense		
Deposits and placements from banks and other financial institutions	(4,706,895)	(3,891,918)
Deposits from customers	(6,361,421)	(4,927,578)
Debt securities issued	(565,550)	(434,482)
	(11,633,866)	(9,253,978)
Net interest income	11,422,823	9,602,851

Notes to the Consolidated Financial Statements

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

6 NET FEE AND COMMISSION INCOME

	2014	2013
Fee and commission income		
Custodian and other fiduciary service fees	366,903	107,660
Bank card fees	161,408	109,342
Consultancy and advisory fees	154,214	120,540
Settlement and clearing fees	97,995	84,763
Guarantee and commitment fees	37,935	41,586
Agency commissions	31,270	30,586
Arrangement fees for international trade financing	27,476	14,560
Domestic factoring fees	14,627	19,724
Syndicated loan fees	9,948	40,349
Others	39,372	54,434
	941,148	623,544
Fee and commission expense	(84,939)	(83,968)
Net fee and commission income	856,209	539,576

7 NET TRADING GAINS/(LOSSES)

	2014	2013
Net gains/(losses) from foreign exchange	38,004	(58,774)
Net gains/(losses) from interest rate instruments	25,522	(24,197)
	63,526	(82,971)

Net gains/(losses) from interest rate instruments mainly include gains or losses arising from fair value changes of financial assets at fair value through profit or loss.

8 OTHER OPERATING INCOME, NET

	2014	2013
Net gains on bills	79,942	85,685
Others	70,144	34,002
	150,086	119,687

Notes to the Consolidated Financial Statements

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

9 OPERATING EXPENSES

	2014	2013
Staff cost (Note 10)	(1,726,902)	(1,402,396)
General operating and administrative expenses	(1,021,783)	(817,027)
Business tax and surcharges	(967,050)	(773,177)
Depreciation (Note 25)	(205,988)	(162,571)
Amortization expenses for intangible assets (Note 26(e))	(32,294)	(26,335)
Amortization expenses for land use rights (Note 26(d))	(1,144)	(262)
Amortization expenses for long-term prepaid expenses	(60,191)	(49,634)
Operating lease rental expenses	(187,391)	(150,231)
Others	(13,928)	(4,802)
	(4,216,671)	(3,386,435)

10 STAFF COST

	2014	2013
Salaries, bonuses, allowances and subsidies	(1,156,236)	(950,576)
Pension costs	(158,028)	(134,493)
Labor union fee and staff education fee	(49,995)	(46,833)
Other social insurance and welfare costs	(362,643)	(270,494)
	(1,726,902)	(1,402,396)

Notes to the Consolidated Financial Statements

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS

(a) Details of the Directors' and Supervisors' emoluments are as follows:

Name	Fees	2014			Total
		Salaries, allowance and benefits in kind	Contribution to pension schemes	Discretionary bonuses	
Executive Directors					
Li Hongming ^{(1) (a)}	–	1,160	46	587	1,793
Wu Xuemin (Chief Executive) ^(a)	–	1,005	44	573	1,622
Zhang Renfu ^(a)	–	858	41	478	1,377
Xu Demei ^(a)	–	858	41	478	1,377
Ci Yaping ^(a)	–	847	41	478	1,366
Non-executive Directors					
Zhang Feifei	–	–	–	–	–
Qian Zheng	–	–	–	–	–
Guo Shigang	–	–	–	–	–
Wu Tian	–	–	–	–	–
Gao Yang	–	–	–	–	–
Zhu Jiusheng ⁽²⁾	–	–	–	–	–
Zhao Zongren ⁽³⁾	–	–	–	–	–
Au Ngai, Daniel ⁽⁴⁾	125	–	–	–	125
Dai Genyou	125	–	–	–	125
Wang Shihao	113	–	–	–	113
Wen Jinghui ⁽⁵⁾	–	–	–	–	–
Zhang Shenghuai	125	–	–	–	125
Fung Weiquan ⁽⁶⁾	28	–	–	–	28
Zhu Hongjun ⁽⁷⁾	28	–	–	–	28
Supervisors					
Zhang Zhen ^(a)	–	870	41	478	1,389
Xu Chongding ^(a)	–	796	39	376	1,211
He Tao ^{(8) (a)}	–	480	19	43	542
Zhou Tong ^{(9) (a)}	–	287	12	26	325
Cheng Rulin ⁽¹⁰⁾	–	–	–	–	–
Cheng Hong	–	–	–	–	–
Qian Xiaojun ⁽¹¹⁾	–	–	–	–	–
Wu Guozhong ⁽¹²⁾	–	–	–	–	–
Cheng Junpei	90	–	–	–	90
Fan Libo	90	–	–	–	90
Pan ShuJuan ⁽¹³⁾	90	–	–	–	90
Total	814	7,161	324	3,517	11,816

(a) The total compensation packages for the above Directors and Supervisors for the year ended 31 December 2014 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

Notes to the Consolidated Financial Statements

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the Directors' and Supervisors' emoluments are as follows: (Continued)

Name	Fees	2013			Total
		Salaries, allowance and benefits in kind	Contribution to pension schemes	Discretionary bonuses	
Executive Directors					
Li Hongming ⁽¹⁾	–	644	17	304	965
Wang Xiaoxin ⁽¹⁴⁾	–	1,333	34	355	1,722
Wu Xuemin (Chief Executive)	–	1,183	32	547	1,762
Zhang Renfu	–	982	29	456	1,467
Xu Demei	–	983	29	456	1,468
Ci Yaping	–	993	29	456	1,478
Non-executive Directors					
Zhang Feifei	–	–	–	–	–
Qian Zheng	–	–	–	–	–
Guo Shigang	–	–	–	–	–
Wu Tian	–	–	–	–	–
Gao Yang	–	–	–	–	–
Au Ngai, Daniel ⁽⁴⁾	100	–	–	–	100
Wu Xiaoqiu ⁽¹⁵⁾	25	–	–	–	25
Dai Genyou	125	–	–	–	125
Wang Shihao	100	–	–	–	100
Zhang Shenghuai	125	–	–	–	125
Wen Jinghui ⁽⁵⁾	113	–	–	–	113
Supervisors					
Zhang Zhen	–	980	29	456	1,465
Xu Chongding	–	1,254	28	–	1,282
Fan Xiaohui ⁽¹⁶⁾	–	752	23	–	775
Cheng Rulin ⁽¹⁰⁾	–	–	–	–	–
Fang Xiao ⁽¹⁷⁾	–	–	–	–	–
Gao Tongguo ⁽¹⁸⁾	–	–	–	–	–
Wu Guozhong ⁽¹²⁾	–	–	–	–	–
Cheng Hong	–	–	–	–	–
He Tao ⁽⁸⁾	–	376	10	–	386
Cheng Junpei	100	–	–	–	100
Fan Libo	90	–	–	–	90
Pan ShuJuan ⁽¹³⁾	70	–	–	–	70
Total	848	9,480	260	3,030	13,618

Notes to the Consolidated Financial Statements

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the Directors' and Supervisors' emoluments are as follows: (Continued)

- (1) Li Hongming was elected to be executive director effective from July 2013.
- (2) Zhu Jiusheng was elected to be non-executive director effective from October 2014.
- (3) Zhao Zongren was elected to be non-executive director effective from October 2014.
- (4) Au Ngai, Daniel was elected to be non-executive director effective from July 2013.
- (5) Went Jinghui ceased to be non-executive director effective from January 2014.
- (6) Fung Weiquan was elected to be non-executive director effective from October 2014.
- (7) Zhu Hongjun was elected to be non-executive director effective from October 2014.
- (8) He Tao was elected to be supervisor effective from June 2013 and ceased from August 2014.
- (9) Zhou Tong was elected to be supervisor effective from August 2014.
- (10) Cheng Rulin was elected to be supervisor effective from July 2013.
- (11) Qian Xiaojun was elected to be supervisor effective from June 2014.
- (12) Wu Guozhong ceased to be supervisor effective from May 2014.
- (13) Pan Shujuan was elected to be supervisor effective from July 2013.
- (14) Wang Xiaoxin was ceased to be executive director effective from July 2013.
- (15) Wu Xiaoqiu was ceased to be non-executive director effective from July 2013.
- (16) Fan Xiaohui was ceased to be supervisor effective from June 2013.
- (17) Fang Xiao ceased to be supervisor effective from July 2013.
- (18) Gao Tongguo ceased to be supervisor effective from July 2013.

Notes to the Consolidated Financial Statements

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

For the year ended 31 December 2014, five highest paid individuals include 4 directors (2013: 4 directors). Details are listed above.

The emoluments for the rest of the five highest paid individuals are as follows:

	2014	2013
Salaries, allowances and benefits in kind	859	993
Contribution to pension schemes	41	29
Discretionary bonuses	478	456
	1,378	1,478

The number of these individuals, other than directors, whose emoluments fell within the following bands, is as follows:

	2014	2013
RMB500,001-RMB1,000,000	–	–
RMB1,000,001-RMB1,500,000	1	1
RMB1,500,001-RMB2,000,000	–	–
	1	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.

12 IMPAIRMENT LOSSES ON ASSETS

	2014	2013
Loans and advances to customers (Note 21(b))		
– Collectively assessed	(603,244)	(267,223)
– Individually assessed	(375,340)	(168,167)
Available-for-sale financial assets	(218,661)	–
Reversal of provision for foreclosed assets	–	25
	(1,197,245)	(435,365)

Notes to the Consolidated Financial Statements

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

13 INCOME TAX EXPENSE

	2014	2013
Current income tax		
– PRC mainland income tax	(1,843,413)	(1,473,728)
Deferred tax (Note 34)	109,257	797
	(1,734,156)	(1,472,931)

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:

	2014	2013
Profit before tax	7,410,514	6,398,744
Tax calculated at applicable statutory tax rate of 25%	(1,852,629)	(1,599,686)
Tax effect of income not taxable for tax purpose ^(a)	231,137	197,950
Tax effect of items such as expenses not deductible for tax purposes ^(b)	(49,663)	(41,195)
Tax filing differences from previous years	(63,001)	(30,000)
Income tax expense	(1,734,156)	(1,472,931)

(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.

14 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.

	2014	2013
Net profit attributable to shareholders of the Bank (in RMB thousands)	5,672,735	4,926,202
Weighted average number of ordinary shares in issue (in thousands)	11,049,819	8,539,888
Basic earnings per share (in RMB Yuan)	0.51	0.58

(b) **Diluted earnings per share**

For the year ended 31 December 2014 and 2013, 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)

15 CASH AND BALANCES WITH THE CENTRAL BANK

The Group

	As at 31 December	
	2014	2013
Cash	1,067,900	956,373
Balances with the central bank		
– Statutory reserves	57,174,356	48,359,292
– Surplus reserves	18,178,612	26,862,790
	76,420,868	76,178,455

The Bank

	As at 31 December	
	2014	2013
Cash	1,056,470	955,670
Balances with the central bank		
– Statutory reserves	56,889,744	48,331,005
– Surplus reserves	18,168,483	26,862,790
	76,114,697	76,149,465

- (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	
	2014	2013
Statutory reserve rate for RMB deposits	17.5%	18%
Statutory reserve rate for foreign currency deposits	5%	5%

- (b) Surplus deposit reserves maintained with the PBOC is mainly for clearing.

Notes to the Consolidated Financial Statements

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

16 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group

	As at 31 December	
	2014	2013
Banks in PRC mainland	9,434,831	10,519,882
Banks in other countries and regions	1,917,504	479,776
	11,352,335	10,999,658
Less: allowances for impairment losses		
– Individually assessed	(3)	(3)
	11,352,332	10,999,655

The Bank

	As at 31 December	
	2014	2013
Banks in PRC mainland	8,665,875	10,414,882
Banks in other countries and regions	1,917,504	479,776
	10,583,379	10,894,658
Less: allowances for impairment losses		
– Individually assessed	(3)	(3)
	10,583,376	10,894,655

17 PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group

	As at 31 December	
	2014	2013
Banks in PRC mainland	7,232,910	42,253
Other financial institutions in PRC mainland	2,000,000	1,150,000
	9,232,910	1,192,253

The Bank

	As at 31 December	
	2014	2013
Banks in PRC mainland	7,410,038	42,253
Other financial institutions in PRC mainland	2,000,000	1,150,000
	9,410,038	1,192,253

- (a) Placement with banks and other financial institutions in PRC mainland are mainly bill rediscounts. The amount of bill rediscounts is RMB7,233 millions of by the end of 31 December 2014 and RMB1 million by the end of 31 December 2013 comparatively.

Notes to the Consolidated Financial Statements

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Bank

	As at 31 December	
	2014	2013
Government bonds		
– Listed outside Hong Kong	532,030	274,838
Other debt securities		
– Listed outside Hong Kong	2,431,919	1,530,453
	2,963,949	1,805,291

As at 31 December 2014 and 2013, there was no significant limitation on the ability of the Group and the Bank to dispose of 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:

The Group and the Bank

	As at 31 December	
	2014	2013
Debt securities		
Issuers in PRC mainland		
– Government	532,030	274,838
– Public sector and quasi-government	–	9,975
– Other financial institutions	1,882,479	597,921
– Corporates	549,440	922,557
	2,963,949	1,805,291

Notes to the Consolidated Financial Statements

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

19 DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Bank

	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)

The Group and the Bank

	As at 31 December 2013		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	1,644,002	5,698	(5,052)

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

The Group and the Bank

	As at 31 December	
	2014	2013
Securities held under resale	3,321,899	734,800
Bills held under resale	49,378,720	35,537,628
Trust beneficiary rights under resale ^(a)	500,000	500,000
	53,200,619	36,772,428

(a) The underlying investment of trust beneficiary rights mainly is trust loans managed by a trust company as the trustee.

Notes to the Consolidated Financial Statements

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

21 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

The Group

	As at 31 December	
	2014	2013
Corporate loans and advances		
– Corporate loans	149,223,203	136,855,920
– Discounted bills	13,579,764	9,725,240
Subtotal	162,802,967	146,581,160
Personal loans and advances		
– Mortgage loans	40,069,638	34,790,468
– Revolving loans for individual business	10,420,318	9,451,425
– Others	6,103,736	4,626,383
Subtotal	56,593,692	48,868,276
Total	219,396,659	195,449,436
Less: Allowance for impairment losses		
– Collectively assessed	(4,235,487)	(3,797,825)
– Individually assessed	(426,936)	(371,213)
Total allowance for impairment losses	(4,662,423)	(4,169,038)
Loans and advances to customers, net	214,734,236	191,280,398

The Bank

	As at 31 December	
	2014	2013
Corporate loans and advances		
– Corporate loans	142,811,614	136,834,520
– Discounted Bills	13,284,415	9,725,240
Subtotal	156,096,029	146,559,760
Personal loans and advances		
– Mortgage loans	40,042,704	34,785,068
– Revolving loans for individual business	10,119,129	9,434,125
– Others	6,099,594	4,540,823
Subtotal	56,261,427	48,760,016
Total	212,357,456	195,319,776
Less: Allowance for impairment losses		
– Collectively assessed	(4,176,903)	(3,796,528)
– Individually assessed	(426,936)	(371,213)
Total allowance for impairment losses	(4,603,839)	(4,167,741)
Loans and advances to customers, net	207,753,617	191,152,035

Notes to the Consolidated Financial Statements

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

- (b) Movement of allowance for impairment losses on loans and advances to customers by collective and individual assessments:

The Group

	2014		2013	
	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance
Balance at beginning of the year	3,797,825	371,213	3,598,626	254,665
Impairment allowance charged (Note 12)	603,244	375,340	267,223	168,167
Unwinding of discount on allowance	(8,932)	(26,365)	(7,585)	(26,508)
Recoveries	8,522	29,236	521	1,279
Written-offs	(165,172)	(322,488)	(60,960)	(26,390)
Balance at end of the year	4,235,487	426,936	3,797,825	371,213

The Bank

	2014		2013	
	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance
Balance at beginning of the year	3,796,528	371,213	3,598,626	254,665
Impairment allowance charged (Note 12)	545,957	375,340	265,926	168,167
Unwinding of discount on allowance	(8,932)	(26,365)	(7,585)	(26,508)
Recoveries	8,522	29,236	521	1,279
Written-offs	(165,172)	(322,488)	(60,960)	(26,390)
Balance at end of the year	4,176,903	426,936	3,796,528	371,213

Notes to the Consolidated Financial Statements

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movement of allowance for impairment losses on loans and advances to customers by customer type:

The Group

	2014		2013	
	Corporate	Personal	Corporate	Personal
Balance at beginning of the year	3,596,857	572,181	3,363,107	490,184
Impairment allowance charged (Note 12)	737,193	241,391	339,734	95,656
Unwinding of discount on allowance	(31,527)	(3,770)	(31,988)	(2,105)
Recoveries	29,236	8,522	1,279	521
Written-offs	(400,621)	(87,039)	(75,275)	(12,075)
Balance at end of the year	3,931,138	731,285	3,596,857	572,181

The Bank

	2014		2013	
	Corporate	Personal	Corporate	Personal
Balance at beginning of the year	3,596,643	571,098	3,363,107	490,184
Impairment allowance charged (Note 12)	683,112	238,185	339,520	94,573
Unwinding of discount on allowance	(31,527)	(3,770)	(31,988)	(2,105)
Recoveries	29,236	8,522	1,279	521
Written-offs	(400,621)	(87,039)	(75,275)	(12,075)
Balance at end of the year	3,876,843	726,996	3,596,643	571,098

Notes to the Consolidated Financial Statements

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Analysis of loans and advances to customers by collective and individual allowance assessments:

The Group

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	

The Group

As at 31 December 2013

	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	145,678,381	86,851	815,928	902,779	146,581,160	
– Personal loans and advances	48,719,877	148,399	–	148,399	48,868,276	
Allowance for impairment losses	(3,676,318)	(121,507)	(371,213)	(492,720)	(4,169,038)	
Loans and advances to customers, net	190,721,940	113,743	444,715	558,458	191,280,398	

Notes to the Consolidated Financial Statements

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Analysis of loans and advances to customers by collective and individual allowance assessments: (Continued)

The Bank

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	154,558,334	327,066	1,210,629	1,537,695	156,096,029	
– Personal loans and advances	55,972,646	288,781	–	288,781	56,261,427	
Allowance for impairment losses	(3,682,948)	(493,955)	(426,936)	(920,891)	(4,603,839)	
Loans and advances to customers, net	206,848,032	121,892	783,693	905,585	207,753,617	

The Bank

As at 31 December 2013

	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	145,656,981	86,851	815,928	902,779	146,559,760	
– Personal loans and advances	48,611,617	148,399	–	148,399	48,760,016	
Allowance for impairment losses	(3,675,021)	(121,507)	(371,213)	(492,720)	(4,167,741)	
Loans and advances to customers, net	190,593,577	113,743	444,715	558,458	191,152,035	

Notes to the Consolidated Financial Statements

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

22 INVESTMENT SECURITIES

The Group

	As at 31 December	
	2014	2013
Available-for-sale financial assets		
Listed outside Hong Kong		
– Debt securities	29,581,937	23,352,439
Unlisted		
– Asset management schemes by securities firms or trust companies ⁽¹⁾	27,393,527	1,061,231
– Certificates of deposit	444,245	–
– Equity securities	9,560	9,560
– Others ⁽²⁾	14,361,781	5,541,550
Subtotal	71,791,050	29,964,780
Held-to-maturity investments		
Listed outside Hong Kong		
– Debt securities	29,179,954	27,025,214
Unlisted		
– Debt securities	739,629	746,993
– Certificates of deposit	101,262	–
Subtotal	30,020,845	27,772,207
Loans and receivables		
Unlisted		
– Debt securities	112,631	130,067
– Wealth management products issued by other financial institution	3,045,588	593,501
– Asset management schemes by securities firms or trust companies ⁽¹⁾	2,405,250	–
– Others ⁽²⁾	2,234,003	–
Subtotal	7,797,472	723,568
Total	109,609,367	58,460,555
Allowance for impairment losses	(218,721)	(60)
Investment securities, net	109,390,646	58,460,495
<i>Including: fair value of listed held-to-maturity securities</i>	29,956,771	25,818,564

Debt securities traded on the China Domestic Interbank Bond Market are included in the category “Listed outside Hong Kong”.

- (1) The underlying assets of asset management schemes are mainly loans and advances to customers, trust of beneficiary, and other fixed-income financial instruments.
- (2) The Group’s investment funds, raised from issuing the principal-guaranteed wealth management products, are mainly invested in bonds issued by government, corporate and financial institutions, and other fixed-income financial instruments. The Group’s investments are categorized as available-for-sale financial assets or loans and receivables respectively according to whether there is open market quotation.

Notes to the Consolidated Financial Statements

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

22 INVESTMENT SECURITIES (Continued)

The Bank

	As at 31 December	
	2014	2013
Available-for-sale financial assets		
Listed outside Hong Kong		
– Debt securities	29,581,937	23,352,439
Unlisted		
– Asset management schemes by securities firms or trust companies	34,906,969	1,061,231
– Certificates of deposit	444,245	–
– Equity securities	9,560	9,560
– Others	16,813,924	5,541,550
Subtotal	81,756,635	29,964,780
Held-to-maturity investments		
Listed outside Hong Kong		
– Debt securities	29,179,954	27,025,214
Unlisted		
– Debt securities	739,629	746,993
– Certificates of deposit	101,262	–
Subtotal	30,020,845	27,772,207
Loans and receivables		
Unlisted		
– Debt securities	112,631	130,067
– Wealth management products issued by other financial institutions	3,045,588	593,501
Subtotal	3,158,219	723,568
Total	114,935,699	58,460,555
Allowance for impairment losses	(271,715)	(60)
Investment securities, net	114,663,984	58,460,495
<i>Including: fair value of listed held-to-maturity securities</i>	29,956,771	25,818,564

Debt securities traded on the China Domestic Interbank Bond Market are included in the category “Listed outside Hong Kong”.

Notes to the Consolidated Financial Statements

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

22 INVESTMENT SECURITIES (Continued)

Investment securities analyzed by issuer as follows:

The Group

	As at 31 December	
	2014	2013
Available-for-sale financial assets		
Issuers in PRC mainland		
– Government	10,590,381	6,962,867
– Banks and other financial institutions	54,753,134	17,592,672
– Corporates	6,437,975	5,399,681
Subtotal	71,781,490	29,955,220
Equity securities	9,560	9,560
Total	71,791,050	29,964,780
Allowance for impairment losses	(218,721)	(60)
Available-for-sale financial assets, net	71,572,329	29,964,720
Held-to-maturity investments		
Issuers in PRC mainland		
– Government	12,356,121	12,016,981
– Banks and other financial institutions	11,646,239	11,634,176
– Corporates	6,018,485	4,121,050
	30,020,845	27,772,207
Loans and receivables		
Issuers in PRC mainland		
– Government	112,631	130,067
– Wealth management products issued by other financial institutions	7,684,841	593,501
	7,797,472	723,568

Notes to the Consolidated Financial Statements

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

22 INVESTMENT SECURITIES (Continued)

The Bank

	As at 31 December	
	2014	2013
Available-for-sale financial assets		
Issuers in PRC mainland		
– Government	10,590,381	6,962,867
– Banks and other financial institutions	64,718,719	17,592,672
– Corporates	6,437,975	5,399,681
Subtotal	81,747,075	29,955,220
Equity securities	9,560	9,560
Total	81,756,635	29,964,780
Allowance for impairment losses	(271,715)	(60)
Available-for-sale financial assets, net	81,484,920	29,964,720
Held-to-maturity investments		
Issuers in PRC mainland		
– Government	12,356,121	12,016,981
– Banks and other financial institutions	11,646,239	11,634,176
– Corporates	6,018,485	4,121,050
	30,020,845	27,772,207
Loans and receivables		
Issuers in PRC mainland		
– Government	112,631	130,067
– Wealth management products issued by other financial institutions	3,045,588	593,501
	3,158,219	723,568

Notes to the Consolidated Financial Statements

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

23 INVESTMENT IN SUBSIDIARIES

The Bank

	As at 31 December	
	2014	2013
Investment cost	118,313	32,800

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

Corporate Name	Incorporation Date	Place of incorporation	Registered capital	Proportion of ownership	Proportion of voting power	Business sector
Jinzhai Huiyin Rural Bank Co., Ltd.	28 June 2013	Lu An, PRC	80,000	41%	41%	Banking
Wuwei Huiyin Rural Bank Co., Ltd.	8 August 2010	Wu Hu, PRC	100,000	40%	40%	Banking

The Bank signed contracts with 3 shareholders who hold in total 29% of ownership and voting power of Jinzhai Huiyin Rural Bank Co., Ltd.. These 3 shareholders will vote consistently with the Bank in deciding the financial and operating policies. Hence, the Bank has control of this rural bank, and this rural bank is in scope of consolidation.

Wuwei Huiyin Rural Bank Co., Ltd. was established in 2010, with registered capital of RMB100 million, among which the Group accounted for RMB40 million or 40%. Wuwei Huiyin Rural Bank Co., Ltd. officially commenced business with approval from CBRC on 8 August 2010. Although the Bank has no holding position, the recent evidence indicated that the Bank has a dominant position over its operating activities and in effect controls it. So the Group consolidated Wuwei Huiyin Rural Bank Co., Ltd. from 31 December 2014 onward.

Notes to the Consolidated Financial Statements

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

24 INVESTMENT IN ASSOCIATES

Investments in associates of the Group comprise of ordinary shares of unlisted companies as follows:

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	14,736,685	850,906	305,870	20%

As at 31 December 2013

Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of share
Chery Motor Finance Service Co., Ltd.	PRC	8,880,046	7,557,899	492,052	196,912	20%
Wuwei Huiyin Rural Bank Co., Ltd.	PRC	2,376,866	2,201,089	117,677	30,152	40%

The Group and the Bank

	2014	2013
Balance at beginning of the year	334,741	220,246
Additions	–	66,460
Share of results, net of tax	76,377	48,035
Merger of subsidiaries by the end of 2014	(85,513)	–
Balance at end of the year	325,605	334,741

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 2014, the Group's ownership in this associate has been increased to RMB200 million or 20%. In 2014, the company has completed its shareholding reform, and on 30 September 2014, the company name was changed from Chery Motor Finance Service Co., Ltd. to Chery Huiyin Motor Finance Service Co., Ltd..

Notes to the Consolidated Financial Statements

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

25 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Motor Vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2014	1,226,610	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)
The effect of business combination	-	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

The Bank

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2014	1,225,610	59,960	823,465	310,312	2,419,347
Additions	663	10,783	229,719	63,117	304,282
Transfers in/(out)	-	-	24,912	(24,912)	-
Disposals	(18,446)	(6,495)	(21,459)	-	(46,400)
Other transfers out	-	-	-	(189,825)	(189,825)
As at 31 December 2014	1,207,827	64,248	1,056,637	158,692	2,487,404
Accumulated depreciation					
As at 1 January 2014	(419,475)	(34,788)	(454,757)	-	(909,020)
Depreciation charge	(76,122)	(7,631)	(121,693)	-	(205,446)
Disposals	9,314	6,272	20,679	-	36,265
As at 31 December 2014	(486,283)	(36,147)	(555,771)	-	(1,078,201)
Net book value					
As at 31 December 2014	721,544	28,101	500,866	158,692	1,409,203

Notes to the Consolidated Financial Statements

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

25 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group

	Buildings	Motor Vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2013	1,189,975	57,963	704,693	225,616	2,178,247
Additions	28,155	12,209	124,625	128,220	293,209
Transfers in/(out)	23,593	–	1,911	(25,504)	–
Disposals	(16,113)	(9,578)	(6,418)	–	(32,109)
Other transfers out	–	–	–	(18,020)	(18,020)
As at 31 December 2013	1,225,610	60,594	824,811	310,312	2,421,327
Accumulated depreciation					
As at 1 January 2013	(376,882)	(36,056)	(360,896)	–	(773,834)
Depreciation charge	(55,530)	(8,013)	(99,028)	–	(162,571)
Disposals	12,937	9,230	5,101	–	27,268
As at 31 December 2013	(419,475)	(34,839)	(454,823)	–	(909,137)
Net book value					
As at 31 December 2013	806,135	25,755	369,988	310,312	1,512,190

The Bank

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2013	1,189,975	57,963	704,693	225,616	2,178,247
Additions	28,155	11,575	123,279	128,220	291,229
Transfers in/(out)	23,593	–	1,911	(25,504)	–
Disposals	(16,113)	(9,578)	(6,418)	–	(32,109)
Other transfers out	–	–	–	(18,020)	(18,020)
As at 31 December 2013	1,225,610	59,960	823,465	310,312	2,419,347
Accumulated depreciation					
As at 1 January 2013	(376,882)	(36,056)	(360,896)	–	(773,834)
Depreciation charge	(55,530)	(7,962)	(98,962)	–	(162,454)
Disposals	12,937	9,230	5,101	–	27,268
As at 31 December 2013	(419,475)	(34,788)	(454,757)	–	(909,020)
Net book value					
As at 31 December 2013	806,135	25,172	368,708	310,312	1,510,327

Notes to the Consolidated Financial Statements

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

25 PROPERTY, PLANT AND EQUIPMENT (Continued)

For the year ended 31 December 2014, net gains from disposals of property, plant and equipment of the Group were RMB44 million (2013: gain of RMB9 million).

All lands and buildings of the Group are located outside Hong Kong.

The net book value of lands and buildings is analyzed based on the remaining lease terms as follows:

The Group and the Bank

	As at 31 December	
	2014	2013
Held in PRC mainland		
– on long-term leases (over 50 years)	30,265	30,991
– on medium-term leases (10-50 years)	691,279	775,144
	721,544	806,135

26 OTHER ASSETS

The Group

	As at 31 December	
	2014	2013
Interest receivable (a)	2,046,921	1,550,199
Other receivables (b)	209,693	136,473
Less: impairment allowance	(29,265)	(33,134)
Long-term prepaid expenses	198,004	177,089
Land use rights (c, d)	168,933	8,671
Intangible assets (e)	98,041	66,277
Funds to be settled	32,366	540,707
Foreclosed assets	207	–
Others	45,550	7,962
	2,770,450	2,454,244

Notes to the Consolidated Financial Statements

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

26 OTHER ASSETS (Continued)

The Bank

	As at 31 December	
	2014	2013
Interest receivable (a)	2,014,634	1,549,669
Other receivables (b)	209,530	136,443
Less: impairment allowance	(29,265)	(33,134)
Long-term prepaid expenses	192,538	175,527
Land use rights (c, d)	168,933	8,671
Intangible assets (e)	97,816	66,277
Funds to be settled	32,366	540,707
Foreclosed assets	207	–
Others	45,463	7,962
	2,732,222	2,452,122

(a) Interest receivable

The Group

	As at 31 December	
	2014	2013
Placements with and loans and advances to banks, other financial institutions, and the central bank	81,233	55,793
Investment securities and financial assets at fair value through profit or loss	1,374,479	1,037,541
Loans and advances to customers	591,209	456,865
	2,046,921	1,550,199

The Bank

	As at 31 December	
	2014	2013
Placements with and loans and advances to banks, other financial institutions, and the central bank	80,168	55,617
Investment securities and financial assets at fair value through profit or loss	1,374,479	1,037,541
Loans and advances to customers	559,987	456,511
	2,014,634	1,549,669

Notes to the Consolidated Financial Statements

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

26 OTHER ASSETS (Continued)

(b) Other receivable

The Group's and Bank's other receivable are analysed by age as follows:

The Group

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

The Bank

As at 31 December 2014	Within 1 year	1-3 years	Over 3 years	Total
Other receivable	194,298	6,498	8,734	209,530
Bad debt allowance	(16,761)	(3,770)	(8,734)	(29,265)
Net	177,537	2,728	–	180,265

The Group

As at 31 December 2013	Within 1 year	1-3 years	Over 3 years	Total
Other receivable	65,772	5,724	64,977	136,473
Bad debt allowance	(2,773)	(4,544)	(25,817)	(33,134)
Net	62,999	1,180	39,160	103,339

The Bank

As at 31 December 2013	Within 1 year	1-3 years	Over 3 years	Total
Other receivable	65,742	5,724	64,977	136,443
Bad debt allowance	(2,773)	(4,544)	(25,817)	(33,134)
Net	62,969	1,180	39,160	103,309

(c) The net book value of land use rights is analysed based on the remaining terms of the leases as follows:

The Group and the Bank

	2014	2013
Held in PRC mainland		
– on medium-term leases (10-50 years)	168,933	8,671

Notes to the Consolidated Financial Statements

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

26 OTHER ASSETS (Continued)

(d) Land use rights

The Group and the Bank

	2014	2013
Cost		
Balance at beginning of the year	10,429	10,429
Additions	161,406	–
Balance at end of the year	171,835	10,429
Accumulated amortization		
Balance at beginning of the year	(1,758)	(1,496)
Additions	(1,144)	(262)
Balance at end of the year	(2,902)	(1,758)
Net book value		
At end of the year	168,933	8,671

(e) Intangible assets

Intangible assets of the Group mainly are computer software.

The Group

	2014	2013
Cost		
Balance at beginning of the year	144,750	125,183
Additions	63,833	19,567
The effect of business combination	225	–
Balance at end of the year	208,808	144,750
Accumulated amortization		
Balance at beginning of the year	(78,473)	(52,138)
Additions	(32,294)	(26,335)
Disposals	–	–
Balance at end of the year	(110,767)	(78,473)
Net book value		
At end of the year	98,041	66,277

Notes to the Consolidated Financial Statements

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

26 OTHER ASSETS (Continued)

(e) Intangible assets (Continued)

The Bank

	2014	2013
Cost		
Balance at beginning of the year	144,750	125,183
Additions	63,833	19,567
Balance at end of the year	208,583	144,750
Accumulated amortization		
Balance at beginning of the year	(78,473)	(52,138)
Additions	(32,294)	(26,335)
Disposals	-	-
Balance at end of the year	(110,767)	(78,473)
Net book value		
At end of the year	97,816	66,277

27 IMPAIRMENT ALLOWANCE

The Group

	As at		Deductions			As at
	1 January					31 December
	2014	Additions	Recovery	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)

The Bank

	As at		Deductions			As at
	1 January					31 December
	2014	Additions	Recovery	Reversal	Write-off	2014
Loans and advances	(4,167,741)	(921,297)	(37,758)	35,297	487,660	(4,603,839)
Deposits with banks and other financial institutions	(3)	-	-	-	-	(3)
Foreclosed assets	-	(38)	-	-	-	(38)
Financial assets available-for-sale	(60)	(271,655)	-	-	-	(271,715)
Other receivables	(33,134)	-	(254)	-	4,123	(29,265)
	(4,200,938)	(1,192,990)	(38,012)	35,297	491,783	(4,904,860)

Notes to the Consolidated Financial Statements

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

27 IMPAIRMENT ALLOWANCE (Continued)

The Group

	As at 1 January 2013	Additions	Recovery	Deductions		As at 31 December 2013
				Reversal	Write-off	
Loans and advances	(3,853,291)	(435,390)	(1,800)	34,093	87,350	(4,169,038)
Deposits with banks and other financial institutions	(6,003)	–	–	–	6,000	(3)
Placement with and loan to banks and other financial institutions	(38,417)	–	–	–	38,417	–
Foreclosed assets	(1,542)	–	–	–	1,542	–
Financial assets available-for-sale	(2,077)	–	–	–	2,017	(60)
Other receivables	(76,039)	–	–	–	42,905	(33,134)
	(3,977,369)	(435,390)	(1,800)	34,093	178,231	(4,202,235)

The Bank

	As at 1 January 2013	Additions	Recovery	Deductions		As at 31 December 2013
				Reversal	Write-off	
Loans and advances	(3,853,291)	(434,093)	(1,800)	34,093	87,350	(4,167,741)
Deposits with banks and other financial institutions	(6,003)	–	–	–	6,000	(3)
Placement with and loan to banks and other financial institutions	(38,417)	–	–	–	38,417	–
Foreclosed assets	(1,542)	–	–	–	1,542	–
Financial assets available-for-sale	(2,077)	–	–	–	2,017	(60)
Other receivables	(76,039)	–	–	–	42,905	(33,134)
	(3,977,369)	(434,093)	(1,800)	34,093	178,231	(4,200,938)

Notes to the Consolidated Financial Statements

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

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group

	As at 31 December	
	2014	2013
Banks in PRC mainland	20,547,051	16,846,652
Other financial institutions in PRC mainland	3,755,894	439,065
Banks outside PRC mainland	127,349	147,689
	24,430,294	17,433,406

The Bank

	As at 31 December	
	2014	2013
Banks in PRC mainland	20,550,383	16,865,801
Other financial institutions in PRC mainland	3,755,884	439,065
Banks outside PRC mainland	127,349	147,689
	24,433,616	17,452,555

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group and the Bank

	As at 31 December	
	2014	2013
Banks in PRC mainland	1,681,996	1,476,220
Banks outside PRC mainland	–	60,825
	1,681,996	1,537,045

Notes to the Consolidated Financial Statements

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

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

The Group

	As at 31 December	
	2014	2013
Securities sold under repurchase agreements	28,315,000	18,983,950
Bills sold under repurchase agreements	44,166,217	23,743,967
	72,481,217	42,727,917

The Bank

	As at 31 December	
	2014	2013
Securities sold under repurchase agreements	28,315,000	18,983,950
Bills sold under repurchase agreements	44,134,428	23,743,967
	72,449,428	42,727,917

31 DEPOSITS FROM CUSTOMERS

The Group

	As at 31 December	
	2014	2013
Corporate demand deposits	114,346,369	111,787,682
Corporate time deposits	94,699,418	65,915,544
Retail demand deposits	28,152,428	24,913,935
Retail time deposits	45,892,107	37,530,458
Other deposits	34,779,721	32,650,623
	317,870,043	272,798,242
Including:		
Pledged deposits held as collateral	34,426,989	32,354,660

The Bank

	As at 31 December	
	2014	2013
Corporate demand deposits	113,648,163	111,671,262
Corporate time deposits	94,329,388	65,884,494
Retail demand deposits	28,002,260	24,905,631
Retail time deposits	45,415,255	37,504,286
Other deposits	34,296,976	32,627,253
	315,692,042	272,592,926
Including:		
Pledged deposits held as collateral	33,944,244	32,331,290

Notes to the Consolidated Financial Statements

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

32 TAX PAYABLE

The Group

	As at 31 December	
	2014	2013
Corporate income tax	501,167	123,971
Business tax and surcharges	287,647	224,633
Others	35,693	27,171
	824,507	375,775

The Bank

	As at 31 December	
	2014	2013
Corporate income tax	497,629	123,971
Business tax and surcharges	286,541	224,502
Others	35,350	27,171
	819,520	375,644

33 OTHER LIABILITIES

The Group

	As at 31 December	
	2014	2013
Interest payable (a)	4,114,769	2,897,809
Funds to be settled	2,972,917	1,120,191
Advance from a potential investor(c)	1,416,430	–
Salary and welfare payable (b)	1,185,471	1,101,371
Dividends payable	133,739	68,878
Suspense accounts	37,010	36,859
Entrusted services	27,526	635,955
Project funds payable	17,761	15,699
Payable related to IPO	–	575,753
Others	157,326	120,791
	10,062,949	6,573,306

Notes to the Consolidated Financial Statements

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

33 OTHER LIABILITIES (Continued)

The Bank

	As at 31 December	
	2014	2013
Interest payable (a)	4,097,494	2,897,229
Funds to be settled	2,972,917	1,120,191
Advance from potential investor (c)	1,416,430	–
Salary and welfare payable (b)	1,172,423	1,101,031
Dividends payable	133,739	68,878
Suspense accounts	36,965	36,859
Entrusted services	27,526	635,955
Project funds payable	17,694	15,699
Payable related to IPO	–	575,753
Others	156,140	120,791
	10,031,328	6,572,386

(a) Interest payable

The Group

	As at 31 December	
	2014	2013
Deposits and placement from banks and other financial institutions	71,740	29,557
Deposits from customers	3,676,363	2,500,978
Debt securities in issued	366,556	367,274
Interest payable for loan from central bank	110	–
	4,114,769	2,897,809

The Bank

	As at 31 December	
	2014	2013
Deposits and placement from banks and other financial institutions	71,743	29,559
Deposits from customers	3,659,195	2,500,396
Debt securities in issued	366,556	367,274
	4,097,494	2,897,229

Notes to the Consolidated Financial Statements

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

33 OTHER LIABILITIES (Continued)

(b) Salary and welfare payable

The Group

	As at 31 December	
	2014	2013
Short-term employee benefits	1,056,835	1,040,520
Defined contribution plans	48,042	15,055
Termination benefits	80,594	45,796
	1,185,471	1,101,371

The Bank

	As at 31 December	
	2014	2013
Short-term employee benefits	1,043,965	1,040,197
Defined contribution plans	47,864	15,038
Termination benefits	80,594	45,796
	1,172,423	1,101,031

Short-term employee benefits

The Group

	As at	Increase in	Decrease in	Wuwei	As at
	1 January				current year
	2014				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)

33 OTHER LIABILITIES (Continued)

(b) Salary and welfare payable (Continued)

Short-term employee benefits (Continued)

The Bank

	As at 1 January 2014	Increase in current year	Decrease in current year	As at 31 December 2014
Wages, bonuses, allowances and subsidies	713,568	1,152,392	(1,149,474)	716,486
Employee benefits	25	–	(25)	–
Social insurance	950	55,178	(55,055)	1,073
Including: Medical Insurance	917	48,353	(48,234)	1,036
Occupational Injury Insurance	23	2,797	(2,795)	25
Maternity Insurance	10	4,028	(4,026)	12
Housing fund	876	111,453	(111,794)	535
Labour union fee and staff education fee	13,366	22,776	(24,084)	12,058
Other short-term employee benefits	311,412	3,881	(1,480)	313,813
	1,040,197	1,345,680	(1,341,912)	1,043,965

The Group and the Bank do not have non-monetary welfare.

The Group

	As at 1 January 2013	Increase in current year	Decrease in current year	As at 31 December 2013
Wages, bonuses, allowances and subsidies	780,830	950,371	(1,017,364)	713,837
Employee benefits	–	25	–	25
Social insurance	901	44,961	(44,912)	950
Including: Medical Insurance	876	39,146	(39,105)	917
Occupational Injury Insurance	21	2,398	(2,396)	23
Maternity Insurance	4	3,417	(3,411)	10
Housing fund	192	89,660	(88,953)	899
Labour union fee and staff education fee	7,625	22,317	(16,545)	13,397
Other short-term employee benefits	294,059	28,219	(10,866)	311,412
	1,083,607	1,135,553	(1,178,640)	1,040,520

Notes to the Consolidated Financial Statements

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

33 OTHER LIABILITIES (Continued)

(b) Salary and welfare payable (Continued)

Short-term employee benefits (Continued)

The Bank

	As at 1 January 2013	Increase in current year	Decrease in current year	As at 31 December 2013
Wages, bonuses, allowances and subsidies	780,830	949,001	(1,016,263)	713,568
Employee benefits	–	25	–	25
Social insurance	901	44,922	(44,873)	950
Including: Medical Insurance	876	39,111	(39,070)	917
Occupational Injury Insurance	21	2,396	(2,394)	23
Maternity Insurance	4	3,415	(3,409)	10
Housing fund	192	89,401	(88,717)	876
Labour union fee and staff education fee	7,625	22,281	(16,540)	13,366
Other short-term employee benefits	294,059	28,219	(10,866)	311,412
	1,083,607	1,133,849	(1,177,259)	1,040,197

The Group and the Bank do not have non-monetary welfare.

Defined contribution plans

The Group

	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

The Bank

	As at 1 January 2014	Increase in current year	Decrease in current year	As at 31 December 2014
Basic pension insurance	7,431	92,188	(93,688)	5,931
Unemployment Insurance	226	8,248	(8,235)	239
Annuity scheme	7,381	74,318	(40,005)	41,694
	15,038	174,754	(141,928)	47,864

Notes to the Consolidated Financial Statements

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

33 OTHER LIABILITIES (Continued)

(b) Salary and welfare payable (Continued)

Defined contribution plans (Continued)

The Group

	As at 1 January 2013	Increase in current year	Decrease in current year	As at 31 December 2013
Basic pension insurance	6,349	89,565	(88,466)	7,448
Unemployment Insurance	202	6,619	(6,595)	226
Annuity scheme	54	44,993	(37,666)	7,381
	6,605	141,177	(132,727)	15,055

The Bank

	As at 1 January 2013	Increase in current year	Decrease in current year	As at 31 December 2013
Basic pension insurance	6,349	89,350	(88,268)	7,431
Unemployment Insurance	202	6,610	(6,586)	226
Annuity scheme	54	44,993	(37,666)	7,381
	6,605	140,953	(132,520)	15,038

Termination benefits

The Group and the Bank

	As at 31 December 2014	As at 31 December 2013
Early retirement benefits	80,594	45,796

(c) 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.

Notes to the Consolidated Financial Statements

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

34 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:

The Group

	2014	2013
Balance at beginning of the year	1,113,242	851,158
Charged to income statement	109,257	797
Credited to shareholders' equity	(266,712)	261,287
Balance at end of the year	955,787	1,113,242

Items included in deferred tax assets and liabilities are as follows:

The Group

	2014	2013
Deferred tax assets		
Impairment allowance for assets	684,427	595,408
Salary and welfare payable	223,436	200,333
Fair value changes of available-for-sale financial assets	36,470	303,182
Others	13,321	14,481
	957,654	1,113,404
Deferred income tax liabilities		
Fair value changes of financial assets held-for-trading	(1,867)	(162)
Deferred tax assets, net	955,787	1,113,242

Deferred taxes taken to the statement of comprehensive income comprise the following temporary differences:

The Group

	2014	2013
Impairment allowance for assets	89,019	8,337
Salary and welfare payable	23,103	(17,924)
Fair value changes of financial assets at fair value through profit or loss	(6,090)	5,887
Others	3,225	4,497
	109,257	797

Notes to the Consolidated Financial Statements

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

34 DEFERRED INCOME TAXES (Continued)

The Bank

	2014	2013
Balance at beginning of the year	1,113,022	851,158
Charged to income statement	109,477	577
Credited to shareholders' equity	(266,712)	261,287
Balance at end of the year	955,787	1,113,022

Items included in deferred tax assets and liabilities are as follows:

The Bank

	As at 31 December	
	2014	2013
Deferred tax assets		
Impairment allowance for assets	684,427	595,408
Salary and welfare payable	223,436	200,333
Fair value changes of available-for-sale financial assets	36,470	303,182
Others	13,321	14,481
	957,654	1,113,184
Deferred income tax liabilities		
Fair value changes of financial assets held-for-trading	(1,867)	(162)
Deferred tax assets, net	955,787	1,113,022

Deferred taxes taken to the statement of comprehensive income comprise the following temporary differences:

The Bank

	2014	2013
Impairment allowance for assets	89,019	8,202
Salary and welfare payable	23,103	(18,009)
Fair value changes of Financial assets at fair value through profit or loss	(6,090)	5,887
Others	3,445	4,497
	109,477	577

Notes to the Consolidated Financial Statements

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

35 DEBT SECURITIES ISSUED

The Group and the Bank

	As at 31 December	
	2014	2013
Subordinated debts with fixed rate-2026 ^(a)	3,992,365	3,992,219
Financial bonds for SMEs-2016 ^(b)	2,798,041	2,796,944
Financial bonds for SMEs-2018 ^(c)	2,197,691	2,197,252
Certificates of deposit issued ^(d)	9,762,896	–
	18,750,993	8,986,415

- (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. According to CBRC's requirement, these debts are qualified for inclusion as supplementary capital in the calculation of capital adequacy ratio in 2012. 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 Bank issued 27 certificates of deposit issued with total face value of RMB11.9 billion. The maturity of the certificates rang from three months to one year. The outstanding amount is RMB10 billion in face values at the end of 2014.

As of 2014, there are no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

Notes to the Consolidated Financial Statements

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

36 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:

The Group and the Bank

	As at 31 December	
	2014	2013
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:

The Group and the Bank

	As at 31 December	
	2014	2013
Share premium	6,751,041	6,751,041

Notes to the Consolidated Financial Statements

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

37 OTHER RESERVE

The Group and the Bank

	Surplus reserve (a)	General reserve (b)
As at 1 January 2013	2,088,299	1,472,380
Changes in fair value taken to other comprehensive income	-	-
Appropriation to surplus reserve	923,286	-
Appropriation to general reserve	-	1,590,402
As at 31 December 2013	3,011,585	3,062,782
Changes in fair value taken to other comprehensive income	-	-
Appropriation to surplus reserve	1,059,669	-
Appropriation to general reserve	-	680,678
As at 31 December at 2014	4,071,254	3,743,460

(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 2014 and 2013, the Bank's statutory surplus reserve balances were RMB2,528,472,000 and RMB1,961,450,000 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)

38 DIVIDENDS

The Group and the Bank

	2014	2013
Dividends declared for the year	1,723,772	817,482
Dividends per ordinary share (in RMB Yuan)	0.56	0.10
Dividends paid during the year	1,658,911	814,225

The final dividend of RMB0.159 per share in respect of the year of 2014 amounting to RMB1,757 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, after the Bank's initial public offering, 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)

39 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 that the Group has committed to extend to its customers:

The Group

	As at 31 December	
	2014	2013
Bank bills acceptance	50,096,255	52,567,298
Loan commitment	5,814,673	468,400
Letters of credit issued	1,892,629	1,445,716
Unused credit card lines	2,793,824	2,675,056
Letters of guarantee issued	2,783,560	2,490,218
	63,380,941	59,646,688

The Bank

	As at 31 December	
	2014	2013
Bank bills acceptance	49,635,265	52,567,298
Loan commitment	5,814,673	468,400
Letters of credit issued	1,892,629	1,445,716
Unused credit card lines	2,793,824	2,675,056
Letters of guarantee issued	2,769,801	2,490,218
	62,906,192	59,646,688

(b) Capital commitments

The Group and the Bank

	As at 31 December	
	2014	2013
Contracted but not provided for	145,588	41,531
Authorized but not contracted for	15,633	116,574
	161,221	158,105

Notes to the Consolidated Financial Statements

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

39 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(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:

The Group and the Bank

	As at 31 December	
	2014	2013
Within 1 year	186,218	145,910
Between 1 year to 5 years	549,690	441,867
Later than 5 years	244,582	75,826
	980,490	663,603

(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 2014 and 2013, the outstanding principal value of the treasury bonds sold by the Group were RMB1.6 billion and RMB1.4 billion respectively.

(e) Legal proceedings

As at 31 December 2014 and 2013, there were no significant legal proceedings outstanding against the Group.

Notes to the Consolidated Financial Statements

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

40 PLEDGED ASSETS

Assets are pledged as collateral under repurchase agreements and for treasury deposits with other banks and Ministry of Finance.

The Group

	As at 31 December	
	2014	2013
Available-for-sale financial assets	14,754,839	7,810,600
Held-to-maturity investments	10,700,412	10,663,981
Securities held under resale agreements	3,321,899	–
Bills held under resale agreements	41,960,614	21,571,270
Discounted bills	2,163,771	2,119,283
Total	72,901,535	42,165,134

The Bank

	As at 31 December	
	2014	2013
Available-for-sale financial assets	14,754,839	7,810,600
Held-to-maturity investments	10,700,412	10,663,981
Securities held under resale agreements	3,321,899	–
Bills held under resale agreements	41,960,614	21,571,270
Discounted bills	2,131,982	2,119,283
Total	72,869,746	42,165,134

41 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

The Group

	As at 31 December	
	2014	2013
Financial guarantees and credit related commitments	34,467,165	35,830,827

The Bank

	As at 31 December	
	2014	2013
Financial guarantees and credit related commitments	34,395,295	35,719,123

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.

Notes to the Consolidated Financial Statements

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

42 OTHER COMPREHENSIVE INCOME

The Group and the Bank

	2014		Net-of-tax amount
	Pre-tax amount	Tax charge	
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)

The Group and the Bank

	2013		Net-of-tax amount
	Pre-tax amount	Tax charge	
Other comprehensive income	(167,578)	41,895	(125,683)
Fair value changes in available-for-sale	(1,030,127)	257,531	(772,596)
Deduct: Included in the current profit and loss	(15,024)	3,756	(11,268)
Other comprehensive income for the year	(1,212,729)	303,182	(909,547)

43 STRUCTURED ENTITIES

Unconsolidated 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. 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. The Group considered its variable returns from the structured entities are insignificant and hence they are not consolidated.

As at 31 December 2014, the carrying value of the off-balance sheet wealth management the Group issued and managed is RMB10,442 million (31 December 2013: 2,521 million). As at 31 December 2014, the Group's maximum exposure to these unconsolidated structured entities is zero.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk from or reduce its interest in WMP vehicles disclosed above during the period ended 31 December 2014. The Group is not required to absorb any losses incurred by WMPs before other parties. In the first half of 2014, no loss was incurred by the WMP vehicles relating to the Group's interests in the WMP vehicles, and the WMP vehicles did not experience difficulty in financing their activities.

Notes to the Consolidated Financial Statements

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

43 STRUCTURED ENTITIES (Continued)

Unconsolidated 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 2013. 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.

The table below shows the total assets and scale of unconsolidated structured entities invested by the Group as at 31 December 2014, as well as its maximum exposure to loss in relation to those interests.

	Carrying Value	Maximum Exposure to Loss	Total Scale
At 31 December 2014			
Loans and receivables			
– wealth management products	3,045,588	3,045,588	Note 1
Available-for-sale financial assets			
– Asset management schemes by securities firms or trust companies	27,181,866	27,181,866	27,181,866
– Principal guaranteed wealth management products issued	11,327,299	11,327,299	11,327,299

	Carrying Value	Maximum Exposure to Loss	Total Scale
At 31 December 2013			
Loans and receivables			
– wealth management products	593,501	593,501	Note 1
Available-for-sale financial assets			
– Asset management schemes by securities firms or trust companies	1,061,231	1,061,231	1,061,231

Note 1: There is no public available information to disclose regarding to total scale of wealth management products issued and managed by other independent third parties.

Notes to the Consolidated Financial Statements

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

44 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:

The Group

	As at 31 December	
	2014	2013
Cash	1,067,900	956,373
Surplus reserve with central bank	18,178,612	26,862,790
Deposits with banks and other financial institutions	13,881,410	9,710,049
	33,127,922	37,529,212

The Bank

	As at 31 December	
	2014	2013
Cash	1,056,470	955,670
Surplus reserve with central bank	18,168,483	26,862,790
Deposits with banks and other financial institutions	13,176,696	9,605,049
	32,401,649	37,423,509

45 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 tranches 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 2014, loans with an original carrying amount of RMB3,087 million (2013: zero) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2014, the carrying amount of assets that the Group continued to recognise was RMB154 million (2013: zero), and was recognized as available-for-sale.

Notes to the Consolidated Financial Statements

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

46 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 (%)
Anhui Province Energy Group Co., Ltd.	Major shareholder	9.47
China Vanke Co., Ltd.	Major shareholder	8.00
Anhui Guoyuan Holding (Group) Co., Ltd.	Major shareholder	7.19
Anhui Credit Guaranty Group Co., Ltd.	Major shareholder	6.81
Chery Huiyin Motor Finance Service Co., Ltd.	Associate	

(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

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	
	2014	2013
Loans and advances to customers	29,958	181,000
Investment securities	29,870	48,892
Placements from banks and other financial institutions	49,210	153,126
Deposits from customers	863,123	416,668
Letters of guarantee	2,600	–
	974,761	799,686

	As at 31 December	
	2014	2013
Loans and advances to customers	4.60%~6.72%	5.89%~8.40%
Investment securities	4.72%	4.72%~5.38%
Placements from banks and other financial institutions	0.42%~3.30%	0.72%~5.45%
Deposits from customers	0.42%~3.30%	0.385%~3.30%

Notes to the Consolidated Financial Statements

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

46 RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions and balances (Continued)

a) Transactions with major shareholders (Continued)

As for the periods stated above, the interest income and expense of loans and deposits with respect to major shareholders are as follows:

	2014	2013
Interest income	2,198	16,177
Interest expense	7,817	7,991

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	
	2014	2013
Placements with banks and other financial institutions	800,000	500,499
Loans and advances to customers	597	1,111
Placements from banks and other financial institutions	347,209	401,915
Deposits from customers	14,884	13,861
	1,162,690	917,386

	As at 31 December	
	2014	2013
Placements with banks and other financial institutions	4.70%~5.00%	4.4%~7.5%
Loans and advances to customers	4.58%~6.40%	4.58%~6.45%
Placements from banks and other financial institutions	0.39%~0.72%	0.72%
Deposits from customers	0.42%~5.50%	0.385%~5.225%

The interest income and expense of loans and deposits with respect to other related parties are as follows:

	2014	2013
Interest income	41	62
Interest expense	589	77

Notes to the Consolidated Financial Statements

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

46 RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions and balances (Continued)

c) Emoluments for directors, supervisors and senior management

	2014	2013
Emoluments for directors, supervisors and senior management	21,938	24,520

d) Transactions with subsidiaries

The balance of transactions with subsidiaries in the statement of financial position is as follow:

	As at 31 December	
	2014	2013
Placements from banks and other financial institutions	180,397	19,149

47 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 intersegment 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)

47 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 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)

47 SEGMENT ANALYSIS (Continued)

	2013				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	9,990,215	2,664,415	6,197,284	4,915	18,856,829
Net interest expense to external customers	(3,912,521)	(1,013,939)	(4,326,400)	(1,118)	(9,253,978)
Intersegment net interest income/(expense)	(375,009)	1,101,107	(726,098)	-	-
Net interest income	5,702,685	2,751,583	1,144,786	3,797	9,602,851
Net fee and commission income	349,397	156,736	33,445	(2)	539,576
Net trading gains	-	-	(82,971)	-	(82,971)
Net gains/losses from investment securities	-	-	(6,954)	-	(6,954)
Dividends	-	-	320	-	320
Other operating income	-	-	-	119,687	119,687
Operating expenses	(2,285,300)	(976,638)	(99,793)	(24,704)	(3,386,435)
– Depreciation and amortization	(129,095)	(108,890)	(672)	(145)	(238,802)
Impairment losses on assets	(339,519)	(94,549)	-	(1,297)	(435,365)
Share of profits of associates	-	-	-	48,035	48,035
Profit before income tax	3,427,263	1,837,132	988,833	145,516	6,398,744
Capital expenditure	168,116	141,805	875	1,980	312,776

	As at 31 December 2013				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	144,164,140	49,981,854	185,421,270	1,428,584	380,995,848
<i>Including: investment in associates</i>	-	-	-	334,741	334,741
Deferred tax assets					1,113,242
Total assets					382,109,090
Segment liabilities	(212,724,029)	(63,811,822)	(71,113,524)	(2,787,783)	(350,437,158)
Off-balance sheet credit commitments	56,971,632	2,675,056	-	-	59,646,688

Notes to the Consolidated Financial Statements

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

47 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 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

Notes to the Consolidated Financial Statements

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

47 SEGMENT ANALYSIS (Continued)

	2013				Total
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	
Net interest income from external customers	11,129,018	814,205	6,913,606	–	18,856,829
Net interest expense to external customers	(5,101,625)	(532,517)	(3,619,836)	–	(9,253,978)
Intersegment net interest income/(expense)	1,474,285	108,132	(1,582,417)	–	–
Net interest income	7,501,678	389,820	1,711,353	–	9,602,851
Net fee and commission income	353,090	36,264	150,222	–	539,576
Net trading gains	22,915	1,265	(107,151)	–	(82,971)
Net gains/losses from investment securities	–	–	(6,954)	–	(6,954)
Dividends	–	–	320	–	320
Other operating income	32,667	–	87,020	–	119,687
Operating expenses	(2,336,203)	(202,217)	(848,015)	–	(3,386,435)
– Depreciation and amortization	(148,537)	(14,800)	(75,465)	–	(238,802)
Impairment losses on assets	(401,508)	(33,857)	–	–	(435,365)
Share of profits of associates	–	–	48,035	–	48,035
Profit before income tax	5,172,639	191,275	1,034,830	–	6,398,744
Capital expenditure	206,652	6,153	99,971	–	312,776

	As at 31 December 2013				Total
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	
Segment assets	292,783,686	25,924,666	154,699,961	(92,412,465)	380,995,848
<i>Including: investment in associates</i>	–	–	334,741	–	334,741
Deferred tax assets					1,113,242
Total assets					382,109,090
Segment liabilities	(202,894,164)	(19,112,552)	(220,842,907)	92,412,465	(350,437,158)
Off-balance sheet credit commitments	40,988,840	14,158,246	4,499,602	–	59,646,688

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)

48 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 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.

48.1 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.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.1 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.

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. It is prohibited to purchase RMB bonds issued by companies not from State Owned Enterprises ("SOE") background. So far, the Group holds no foreign currency bonds.

(iii) *Loans and advances to banks and other financial institutions*

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.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to 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 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.

(i) Credit risk mitigation policies

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent of these is 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.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies (Continued)

(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.

48.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

The Group

	As at 31 December	
	2014	2013
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Balances with the central bank	75,352,968	75,222,082
Deposits with banks and other financial institutions	11,352,332	10,999,655
Placement with banks and other financial institutions	9,232,910	1,192,253
Financial assets at fair value through profit or loss	2,963,949	1,805,291
Derivative financial assets	1,878	5,698
Financial assets held under resale agreements	53,200,619	36,772,428
Loans and advances to customers	214,734,236	191,280,398
Investment securities – available-for-sale	71,562,769	29,955,220
Investment securities – held-to-maturity	30,020,845	27,772,207
Investment securities – loans and receivables	7,797,472	723,568
Other financial assets	2,259,715	2,194,245
	478,479,693	377,923,045
Credit risk exposures relation to off-balance sheet items are as follows:		
Bank acceptance	50,096,255	52,567,298
Letters of credit	1,892,629	1,445,716
Letters of guarantee	2,783,560	2,490,218
Loan commitments	5,814,673	468,400
Unused credit card lines	2,793,824	2,675,056
	63,380,941	59,646,688

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

The Bank

	As at 31 December	
	2014	2013
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Balances with the central bank	75,058,227	75,193,795
Deposits with banks and other financial institutions	10,583,376	10,894,655
Placement with banks and other financial institutions	9,410,038	1,192,253
Financial assets at fair value through profit or loss	2,963,949	1,805,291
Derivative financial assets	1,878	5,698
Financial assets held under resale agreements	53,200,619	36,772,428
Loans and advances to customers	207,753,617	191,152,035
Investment securities-available-for-sale	81,475,360	29,955,220
Investment securities-held-to-maturity	30,020,845	27,772,207
Investment securities-loans and receivables	3,158,219	723,568
Other financial assets	2,227,265	2,193,685
	475,853,393	377,660,835
Credit risk exposures relation to off-balance sheet items are as follows:		
Bank acceptance	49,635,265	52,567,298
Letters of credit	1,892,629	1,445,716
Letters of guarantee	2,769,801	2,490,218
Loan commitments	5,814,673	468,400
Unused credit card lines	2,793,824	2,675,056
	62,906,192	59,646,688

The above table represents the worst-case scenario of credit risk exposure to the Group and the Bank at 31 December 2014 and 2013, 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, 43.66% of on-balance-sheet exposure is attributable to loans and advances to customers (2013: 50.61%).

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.3 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:

- 97.93% of the loans and advances portfolio is categorized as Pass of the five-category system (2013: 97.55%);
- Collateralized loans and mortgage loans, which represents the biggest group in the corporate and retail portfolio respectively, are backed by collateral;
- 98.53% of the loans and advances portfolio are considered to be neither past due nor impaired (2013: 99.22%);

48.1.4 Placement with and loans to banks and other financial institutions and financial assets held under resale agreements

The Group and the Bank

	2014	2013
Commercial banks in PRC mainland	42,351,570	27,320,204
Other financial institutions in PRC mainland	20,081,959	10,644,477
	62,433,529	37,964,681

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 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:

The Group

	As at 31 December			
	2014		2013	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	41,983,001	19	41,405,678	21
Manufacturing	40,946,313	19	41,055,136	21
Public utilities	19,600,277	9	13,927,546	7
Real estate	16,508,235	8	13,458,953	7
Construction	14,137,822	6	11,271,145	6
Transportation	6,281,562	3	4,488,747	2
Energy and chemistry	3,448,059	2	4,395,490	2
Education and media	1,911,795	1	2,176,267	1
Catering and travelling	1,547,953	1	2,181,588	1
Financial services	833,616	–	983,815	1
Others	2,024,570	1	1,511,555	1
Discounted bills	13,579,764	6	9,725,240	5
Subtotal	162,802,967	75	146,581,160	75
Personal loans and advances				
Mortgages	40,069,638	17	34,790,468	18
Revolving loans for private business	10,420,318	5	9,451,425	5
Others	6,103,736	3	4,626,383	2
Subtotal	56,593,692	25	48,868,276	25
Total loans and advances to customers, before impairment allowance	219,396,659	100	195,449,436	100

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(a) Analysis of loans and advances to customers by industry (Continued)

The Bank

	As at 31 December			
	2014		2013	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	41,675,732	20	41,399,678	21
Manufacturing	40,524,828	19	41,047,736	21
Public utilities	19,580,179	9	13,927,546	7
Real estate	13,736,005	6	13,458,953	7
Construction	12,986,906	6	11,271,145	6
Transportation	5,103,364	2	4,488,747	2
Energy and chemistry	3,368,059	2	4,395,490	2
Education and media	1,800,947	1	2,176,267	1
Catering and travelling	1,541,078	1	2,181,588	1
Financial services	833,616	–	983,815	1
Others	1,660,900	1	1,503,555	1
Discounted bills	13,284,415	6	9,725,240	5
Subtotal	156,096,029	73	146,559,760	75
Personal loans and advances				
Mortgages	40,042,704	19	34,785,068	18
Revolving loans for private business	10,119,129	5	9,434,125	5
Others	6,099,594	3	4,540,823	2
Subtotal	56,261,427	27	48,760,016	25
Total loans and advances to customers, before impairment allowance	212,357,456	100	195,319,776	100

Analysis of loans and advances to customers by industry is conducted based on the industries of the borrowers.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 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:

The Group

	As at 31 December	
	2014	2013
Unsecured	11,722,745	12,987,004
Guaranteed	69,701,605	62,073,305
Collateralized	116,699,214	100,942,694
Pledged	21,273,095	19,446,433
Total loans and advances to customers	219,396,659	195,449,436

The Bank

	As at 31 December	
	2014	2013
Unsecured	11,721,120	12,986,344
Guaranteed	65,408,518	61,954,505
Collateralized	114,352,181	100,934,294
Pledged	20,875,637	19,444,633
Total loans and advances to customers	212,357,456	195,319,776

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(c) Analysis of loans and advances to customers by geographical area

The Group

	As at 31 December					
	2014			2013		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	203,880,486	92.93%	0.86%	180,437,349	92.32%	0.56%
Pan Yangtze River Delta	15,516,173	7.07%	0.47%	15,012,087	7.68%	0.22%
Total loans and advances to customers	219,396,659	100.00%	0.83%	195,449,436	100.00%	0.54%

The Bank

	As at 31 December					
	2014			2013		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	196,841,283	92.69%	0.89%	180,307,689	92.31%	0.56%
Pan Yangtze River Delta	15,516,173	7.31%	0.47%	15,012,087	7.69%	0.22%
Total loans and advances to customers	212,357,456	100.00%	0.86%	195,319,776	100.00%	0.54%

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(d) Analysis of loans and advances to customers by overdue and impaired status

The Group

	2014		2013	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired (e)	160,532,288	55,647,626	145,573,013	48,357,106
Overdue but not impaired (f)	732,984	657,285	105,368	362,771
Impaired (g)	1,537,695	288,781	902,779	148,399
Total	162,802,967	56,593,692	146,581,160	48,868,276
Less: collectively assessed impairment allowance	(3,504,202)	(731,285)	(3,225,644)	(572,181)
Individually assessed impairment allowance	(426,936)	–	(371,213)	–
Total impairment allowance	(3,931,138)	(731,285)	(3,596,857)	(572,181)
Net	158,871,829	55,862,407	142,984,303	48,296,095

The Bank

	2014		2013	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired (e)	153,827,350	55,315,361	145,551,613	48,248,846
Overdue but not impaired (f)	730,984	657,285	105,368	362,771
Impaired (g)	1,537,695	288,781	902,779	148,399
Total	156,096,029	56,261,427	146,559,760	48,760,016
Less: collectively assessed impairment allowance	(3,449,907)	(726,996)	(3,225,430)	(571,098)
Individually assessed impairment allowance	(426,936)	–	(371,213)	–
Total impairment allowance	(3,876,843)	(726,996)	(3,596,643)	(571,098)
Net	152,219,186	55,534,431	142,963,117	48,188,918

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(e) *Loans and advances neither past due 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.

The Group

As at 31 December 2014 Neither overdue nor impaired	Five-category classification		
	Pass	Special- mention	Total
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

The Bank

As at 31 December 2014 Neither overdue nor impaired	Five-category classification		
	Pass	Special- mention	Total
Corporate loans			
– Commercial loans	137,030,154	3,512,781	140,542,935
– Discounted bills	13,284,415	–	13,284,415
Subtotal	150,314,569	3,512,781	153,827,350
Personal loans and advances	55,311,422	3,939	55,315,361
Total	205,625,991	3,516,720	209,142,711

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(e) Loans and advances neither past due nor impaired (Continued)

The Group

As at 31 December 2013 Neither overdue nor impaired	Five-category classification		
	Pass	Special- mention	Total
Corporate loans			
– Commercial loans	132,405,011	3,442,762	135,847,773
– Discounted bills	9,711,414	13,826	9,725,240
Subtotal	142,116,425	3,456,588	145,573,013
Personal loans and advances	48,352,067	5,039	48,357,106
Total	190,468,492	3,461,627	193,930,119

The Bank

As at 31 December 2013 Neither overdue nor impaired	Five-category classification		
	Pass	Special- mention	Total
Corporate loans			
– Commercial loans	132,383,611	3,442,762	135,826,373
– Discounted bills	9,711,414	13,826	9,725,240
Subtotal	142,095,025	3,456,588	145,551,613
Personal loans and advances	48,243,807	5,039	48,248,846
Total	190,338,832	3,461,627	193,800,459

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(f) Loans and advances overdue but not impaired

Analysis of assets overdue but not impaired by overdue days:

The Group

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 Bank

As at 31 December 2014	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
Corporate loans	166,911	237,384	138,104	188,585	730,984
Personal loans and advances	274,259	146,161	95,890	140,975	657,285
Total	441,170	383,545	233,994	329,560	1,388,269

The Group and the Bank

As at 31 December 2013	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
Corporate loans	22,362	26,148	16,688	40,170	105,368
Personal loans and advances	185,680	67,827	39,049	70,215	362,771
Total	208,042	93,975	55,737	110,385	468,139

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 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:

The Group and the Bank

	As at 31 December	
	2014	2013
Corporate loans	1,537,695	902,779
Personal loans and advances	288,781	148,399
Total	1,826,476	1,051,178
Fair value of collateral		
Corporate loans	743,234	750,475
Personal loans and advances	217,497	97,977
Total	960,731	848,452

The fair value of collateral is estimated based on the latest external valuations available, the realization experience of the current collateral and the market conditions.

(h) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria, which, in the judgment of management, indicate that payment will most likely continue. These policies are under continuous review. Restructuring is most commonly applied to term loans. As of 31 December 2014, there were no renegotiated loans that would otherwise be overdue or impaired at the Group and the Bank (2013: Nil).

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(i) Overdue loans and advances by overdue days and collateral type (a)

The Group

	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

The Bank

	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	858,577	827,143	170,468	11,002	1,867,190
Pledged	2,259	90,427	53,762	–	146,448
	1,550,085	1,272,948	337,156	11,351	3,171,540

The Group and the Bank

	As at 31 December 2013				
	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	24,780	10,114	2,359	430	37,683
Guaranteed	30,225	161,403	94,867	2,331	288,826
Collateralized	450,993	358,665	164,478	18,470	992,606
Pledged	9,381	24,721	159,243	–	193,345
	515,379	554,903	420,947	21,231	1,512,460

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.6 Debt securities

The table below presents an analysis of debt securities by external credit rating companies:

The Group

As at 31 December 2014	Held-for- Trading (a)	Available- for-sale (b)	Held-to- maturity (a)	Loans and receivables (c)	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)
Net balance	2,963,949	71,562,829	30,020,845	7,797,472	112,345,095

The Bank

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	74,659,849	21,620,351	3,158,219	101,852,928
Total	2,963,949	81,747,075	30,020,845	3,158,219	117,890,088
Allowance for impairment losses	–	(271,655)	–	–	(271,655)
Net balance	2,963,949	81,475,420	30,020,845	3,158,219	117,618,433

The Group and the Bank

As at 31 December 2013	Held-for- trading	Available- for-sale	Held-to- maturity	Loans and receivables	Total
RMB securities					
AAA	135,391	1,410,288	2,112,452	–	3,658,131
AA- to AA+	776,723	4,085,640	3,184,447	–	8,046,810
A- to A+	10,443	51,404	596,447	–	658,294
Unrated	882,734	24,407,888	21,878,861	723,568	47,893,051
Total	1,805,291	29,955,220	27,772,207	723,568	60,256,286

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.6 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 and policy banks, 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.

48.1.7 Foreclosed collateral

The Group and the Bank

	As at 31 December	
	2014	2013
Property and land use rights	153	–
Others	92	–
Total	245	–
Allowance for impairment losses (Note 27)	(38)	–
Net balance	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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Group

As at 31 December 2014	PRC			Total
	mainland	Hong Kong	Others	
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	71,562,769	–	–	71,562,769
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
	476,562,189	1,560,947	356,557	478,479,693
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

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure (Continued)

Geographical sectors (Continued)

The Bank

As at 31 December 2014	PRC			Total
	mainland	Hong Kong	Others	
Financial assets				
Balances with the central bank	75,058,227	–	–	75,058,227
Deposits with banks and other financial institutions	8,665,872	1,560,947	356,557	10,583,376
Placements with banks and other financial institutions	9,410,038	–	–	9,410,038
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	207,753,617	–	–	207,753,617
Investment securities				
– available-for-sale	81,475,360	–	–	81,475,360
Investment securities				
– held-to-maturity	30,020,845	–	–	30,020,845
Investment securities				
– loans and receivables	3,158,219	–	–	3,158,219
Other financial assets	2,227,265	–	–	2,227,265
	473,935,889	1,560,947	356,557	475,853,393
Off-balance sheet assets				
Bank acceptance	49,635,265	–	–	49,635,265
Letters of credit	1,892,629	–	–	1,892,629
Letters of guarantee	2,769,801	–	–	2,769,801
Loan commitments	5,814,673	–	–	5,814,673
Unused credit card lines	2,793,824	–	–	2,793,824
	62,906,192	–	–	62,906,192

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure (Continued)

Geographical sectors (Continued)

The Group

As at 31 December 2013	PRC			Total
	mainland	Hong Kong	Others	
Financial assets				
Balances with the central bank	75,222,082	–	–	75,222,082
Deposits with banks and other financial institutions	10,520,647	264,487	214,521	10,999,655
Placements with banks and other financial institutions	1,192,253	–	–	1,192,253
Financial assets at fair value through profit or loss	1,805,291	–	–	1,805,291
Derivative financial assets	5,698	–	–	5,698
Financial assets held under resale agreements	36,772,428	–	–	36,772,428
Loans and advances to customers	191,280,398	–	–	191,280,398
Investment securities				
– available-for-sale	29,955,220	–	–	29,955,220
Investment securities				
– held-to-maturity	27,772,207	–	–	27,772,207
Investment securities				
– loans and receivables	723,568	–	–	723,568
Other financial assets	2,194,245	–	–	2,194,245
	377,444,037	264,487	214,521	377,923,045
Off-balance sheet assets				
Bank acceptance	52,567,298	–	–	52,567,298
Letters of credit	1,445,716	–	–	1,445,716
Letters of guarantee	2,490,218	–	–	2,490,218
Loan commitments	468,400	–	–	468,400
Unused credit card lines	2,675,056	–	–	2,675,056
	59,646,688	–	–	59,646,688

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure (Continued)

Geographical sectors (Continued)

The Bank

As at 31 December 2013	PRC			Total
	mainland	Hong Kong	Others	
Financial assets				
Balances with the central bank	75,193,795	–	–	75,193,795
Deposits with banks and other financial institutions	10,415,647	264,487	214,521	10,894,655
Placements with banks and other financial institutions	1,192,253	–	–	1,192,253
Financial assets at fair value through profit or loss	1,805,291	–	–	1,805,291
Derivative financial assets	5,698	–	–	5,698
Financial assets held under resale agreements	36,772,428	–	–	36,772,428
Loans and advances to customers	191,152,035	–	–	191,152,035
Investment securities				
– available-for-sale	29,955,220	–	–	29,955,220
Investment securities				
– held-to-maturity	27,772,207	–	–	27,772,207
Investment securities				
– loans and receivables	723,568	–	–	723,568
Other financial assets	2,193,685	–	–	2,193,685
	377,181,827	264,487	214,521	377,660,835
Off-balance sheet assets				
Bank acceptance	52,567,298	–	–	52,567,298
Letters of credit	1,445,716	–	–	1,445,716
Letters of guarantee	2,490,218	–	–	2,490,218
Loan commitments	468,400	–	–	468,400
Unused credit card lines	2,675,056	–	–	2,675,056
	59,646,688	–	–	59,646,688

The Group's and the Bank's counterparties are mainly located in PRC mainland ◦

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk

48.2.1 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.

48.2.2 Market risk measurement techniques

The Group adopts sensitivity analysis to evaluate the exposure to interest rate and foreign exchange rate risks for its trading and non-trading investment portfolio, in which the Group calculates the gap between interest-bearing assets and liabilities which will mature within certain period or require re-pricing on a regular basis and performs sensitivity analysis under changes of bench mark rates, market rates and foreign exchange rates based on the gap computed above.

48.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

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.

According to PBOC's requirement, RMB loan rates could differ from PBOC's stipulated rates, while the ceiling for RMB deposit rate is 20% above the stipulated rate. Discount rate for RMB bills is market-oriented.

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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

The Group

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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

The Bank

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	75,058,227	-	-	-	-	1,056,470	76,114,697
Deposits with banks and other financial institutions	6,798,993	832,923	2,951,460	-	-	-	10,583,376
Placements with banks and other financial institutions	4,579,010	965,767	3,665,261	200,000	-	-	9,410,038
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	106,791,603	11,974,553	78,748,328	9,743,267	495,866	-	207,753,617
Investment securities							
- available-for-sale	3,111,058	7,770,996	23,972,597	38,055,049	8,565,720	9,500	81,484,920
- held-to-maturity	1,074,338	1,356,860	5,024,721	11,597,331	10,967,595	-	30,020,845
- loans and receivables	-	3,045,589	30,020	82,610	-	-	3,158,219
Other financial assets	-	-	-	-	-	2,227,265	2,227,265
Total assets	223,297,213	43,119,510	125,495,864	60,853,402	20,858,369	3,295,065	476,919,423
Liabilities							
Borrowing from central banks	-	-	-	-	-	-	-
Deposits from banks and other financial institutions	(737,962)	(2,980,000)	(19,963,772)	(717,917)	(33,965)	-	(24,433,616)
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	(44,456,957)	(17,145,114)	(10,847,357)	-	-	-	(72,449,428)
Deposits from customers	(174,737,330)	(36,918,236)	(64,207,426)	(39,816,118)	(12,932)	-	(315,692,042)
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	-	-	-	-	-	(8,675,239)	(8,675,239)
Total liabilities	(224,606,909)	(58,087,845)	(100,744,330)	(45,529,767)	(4,039,262)	(8,677,592)	(441,685,705)
Total interest rate sensitivity gap	(1,309,696)	(14,968,335)	24,751,534	15,323,635	16,819,107	(5,382,527)	35,233,718

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

The Group

As at 31 December 2013	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	75,222,080	-	-	-	-	956,375	76,178,455
Deposits with banks and other financial institutions	6,919,425	2,897,530	1,182,700	-	-	-	10,999,655
Placements with banks and other financial institutions	42,253	-	1,150,000	-	-	-	1,192,253
Financial assets at fair value through profit or loss	58,856	303,653	545,191	788,667	108,924	-	1,805,291
Derivatives financial assets	-	-	-	-	-	5,698	5,698
Financial assets held under resale agreements	1,338,078	2,619,878	32,314,472	500,000	-	-	36,772,428
Loans and advances to customers	90,204,526	17,812,161	75,815,858	6,893,123	554,730	-	191,280,398
Investment securities							
- available-for-sale	2,672,568	5,018,295	6,668,846	11,718,167	3,877,344	9,500	29,964,720
- held-to-maturity	572,201	949,408	4,756,409	11,546,417	9,947,772	-	27,772,207
- loans and receivables	-	438,220	214,706	70,642	-	-	723,568
Other financial assets	-	-	-	-	-	2,194,245	2,194,245
Total assets	177,029,987	30,039,145	122,648,182	31,517,016	14,488,770	3,165,818	378,888,918
Liabilities							
Deposits from banks and other financial institutions	(3,473,011)	(1,106,200)	(6,206,506)	(6,500,000)	(147,689)	-	(17,433,406)
Placements from banks and other financial institutions	(1,537,045)	-	-	-	-	-	(1,537,045)
Derivatives financial liabilities	-	-	-	-	-	(5,052)	(5,052)
Financial assets sold under repurchase agreements	(19,477,436)	(4,123,931)	(19,126,550)	-	-	-	(42,727,917)
Deposits from customers	(164,904,150)	(26,855,870)	(49,432,677)	(31,442,261)	(163,284)	-	(272,798,242)
Debt securities in issued	-	-	-	(4,994,195)	(3,992,220)	-	(8,986,415)
Other financial liabilities	-	-	-	-	-	(4,139,436)	(4,139,436)
Total liabilities	(189,391,642)	(32,086,001)	(74,765,733)	(42,936,456)	(4,303,193)	(4,144,488)	(347,627,513)
Total interest rate sensitivity gap	(12,361,655)	(2,046,856)	47,882,449	(11,419,440)	10,185,577	(978,670)	31,261,405

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

The Bank

As at 31 December 2013	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	75,193,793	-	-	-	-	955,672	76,149,465
Deposits with banks and other financial institutions	6,814,425	2,897,530	1,182,700	-	-	-	10,894,655
Placements with banks and other financial institutions	42,253	-	1,150,000	-	-	-	1,192,253
Financial assets at fair value through profit or loss	58,856	303,653	545,191	788,667	108,924	-	1,805,291
Derivatives financial assets	-	-	-	-	-	5,698	5,698
Financial assets held under resale agreements	1,338,078	2,619,878	32,314,472	500,000	-	-	36,772,428
Loans and advances to customers	90,204,318	17,812,161	75,751,845	6,828,981	554,730	-	191,152,035
Investment securities							
- available-for-sale	2,672,568	5,018,295	6,668,846	11,718,167	3,877,344	9,500	29,964,720
- held-to-maturity	572,201	949,408	4,756,409	11,546,417	9,947,772	-	27,772,207
- loans and receivables	-	438,220	214,706	70,642	-	-	723,568
Other financial assets	-	-	-	-	-	2,193,685	2,193,685
Total assets	176,896,492	30,039,145	122,584,169	31,452,874	14,488,770	3,164,555	378,626,005
Liabilities							
Deposits from banks and other financial institutions	(3,492,160)	(1,106,200)	(6,206,506)	(6,500,000)	(147,689)	-	(17,452,555)
Placements from banks and other financial institutions	(1,537,045)	-	-	-	-	-	(1,537,045)
Derivatives financial liabilities	-	-	-	-	-	(5,052)	(5,052)
Financial assets sold under repurchase agreements	(19,477,436)	(4,123,931)	(19,126,550)	-	-	-	(42,727,917)
Deposits from customers	(164,756,057)	(26,824,839)	(49,407,898)	(31,440,849)	(163,283)	-	(272,592,926)
Debt securities in issued	-	-	-	(4,994,195)	(3,992,220)	-	(8,986,415)
Other financial liabilities	-	-	-	-	-	(4,138,856)	(4,138,856)
Total liabilities	(189,262,698)	(32,054,970)	(74,740,954)	(42,935,044)	(4,303,192)	(4,143,908)	(347,440,766)
Total interest rate sensitivity gap	(12,366,206)	(2,015,825)	47,843,215	(11,482,170)	10,185,578	(979,353)	31,185,239

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.3 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 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:

The Group

	Estimated changes in net interest income	
	As at 31 December	
	2014	2013
100 bps up along the yield curve	1,321,252	1,354,093
100 bps down along the yield curve	(1,321,252)	(1,354,093)

The Bank

	Estimated changes in net interest income	
	As at 31 December	
	2014	2013
100 bps up along the yield curve	1,313,014	1,354,161
100 bps down along the yield curve	(1,313,014)	(1,354,161)

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.3 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 and the Bank.

Therefore, the actual changes of net profit may differ from the analysis above.

48.2.4 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.

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:

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.4 Currency risk (Continued)

The Group

	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

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.4 Currency risk (Continued)

The Bank

	RMB	USD	EUR	Others	Total
As at 31 December 2014					
Assets					
Cash and balances with the central bank	76,061,374	51,545	53	1,725	76,114,697
Deposits with banks and other financial institutions	8,067,632	895,891	87,843	1,532,010	10,583,376
Placements with banks and other financial institutions	9,410,038	-	-	-	9,410,038
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	206,103,507	1,601,865	42,331	5,914	207,753,617
Investment securities					
– available-for-sale	81,484,920	-	-	-	81,484,920
– held-to-maturity	30,020,845	-	-	-	30,020,845
– loans and receivables	3,158,219	-	-	-	3,158,219
Other financial assets	2,227,256	9	-	-	2,227,265
Total assets	472,699,536	2,550,011	130,227	1,539,649	476,919,423
Liabilities					
Borrowing from central banks	-	-	-	-	-
Deposits from banks and other financial institutions	(24,291,444)	(14,823)	(127,349)	-	(24,433,616)
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	(72,449,428)	-	-	-	(72,449,428)
Deposits from customers	(314,281,277)	(1,336,232)	(4,720)	(69,813)	(315,692,042)
Debt securities in issued	(18,750,993)	-	-	-	(18,750,993)
Other financial liabilities	(7,251,948)	(6,856)	(1)	(1,416,434)	(8,675,239)
Total liabilities	(438,032,751)	(2,034,389)	(132,318)	(1,486,247)	(441,685,705)
Net on-balance sheet financial position	34,666,785	515,622	(2,091)	53,402	35,233,718
Financial guarantees and credit commitments	60,618,392	2,215,147	43,239	29,414	62,906,192

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.4 Currency risk (Continued)

The Group

	RMB	USD	EUR	Others	Total
As at 31 December 2013					
Assets					
Cash and balances with the central bank	76,160,053	17,100	31	1,271	76,178,455
Deposits with banks and other financial institutions	10,486,059	132,241	94,831	286,524	10,999,655
Placements with banks and other financial institutions	1,150,717	–	41,536	–	1,192,253
Financial assets at fair value through profit or loss	1,805,291	–	–	–	1,805,291
Derivative financial assets	5,698	–	–	–	5,698
Financial assets held under resale agreements	36,772,428	–	–	–	36,772,428
Loans and advances to customers	189,446,121	1,829,451	4,826	–	191,280,398
Investment securities					
– available-for-sale	29,964,720	–	–	–	29,964,720
– held-to-maturity	27,772,207	–	–	–	27,772,207
– loans and receivables	723,568	–	–	–	723,568
Other financial assets	2,194,230	15	–	–	2,194,245
Total assets	376,481,092	1,978,807	141,224	287,795	378,888,918
Liabilities					
Deposits from banks and other financial institutions	(17,285,645)	(71)	(147,690)	–	(17,433,406)
Placements from banks and other financial institutions	(512,053)	(1,024,992)	–	–	(1,537,045)
Derivative financial liabilities	–	(5,052)	–	–	(5,052)
Financial assets sold under repurchase agreements	(42,727,917)	–	–	–	(42,727,917)
Deposits from customers	(272,334,964)	(416,126)	(1,798)	(45,354)	(272,798,242)
Debt securities in issued	(8,986,415)	–	–	–	(8,986,415)
Other financial liabilities	(3,489,323)	(8,118)	(2)	(641,993)	(4,139,436)
Total liabilities	(345,336,317)	(1,454,359)	(149,490)	(687,347)	(347,627,513)
Net on-balance sheet financial position	31,144,775	524,448	(8,266)	(399,552)	31,261,405
Financial guarantees and credit commitments	58,342,077	1,228,528	65,682	10,401	59,646,688

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.4 Currency risk (Continued)

The Bank

	RMB	USD	EUR	Others	Total
As at 31 December 2013					
Assets					
Cash and balances with the central bank	76,131,063	17,100	31	1,271	76,149,465
Deposits with banks and other financial institutions	10,381,059	132,241	94,831	286,524	10,894,655
Placements with banks and other financial institutions	1,150,717	–	41,536	–	1,192,253
Financial assets at fair value through profit or loss	1,805,291	–	–	–	1,805,291
Derivative financial assets	5,698	–	–	–	5,698
Financial assets held under resale agreements	36,772,428	–	–	–	36,772,428
Loans and advances to customers	189,317,758	1,829,451	4,826	–	191,152,035
Investment securities					
– available-for-sale	29,964,720	–	–	–	29,964,720
– held-to-maturity	27,772,207	–	–	–	27,772,207
– loans and receivables	723,568	–	–	–	723,568
Other financial assets	2,193,670	15	–	–	2,193,685
Total assets	376,218,179	1,978,807	141,224	287,795	378,626,005
Liabilities					
Deposits from banks and other financial institutions	(17,304,794)	(71)	(147,690)	–	(17,452,555)
Placements from banks and other financial institutions	(512,053)	(1,024,992)	–	–	(1,537,045)
Derivative financial liabilities	–	(5,052)	–	–	(5,052)
Financial assets sold under repurchase agreements	(42,727,917)	–	–	–	(42,727,917)
Deposits from customers	(272,129,648)	(416,126)	(1,798)	(45,354)	(272,592,926)
Debt securities in issued	(8,986,415)	–	–	–	(8,986,415)
Other financial liabilities	(3,488,743)	(8,118)	(2)	(641,993)	(4,138,856)
Total liabilities	(345,149,570)	(1,454,359)	(149,490)	(687,347)	(347,440,766)
Net on-balance sheet financial position	31,068,609	524,448	(8,266)	(399,552)	31,185,239
Financial guarantees and credit commitments	58,342,077	1,228,528	65,682	10,401	59,646,688

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Market risk (Continued)

48.2.4 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:

The Group and the Bank

	Estimated change in net profit/(loss)	
	As at 31 December	
	2014	2013
1% of appreciation of FX against RMB	4,252	875
1% of depreciation of FX against RMB	(4,252)	(875)

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 and the Bank.

Therefore, the actual changes of net profit may differ from the analysis above.

48.3 Liquidity risk

48.3.1 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 banks' 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.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.2 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.

The Group

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

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

The Bank

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	-	-	-	-	-	-
Deposits from banks and other financial institutions	(740,237)	(3,003,160)	(20,691,398)	(775,907)	(34,572)	(25,245,274)
Placements from banks and other financial institutions	(1,683,628)	-	-	-	-	(1,683,628)
Financial assets sold under repurchase agreements	(44,526,662)	(17,247,491)	(11,078,268)	-	-	(72,852,421)
Deposits from customers	(174,769,757)	(37,134,276)	(65,593,777)	(45,770,186)	(16,312)	(323,284,308)
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	(4,577,745)	-	-	-	-	(4,577,745)
Total liabilities (contractual maturity)	(229,332,735)	(58,460,453)	(103,566,363)	(51,963,493)	(5,884,884)	(449,207,928)
Assets						
Cash and balances with the central bank	76,114,697	-	-	-	-	76,114,697
Deposits with banks and other financial institutions	6,805,353	840,402	3,034,136	-	-	10,679,891
Placements with banks and other financial institutions	4,436,405	1,150,217	3,775,965	206,504	-	9,569,091
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	19,878,127	16,409,055	93,040,529	67,021,915	45,922,075	242,271,701
Investment securities						
- available-for-sale	3,305,475	8,337,617	26,194,785	47,391,388	9,340,113	94,569,378
- held-to-maturity	1,205,354	1,577,987	5,920,334	14,769,572	11,382,216	34,855,463
- loans and receivables	-	3,081,400	30,905	92,501	-	3,204,806
Other financial assets	212,631	-	-	-	-	212,631
Financial assets held for managing liquidity risk (contractual maturity)	137,904,266	48,719,314	149,434,847	130,922,510	67,469,921	534,450,858
Net liquidity	(91,428,469)	(9,741,139)	45,868,484	78,959,017	61,585,037	85,242,930

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

The Group

As at 31 December 2013	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	(3,475,082)	(1,121,587)	(6,395,665)	(7,139,086)	(181,492)	(18,312,912)
Placements from banks and other financial institutions	(1,539,356)	-	-	-	-	(1,539,356)
Financial assets sold under repurchase agreements	(19,481,512)	(4,159,505)	(19,634,290)	-	-	(43,275,307)
Deposits from customers	(164,930,996)	(26,978,520)	(50,313,379)	(36,881,151)	(205,965)	(279,310,011)
Debt securities in issued	-	(219,400)	(262,000)	(6,684,800)	(6,096,000)	(13,262,200)
Other financial liabilities	(1,241,627)	-	-	-	-	(1,241,627)
Total liabilities (contractual maturity)	(190,668,573)	(32,479,012)	(76,605,334)	(50,705,037)	(6,483,457)	(356,941,413)
Assets						
Cash and balances with the central bank	76,178,455	-	-	-	-	76,178,455
Deposits with banks and other financial institutions	6,945,430	2,925,404	1,211,135	-	-	11,081,969
Placements with banks and other financial institutions	42,546	15,940	1,184,812	-	-	1,243,298
Financial assets at fair value through profit or loss	64,525	337,457	580,722	841,780	112,900	1,937,384
Financial assets held under resale agreements	1,338,478	2,646,081	33,195,540	575,103	-	37,755,202
Loans and advances to customers	11,411,854	22,250,809	91,907,867	54,713,588	45,838,533	226,122,651
Investment securities						
- available-for-sale	2,791,279	5,404,566	7,713,408	13,479,635	4,147,100	33,535,988
- held-to-maturity	688,090	1,156,654	5,436,053	13,179,060	9,974,998	30,434,855
- loans and receivables	-	429,900	226,988	88,847	-	745,735
Other financial assets	644,046	-	-	-	-	644,046
Financial assets held for managing liquidity risk (contractual maturity)	100,104,703	35,166,811	141,456,525	82,878,013	60,073,531	419,679,583
Net liquidity	(90,563,870)	(2,687,799)	64,851,191	32,172,976	53,590,074	62,738,170

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

The Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at 31 December 2013						
Liabilities						
Deposits from banks and other financial institutions	(3,494,231)	(1,121,587)	(6,395,665)	(7,139,086)	(181,492)	(18,332,061)
Placements from banks and other financial institutions	(1,539,356)	-	-	-	-	(1,539,356)
Financial assets sold under repurchase agreements	(19,481,512)	(4,159,505)	(19,634,290)	-	-	(43,275,307)
Deposits from customers	(164,782,901)	(26,947,489)	(50,288,600)	(36,879,739)	(205,965)	(279,104,694)
Debt securities in issued	-	(219,400)	(262,000)	(6,684,800)	(6,096,000)	(13,262,200)
Other financial liabilities	(1,241,627)	-	-	-	-	(1,241,627)
Total liabilities (contractual maturity)	(190,539,627)	(32,447,981)	(76,580,555)	(50,703,625)	(6,483,457)	(356,755,245)
Assets						
Cash and balances with the central bank	76,149,465	-	-	-	-	76,149,465
Deposits with banks and other financial institutions	6,820,996	2,925,404	1,211,135	-	-	10,957,535
Placements with banks and other financial institutions	42,546	15,940	1,184,812	-	-	1,243,298
Financial assets at fair value through profit or loss	64,525	337,457	580,722	841,780	112,900	1,937,384
Financial assets held under resale agreements	1,338,478	2,646,081	33,195,540	575,103	-	37,755,202
Loans and advances to customers	11,411,392	22,248,371	91,835,853	54,644,605	45,838,324	225,978,545
Investment securities						
- available-for-sale	2,791,279	5,404,566	7,713,408	13,479,635	4,147,100	33,535,988
- held-to-maturity	688,090	1,156,654	5,436,053	13,179,060	9,974,998	30,434,855
- loans and receivables	-	429,900	226,988	88,847	-	745,735
Other financial assets	644,016	-	-	-	-	644,016
Financial assets held for managing liquidity risk (contractual maturity)	99,950,787	35,164,373	141,384,511	82,809,030	60,073,322	419,382,023
Net liquidity	(90,588,840)	(2,716,392)	64,803,956	32,105,405	53,589,865	62,626,778

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.3 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 2014 and 2013 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group and the Bank

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

The Group and the Bank

As at 31 December 2013	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(138,486)	(430,447)	(1,067,264)	–	–	(1,636,197)
– Inflow	138,537	430,638	1,067,647	–	–	1,636,822
	51	191	383	–	–	625

48.3.4 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.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis (Continued)

The Group

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

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis (Continued)

The Bank

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	76,114,697	-	-	-	-	-	-	-	76,114,697
Deposits with banks and other financial institutions	3,078,003	3,720,990	832,923	2,951,460	-	-	-	-	10,583,376
Placements with banks and other financial institutions	-	4,579,010	965,767	3,665,261	200,000	-	-	-	9,410,038
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	-	19,048,383	13,041,870	83,713,797	45,779,018	44,491,477	1,679,072	-	207,753,617
Investment securities									
- available-for-sale	-	2,194,263	5,748,504	20,879,184	41,532,706	11,120,763	-	9,500	81,484,920
- held-to-maturity	-	499,968	1,141,689	3,477,915	13,878,518	11,022,755	-	-	30,020,845
- loans and receivables	-	-	3,045,589	30,020	82,610	-	-	-	3,158,219
Other assets (including deferred tax assets)	145,636	330,832	758,718	766,176	209,821	1,675,952	254,289	1,399,706	5,541,130
Total assets	79,338,336	56,188,966	42,396,967	126,668,309	103,158,007	69,140,136	1,933,361	1,409,206	480,233,288
Borrowing from central banks	-	-	-	-	-	-	-	-	-
Deposits from banks and other financial institutions	(499,473)	(238,489)	(2,980,000)	(19,963,771)	(717,917)	(33,966)	-	-	(24,433,616)
Placements from banks and other financial institutions	(1,681,996)	-	-	-	-	-	-	-	(1,681,996)
Financial derivative liabilities	-	(1,646)	(312)	(433)	-	-	-	-	(2,391)
Financial assets sold under repurchase agreements	-	(44,456,957)	(17,145,114)	(10,847,357)	-	-	-	-	(72,449,428)
Deposits from customers	(152,978,018)	(21,759,312)	(36,918,236)	(64,207,426)	(39,816,118)	(12,932)	-	-	(315,692,042)
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)	(4,794,483)	(1,662,209)	(1,457,610)	(1,414,887)	(1,521,278)	(381)	-	-	(10,850,848)
Total liabilities	(159,953,970)	(70,613,127)	(60,043,878)	(102,159,650)	(47,051,045)	(4,039,644)	-	-	(443,861,314)
Net liquidity gap	(80,615,634)	(14,424,161)	(17,646,911)	24,508,659	56,106,962	65,100,492	1,933,361	1,409,206	36,371,974

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis (Continued)

The Group

As at 31 December 2013	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	956,373	75,222,082	-	-	-	-	-	-	76,178,455
Deposits with banks and other financial institutions	1,543,391	5,376,034	2,897,530	1,182,700	-	-	-	-	10,999,655
Placements with banks and other financial institutions	-	42,253	-	1,150,000	-	-	-	-	1,192,253
Financial assets at fair value through profit or loss	-	58,856	303,653	545,191	788,667	108,924	-	-	1,805,291
Derivative financial assets	-	767	1,507	3,424	-	-	-	-	5,698
Financial assets held under resale agreements	-	1,338,078	2,619,878	32,314,472	500,000	-	-	-	36,772,428
Loans and advances to customers	-	10,819,533	19,078,932	83,326,651	33,941,261	43,485,679	628,342	-	191,280,398
Investment securities									
- available-for-sale	-	2,674,373	5,016,490	6,668,846	11,718,167	3,877,344	-	9,500	29,964,720
- held-to-maturity	-	572,201	949,408	4,756,409	11,546,417	9,947,772	-	-	27,772,207
- loans and receivables	-	-	438,220	214,706	70,642	-	-	-	723,568
Other assets (including deferred tax assets)	18,895	808,012	694,754	585,960	161,507	2,737,839	14,462	392,988	5,414,417
Total assets	2,518,659	96,912,189	32,000,372	130,748,359	58,726,661	60,157,558	642,804	402,488	382,109,090
Deposits from banks and other financial institutions	(2,573,011)	(900,000)	(1,106,200)	(6,206,506)	(6,500,000)	(147,689)	-	-	(17,433,406)
Placements from banks and other financial institutions	-	(1,537,045)	-	-	-	-	-	-	(1,537,045)
Derivative financial liabilities	-	(716)	(1,319)	(3,017)	-	-	-	-	(5,052)
Financial assets sold under repurchase agreements	-	(19,477,436)	(4,123,931)	(19,126,550)	-	-	-	-	(42,727,917)
Deposits from customers	(147,615,529)	(17,288,621)	(26,855,870)	(49,432,677)	(31,442,261)	(163,284)	-	-	(272,798,242)
Debt securities in issued	-	-	-	-	(4,994,195)	(3,992,220)	-	-	(8,986,415)
Other liabilities (including deferred income tax liabilities)	(79,335)	(2,361,035)	(1,107,395)	(1,759,660)	(1,248,242)	(338,729)	-	(54,685)	(6,949,081)
Total liabilities	(150,267,875)	(41,564,853)	(33,194,715)	(76,528,410)	(44,184,698)	(4,641,922)	-	(54,685)	(350,437,158)
Net liquidity gap	(147,749,216)	55,347,336	(1,194,343)	54,219,949	14,541,963	55,515,636	642,804	347,803	31,671,932

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis (Continued)

The Bank

As at 31 December 2013	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	955,670	75,193,795	-	-	-	-	-	-	76,149,465
Deposits with banks and other financial institutions	1,562,540	5,251,885	2,897,530	1,182,700	-	-	-	-	10,894,655
Placements with banks and other financial institutions	-	42,253	-	1,150,000	-	-	-	-	1,192,253
Financial assets at fair value through profit or loss	-	58,856	303,653	545,191	788,667	108,924	-	-	1,805,291
Derivative financial assets	-	767	1,507	3,424	-	-	-	-	5,698
Financial assets held under resale agreements	-	1,338,078	2,619,878	32,314,472	500,000	-	-	-	36,772,428
Loans and advances to customers	-	10,819,533	19,078,932	83,262,638	33,877,119	43,485,471	628,342	-	191,152,035
Investment securities									
- available-for-sale	-	2,674,373	5,016,490	6,668,846	11,718,167	3,877,344	-	9,500	29,964,720
- held-to-maturity	-	572,201	949,408	4,756,409	11,546,417	9,947,772	-	-	27,772,207
- loans and receivables	-	-	438,220	214,706	70,642	-	-	-	723,568
Other assets (including deferred tax assets)	18,895	807,658	694,754	585,930	159,945	2,735,583	14,462	425,785	5,443,012
Total assets	2,537,105	96,759,399	32,000,372	130,684,316	58,660,957	60,155,094	642,804	435,285	381,875,332
Deposits from banks and other financial institutions	(2,592,160)	(900,000)	(1,106,200)	(6,206,506)	(6,500,000)	(147,689)	-	-	(17,452,555)
Placements from banks and other financial institutions	-	(1,537,045)	-	-	-	-	-	-	(1,537,045)
Financial derivative liabilities	-	(716)	(1,319)	(3,017)	-	-	-	-	(5,052)
Financial assets sold under repurchase agreements	-	(19,477,436)	(4,123,931)	(19,126,550)	-	-	-	-	(42,727,917)
Deposits from customers	(147,467,435)	(17,288,621)	(26,824,839)	(49,407,898)	(31,440,849)	(163,284)	-	-	(272,592,926)
Debt securities in issued	-	-	-	-	(4,994,195)	(3,992,220)	-	-	(8,986,415)
Other liabilities (including deferred income tax liabilities)	(79,335)	(2,360,012)	(1,107,390)	(1,759,637)	(1,248,242)	(338,729)	-	(54,685)	(6,948,030)
Total liabilities	(150,138,930)	(41,563,830)	(33,163,679)	(76,503,608)	(44,183,286)	(4,641,922)	-	(54,685)	(350,249,940)
Net liquidity gap	(147,601,825)	55,195,569	(1,163,307)	54,180,708	14,477,671	55,513,172	642,804	380,600	31,625,392

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Liquidity risk (Continued)

48.3.5 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.

The Group

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	1,396,912	1,396,912	–	2,793,824
Total	60,236,662	3,141,929	2,350	63,380,941

The Bank

As at 31 December 2014	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptance	49,635,265	–	–	49,635,265
Letters of credit	1,864,155	28,474	–	1,892,629
Letters of guarantee	1,360,501	1,406,950	2,350	2,769,801
Loan commitments	5,509,273	305,400	–	5,814,673
Unused credit card lines	1,396,912	1,396,912	–	2,793,824
Total	59,766,106	3,137,736	2,350	62,906,192

The Group and the Bank

As at 31 December 2013	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptance	52,567,298	–	–	52,567,298
Letters of credit	1,432,947	12,769	–	1,445,716
Letters of guarantee	1,259,069	1,228,800	2,349	2,490,218
Loan commitments	157,664	310,736	–	468,400
Unused credit card lines	1,337,528	1,337,528	–	2,675,056
Total	56,754,506	2,889,833	2,349	59,646,688

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 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. This level includes listed equity securities and debt instruments on exchanges (for example, Hong Kong Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are China Bond and Bloomberg.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments.

(b) Financial instruments not measured at fair value

Financial assets and liabilities which are not measured at fair value mainly include: balances with the central bank, due from and Placements with banks and other financial institutions, financial assets held under resale agreements, loan and advances to customers, investment securities-held-to-maturity, investment securities-loans and receivables, deposits and placements from banks and other financial institutions, financial liabilities sold for repurchase, deposits from customers and debt securities in issued.

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.

The Group

	Carrying value	As at 31 December 2014			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)

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

The Bank

	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	3,158,219	–	106,564	3,045,589	3,152,153
Financial Liabilities					
Debt securities issued	(18,750,993)	–	(18,853,112)	–	(18,853,112)

The Group and the Bank

	As at 31 December 2013				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Investment securities					
– Held-to-maturity	27,772,207	–	26,541,484	–	26,541,484
Investment securities					
– Loans and receivables	723,568	–	119,312	593,501	712,813
Financial Liabilities					
Debt securities issued	(8,986,415)	–	(8,625,448)	–	(8,625,448)

(i) Loans and receivables and held-to-maturity investments

Investment securities loans and receivables and 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. The difference between carrying value and fair value are not significant.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

The Group

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 Bank

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	–	–	34,644,496	34,644,496
– Others	–	–	16,804,742	16,804,742
Total assets	–	32,992,009	51,458,738	84,450,747
Derivative financial liabilities	–	(2,391)	–	(2,391)
Total liabilities	–	(2,391)	–	(2,391)

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

The Group and the Bank

As at 31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	1,805,291	–	1,805,291
Derivative financial assets	–	5,698	–	5,698
Available-for-sale				
– Debt securities	–	23,352,438	–	23,352,438
– Equity securities	–	–	9,500	9,500
– Asset management schemes by securities firms or trust companies	–	–	1,061,232	1,061,232
– Others	–	5,541,550	–	5,541,550
Total assets	–	30,704,977	1,070,732	31,775,709
Derivative financial liabilities	–	(5,052)	–	(5,052)
Total liabilities	–	(5,052)	–	(5,052)

The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

For unlisted equities (private equity) held by the Group, the fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments. Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.4 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:

The Group

	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 structural 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

The Bank

	Available-for-sale
Balance at 1 January 2014	1,070,732
– Additions	96,473,302
– Disposals	(51,626,846)
– Shifted from level 2	5,541,550
Balance at 31 December 2014	51,458,738
Total gains for the year included in profit or loss for assets/liabilities held at 31 December 2014	360

The Group and the Bank

	Available-for-sale
Balance at 1 January 2013	9,909
– Additions	1,061,232
– Disposals	(409)
Balance at 31 December 2013	1,070,732
Total gains for the year included in profit or loss for assets/liabilities held at 31 December 2013	320

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.5 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 set 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" promulgated by the CBRC on 7 June 2012.

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.5 Capital management (Continued)

The tables below summarize the capital adequacy ratio of The Group and the Bank for 2014:

The Group

	As at 31 December 2014	As at 31 December 2013
Core Tier 1 capital	36,445,587	31,682,102
Including: Paid-up capital	11,049,819	11,049,819
Capital reserve	6,641,630	5,841,494
Surplus reserve, general and statutory reserve	7,814,714	6,074,367
Retained Earnings	10,868,057	8,659,441
Non-controlling interests	71,367	56,981
Regulatory deductions for core Tier 1 capital	(98,041)	(66,426)
Total core Tier 1 capital, net of deductions	36,347,546	31,615,676
Other Tier 1 capital	9,516	7,598
Total Tier 1 capital, net of deductions	36,357,062	31,623,274
Tier 2 capital	6,029,945	6,488,062
Including: Tier 2 capital instruments and premium	3,193,463	3,592,645
Surplus loan loss provisions	2,817,451	2,880,222
Non-controlling interests	19,031	15,195
Regulatory deductions for Tier 2 capital	-	-
Total capital, net of deductions	42,387,007	38,111,336
Credit risk-weighted assets	294,901,889	233,298,017
Market risk-weighted assets	806,874	425,560
Operational risk-weighted assets	20,288,384	17,098,264
Total risk-weighted assets	315,997,147	250,821,841
Capital adequacy ratio	13.41%	15.19%
Tier 1 capital adequacy ratio	11.51%	12.61%
Core Tier 1 capital adequacy ratio	11.50%	12.60%

According to regulatory requirement, the capital adequacy ratio calculation by the Group above is based on the consolidated results of both Jinzhai Huiyin Rural Bank Co., Ltd. and Wuwei Huiyin Rural Bank Co., Ltd..

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.5 Capital management (Continued)

The tables below summarize the capital adequacy ratio of The Group and the Bank for 2014: (Continued)

The Bank

	As at 31 December 2014	As at 31 December 2013
Core Tier 1 capital	36,371,974	31,625,392
Including: Paid-up capital	11,049,819	11,049,819
Capital reserve	6,641,630	5,841,494
Surplus reserve, general and statutory reserve	7,814,714	6,074,367
Retained Earnings	10,865,811	8,659,712
Regulatory deductions for core Tier 1 capital	(170,616)	(169,387)
Total core Tier 1 capital, net of deductions	36,201,358	31,456,005
Tier 2 capital	5,970,826	6,458,848
Including: Tier 2 capital instruments and premium	3,193,463	3,592,646
Surplus loan loss provisions	2,777,363	2,866,202
Regulatory deductions for Tier 2 capital	-	-
Total capital, net of deductions	42,172,184	37,914,853
Credit risk-weighted assets	293,482,252	232,162,379
Market risk-weighted assets	806,874	425,560
Operational risk-weighted assets	20,130,399	16,976,077
Total risk-weighted assets	314,419,525	249,564,016
Capital adequacy ratio	13.41%	15.19%
Tier 1 capital adequacy ratio	11.51%	12.60%
Core Tier 1 capital adequacy ratio	11.51%	12.60%

Notes to the Consolidated Financial Statements

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

48 FINANCIAL RISK MANAGEMENT (Continued)

48.6 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.

The Group and the Bank

	As at 31 December	
	2013	2014
Entrusted loans	25,207,053	59,437,680
Off-balance sheet wealth management products	2,520,770	10,441,510

49 SUBSEQUENT EVENT

- (a) Pursuant to the meeting of the Board of Directors on 26 March 2015, the directors proposed the following profit appropriations for the year ended 31 December 2014:
- (i) An appropriation of RMB567 million to the statutory surplus reserve;
 - (ii) An appropriation of RMB567 million to the discretionary surplus reserve;
 - (iii) An appropriation of RMB973 million to the general reserve;
 - (iv) A cash dividend of RMB0.159 per share in respect of the year ended 31 December 2014 based on the number of shares issued as at 31 December 2014 amounting to RMB1,757 million in total.

The statutory surplus reserve appropriation has been recognized in the financial statements for the year ended 31 December 2014. The other appropriation items will be recognized on the Bank's and the Group's financial statements after approval by shareholders in the forthcoming general meeting.

- (b) As at 31 December 2014, the Group issued bank acceptance bills of RMB0.733 billion to Huaikuang Logistics Company Ltd.. Although the company is gradually restoring its operation, its financial condition is still weak. As at the date of this report, the Group has provided advances to Huaikuang Logistics Company Ltd. for these bank acceptance bills. As at the balance sheet date, the Group has assessed the recoverability and accrued adequate provision.

Appendix I – Unaudited Supplementary 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

The Group

	As at 31 December	
	2014	2013
RMB current assets to RMB current liabilities	33.92%	27.75%
Foreign currency current assets to foreign currency current liabilities	88.67%	60.38%

The Bank

	As at 31 December	
	2014	2013
RMB current assets to RMB current liabilities	33.92%	35.72%
Foreign currency current assets to foreign currency current liabilities	88.67%	61.96%

2 CURRENCY CONCENTRATIONS

The Group and the Bank

	USD	EUR	Other	Total
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
As at 31 December 2013				
Spot assets	1,978,807	141,224	287,795	2,407,826
Spot liabilities	(1,454,359)	(149,490)	(687,347)	(2,291,196)
Forward purchases	815,484	–	–	815,484
Forward sales	(815,517)	–	–	(815,517)
Net long/(short) position	524,415	(8,266)	(399,552)	116,597

Appendix I – Unaudited Supplementary 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.

The Group and the Bank

	Banks and other financial institutions
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
As at 31 December 2013	
Asia Pacific excluding China mainland	284,436
– Hong Kong	264,487
Europe	94,719
North and South America	98,603
Subtotal	477,758

Appendix I – Unaudited Supplementary 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:

The Group

	As at 31 December	
	2014	2013
Total loans and advances to customers which have been overdue for		
– within 3 months	1,552,086	515,379
– between 3 to 6 months	457,691	168,228
– between 6 to 12 months	815,257	386,675
– over 12 months	348,506	442,178
Total	3,173,540	1,512,460
Percentage		
– within 3 months	48.91%	34.07%
– between 3 to 6 months	14.42%	11.12%
– between 6 to 12 months	25.69%	25.57%
– over 12 months	10.98%	29.24%
Total	100.00%	100.00%

The Bank

	As at 31 December	
	2014	2013
Total loans and advances to customers which have been overdue for		
– within 3 months	1,550,086	515,379
– between 3 to 6 months	457,691	168,228
– between 6 to 12 months	815,257	386,675
– over 12 months	348,506	442,178
Total	3,171,540	1,512,460
Percentage		
– within 3 months	48.87%	34.07%
– between 3 to 6 months	14.43%	11.12%
– between 6 to 12 months	25.71%	25.57%
– over 12 months	10.99%	29.24%
Total	100.00%	100.00%

Appendix I – Unaudited Supplementary 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)

Total amount of overdue loans and advances to customers and allowance assessment by geographic segment:

The Group

	Anhui Province	Pan Yangtze 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)

The Bank

	Anhui Province	Pan Yangtze River Delta	Total
As at 31 December 2014			
Overdue loans and advances to customers	3,083,214	88,326	3,171,540
– Individually assessed	(392,494)	(22,448)	(414,942)
– Collectively assessed	(1,115,670)	(7,193)	(1,122,863)

The Group and the Bank

	Anhui Province	Pan Yangtze River Delta	Total
As at 31 December 2013			
Overdue loans and advances to customers	1,475,050	37,410	1,512,460
– Individually assessed	(357,810)	(13,403)	(371,213)
– Collectively assessed	(177,892)	(37)	(177,929)

Appendix I – Unaudited Supplementary 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:

The Group

	As at 31 December	
	2014	2013
Fair value of collaterals		
– Corporate loans	1,367,662	835,168
– Personal loans and advances	1,575,589	703,105
Total	2,943,251	1,538,273

The Bank

	As at 31 December	
	2014	2013
Fair value of collaterals		
– Corporate loans	1,363,520	835,168
– Personal loans and advances	1,575,589	703,105
Total	2,939,109	1,538,273

4.2 Identified impaired loans and advances

The Group and the Bank

	Anhui Province	Pan Yangtze River Delta	Total
As at 31 December 2014			
Identified impaired loans and advances for which allowance is	1,753,082	73,395	1,826,477
– Individually assessed	(404,488)	(22,448)	(426,936)
– Collectively assessed	(493,955)	–	(493,955)
As at 31 December 2013			
Identified impaired loans and advances for which allowance is	1,017,963	33,215	1,051,178
– Individually assessed	(433,988)	(13,403)	(447,391)
– Collectively assessed	(45,328)	–	(45,328)



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