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Harbin Bank Co., Ltd.

哈爾濱銀行股份有限公司*

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

(Stock Code: 6138)

2015 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Harbin Bank Co., Ltd. (the “**Bank**”) is pleased to announce the audited annual results of the Bank and its subsidiaries (the “**Group**”) for the year ended 31 December 2015. This results announcement, containing the full text of the 2015 Annual Report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The annual financial statements of the Group for the year ended 31 December 2015 have been audited by Ernst & Young in accordance with International Standard on Review Engagements. Such annual results have also been reviewed by the Board and the audit committee of the Bank. Unless otherwise stated, financial data of the Group are presented in Renminbi.

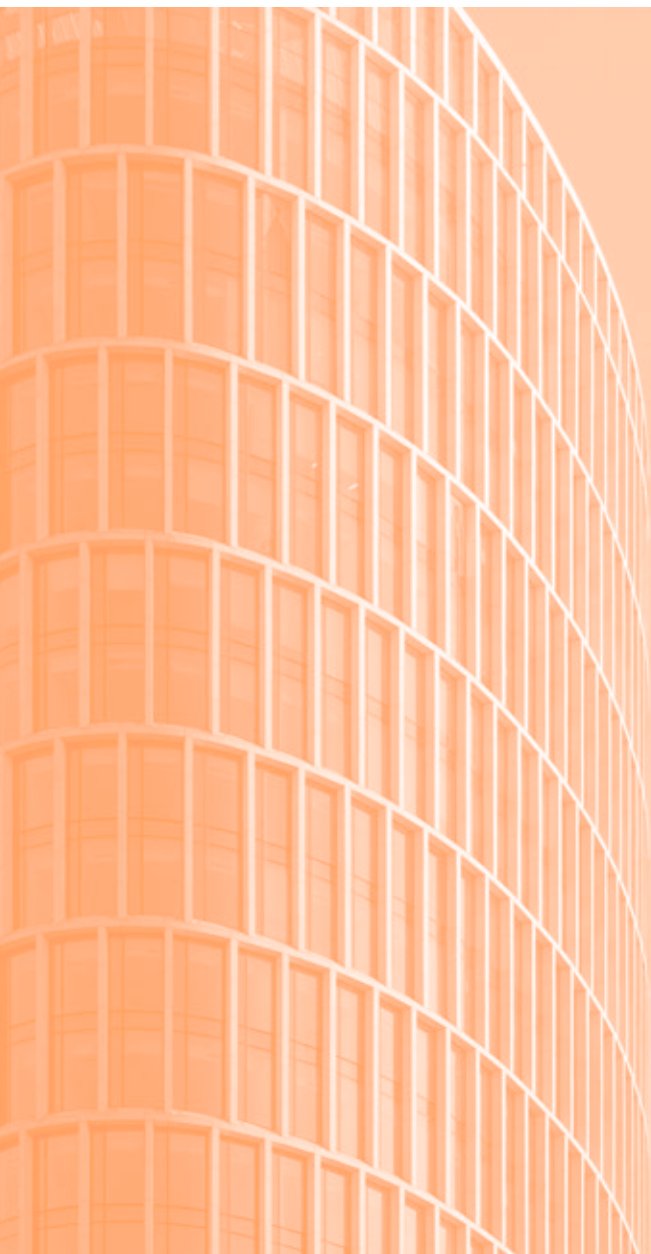
This results announcement is published on the websites of the Bank (www.hrbb.com.cn) and HKExnews (www.hkexnews.hk). The printed version of the 2015 Annual Report of the Bank will be dispatched to the holders of H shares of the Bank and available for viewing on the above websites in April 2016.

By order of the Board of Directors
Harbin Bank Co., Ltd.
Guo Zhiwen
Chairman

Harbin, the PRC, 22 March 2016

As at the date of this announcement, the Board of directors of the Bank comprises Guo Zhiwen, Liu Zhuo and Zhang Qiguang, as executive directors; Zhang Taoxuan, Ma Pao-Lin, Qin Hongfu, Cui Luanyi and Chen Danyang, as non-executive directors; Zhang Shengping, He Ping, Du Qingchun, Wan Kam To and Kong Siu Chee, as independent non-executive directors.

* *Harbin Bank Co., Ltd. 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.*



The Company holds the Finance Permit No. B0306H223010001 approved by the China Banking Regulatory Commission and has obtained the Corporate Business License No. 230100100006877 approved by Harbin Administration for Industry and Commerce. The Company is not an authorized institution within the meaning of the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

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Definitions

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

"Company", or "Bank", or "Group"	Harbin Bank Co., Ltd. (哈爾濱銀行股份有限公司), a joint stock company incorporated in the PRC on 25 July 1997 with limited liability in accordance with PRC laws and, unless context indicates otherwise, all of its subsidiaries and branches
"Board" or "Board of Directors"	the board of directors of the Company
"Director(s)"	the director(s) of the Company
"Board of Supervisors"	the board of supervisors of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Chief Financial Officer"	the chief financial officer of the Company
"CBRC"	the China Banking Regulatory Commission
"CSRC"	the China Securities Regulatory Commission
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"H Shares"	ordinary shares of a nominal value of RMB1.00 each in the capital of the Company, which are listed on the Hong Kong Stock Exchange
"Domestic Shares"	ordinary shares of a nominal value of RMB1.00 each issued by the Company in the PRC, which are subscribed for or credited as paid in Renminbi
"Harbin Economic Development"	Harbin Economic Development and Investment Company
"HB Leasing"	Harbin Bank Financial Leasing Co., Ltd.
"Articles of Association"	the articles of association of Harbin Bank Co., Ltd.
"PBOC" or "Central Bank"	the People's Bank of China
"Reporting Period"	the year ended 31 December 2015

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Basic Information

Legal Chinese Name:

哈爾濱銀行股份有限公司 (Abbreviation: 哈爾濱銀行)

English Name:

HARBIN BANK Co., LTD (Abbreviation: HARBIN BANK)

Legal Representative:

GUO Zhiwen

Authorized Representatives for the Hong Kong Stock Exchange:

LIU Zhuo and SUN Feixia

Board Secretary:

SUN Feixia

Joint Company Secretaries:

SUN Feixia and NGAI Wai Fung

Registered Address:

No. 160 Shangzhi Street, Daoli District, Harbin, PRC

Principal Place of Business in Hong Kong:

18/F, Tesbury Centre, 28 Queen's Road East,
Wanchai, Hong Kong

Contact Address:

No. 160 Shangzhi Street, Daoli District, Harbin, PRC

Telephone:

86-451-86779933

Facsimile:

86-451-86779829

Email:

ir@hrbb.com.cn

Website for Publishing this Report:

www.hrbb.com.cn

Place of Listing, Stock Name and Stock Code:

The Stock Exchange of Hong Kong Limited,
HARBIN BANK and 6138

Registration Number of Corporate Business License:

230100100006877

Registration Number of Tax Certificate:

DaoLiGuoShuiZi No. 230102127592111;
HeiDiShuiZi No. 230102127046970

Finance Permit Institution Number:

B0306H223010001

Organization Code:

12759211-1

Date of Initial Registration:

25 July 1997

Initial Registration Authorities:

Administration for Industry and Commerce of Harbin,
Heilongjiang Province, PRC

Legal Adviser as to Laws of China:

Beijing Jun He Law Offices

Legal Adviser as to Laws of Hong Kong, China:

Linklaters

Auditors:

Ernst & Young, Certified Public Accountants in Hong Kong

Hong Kong H Share Registrar and Transfer Office:

Computershare Hong Kong Investor Services Limited

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The Bank, headquartered in Harbin, was granted its finance permit to carry on financial business by the PBOC in February 1997, and obtained its corporate business license on 25 July 1997. At present, the Bank has established 17 branches in Tianjin, Chongqing, Dalian, Shenyang, Chengdu, Harbin, Daqing, etc. and 24 village and township banks in 14 provinces and municipalities, including Beijing, Guangdong, Jiangsu, Jilin and Heilongjiang. The Bank, as a controlling shareholder, has promoted the establishment of HB Leasing and, as a strategic investor, participated in equity investment of Guangdong Huaxing Bank. As at 31 December 2015, the Group had 352 branch outlets with branches and sub-branches across six administrative regions across China.

As at 31 December 2015, the Bank had total assets of RMB444.8513 billion, total loans and advances to customers of RMB148.6748 billion and total customer deposits of RMB306.8177 billion.

The Bank is ranked 209th in the Top 1,000 World Banks in terms of total tier 1 capital in 2015 by the Banker of United Kingdom, thus rising 73 places from the previous ranking, and the 30th among the Chinese banks. According to the "2015 Best City Commercial Bank" in the Stars of China Awards 2015 published by Global Finance, a US-based magazine. In 2015, the Bank is ranked 5th in the local corporate banks group in the "GYROSCOPE evaluation system" on commercial banks' steady development ability issued by the China Banking Association, as the top city commercial bank in northeastern China.

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Major Awards for 2015

List of Major Awards for 2015

No.	Name of Award	Awarding Party	Time of Award
1	2014 Most Influential Regional Bank (2014年度最具影響力地方銀行)	Stock Exchange Executive Council (SEEC) Hexun.com	January 2015
2	2014 Preferred Service Provider for China Small and Medium Enterprises (SMEs) (2014中國中小企業首選服務商)	China International Cooperation Association of SMEs	January 2015
3	2014 Bank with Best Expansion in Trade Finance (2014年度最佳貿易金融成長銀行)	Trade Finance Magazine (《貿易金融》雜誌) and SINOTF.com (中國貿易金融網)	February 2015
4	2014 Excellent Chinese Bond Valuation Member (2014年度優秀中債估值成員)	China Government Securities Depository Trust & Clearing Co. Ltd.	February 2015
5	2014 Best Chinese Microfinance Social Responsibility (2014中國小微金融最具社會責任獎)	China Joint Council of Microcredit (中國小額信貸聯席會)	March 2015
6	2014 Electronic Bank Innovation – Best Electronic Channels Innovation (2014年度電子銀行創新獎最佳電子渠道創新獎)	China Online Banking Promotion Alliance (中國網上銀行促進聯盟)	March 2015
7	2015 Best Commercial Investment Bank (2015年度最佳城商行投行)	Securities Times	April 2015
8	Best Financial Innovation (Regional Financial Institutions)	Chinese Banker	May 2015
9	Best Regional Trade Finance Bank of China in 2015	Asian Banker	May 2015
10	China Financial Industry Best Innovation Award 2015	International Data Corporation (IDC)	July 2015
11	Best SME City Commercial Bank (最佳小企業服務城市商業銀行)	Chinese Banker	September 2015
12	Excellent Microfinance Services Team of National Banking and Financial Institution (全國銀行業金融機構小微企業金融服務優秀團隊)	China Banking Regulatory Commission	October 2015
13	Best City Commercial Bank (最佳城市商業銀行獎)	Global Finance in the US	November 2015
14	2015 First Prize in Provincial Financial Statistics and Survey Business Competition (2015年全省金融統計暨調查統計業務 競賽團體一等獎)	Harbin sub-branch of the People's Bank of China	November 2015
15	2015 Best Overall Online Banking Development of Regional Commercial Banks (2015年區域性商業銀行最佳網上銀行綜合發展獎)	China Financial Certification Authority	December 2015

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Major Subsidiaries

The major subsidiaries of the Company as of 31 December 2015 are as follows:

Company Name	Place of incorporation/ registration and operations Place in the PRC	Nominal value of issued share/ paid-up capital RMB million	Percentage ownership/ voting rights directly owned by the Bank (%)	Amount invested by the Bank RMB million
Bayan Rongxing Village and Township Bank Co., Ltd.	Bayan, Heilongjiang	50	90.00	45
Huining Huishi Village and Township Bank Co., Ltd.	Huining, Gansu	30	100.00	30
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	Huairou, Beijing	200	85.00	207.6
Yushu Rongxing Village and Township Bank Co., Ltd.	Yushu, Jilin	30	100.00	30
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.	Baoan, Shenzhen	200	70.00	140
Yanshou Rongxing Village and Township Bank Co., Ltd.	Yanshou, Heilongjiang	30	100.00	30
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	150	80.00	144.4
Suining Anju Rongxing Village and Township Bank Co., Ltd.	Suining, Sichuan	80	75.00	60
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	50	98.00	49
Baiquan Rongxing Village and Township Bank Co., Ltd.	Baiquan, Heilongjiang	30	100.00	30
Yanshi Rongxing Village and Township Bank Co., Ltd.	Yanshi, Henan	30	100.00	30
Leping Rongxing Village and Township Bank Co., Ltd.	Leping, Jiangxi	30	100.00	30
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	Rudong, Jiangsu	100	80.00	80
Honghu Rongxing Village and Township Bank Co., Ltd.	Honghu, Hubei	30	100.00	30

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Company Name	Place of incorporation/ registration and operations Place in the PRC	Nominal value of issued share/ paid-up capital RMB million	Percentage ownership/ voting rights directly owned by the Bank (%)	Amount invested by the Bank RMB million
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	Zhuzhou, Hunan	50	80.00	40
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	Wulong, Chongqing	50	70.00	35
Xin'an Rongxing Village and Township Bank Co., Ltd.	Xin'an, Henan	30	100.00	30
Anyi Rongxing Village and Township Bank Co., Ltd.	Anyi, Jiangxi	30	100.00	30
Yingcheng Rongxing Village and Township Bank Co., Ltd.	Yingcheng, Hubei	30	100.00	30
Leiyang Rongxing Village and Township Bank Co., Ltd.	Leiyang, Hunan	50	100.00	50
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	Baoting, Hainan	30	96.67	29
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	Shapingba, Chongqing	100	80.00	80
Hejian Ronghui Village and Township Bank Co., Ltd.	Hejian, Hebe	50	100.00	50
Chongqing Youyang Rongxing Village and Township Bank Co., Ltd.	Youyang, Chongqing	60	100.00	60
Harbin Bank Financial Leasing Co., Ltd.	Harbin, Heilongjiang	2,000	80.00	1,600

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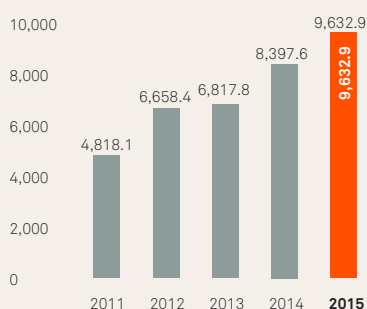
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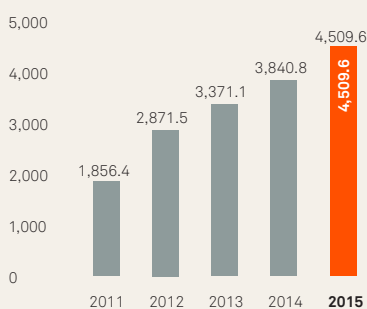
Net interest income

millions of RMB



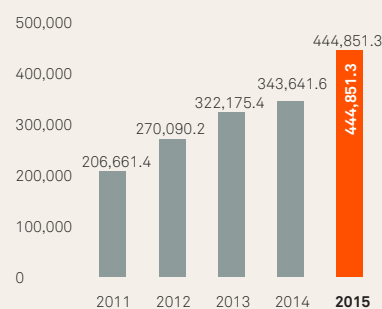
Net profit

millions of RMB



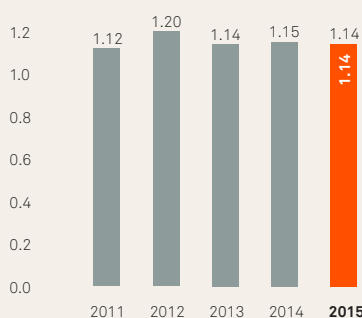
Total assets

millions of RMB



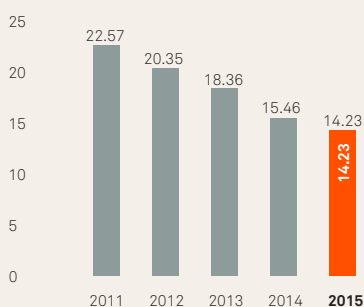
Return on average total assets

%



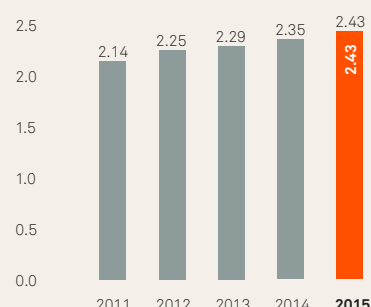
Return on average equity

%



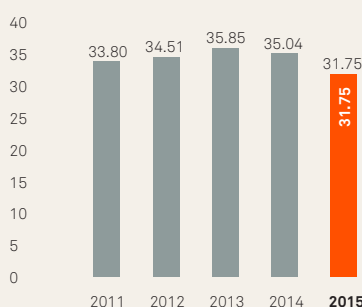
Impairment losses on loans

%



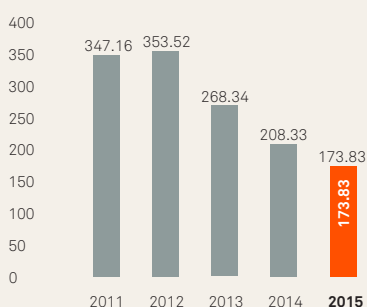
Cost-to-income ratio

%



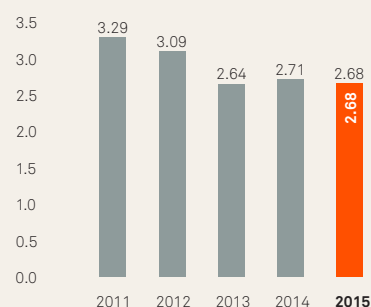
Impairment coverage ratio

%



Net interest margin

%



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The financial information contained herein is prepared under the International Financial Reporting Standards on a consolidated basis. Unless otherwise stated, such information is the data of the Group denominated in RMB.

For the year ended 31 December						
	2015	2014	2015 vs. 2014	2013	2012	2011
(In RMB million, except percentages)						
Results of operations			Rate of change			
Net interest income	9,632.9	8,397.6	14.71%	6,817.8	6,658.4	4,818.1
Net fee and commission income	1,959.4	1,600.3	22.44%	1,247.1	678.7	411.8
Operating income	11,945.4	10,252.8	16.51%	8,543.9	7,711.3	5,414.0
Operating expenses	(4,736.9)	(4,433.3)	6.85%	(3,591.0)	(3,025.5)	(2,082.8)
Impairment losses	(1,338.5)	(709.2)	88.73%	(506.1)	(836.2)	(823.8)
Profit before tax	5,919.0	5,127.5	15.44%	4,450.0	3,859.0	2,507.4
Net profit	4,509.6	3,840.8	17.41%	3,371.1	2,871.5	1,856.4
Net profit attributable to shareholders of the Bank	4,457.6	3,806.6	17.10%	3,350.3	2,864.3	1,854.2
For each share (RMB)			Rate of change			
Net assets per share attributable to shareholders of the Bank	3.01	2.69	11.90%	2.39	2.22	1.84
Earnings per share	0.41	0.37	10.81%	0.41	0.37	0.34
Profitability indicators			Rate of change			
Return on average total assets ⁽¹⁾	1.14%	1.15%	-0.01%	1.14%	1.20%	1.12%
Return on average equity ⁽²⁾	14.23%	15.46%	-1.23%	18.36%	20.35%	22.57%
Net interest spread ⁽³⁾	2.47%	2.49%	-0.02%	2.56%	3.06%	3.27%
Net interest margin ⁽⁴⁾	2.68%	2.71%	-0.03%	2.64%	3.09%	3.29%
Net fee and commission income to operating income ratio	16.40%	15.61%	0.79%	14.60%	8.80%	7.61%
Cost-to-income ratio ⁽⁵⁾	31.75%	35.04%	-3.29%	35.85%	34.51%	33.80%

Summary of Accounting Data and Financial Indicators

	As at 31 December					
	2015	2014	2015 vs. 2014	2013	2012	2011
(In RMB million, except percentages)						
Capital adequacy indicators⁽⁶⁾	Rate of change					
Capital adequacy ratio pursuant to the new Measures						
Core tier 1 capital adequacy ratio	11.14%	13.94%	-2.80%	10.68%	—	—
Tier 1 capital adequacy ratio	11.14%	13.94%	-2.80%	10.68%	—	—
Capital adequacy ratio	11.64%	14.64%	-3.00%	11.95%	—	—
Capital adequacy ratio calculated pursuant to the old Measures						
Core capital adequacy ratio	—	—	—	11.67%	11.94%	11.37%
Capital adequacy ratio	—	—	—	12.55%	12.97%	12.61%
Total equity to total assets	7.61%	8.78%	-1.17%	6.19%	6.27%	5.58%
Assets quality indicators	Rate of change					
NPL ratio ⁽⁷⁾	1.40%	1.13%	0.27%	0.85%	0.64%	0.62%
Impairment coverage ratio ⁽⁸⁾	173.83%	208.33%	-34.50%	268.34%	353.52%	347.16%
Impairment losses on loans ⁽⁹⁾	2.43%	2.35%	0.08%	2.29%	2.25%	2.14%
Other indicators	Rate of change					
Loan-deposit ratio	48.46%	53.37%	-4.91%	47.26%	46.75%	46.92%
Scale indicators	Rate of change					
Total assets	444,851.3	343,641.6	29.45%	322,175.4	270,090.2	206,661.4
Of which: loans and advances to customers, net	148,674.8	123,930.3	19.97%	105,941.3	87,264.4	68,483.8
Total liabilities	411,003.3	313,479.0	31.11%	302,248.2	253,153.2	195,131.0
Of which: due to customers	306,817.7	233,793.8	31.23%	224,229.6	188,099.1	145,962.4
Share capital	10,995.6	10,995.6	—	8,246.9	7,560.2	6,187.8
Equity attributable to shareholders of the Bank	33,099.6	29,530.3	12.09%	19,727.5	16,764.7	11,385.6
Non-controlling interests	748.4	632.3	18.36%	199.7	172.3	144.8
Total equity	33,848.0	30,162.6	12.22%	19,927.2	16,937.0	11,530.4

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Notes:

- (1) The percentage of net profit for a period to the average balance of the total assets at the beginning and the end of the period.
- (2) The percentage of net profit attributable to the equity shareholders of the Bank for a period to the average balance of total equity attributable to equity holders of the parent company at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest bearing liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-bearing assets.
- (5) Calculated with the operating cost after the business tax and surcharges and divided by the operating income.
- (6) Calculated pursuant to the new and old Capital Adequacy Measures, other related regulations of the PRC and PRC GAAP. The new Measures have been adopted for calculation of capital adequacy ratio since 2013, and the old Measures have ceased to be adopted by the Bank for such calculation since 2014.
- (7) Calculated with the total NPLs divided by the total loans to customers.
- (8) Calculated with the allowance for impairment loss divided by the total NPLs.
- (9) Calculated with the allowance for impairment loss on loan divided by the total loans to customers.

Chairman's Statement



Guo Zhiwen
Chairman

In 2015, under the backdrop of in-depth adjustment of global economy and diversification of major economies, China economy increased slowly while economic structural adjustment accelerated and financial disintermediation intensified. Facing increasingly complex economic and financial environment, prudent regulatory policies and intensified market competition, the Board of the Bank, under the great support of shareholders, centering on the work theme of “mobile finance”, continued to maintain strategic composure, actively adapted to environment changes and seized development opportunities, led the entire staff to overcome difficulties, meet challenges and forge ahead with determinations. Great effort was made in improving services level, accelerating business development pace and enhancing the market value of the Bank.

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During the past year, the Bank achieved growth in our operating results against the market trend with increased profitability. In 2015, the Bank recorded net profit of RMB4,500 million, representing a year-on-year increase of 17%. Its controlled companies, branches and strategic business units (“SBUs”) all maintained good development trend, providing multi-point support to the growth of the results of the Bank. HB Leasing recorded net profit of RMB138 million, 24 controlled village and township banks all recorded profits with net profit of RMB301 million, representing a year-on-year increase of more than 20%. The market share of Harbin Branch maintained a leading position and more than 30% profit of the Bank was contributed by branches outside Harbin. There was a sharp increase of the profit contribution made by Wealth Management SBU, Microfinance SBU, Modern Agriculture SBU and Consumer Finance SBU, and Sino-Russia Finance SBU, Housing Credit SBU, and Internet Finance SBU which demonstrated great potential to make profit.

During the past year, the Bank maintained a stable development in various businesses, with organization structure further optimized. As at the end of 2015, the Bank's asset size amounted to more than RMB440,000.0 million, representing a year-on-year increase of around 30%. Assets, liabilities and the intermediary business developed rapidly due to our timely grasp and in-depth exploration of the markets and adaptation to market demand and acceleration in organizational structure transformation of the Bank. In 2015, the Bank continued to promote process optimization, services standardization, branch outlets transformation and operation concentration etc., all of which improved services quality, operating efficiency and human resource effectiveness while reduced operating costs. Meanwhile, during the transformation of organizational structure, the Bank set up four finance headquarters of retail finance, corporate finance, interbank finance and mobile finance, highlighted strategically important businesses, improved their independent operating level and cross-business coordination efficiency and enhanced business innovation capacity with more flexible system and mechanism and new development dynamics.

During the past year, the Bank stuck to microcredit strategy, and further compacted development foundation. Benefiting from adherence to microcredit strategy over years, as at the end of 2015, the Bank's microcredit loans asset size reached RMB100,000.0 million for the first time. Meanwhile, relying on fast growth of the number of microcredit customers, the Bank recorded a number of approximately 5 million new customers out of a total of 10 million customers. There was a clearer trend that the customer structure featured on retail customer, and the business structure featured on microcredit, which provides solid foundation for future development of the Bank.

During the past year, the Bank fully expanded mobile finance while further enhanced technology capability. Focusing on the work theme of “mobile finance”, the Bank continued to promote the mutual coordination of offline traditional channels and online mobile channels while paying more attention to exploring and constructing daily finance consumption scenario for users, and launched a series of credit products with mobile internet characteristics. Through hard work for a year, the number of mobile users of the Bank grew to more than 300,000 from zero, and mobile customer transaction replacement rate reached 23%. The development of mobile finance plays a very important role in improving product sales, driving customer growth, reducing transaction cost and improving transaction efficiency of the Bank. Meanwhile, the Bank continued to enhance information technology construction, thus increasingly enhanced the stability of important information technology system, the security of the system, self-development ability, technology governance ability and staff team building. The penetration, support and leading functions of information technology for business development were more noticeable.

Chairman's Statement

During the past year, the Bank successfully completed the re-election work and further improved its corporate governance. After re-election of the Board of Directors, the Board of Supervisors and senior management, most Directors, Supervisors and senior management members continued to hold office, ensuring the stability and continuity of the development strategy and business management of the Bank. Meanwhile, several newly-elected and newly-appointed Directors, Supervisors and senior management members also received high recognition from the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the staff. The new session of the Board of Directors, the Board of Supervisors and the senior management, with more reasonable age structure, more rational knowledge structure and much stronger market competitiveness awareness, will surely improve the corporate governance of the Bank.

During the past year, the Bank strictly observed the compliance risk bottom line with further improvement in management capability. Under the downward domestic economy and pressures on asset quality of the banking industry, the Bank conscientiously identified and remedied the weak links in risk management, positively carried out various risk stress tests, prepared emergency plans in advance, and adhered to compliance risk bottom line. Meanwhile, with increasingly targeted compliance inspection and audit inspection as well as more stringent punishment for violations, the compliance awareness of the staff was heightened. In 2015, the Bank made important phased results in construction of new Basel Capital Accord project, officially put the retail and non-retail internal assessment model into operation, as well as a series of advanced management measures including data platform, comprehensive budget management, and interest rate liberalization etc., all of which further enhanced the Bank's management capability.

During the past year, the Bank continued to enhance brand construction and further enhanced its position in the industry. In 2015, the Bank completed the submission of the listing materials for listing of A shares, laying solid foundation for listing of "A+H" shares in both Shanghai and Hong Kong. The Bank was ranked 209th in the Top 1000 World Banks in 2015 of *The Banker* of the United Kingdom, rising 73 places from that of 2014. The five milestones of the Bank including its initiative to set up branches outside Harbin, its listing of H Shares, its Sino-Russia finance and its microcredit technology exportation were nominated for "20 Events of China Commercial Banks for 20 Years". Meanwhile, the Bank was also awarded "The Nation-wide Excellent Bank for SME Services in 2015" by the CBRC. In addition, the Bank and Sberbank of Russia together with 35 Sino-Russia financial institutions established Sino-Russia Financial Council, which in turn further improved the market position and industry influence of the Bank.

Looking back over the past year, we achieved good operating results, and most importantly, laid a solid foundation and reserved power for future development. We are fully aware that such hard-fought results cannot be achieved without the support and help from shareholders, customers, regulatory authorities and the public. Therefore, we cherish our achievements very much. In 2016, centering on the work theme of the "Year of Products" with product innovation as the driving power, and the four financial sectors of "retail finance, corporate finance, interbank finance and mobile finance" as the booster, the Bank will persist in implementing microcredit strategy, strive to provide more quality services to customers, cultivate better work environment for staff, and create more value for investors and the society!



Guo Zhiwen
Chairman

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Zhang Qiguang
President

2015 was an extraordinary year for the Bank in our process of reform and development. Confronting the serious challenges from the complex international and domestic economic environment, the Bank vigorously implemented regulatory policies and promoted transformation driven by “mobile finance”. The Bank also further optimized the management mode and organizational structure, systems and mechanisms. As a result, the Bank achieved growth against the market trend with effective risk control and efficient transformation.

In 2015, with full effort in maintaining quality and efficiency, the Bank's performance achieved new heights and major indicators improved in leaps and bounds. By the end of 2015, the Bank's total assets were RMB444.9 billion, representing an increase of 29.5% over the previous year; total customer loans were RMB148.7 billion, an increase of 20.0% over the previous year; and total customer deposits were RMB306.8 billion, representing an increase of 31.2% over the previous year. The total number of customers reached 10.20 million, representing an increase of 53.4% over the previous year. The NPL ratio was 1.40%, while the provision coverage ratio was 173.8%. In 2015, the net profit was RMB4.51 billion, representing a year-on-year increase of 17.4%.

President's Statement

In 2015, the Bank made active moves in promoting mobile finance, thus achieving a major breakthrough in the Bank's development and transformation. Widely utilizing new technologies such as mobile internet and big data, the Bank has launched more than ten innovative internet credit products, such as New Home Loan and White-collar e-Loans, thereby enhancing the market influence and penetration of the Bank's products. The Bank also comprehensively promoted mobile phone banking, WeChat banking, specialized business apps and other mobile channels construction which promoted customers migrating from offline to online banking, thereby forming an online-offline integrated service system. The Bank's self-developed Sino-Russian cross-border e-commerce platform was put into operation with leading transaction success rate in China. Its technological foundation of mobile finance made breakthroughs with significant increase in control over demand, design, R&D, launching, operation and maintenance, which would prove to be a solid technological foundation in the Bank's development of a mobile financial ecosystem in the future.

In 2015, business segments of the Bank experienced profound expansion on the back of innovative achievements becoming further prominent. With regard to corporate finance, the Bank was granted the qualification as a deposit cooperative bank of the National Council for Social Security Fund and a financial cash management and deposit bank of Heilongjiang Province. It also initiated the Sino-Russia Financial Council together with banks in Russia and China including Sberbank of Russia, the largest bank in Russia, and acted as the chairman thereof, signifying that the Bank had become the most influential bank in China with respect to business with Russia. The Bank processed the first Sino-Russia interbank syndicated lending business and RMB cash transmission to Russia and was awarded the Best Regional Trade Finance Bank of China by The Asian Banker. With regard to interbank finance, the Bank successfully issued "agriculture, rural areas and farmers financial bonds" amounting to RMB4.0 billion, made progress in PPP and industry funds projects and became an interest pricing self-disciplined member of the interbank market with negotiable certificates of deposit issued reaching RMB21.5 billion in total. With regard to retail finance, the retail credit business created new competitive edge in the market with the help of mobile finance and automated loan granting. Its New Home Loan, White-collar e-Loans and wealth management became new growth points, with retail assets customers increased by six folds over the previous year. The land-management-right-backed loan products under "Property Loan Pass (地貸通)" and "Just-for-you (乾道嘉) Farmer-assistance e-stations – agency mode" were awarded "Top 10 Financial Product Innovation" and the "Best Financial Innovation" respectively. In regard to mobile finance, the Bank launched a number of B2B e-commodity supply chain products, which enabled the promotion of microcredit to different regions by changing traditional transaction channels into marketing platforms and breaking limits of offline channels.

In 2015, the Bank accelerated our progress in management transformation, significantly increasing our business support capabilities. The Bank completed our organizational transformation with the integration of four major financial headquarters, namely the retail finance, corporate finance, interbank finance and mobile finance headquarters, thereby successfully creating a simple, fast and efficient lightweight headquarters. Under the principles of strategic orientation, risk orientation and differentiated appraisal, an appraisal mechanism was established focusing integrated appraisal on branches and the financial headquarters. The Bank also started to implement a talent pioneer development program to effectively identify target talents. The Bank promoted business model transformation and initiated the three major operational transformation projects, namely process optimization, network transformation and centralized operation. A product innovation management mechanism was established to comprehensively enhance the quality and efficiency of the business and product innovation. Four clusters of system, namely liabilities, assets, channels and management analysis, were established and a series of major technological projects such as liberalization of core interest rate were completed which led to rapid improvements in and demonstration of the capability of information technology.

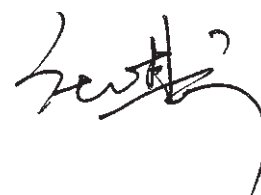
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In 2015, the Bank has comprehensively strengthened our risk control management in compliance with the Hong Kong Listing Rules and regulatory requirements, with our corporate governance continuously improved. New capital accord projects and internal control system projects were basically completed, while the retail and non-retail internal evaluation system and collateral risk valuation system were formally launched. The construction of a unified management and quota system for local and foreign currency regarding market risk, operational risk management system, and quota system in account interest rate risk and liquidity risk were completed. The Bank has also made a major breakthrough in automation of internal control. By promoting centralized management of credit evaluation, risk control was further improved. Optimization of management of credit assets allocation also produced significant enhancement in control over high-risk credit. For the purposes of enhancing security, security-related work began to emphasize the use of information and intelligence, thus embracing the 11th "safe year" consecutively.

These results could not have been achieved without the strong support from our customers, investors and the public, nor without the hard work of all the staff. Here, I extend my most sincere gratitude to them on behalf of our senior management.

2016 marks the beginning of the Bank's new five-year strategic plan for 2016-2020, and the "Year of Products". Guided by our business strategy in microcredit, energized by our product innovation and supported by our four financial headquarters, the Bank aims to comprehensively improve our operation management under the New Normal of the economy. We will try our best to achieve a good start in our new five-year strategic plan while remaining highly accountable to our shareholders, staff and the society, and realizing the constructive interaction between our development and the economy, the society and the environment.



Zhang Qiguang
President

Report of the Board of Directors

I. Past economic and environment and operation overview

(I) Past economic and financial environment

2015 witnessed a weak global economic recovery with a continued divergence in major economies' monetary policies. China's adjustment of its economic structure continued. There was a pressure on downward economic growth with growth basically within a reasonable range. In 2015, the annual gross domestic product (GDP) amounted to RMB67.6708 trillion, up 6.9% year on year, while the consumer price index (CPI) rose by 1.4% year on year. As at the end of December 2015, the balance of M2 amounted to RMB139.23 trillion, up 13.3% year on year end; the balance of M1 amounted to RMB40.1 trillion, up 15.2%, and the balance of M0 amounted to RMB6.32 trillion, up 4.9%. As at the end of December 2015, the balance of RMB loans amounted to RMB93.95 trillion, and the balance of RMB deposits amounted to RMB135.7 trillion. New RMB loans made during the year amounted to RMB11.72 trillion, up RMB1.81 trillion year on year; and new RMB deposits amounted to RMB14.97 trillion, up RMB1.94 trillion year on year. Increment of social financing scale for the year was RMB15.41 trillion.

By taking proactive measures to adapt to the New Normal of the economy, 2015 saw Heilongjiang Province vigorously implementing the "Five Major Plans" development strategy, further promoting the construction of the "Longjiang Silk Road Belt" and accelerating the development of ten key industries. With optimizing economic structure and reform and opening up pushing forward, there was a major breakthrough in infrastructure development and continuous improvement of people's livelihood, resulting in overall stable growth in the provincial economy. The GDP of the province amounted to RMB1.5084 trillion, up 5.7% year on year. Investment in fixed assets, total retail sales of consumer goods and discretionary income of urban and rural population increased by 3.1%, 8.9%, 7% and 6.1% respectively. Meanwhile, as a major agricultural province, Heilongjiang Province accelerated its pace of modern agriculture development, with total grain output reaching 68.479 billion kilograms. Green food certified area was over 70 million acres, and 52 kinds of agricultural products and by-products obtained the geographical indication mark certification of China, upgrading modern agriculture to a new level. Leveraging the strategic plan of "One Belt and One Road", the province accelerated the construction of the Longjiang Terrestrial and Maritime Silk Road of the "China-Mongolia-Russia Economic Corridor". Cooperation with Russia was extended from the adjacent areas to the central part of Russia and Europe. The province strengthened its comprehensive cooperation with Russia, driving the economic and trade cooperation to a higher level, with the province's trade with Russia accounted for 15.9% of the total trade at the national level.

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(II) Operation overview

In 2015, against the backdrop of China's slow domestic economic growth, accelerated market-oriented financial reform and intensified industry competition, the Bank proactively addressed challenges posed by such changes under the proper leadership of the Board and supervision of the Board of Supervisors. The Bank recorded higher profitability against the market trend and fulfilled its established goals by accelerating business transformation, insisting on microcredit development strategy, maintaining sound operations and strengthening risk management.

Steady business development

As at 31 December 2015, the Bank had total assets of RMB444,851.3 million, up RMB101,209.7 million or 29.5% from the end of last year. The Bank's total loans and advances to customers amounted to RMB148,674.8 million, up RMB24,744.5 million or 20.0% from the end of last year. The Bank's deposits from customers amounted to RMB306,817.7 million, up RMB73,023.9 million or 31.2% from the end of last year.

Stable profitability

In 2015, the Bank recorded net profit attributable to shareholders of the Bank of RMB4,457.6 million, up RMB651.0 million or 17.1% year on year, mainly due to increases in net interest income as well as net fee and commission income. In 2015, the Bank recorded net interest income of RMB9,632.9 million, up RMB1,235.3 million or 14.7% year on year, and net fee and commission income of RMB1,959.4 million, up RMB359.1 million or 22.4% year on year. The return on average total assets decreased to 1.14% as compared with 1.15% for 2014. The return on average equity was 14.23%, representing a decrease as compared with 15.46% over 2014.

Slight increase in NPLs

As at 31 December 2015, the Bank had NPLs balance of RMB2,078.7 million, representing an increase of RMB679.0 million from the end of last year. NPL ratio, impairment losses on loans ratio and impairment coverage ratio amounted to 1.40%, 2.43% and 173.83%, increased by 0.27 and 0.08 percentage points and decreased by 34.50 percentage points from the end of last year, respectively.

Stable development of subsidiaries

In 2015, HB Leasing and 24 village and township banks which were under the control of the Bank showed promising momentum with increasing profit contribution to the Group. As at 31 December 2015, HB Leasing had total assets of RMB12,370 million, up 112.69% from the end of last year, and net profit of RMB138 million for the year. All of the 24 village and township banks recorded profit with net profit at RMB301 million, representing growth of more than 20% year on year.

Compliance with applicable laws and regulations

The Bank has been in compliance throughout its operation with applicable laws and regulations, which included the Commercial Bank Law of the People's Republic of China, the Company Law of the People's Republic of China, the Hong Kong Listing Rules and other laws and regulations. During the Reporting Period, there was no material violation by the Bank.

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(III) Analysis on key issues

1. *Net interest margin*

In 2015, net interest spread and net interest margin of the Bank were 2.47% and 2.68%, which decreased by 2 and 3 basis points respectively as compared to last year, mainly for: (1) the decrease in return on loans due to factors such as the successive rate cuts, economic slowdown and declining asset quality; and (2) the faster growth in deposits with higher costs such as structured deposits and amounts due from other financial institutions and the limited decrease in the cost of debt due to competition stemming from the interest rate liberalization and the removal of the deposit interest rate ceiling. Looking forward into 2016, it is expected that the decline of the return on loans will continue and net interest spread and net interest margin will be subject to great pressure under fiercer competition and difficult cost control after the completion of such liberalization. To this end, the Bank will further strengthen its active management of assets and liabilities, credit structure, investment portfolios, risk control and pricing mechanisms in order to maintain its return on assets. In addition, it will be active in coping with challenges posed by such liberalization by strengthening its liquidity management, customer base, debt structure and cost of debt with a view to ensuring stable net interest spread and net interest margin.

2. *Quality of key assets*

As at 31 December 2015, the NPL ratio of the Bank amounted to 1.40%, representing an increase of 0.27 percentage point from the end of last year, with the ratio of loans of special mention and the impairment losses on loans amounted to 2.47% and 2.43%, up 0.86 and 0.08 percentage point as compared to the end of last year. The increase in NPL ratio and ratio of loans of special mention was due to the high NPL ratio of client groups sensitive to capital turnover such as SME and “agriculture, rural areas and farmers” resulting from the slow turnover of capital under flat production and business activities caused by the prevailing downward economic pressure. The Bank had a stable asset quality and a risk level overall under control.

The NPLs of the Bank primarily concentrated in the wholesale and services industry and the manufacturing industry, which amounted to RMB533.6 million and RMB293.5 million with NPL ratio of 1.79% and 2.79%, respectively. Loans to the manufacturing sector faced downward pressure on asset quality due to the economic restructuring in the northeast region. The Bank was active in responding to external macro-economic changes and put in force preventions against risks of industries with over-capacity and high-risk regions. As at 31 December 2015, its loans to the manufacturing sector amounted to RMB10,524.2 million, which decreased by RMB1,058.4 million from the end of last year and accounted for 2.2 percentage points of total loans.

As regards prevention of regional risk, the Bank formulated a differentiated regional credit policy which optimized allocation of portfolios, relevant risk control and restructuring of relevant customer base through higher thresholds and dynamic adjustments to management tools in relation to outstanding credit size and evaluation of asset quality in order to enhance the ability to monitor and raise alert about relevant risks.

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3. *Capital management*

Throughout the Reporting Period, the Bank was striving to fulfil requirements in its plan for capital management by continuously strengthening its relevant fundamental capability, which further enhanced the role of capital in leading and restraining its business development. On the one hand, the Bank, based on its strategic goals and developmental stage for microcredit banking, prioritized microcredit and IT construction in allocating its capital. On the other hand, it placed its capital in areas with a higher output-to-input ratio in accordance with the Measures for Capital Management of Commercial Banks. During the Reporting Period, the Bank met the transitional minimum capital requirement, reserve capital requirement and countercyclical capital buffer of the CBRC.

As at 31 December 2015, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 11.14%, 11.14% and 11.64%, down 2.80%, 2.80% and 3.00%, respectively, as compared to the end of last year, mainly due to the rapid growth in risk-weighted assets and cash dividends. As at the end of the Reporting Period, risk-weighted assets of the Bank amounted to RMB301,091.4 million, up 39.5% from the end of last year, where the high growth rate was mainly due to the rapid expansion of credit assets of the Bank in support of the development of the real economy, which included growth of more than 33% seen in those underlying loans to SMEs as compared to the end of last year. Furthermore, the Bank paid cash dividends of RMB1,132.5 million in 2015, which led to a corresponding decrease in net core tier 1 capital. Looking forward into 2016, the Bank will continue to strengthen its capital management by: (1) staying on the track of its differentiated competition strategy of characteristic development to further enhance internal capital generation; (2) actively responding to current changes in condition and strengthening its active capital management to continuously optimize its business structure and raise awareness of intensive capital use; and (3) establishing multi-layered and multi-channel mechanisms for capital replenishment to ensure regulatory capital requirements to be met.

4. *Investments in receivables*

As at 31 December 2015, total investments in receivables amounted to RMB90,082.9 million, up by 82.9% year on year. Pursuant to the Notice on Regulating Interbank Business of Financial Institutions (Yin Fa [2014] No. 127), the Bank consistently performed rigorous review on risk and compliance with respect to capital use and accurately measured risks and made provision therefor based on the quality more than formality and on the nature of the underlying assets. With reference to requirements on loan provision, it also raised the coverage ratio for investment in receivables in a steady, prudent and dynamic manner based on results of evaluation on both portfolios and individual investments. As at 31 December 2015, impairment losses on investment in receivables and the coverage ratio of the Bank amounted to RMB477.7 million and 0.53%, up RMB377.7 million and 0.33 percentage point from the end of last year respectively.

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5. Deposit Insurance Regulation

After the Regulations on Deposit Insurance took effect on 1 May 2015, the Bank paid RMB22.3 million for its deposit insurance for the period of May to December 2015, which represented merely 0.47% of its operating expenses for 2015 and had insignificant effect on its operating indicators. The taking effect of the regulations not only provided effective protection to the banking system which could facilitate the steady development of the financial market, but also promoted fair competition by enhancing confidence of the public in and the competitiveness of small and medium commercial banks. Accordingly, the Bank will take active responsive action, which includes (1) strengthening the sub-divided and scientific management of the deposit business to reinforce its customer base and improving its deposit structure to steadily increase its retail savings deposits; (2) deepening product innovation and construction of technological infrastructures and enhancing its service capability through brand building to support the sustainable and healthy development of the deposit business; and (3) actively expanding its capital sources and increasing active debt management to optimize its debt structure and control its expenses on deposit insurance premiums.

II. Analysis on income statement

For the year ended 31 December

	2015	2014	Change in amount	Rate of change
(In RMB million, except percentages)				
Interest income	20,642.8	18,596.8	2,046.0	11.0%
Interest expense	(11,009.9)	(10,199.2)	(810.7)	7.9%
Net interest income	9,632.9	8,397.6	1,235.3	14.7%
Fee and commission income	2,134.7	1,775.8	358.9	20.2%
Fee and commission expense	(175.3)	(175.5)	0.2	-0.1%
Net fee and commission income	1,959.4	1,600.3	359.1	22.4%
Net trading income	159.9	181.5	(21.6)	-11.9%
Net gain/loss on financial investments	31.4	(57.0)	88.4	155.1%
Other operating income, net	161.8	130.4	31.4	24.1%
Operating income	11,945.4	10,252.8	1,692.6	16.5%
Operating expenses	(4,736.9)	(4,433.3)	(303.6)	6.8%
Impairment losses:				
Loans and advances to customers	(893.5)	(567.1)	(326.4)	57.6%
Others	(445.0)	(142.1)	(302.9)	213.2%
Operating profit	5,870.0	5,110.3	759.7	14.9%
Share of profits of an associate	49.0	17.2	31.8	184.9%
Profit before tax	5,919.0	5,127.5	791.5	15.4%
Income tax expense	(1,409.4)	(1,286.7)	(122.7)	9.5%
Net profit	4,509.6	3,840.8	668.8	17.4%

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In 2015, the Bank recorded profit before tax of RMB5,919.0 million and net profit of RMB4,509.6 million, representing a year-on-year increase of 15.4% and 17.4%, respectively.

(I) Net interest income, net interest spread and net interest margin

In 2015, the Bank recorded net interest income of RMB9,632.9 million, representing a year-on-year increase of RMB1,235.3 million or 14.7%. The following tables set forth, for the periods indicated, the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities.

	2015			2014		
	Average balance ⁽⁶⁾	Interest income	Average yield	Average balance ⁽⁶⁾	Interest income	Average yield
(In RMB million, except percentages)						
Interest-earning assets						
Loans and advances						
to customers	152,874.4	11,200.1	7.33%	118,792.3	9,432.5	7.94%
Investments in						
debt securities ⁽¹⁾	85,333.0	5,436.5	6.37%	74,333.0	4,628.0	6.23%
Cash and balances						
with the Central Bank	43,563.8	633.5	1.45%	45,224.8	671.0	1.48%
Due from banks and other						
financial institutions ⁽²⁾	69,438.6	2,956.2	4.26%	71,449.5	3,833.9	5.37%
Long-term receivables	7,961.3	416.5	5.23%	547.4	31.4	5.74%
Total interest-earning assets	359,171.1	20,642.8	5.75%	310,347.0	18,596.8	5.99%

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For the year ended 31 December						
2015			2014			
Average Balance ⁽⁶⁾	Interest expense	Average cost	Average Balance ⁽⁶⁾	Interest expense	Average cost	
(In RMB million, except percentages)						
Interest-bearing liabilities						
Due to customers	243,448.1	6,558.0	2.69%	213,194.4	5,678.3	2.66%
Due to banks ⁽³⁾	80,757.2	3,981.3	4.93%	73,681.1	4,305.3	5.84%
Debt securities issued	10,553.9	432.2	4.10%	3,516.4	173.8	4.94%
Due to the Central Bank	1,252.6	38.4	3.07%	1,300.1	41.8	3.22%
Total interest-bearing liabilities	336,011.8	11,009.9	3.28%	291,692.0	10,199.2	3.50%
Net interest income	9,632.9			8,397.6		
Net interest spread⁽⁴⁾			2.47%			
Net interest margin⁽⁵⁾			2.68%			

Notes:

- (1) Include available-for-sale financial assets, held-to-maturity investments and investments in receivables.
- (2) Include due from banks and other financial institutions and financial assets held under reverse repurchase agreements.
- (3) Include due to banks, financial assets sold under reverse repurchase agreements and borrowing from banks and other financial and institutions.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-earning liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average interest earning assets, calculated based on the daily average of the interest-earning assets.
- (6) Calculated as the average of the Bank's daily balances.

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The following table sets out, for the periods indicated, the changes in the Bank's interest income and interest expense attributable to changes in volumes and interest rates. Changes in volumes are measured by changes in the average balances of the Bank's interest-earning assets and interest-bearing liabilities and changes in rates are measured by changes in the average rates of the Bank's interest-earning assets and interest-bearing liabilities. Effects of changes caused by both volumes and rates have been allocated to changes in interest rate.

	For the year ended 31 December		
	2015 vs. 2014		
	Increase/(decrease) due to Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾ (In RMB million)
Interest-earning assets			
Loans to customers	2,700.1	(932.5)	1,767.6
Investments in debt securities	689.1	119.4	808.5
Cash and balances with the Central Bank	(24.4)	(13.1)	(37.5)
Due from banks and other financial institutions	(106.9)	(770.8)	(877.7)
Long-term receivables	425.7	(40.6)	385.1
Change in interest income	3,683.6	(1,637.6)	2,046.0
Interest-bearing liabilities			
Due to customers	806.7	73.0	879.7
Due to banks	410.9	(734.9)	(324.0)
Debt securities issued	347.1	(88.7)	258.4
Due to the Central Bank	(1.5)	(1.9)	(3.4)
Change in interest expense	1,563.2	(752.5)	810.7

Notes:

- (1) Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost for such previous period.
- (2) Represents the average yield/cost ratio for the Reporting Period minus the average yield/cost ratio for the previous period, multiplied by the average balance for the Reporting Period.
- (3) Represents interest income/expense for the Reporting Period minus interest income/expense for the previous period.

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(II) Interest income

In 2015, the Bank's interest income increased by RMB2,046.0 million or 11.0% to RMB20,642.8 million year on year. The Bank's average balance of interest-earning assets increased by 15.73% from RMB310,347.0 million for 2014 to RMB359,171.1 million for 2015 mainly attributable to increases in the Bank's loans and advances to customers and investments in debt securities and long-term receivables. The increase in the Bank's interest income was partially offset by the average yield of the Bank's interest-earning assets decreased from 5.99% for last year to 5.75% for 2015. The decrease in the average yield of the Bank's interest-earning assets was primarily the result of a decline in yield of loans to customers and due from banks and other financial institutions for 2015.

1. Interest income from loans and advances to customers

In 2015, interest income from loans and advances to customers increased by RMB1,767.6 million or 18.7% to RMB11,200.1 million year on year, primarily as a result of a 28.7% increase in the average balance of loans and advances to customers being partially offset by a 0.61% decrease in the average yield, among of which, increase in the average balance of loans and advances to customers was attributable to the Bank's efforts to develop the Bank's microcredit business, and increase in credits granted for better real economy, while the 0.61% decrease in the average yield was primarily due to a lower benchmark lending rate by People's Bank of China as well as the slowdown in economic growth.

The following table sets out, for the periods indicated, the average balance, interest income and average yield for each component of the Bank's loans and advances to customers.

	For the year ended 31 December					
	2015			2014		
	Average Balance	Interest income	Average yield	Average Balance	Interest income	Average yield
(In RMB million, except percentages)						
Corporate loans	96,505.4	7,093.5	7.35%	75,266.1	5,736.2	7.62%
Personal loans	51,211.3	3,856.8	7.53%	41,119.5	3,529.3	8.58%
Discounted bills	5,157.7	249.8	4.84%	2,406.7	167.0	6.94%
Total loans and advances to customers	152,874.4	11,200.1	7.33%	118,792.3	9,432.5	7.94%

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2. *Interest Income from Investments in Debt Securities*

In 2015, interest income from investments in debt securities increased by RMB808.5 million or 17.5% to RMB5,436.5 million year on year, mainly because of a 14.8% increase in the average balance of the Bank's investments in debt securities and a 0.14% increase in the average yield of the Bank's investments in debt securities. The increase in the average balance of the Bank's investments in debt securities was primarily attributable to an expanded and diversified investment portfolio as a result of increased capital sources from customers, while the increase in the average yield of the Bank's investments in debt securities was related to the timely allocation to high-yield financial bonds and quality corporate bonds and the increase in average outstanding investments in receivables with yield higher than other debt securities under the strengthened management of investment portfolios by the Bank.

3. *Interest Income from Balances with the Central Bank*

In 2015, interest income from balances with the Central Bank decreased by RMB37.5 million or 5.6% to RMB633.5 million year on year, primarily attributable to a reduced statutory deposit reserve ratio.

4. *Interest Income from amounts due from Banks and Other Financial Institutions*

In 2015, interest income from amounts due from banks and other financial institutions decreased by RMB877.7 million or 22.9% to RMB2,956.2 million year on year, primarily attributable to a 1.11% decrease in the average yield of the relevant assets and a 2.81% decrease in the average balance. Such decrease was primarily attributable to more capital sources being applied to loans to customers and lesser application of such assets to investments in debt securities, whereas the decrease in the average yield of the relevant assets was attributable to changes in market liquidity and structure of such assets.

5. *Interest Income from long-term receivables*

In 2015, interest income from long-term receivables increased by RMB385.1 million to RMB416.5 million year on year, primarily attributable to the business growth from HB Leasing, a subsidiary of the Bank.

(III) Interest expense

In 2015, the Bank's interest expense increased by RMB810.7 million or 7.9% to RMB11,009.9 million year on year. The increase in interest expense was primarily attributable to a 15.2% increase in the average balance of the interest-bearing liabilities from RMB291,692.0 million for 2014 to RMB336,011.8 million for 2015 resulting from a significant increase in the Bank's customer deposits, while it was partially offset by the average cost rate of interest-bearing liabilities which decreased from 3.50% for 2014 to 3.28% for 2015.

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1. Interest Expense on Due to Customers

In 2015, the Bank's interest expense on due to customers increased by RMB879.7 million or 15.5% to RMB6,558.0 million year on year, primarily attributable to an increase in the average cost ratio of the Bank's due to customers from 2.66% for 2014 to 2.69% for 2015 arising from the promotion of interest rate liberalization and increased market competition and significant growth of customers deposit of RMB30,253.7 million from RMB213,194.4 million for 2014 to RMB243,448.1 million for 2015.

	For the year ended 31 December					
	2015			2014		
	Average Balance	Interest expense	Average cost ratio	Average Balance	Interest expense	Average cost ratio
(In RMB million, except percentages)						
Corporate deposits						
Demand	64,541.3	390.0	0.60%	58,772.6	384.4	0.65%
Time	97,066.6	4,057.7	4.18%	85,594.1	3,592.9	4.20%
Subtotal	161,607.9	4,447.7	2.75%	144,366.7	3,977.3	2.75%
Personal deposits						
Demand	28,039.5	114.1	0.41%	25,476.9	101.7	0.40%
Time	53,800.7	1,996.2	3.71%	43,350.8	1,599.3	3.69%
Subtotal	81,840.2	2,110.3	2.58%	68,827.7	1,701.0	2.47%
Total deposits from customers	243,448.1	6,558.0	2.69%	213,194.4	5,678.3	2.66%

2. Interest Expense on Due to Banks

In 2015, the Bank's interest expense on due to banks decreased by RMB324.0 million or 7.5% to RMB3,981.3 million year on year, primarily attributable to a decrease in the average cost of the underlying liabilities from 5.84% for 2014 to 4.93% for 2015, being offset by a 9.6% increase in the average balance of relevant liabilities from RMB73,681.1 million for 2014 to RMB80,757.2 million for 2015. The drop in the average cost ratio of the underlying liabilities was mainly due to generally sufficient liquidity during the Reporting Period, a downward trend in interest rate, as well as the Bank's efforts to strengthen interbank liabilities and optimize bank liabilities structure, while the average balance of the underlying liabilities increased mainly due to the Bank actively absorbed funds from other banks and broadened its sources of liabilities, taking full account the need to match assets and liabilities.

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3. Interest Expense on Debt Securities Issued

In 2015, the Bank's interest expense on debt securities issued amounted to RMB432.2 million, up RMB258.4 million or 148.7% as compared to last year, mainly attributable to the Bank's newly issued interbank negotiable certificates of deposit.

(IV) Net Interest Spread and Net Interest Margin

The Bank's net interest spread decreased from 2.49% for 2014 to 2.47% for 2015 and the Bank's net interest margin decreased from 2.71% for 2014 to 2.68% for 2015, mainly attributable to the gradually smaller spread between loan and deposit rates in the banking sector resulting from the advance in the marketization of interest rate.

(V) Non-interest income

1. Net fee and commission income

In 2015, the Bank's net fee and commission income increased by RMB359.1 million or 22.4% to RMB1,959.4 million year on year, primarily attributable to an increase in the Bank's advisory and consulting fees, agency and custodian fees and bank card fees as a result of the development of the related businesses.

For the year ended 31 December				
	2015	2014	Change in amount	Rate of change
(In RMB million, except percentages)				
Fee and commission income	2,134.7	1,775.8	358.9	20.2%
Advisory and consultancy fee	842.3	783.1	59.2	7.6%
Settlement fee	115.1	78.1	37.0	47.4%
Agency and custodian fee	941.6	655.0	286.6	43.8%
Of which: non-principal protected wealth management agency fee	496.6	280.7	215.9	76.9%
Bank card fee	166.1	210.0	(43.9)	-20.9%
Others	69.6	49.6	20.0	40.3%
Fee and commission expense	(175.3)	(175.5)	0.2	-0.1%
Net fee and commission income	1,959.4	1,600.3	359.1	22.4%

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In 2015, the Bank's advisory and consultancy fee income reached RMB842.3 million, up RMB59.2 million or 7.6% year on year, mainly attributable to the expansion of the Bank's advisory and consultancy businesses, resulting in an increase in the number of the Bank's customers and a sustained growth in business volume.

The Bank realized an income of RMB115.1 million from settlement fees for 2015, representing an increase of RMB37.0 million or 47.4% year on year.

In 2015, the Bank's agency and custodian fee income was RMB941.6 million, up 43.8% or RMB286.6 million year on year, mainly as a result of the development of the Bank's wealth management business.

In 2015, the Bank earned RMB166.1 million from bank card fee, down 20.9% or RMB43.9 million as compared to last year.

Other charges and commission generated income of RMB69.6 million, up 40.3% or RMB20.0 million as compared to last year. It was associated with foreign exchange business.

2. *Net trading income*

In 2015, the Bank's net trading income decreased by RMB21.6 million or 11.9% to RMB159.9 million year on year, mainly attributable to the change in the conditions of the bond market.

3. *Net gains on financial investments*

In 2015, the Bank's net gains increased by RMB88.4 million or 155.1% to RMB31.4 million year on year, mainly attributable to gain on disposal of available-for-sale financial assets.

4. *Other operating income, net*

In 2015, the Bank's other operating income increased by RMB31.4 million or 24.1% to RMB161.8 million year on year, mainly due to the increase of government grants and subsidies.

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(VI) Operating expenses

In 2015, the Bank's operating expenses increased by RMB303.6 million or 6.8% to RMB4,736.9 million year on year.

For the year ended 31 December				
	2015	2014	Change in amount	Rate of change
(In RMB million, except percentages)				
Staff costs	1,924.1	1,822.6	101.5	5.6%
Business tax and surcharges	943.7	840.3	103.4	12.3%
Depreciation and amortization	436.7	328.2	108.5	33.1%
Others	1,432.4	1,442.2	(9.8)	-0.7%
Total operating expenses	4,736.9	4,433.3	303.6	6.8%

Staff costs are the largest component of the Bank's operating expenses, representing 40.6% and 41.1% of the Bank's total operating expenses for 2015 and 2014, respectively.

The following table shows the major components of staff costs for the periods indicated.

For the year ended 31 December				
	2015	2014	Change in amount	Rate of change
(In RMB million, except percentages)				
Staff costs				
Salaries, bonuses and allowances	1,499.1	1,444.8	54.3	3.8%
Social insurance	191.2	176.9	14.3	8.1%
Housing fund	85.9	76.4	9.5	12.4%
Staff benefits	125.7	103.4	22.3	21.6%
Labor's union expenditure and education costs	14.6	16.3	(1.7)	-10.4%
Early retirement benefits	7.6	4.8	2.8	58.3%
Total	1,924.1	1,822.6	101.5	5.6%

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In 2015, the staff costs of the Bank were RMB1,924.1 million, up 5.6% or RMB101.5 million year on year, primarily attributable to more branches being established by the Bank, an increase in wages and benefits, the improved remuneration structure, and the enhanced performance and results linked appraisal.

In 2015, the Bank had to pay business tax and surcharges of RMB943.7 million, up 12.3% or RMB103.4 million year on year, primarily attributable to the increase in interest income as well as income from fee and commission.

In 2015, depreciation and amortization were RMB436.7 million, up 33.1% or RMB108.5 million year on year, primarily as a result of an expansion of the distribution network and an increase in the operating offices related cost.

In 2015, the Bank's other operating expenses were RMB1,432.4 million, down 0.7% or RMB9.8 million year on year, primarily attributable to better cost control and expenses management.

(VII) Impairment losses

In 2015, the Bank's impairment losses increased by RMB629.3 million or 88.8% to RMB1,338.5 million year on year, primarily attributable to impairment provision for assets on prudent and dynamic basis given the comprehensive consideration as to the uncertainties in economic environment, and pursuant to the relevant requirements of the regulatory authorities.

For the year ended 31 December				
	2015	2014	Change in amount	Rate of change
(In RMB million, except percentages)				
Loans and advances to customers	893.5	567.1	326.4	57.6%
Others	445.0	142.1	302.9	213.2%
Total impairment losses	1,338.5	709.2	629.3	88.8%

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(VIII) Income Tax Expenses

In 2015, the Bank's income tax increased by RMB122.7 million or 9.5% to RMB1,409.4 million year on year, which was generally consistent with the increase in the Bank's operating profit.

For the year ended 31 December				
	2015	2014	Change in amount	Rate of change
(In RMB million, except percentages)				
Current income tax expenses	1,659.8	1,474.5	185.3	12.6%
Deferred income tax expenses	(250.4)	(187.8)	(62.6)	33.3%
Effective income tax expenses	1,409.4	1,286.7	122.7	9.5%

III. Analysis of key items of financial position**(I) Assets**

As at 31 December 2015, the Bank's total assets increased by RMB101,209.7 million or 29.5% to RMB444,851.3 million from the end of last year. The increase was mainly attributable to the increase in the Bank's loans and advances to customers and investment securities and other financial assets.

As at 31 December				
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Loans and advances to customers, gross	148,674.8	33.4%	123,930.3	36.1%
Allowance for impairment losses	(3,613.3)	-0.8%	(2,916.0)	-0.8%
Loans and advances to customers, net	145,061.5	32.6%	121,014.3	35.3%
Investment securities and other financial assets, net	138,980.5	31.2%	86,647.5	25.2%
Cash and balances with the Central Bank	54,566.1	12.3%	53,871.0	15.7%
Due from banks and other financial institutions	30,035.1	6.8%	28,207.2	8.2%
Reverse repurchase agreements	51,027.9	11.5%	37,267.5	10.8%
Other assets	25,180.2	5.6%	16,634.1	4.8%
Total assets	444,851.3	100.0%	343,641.6	100.0%

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1. Loans and advances to customers

As at 31 December 2015, the Bank's total loans and advances to customers increased by RMB24,744.5 million to RMB148,674.8 million, representing an increase of 20.0% as compared to the end of last year.

The following table sets out, as of the dates indicated, a breakdown of the Bank's loans by business lines.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate loans	86,649.6	58.3%	79,898.5	64.5%
Personal loans	61,596.4	41.4%	43,227.7	34.9%
Discounted bills	428.8	0.3%	804.1	0.6%
Total loans and advances to customers	148,674.8	100.0%	123,930.3	100.0%

(1) Corporate loans

As at 31 December 2015, the Bank's corporate loans increased by RMB6,751.1 million to RMB86,649.6 million, representing an increase of 8.4% as compared to the end of last year, mainly due to an increase in the Bank's corporate loans (in particular, loans to Small Enterprises) to respond to the PRC government's policies on promoting the development of SMEs.

The following table sets out a breakdown of the Bank's corporate loans by customer type as of the dates indicated.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to Small Enterprises ⁽¹⁾	50,297.7	58.0%	37,609.2	47.1%
Other corporate loans excluding loans to Small Enterprises	36,351.9	42.0%	42,289.3	52.9%
Total corporate loans	86,649.6	100.0%	79,898.5	100.0%

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Note:

- (1) Loans to Small Enterprises include corporate loans to small enterprises and micro enterprises as defined in the SME Classification Standards. According to the SME Classification Standards, there are different classification standards for different industries. For example, industrial enterprises having more than 20 but less than 1,000 employees and generating more than RMB3 million in operating income in a year are classified as small enterprises, while enterprises having more than five but less than 200 employees and generating more than RMB10 million in operating income in a year in the wholesale industry are also classified as small enterprises. For example, industrial enterprises having less than 20 employees or generating less than RMB3 million in operating income in a year are classified as micro enterprises, while enterprises having less than five employees or generating less than RMB10 million in operating income in a year in the wholesale industry are also classified as micro enterprises.

As at 31 December 2015, the Bank's loans to Small Enterprises increased by RMB12,688.5 million to RMB50,297.7 million, representing an increase of 33.7% as compared to the end of last year. The increase in the Bank's loans to Small Enterprises was primarily due to the Bank's proactive development of microcredit business to respond to the national policy on promoting the development of SMEs. As at 31 December 2015 and 31 December 2014, the Bank's loans to Small Enterprises accounted for 58.0% and 47.1%, of the Bank's total corporate loans respectively.

(2) *Personal loans*

As at 31 December 2015, the Bank's personal loans increased by RMB18,368.7 million to RMB61,596.4 million, representing an increase of 42.5% as compared to the end of last year. This increase was mainly attributable to the Bank's continued development of personal loans as a response to the PRC government's policies to support financial institutions in developing financial services for SMEs and rural areas. The Bank's personal loans (including loans to small enterprise owners, personal consumption loans and loans to farmers) are an important component of the Bank's microcredit business, which increased accordingly under the Bank's strategy of focusing on the development of the Bank's microcredit business.

The following table sets out a breakdown of the Bank's personal loans by product type as of the dates indicated.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Loans to Small Enterprise Owners	17,558.4	28.5%	15,938.1	36.9%
Personal consumption loans	34,320.4	55.7%	17,819.6	41.2%
Loans to farmers	9,717.6	15.8%	9,470.0	21.9%
Total personal loans	61,596.4	100.0%	43,227.7	100.0%

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As at 31 December 2015, loans to small enterprise owners, personal consumption loans and loans to farmers increased as compared to the end of last year, representing an increase of 10.2%, 92.6% and 2.6%, respectively.

2. *Investment securities and other financial assets*

As at 31 December 2015, the total of the Bank's investment securities and other financial assets increased by RMB52,710.6 million to RMB139,458.1 million, representing an increase of 60.8% as compared to the end of last year. The increase in such assets for 2015 was mainly due to the Bank's efforts to increase various types of investments, and continue the expansion of the Bank's capital operating channels, in order to improve the efficiency of the Bank's use of funds.

The following table sets out the components of the Bank's investment securities and other financial assets as of the dates indicated.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Investments in receivables	90,082.9	64.6%	49,244.6	56.8%
Held-to-maturity investments	25,244.1	18.1%	19,655.7	22.7%
Available-for-sale financial assets	21,291.1	15.3%	15,934.6	18.3%
Financial assets held for trading	2,840.0	2.0%	1,912.6	2.2%
Total investment securities and other financial assets	139,458.1	100.0%	86,747.5	100.0%

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The following table sets out, as of the dates indicated, the distribution of the Bank's investment securities and other financial assets by debt investments and equity investments.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Debt investments:				
Bond investments	39,405.9	28.3%	37,598.7	43.3%
Debt instruments issued by financial institutions ⁽¹⁾	100,027.6	71.7%	49,124.2	56.7%
Subtotal	139,433.5	100.0%	86,722.9	100.0%
Equity investment	24.6	0.0%	24.6	0.0%
Total investment securities and other financial assets	139,458.1	100.0%	86,747.5	100.0%

Note:

(1) Includes funds, capital trust schemes, funds and structured wealth management products.

As at 31 December 2015, the Bank's investment in debt instruments issued by financial institutions increased by RMB50,903.4 million to RMB100,027.6 million, representing an increase of 103.6% as compared to the end of last year. As a percentage of total investment securities and other financial assets, such investments increased from 56.7% as at 31 December 2014 to 71.7% as at 31 December 2015. The increase was mainly due to higher investment by the Bank in equity instruments issued by financial institutions, which had higher returns compared with other investment products.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Government bonds	7,012.1	17.8%	3,356.3	8.9%
Bonds issued by financial institutions	4,933.9	12.5%	1,458.1	3.9%
Corporate bonds	4,548.8	11.5%	8,089.5	21.5%
Bonds issued by policy banks	22,911.1	58.2%	24,694.8	65.7%
Total bond investments	39,405.9	100.0%	37,598.7	100.0%

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3. Other components of The Bank's Assets

Other components of the Bank's assets primarily consist of (i) cash and balances with the Central Bank, (ii) due from banks and other financial institutions and (iii) financial assets held under reverse repurchase agreements.

As at 31 December 2015, the Bank's cash and balances with the Central Bank increased by RMB695.1 million to RMB54,566.1 million, representing an increase of 1.3% as compared to the end of last year.

As at 31 December 2015, the Bank's due from banks and other financial institutions increased by RMB1,827.9 million to RMB30,035.1 million, representing an increase of 6.5% as compared to the end of last year.

As at 31 December 2015, the Bank's financial assets held under reverse repurchase agreements increased by RMB13,760.4 million to RMB51,027.9 million, representing an increase of 36.9% as compared to the end of last year, mainly because the Bank adjusted the weight of such non-credit assets based on the capital and changes in liquidity in the market to ensure both liquidity and capital efficiency.

(II) Liabilities

As at 31 December 2015, the Bank's total liabilities increased by RMB97,524.3 million to RMB411,003.3 million, representing an increase of 31.1% as compared to the end of last year.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Due to customers	306,817.7	74.6%	233,793.8	74.7%
Due to banks ⁽¹⁾	60,166.9	14.6%	61,423.8	19.6%
Repurchase agreements	12,145.0	3.0%	6,002.5	1.9%
Debt securities issued	23,269.9	5.7%	4,498.2	1.4%
Due to the Central Bank	764.3	0.2%	1,716.9	0.5%
Other liabilities ⁽²⁾	7,839.5	1.9%	6,043.8	1.9%
Total liabilities	411,003.3	100.0%	313,479.0	100.0%

Note:

- (1) Due to banks includes borrowing from banks and other financial institutions.
- (2) Other liabilities primarily consist of negative fair value of derivatives, income tax payable and other tax payable, interest payable, items in the process of clearance and settlement as well as staff salary payable.

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1. Due to customers

As at 31 December 2015, the Bank's due to customers increased by RMB73,023.9 million to RMB306,817.7 million, representing an increase of 31.2% as compared to the end of last year. This increase was primarily attributable to the strengthening of pricing management, improvement of services and strengthening of marketing capabilities by the Bank.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Corporate deposits				
Demand deposits	85,924.1	28.0%	77,546.0	33.2%
Time deposits	125,077.1	40.8%	79,663.2	34.1%
Subtotal	211,001.2	68.8%	157,209.2	67.3%
Personal deposits				
Demand deposits	39,089.3	12.7%	29,179.3	12.4%
Time deposits	56,727.2	18.5%	47,405.3	20.3%
Subtotal	95,816.5	31.2%	76,584.6	32.7%
Total due to customers	306,817.7	100.0%	233,793.8	100.0%

2. Due to banks

As at 31 December 2015, the amount due to banks decreased by RMB1,256.9 million to RMB60,166.9 million, representing a decrease of 2.0% as compared to the end of last year. The changes in the Bank's amount due to banks reflected adjustment of the portion of the amount due to banks in the liabilities based on market liquidity and the Bank's capital needs in view of the need to match assets and liabilities.

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3. Repurchase amounts

As at 31 December 2015, the Bank's repurchase amounts were RMB12,145.0 million, representing an increase of RMB6,142.5 million or 102.3% as compared to the end of last year. The changes in the Bank's repurchase amounts reflected increase to the repurchase amounts based on market liquidity and the Bank's capital needs in view of the need to match assets and liabilities to better keep in line with the interbank assets business.

4. Debt securities issued

As at 31 December 2015, the Bank's debt securities issued were RMB23,269.9 million, representing an increase of RMB18,771.7 million or 417.3% as compared to the end of last year, mainly due to negotiable certificates of deposit newly issued by the Bank.

(III) Shareholders' Equity

As at 31 December 2015, the Bank's shareholders' equity increased by RMB3,685.4 million to RMB33,848.0 million, representing an increase of 12.2% as compared to the end of last year. As at 31 December 2015, total equity attributable to shareholders of the parent company increased by RMB3,569.3 million to RMB33,099.6 million, representing an increase of 12.1% as compared to the end of last year. The increase in shareholders' equity was mainly due to an increase of the Bank's net profit.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Share capital	10,995.6	32.5%	10,995.6	36.5%
Reserves	13,920.9	41.1%	13,047.6	43.2%
Retained profit	8,183.1	24.2%	5,487.1	18.2%
Equity attributable to equity holders of the Bank	33,099.6	97.8%	29,530.3	97.9%
Non-controlling interests	748.4	2.2%	632.3	2.1%
Total equity	33,848.0	100.0%	30,162.6	100.0%

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IV. Off-balance Sheet Commitments

The following table sets out the contractual amounts of the Bank's off-balance sheet commitments as of the dates indicated.

	As at 31 December	
	2015	2014
	(In RMB million)	
Credit commitments:		
Bank bills acceptance	49,452.5	37,142.5
Issued letters of guarantee	6,884.4	5,302.5
Issued sight letters of credit	1,275.7	1,231.8
Credit limit of credit card	1,289.1	635.8
Subtotal	58,901.7	44,312.6
Capital expenditure commitments	1,164.5	1,687.1
Operating lease commitments	1,111.0	1,031.5
Treasury bond redemption commitments	2,752.0	2,220.0
Relief obligation under risk cooperative fund	180.0	180.0
Total	64,109.2	49,431.2

In addition, as at 31 December 2015, there was no material litigation in which either the Bank or subsidiaries of the Bank is a defendant. As at the reporting date, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments contracts are disclosed in note "commitments and contingent liabilities" in financial statements.

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V. Analysis on Loan Quality

During the Reporting Period, the Bank closely monitored changes in external environment, strengthened management of the whole process of loan granting, accelerated the credit restructuring, increased the efforts in collection and disposal of NPLs and strengthened performance appraisal on risk management, so that the loan quality was generally kept at a manageable level. However, the Bank faced an upward pressure on NPLs due to changes in the external business environment, economic slowdown and difficulties in operations of SMEs. As at 31 December 2015, the balance of NPLs was RMB2,078.7 million. The NPL ratio amounted to 1.40%, up 0.27% as compared to the end of last year.

(I) Distribution of loans by five-category loan classification

The following table sets out the Bank's loans and advances to customers in each category of the Bank's five-category loan classification as of the dates indicated.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Pass	142,918.6	96.1%	120,540.4	97.3%
Special mention	3,677.5	2.5%	1,990.2	1.6%
Substandard	1,343.8	0.9%	535.2	0.4%
Doubtful	523.8	0.4%	445.4	0.4%
Loss	211.1	0.1%	419.1	0.3%
Total loans to customers	148,674.8	100.0%	123,930.3	100.0%
NPLs and NPL ratio ⁽¹⁾	2,078.7	1.40%	1,399.7	1.13%

Note:

(1) NPL ratio is calculated by dividing NPLs by total loans and advances to customers.

According to the five-category loan classification system, the Bank classified its NPLs into substandard, doubtful and loss categories.

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(II) The distribution of loans and NPLs by business line

The following table sets out the Bank's loans and NPLs by business lines as of the dates indicated.

	As of 31 December					
	2015			2014		
	Loan amount	NPL amount	NPL ratio	Loan amount	NPL amount	NPL ratio
(In RMB million, except percentages)						
Corporate loans						
Loans to small enterprises	50,297.7	661.7	1.32%	37,609.2	448.9	1.19%
Other corporate loans excluding loans to small enterprises	36,351.9	240.5	0.66%	42,289.3	77.5	0.18%
Subtotal	86,649.6	902.2	1.04%	79,898.5	526.4	0.66%
Personal loans						
Loans to small enterprise owners	17,558.4	391.3	2.23%	15,938.1	109.1	0.68%
Personal consumption loans	34,320.4	357.2	1.04%	17,819.6	86.8	0.49%
Loans to farmers	9,717.6	428.0	4.40%	9,470.0	677.4	7.15%
Subtotal	61,596.4	1,176.5	1.91%	43,227.7	873.3	2.02%
Discounted bills	428.8	—	—	804.1	—	—
Total	148,674.8	2,078.7	1.40%	123,930.3	1,399.7	1.13%

In 2015, the Bank actively responded to the national policies by strengthening the adjustment of loans structure and continuing to develop microcredit business (corporate loans to small enterprises and personal loans). At the end of the Reporting Period, the NPL ratio of corporate loans rose by 0.38% to 1.04%, where the increase in SME loans was due to its rapid development. The NPL ratio of personal loans decreased by 0.11% to 1.91% mainly due to the decrease of NPLs to farmers. In 2015, the Bank enhanced its sub-divided risk management by strengthening risk alerts, quota control and client list management of businesses, setting rigorous loan granting thresholds, adding a NPL collection institution, increasing cooperation with external institutions and redoubled collection and disposal of loans overdue, which resulted in relatively stable loan quality.

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(III) The distribution of loans and NPLs classified by industry

The following table sets out the distribution of the Bank's loans and NPLs by industry as of the dates indicated.

	As at 31 December							
	2015				2014			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
(In RMB million, except percentages)								
Agriculture, forestry, husbandry and fishery	3,528.2	2.4%	33.9	0.96%	3,563.6	2.9%	11.0	0.31%
Mining	321.2	0.2%	3.0	0.93%	371.9	0.3%	—	—
Manufacturing	10,524.2	7.1%	293.5	2.79%	11,582.6	9.3%	238.1	2.06%
Production and supply of electricity, gas and water	1,933.7	1.3%	2.2	0.11%	2,125.2	1.7%	—	—
Construction	3,551.4	2.4%	4.0	0.11%	5,895.5	4.8%	14.4	0.24%
Transportation, storage and postal services	3,191.9	2.1%	—	—	2,662.7	2.2%	—	—
Information transmission, computer services and software	708.5	0.5%	0.9	0.13%	584.6	0.5%	0.9	0.15%
Wholesale and services	29,848.6	20.1%	533.6	1.79%	28,378.9	22.9%	255.3	0.90%
Accommodations and Catering	2,587.2	1.7%	1.2	0.05%	2,571.6	2.1%	—	—
Finance	28.0	0.0%	—	—	44.0	0.0%	—	—
Real estate	10,657.6	7.2%	6.0	0.06%	6,853.5	5.5%	2.9	0.04%
Rental and commercial services	13,324.4	9.0%	19.9	0.15%	11,620.4	9.4%	—	—
Scientific research, technical services and geological prospecting	244.7	0.2%	—	—	378.6	0.3%	3.8	1.00%
Water conservation, environment, public utility management and investment	3,447.8	2.3%	—	—	2,068.2	1.7%	—	—
Residential and other services	1,113.6	0.7%	4.0	0.36%	430.0	0.3%	—	—
Education	420.6	0.3%	—	—	405.2	0.3%	—	—
Health, social security and social welfare	1,029.9	0.7%	—	—	235.3	0.2%	—	—
Culture, sports and entertainment	181.1	0.1%	—	—	126.7	0.1%	—	—
Public management and social organization	7.0	—	—	—	—	—	—	—
Total corporate loans	86,649.6	58.3%	902.2	1.04%	79,898.5	64.5%	526.4	0.66%
Total personal loans	61,596.4	41.4%	1,176.5	1.91%	43,227.7	34.9%	873.3	2.02%
Discounted bills	428.8	0.3%	—	—	804.1	0.6%	—	—
Total	148,674.8	100.0%	2,078.7	1.40%	123,930.3	100.0%	1,399.7	1.13%

As at 31 December 2015, the non-performing corporate loans of the Bank concentrated in the wholesale and service industry and the manufacturing industry, with NPL ratio of 1.79% and 2.79%, respectively. The Bank actively restructured the industry portfolio of its loans by withdrawing from reducing loans for high-risk industries such as those with over-capacity so that the ratio of loans for the manufacturing, wholesale and services and construction shrank, and by developing the highly profitable personal loan business which was associated with controllable risks and clients in premium industries supported by national policies. In addition, multi-pronged measures were implemented to put in place rigorous control over existing NPLs.

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(IV) The distribution of loans and NPLs by geographical region

The following table sets out the distribution of the Bank's loans and NPLs by geographical region as of the dates indicated.

	As at 31 December							
	2015				2014			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
(In RMB million, except percentages)								
Heilongjiang region	71,453.0	48.1%	1,294.2	1.81%	61,960.3	50.0%	1,127.2	1.82%
Other Northeast region	24,422.8	16.4%	212.2	0.87%	22,515.2	18.2%	113.2	0.50%
Southwest region	36,468.6	24.5%	382.1	1.05%	27,074.3	21.8%	93.5	0.35%
Northern China	14,154.4	9.5%	139.0	0.98%	10,104.8	8.2%	47.5	0.47%
Other regions	2,176.0	1.5%	51.2	2.35%	2,275.7	1.8%	18.3	0.80%
Total	148,674.8	100.0%	2,078.7	1.40%	123,930.3	100.0%	1,399.7	1.13%

As at 31 December 2015, a majority of the Bank's NPLs was concentrated in the Heilongjiang region, but the total loan and NPL ratio for the region have improved from last year due to the Bank's active restructuring of loans with respect to geographical regions. Furthermore, the Bank strengthened its management of limitations on industry and product for loans in regions, credit facilities to related clients, distant loans, risk mitigation, credit facilities to specific business districts and loans overdue, added regional collection institutions and strengthened appraisal on loan quality in regions for the purpose of preventing an increase in NPLs in regions.

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(V) The distribution of loans and NPLs by collateral

The following table sets out the distribution of the Bank's loans and NPLs by collateral as of the dates indicated.

	As at 31 December							
	2015				2014			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
(In RMB million, except percentages)								
Unsecured loans	15,864.6	10.7%	262.8	1.66%	5,452.1	4.4%	73.3	1.34%
Guaranteed loans	44,328.6	29.8%	714.2	1.61%	46,219.0	37.3%	980.0	2.12%
Collateralized loans	77,030.9	51.8%	1,003.1	1.30%	61,378.4	49.5%	313.9	0.51%
Pledged loans	11,450.7	7.7%	98.6	0.86%	10,880.8	8.8%	32.5	0.30%
Total	148,674.8	100.0%	2,078.7	1.40%	123,930.3	100.0%	1,399.7	1.13%

During the Reporting Period, the Bank made dynamic responses to changes in the economic environment by increasing the ultimate control over risks associated with loans and resources to the secured loan business which resulted in a higher growth rate of secured NPLs. The Bank also launched a collateral risk and valuation system for collateral revaluation and adjustment of relevant risk mitigation strategies, which reinforced the management of collateral and prevented risks of false high valuation thereof and defects in relevant procedures. Moreover, the Bank made active deployment for its retail credit, which resulted in an increase in credit NPLs, while increasing cooperation with third-party institutions such as credit agencies, making due reference to the credit ratings published by the PBOC and carrying out dynamic monitoring of and adjusting its retail internal assessment model to prevent credit risk in a timely and accurate manner. Furthermore, it implemented stronger collection through both internal institutions and judicial proceedings to ensure the effective control of credit risk and the overall stability of loan quality.

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(VI) Concentration of Borrowers

As of 31 December 2015, the Bank was in compliance with the lending limit of 10% of the Bank's net capital to any single borrower. The following table sets out, as at 31 December 2015, the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance, none of which was a NPLs.

		As at 31 December 2015		
Industry		Loan balance	% of Total loans	% of Net capital
(In RMB million, except percentages)				
Borrower A	K- Real estate	1,060.0	0.71%	3.02%
Borrower B	H- Wholesale and services	984.0	0.66%	2.81%
Borrower C	L- Leasing and business services	902.2	0.61%	2.57%
Borrower D	K- Real estate	794.0	0.53%	2.26%
Borrower E	K- Real estate	726.7	0.49%	2.07%
Borrower F	I- Accommodation and catering	610.2	0.41%	1.74%
Borrower G	K- Real estate	600.0	0.40%	1.71%
Borrower H	A- Agriculture, forestry, husbandry and fishery	600.0	0.40%	1.71%
Borrower I	A- Agriculture, forestry, husbandry and fishery	600.0	0.40%	1.71%
Borrower J	F- Transportation, storage and postal services	600.0	0.40%	1.71%
Total		7,477.1	5.03%	21.33%

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(VII) Overdue loans and advances to customers

The following table sets out, as of the dates indicated, the distribution of the Bank's loans and advances to customers by maturity.

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Current loans	143,509.6	96.5%	120,211.3	97.0%
Loans past due: ⁽¹⁾				
For 1 to 90 days	2,999.9	2.0%	2,011.7	1.6%
For 91 days to 1 year	1,443.1	1.0%	877.2	0.7%
For 1 year and above	722.2	0.5%	830.1	0.7%
Subtotal	5,165.2	3.5%	3,719.0	3.0%
Total loans to customers	148,674.8	100.0%	123,930.3	100.0%

As at 31 December 2015, the amount of overdue loans totaled RMB5,165.2 million, up RMB1,446.2 million as compared to the end of last year; the overdue loans accounted for 3.5% of the total loans, up 0.5% as compared to the end of last year. The overdue loans were mainly temporary in nature, primarily due to the slower capital turnover and longer repayment period of certain companies affected by the environment. The Bank has its management over the whole process of loan granting which, according to the stage and risk level exposed to, adopted specific preventive measures to prevent overdue loans from increasing and loan quality from declining.

Note:

- (1) Loans to customers with specific repayment date are classified as overdue when the principal or interest becomes overdue.

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(VIII) Movements of allowance for impairment losses on loans

The Bank adopts individual assessment and collective assessment on impairment loss on loans as of the balance sheet dates. The Bank takes prudence as its principle and makes provision for impairment in the full amount. As at 31 December 2015, impairment losses on loans amounted to RMB3,613.3 million, up RMB697.2 million as compared to the end of last year. The impairment losses on loans ratio was 2.43%, up 0.08 percentage point as compared to the end of last year.

Movements of allowance for impairment losses are as follows:

Items	As at 31 December	
	2015	2014
	(In RMB million)	
Balance at the beginning of the period	2,916.1	2,426.3
Exchange difference	3.2	0.3
Impairment loss:	893.5	567.1
Impairment allowances charged	919.4	571.0
Reversal of impairment allowances	(25.9)	(3.9)
Accreted interest on impaired loans	(46.7)	(45.0)
Write-off	(223.8)	(58.6)
Recoveries of loans and advances previously written off	71.0	26.0
Balance at the end of the period	3,613.3	2,916.1

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VI. Segment Report

(I) Geographical Segment Report

The description of the geographical areas is as follows:

Heilongjiang region:	Head Office, branches in Harbin, Shuangyashan, Jixi, Hegang, Suihua, Daqing, Qitaihe, Mudanjiang, Jiamusi, Qiqihar, Yichun and Nongken, as well as HB Leasing and village and township banks operating within Heilongjiang;
Other northeast region:	Branches in Dalian and Shenyang, as well as village and township banks operating in Northeastern China excluding the ones in Heilongjiang;
Southwest region:	Branches in Chengdu and Chongqing, as well as village and township banks operating mainly in Sichuan and Chongqing and located in Southwest region;
Northern China:	Branches in Tianjin, as well as village and township banks operating mainly in Beijing and Tianjin and located in Northern China;
Other regions:	Village and township banks operating in regions other than those listed above.

The table below sets out certain key financial indicators of each of the Bank's head office and branches in the geographical regions for the periods indicated.

	Mainland China					
	Heilongjiang region	Other northeast region	Southwest region	Northern China	Other regions	Total
						(In RMB million)
For the year ended						
31 December 2015						
Operating income	7,418.9	1,255.2	2,165.3	757.4	348.6	11,945.4
Operating expenses	3,102.5	485.9	712.3	271.6	164.6	4,736.9
Impairment losses	916.4	79.0	305.7	17.9	19.5	1,338.5
Operating profit	3,400.0	690.3	1,147.3	467.9	164.5	5,870.0
As of 31 December 2015						
Segment assets	309,839.8	35,661.6	74,061.0	17,083.5	8,205.4	444,851.3
Segment liabilities	261,945.5	45,388.1	70,451.8	25,983.1	7,234.8	411,003.3

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	Mainland China					
	Heilongjiang region	Other northeast region	Southwest region	Northern China	Other regions	Total

The table below sets out the Bank's operating income by geographical regions and their proportion to the Bank's total operating income for the periods indicated:

	For the year ended 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Heilongjiang region	7,418.9	62.2%	6,161.3	60.1%
Other northeast region	1,255.2	10.5%	1,127.4	11.0%
Southwest region	2,165.3	18.1%	1,851.0	18.1%
Northern China	757.4	6.3%	772.7	7.5%
Other regions	348.6	2.9%	340.4	3.3%
Total operating income	11,945.4	100.0%	10,252.8	100.0%

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(II) Business Segment Report

The table below sets out the Bank's operating income by business segments and their proportion to the Bank's total operating income for periods as indicated:

	For the year ended 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Corporate finance business	4,439.3	37.2%	3,442.5	33.6%
Retail finance business	2,965.7	24.8%	2,425.8	23.7%
Financial institutions business	4,380.0	36.7%	4,257.1	41.5%
Other businesses ⁽¹⁾	160.4	1.3%	127.4	1.2%
Total operating income	11,945.4	100.0%	10,252.8	100.0%

Note:

(1) Include net trading income, net gain or loss on financial investments and other net operating income.

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VII. Analysis on Capital Adequacy Ratio

The Group continued to optimize its business structure and strengthen capital management, and as at 31 December 2015, the capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio were 11.64%, 11.14% and 11.14%, down by 3.00%, 2.80% and 2.80%, respectively, as compared to the end of last year, which were in line with the requirements during the transition period provided in the Regulations Governing Capital of Commercial Banks (Provisional) issued by CBRC. The changes in capital adequacy ratio were mainly due to the increase in risk-weighted assets.

In accordance with Trial Measures for Capital Management of Commercial Banks issued by CBRC, the capital adequacy ratio of the Bank was (in the new measures) calculated as follows:

	As at 31 December	
	2015	2014
	(In RMB million, except percentages)	
Core capital	33,661.3	30,160.0
Core Tier 1 Capital deductibles item:		
Full deductibles items	(133.9)	(78.7)
Net core tier 1 capital	33,527.4	30,081.3
Net other tier 1 capital	0.0	0.0
Net tier 1 capital	33,527.4	30,081.3
Net tier 2 capital	1,534.6	1,516.3
Net capital	35,062.0	31,597.6
Credit risk-weighted assets	278,894.3	195,532.3
Market risk-weighted assets	3,278.7	3,990.1
Operational risk-weighted assets	18,918.4	16,301.5
Total risk-weighted assets	301,091.4	215,823.9
Core tier 1 capital adequacy ratio	11.14%	13.94%
Tier 1 capital adequacy ratio	11.14%	13.94%
Capital adequacy ratio	11.64%	14.64%

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VIII. Business Operation

The principal businesses of the Bank comprise the provision of deposit services, loan services and payment and settlement services, as well as other approved businesses.

(I) Corporate Finance Business

Facing the challenges and opportunities under the New Normal of the economy, the Bank's corporate finance business focused on customer base building and strategic transformation business; by making breakthrough in enhancing assets and liabilities management and operation capability and working on the "comprehensive corporate finance customer ecosystem" (大公金生態客戶圈) as the basis, the Bank continued to strengthen its five professional core competencies, namely customer segmentation management, customized integrated services, product system innovation, targeted marketing positioning, and centralized risk management. Under the organizational structure of our corporate finance headquarters, the Bank's corporate finance business has formed a focused business system based on livelihood project financing, loans to small enterprises, Russian cross-border financing and agro-based industry chain finance and by building up advantage of competitive differentiation, the Bank will strive to formulate a development pattern of "small assets, low cost, fluent liquidity, high yield" for its corporate finance business.

In 2015, the Bank continuously improved its pricing mechanism and system construction and enhanced its risk pricing capability to create a new profit model for its corporate finance business. During the Reporting Period, the corporate finance business of the Bank recorded profits before tax of RMB1,918.6 million (accounting for 32.4% of profits before tax of the Bank) and operating income of RMB4,439.3 million (representing an increase of 29.0% as compared with last year and accounting for 37.2% of operating income of the Bank).

Corporate customers

By leveraging on the advantages of the Bank's cross-regional operation and outlet resources, the Bank actively expanded the corporate customer base. As at 31 December 2015, the Bank had 76,776 corporate customers, representing a year-on-year increase of 15.9%, among which 2,494 were customers with existing loans, representing a year-on-year increase of 15.7%.

Regarding customer expansion, by relying on its all-round and multi-level product and service innovations, and by centering around its core customer base and by capitalizing on the strengths and driving role of the core customers, the Bank has established and improved its customer nurturing mechanism and established life-cycle financial services for its customers, nurturing them during their growth path, from small to big and for the large to incubate young ones. At the same time, by effectively targeting customers of high-end regions and business sectors and by pursuing intensive and professionalized developments, the Bank has extended its upstream and downstream supply chain and built up a financial ecosystem encompassing the entire industry chain.

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Corporate deposits

During the Reporting Period, the Bank was granted the qualification as a deposit cooperative bank of the National Council for Social Security Fund and a financial cash management and deposit bank of Heilongjiang Province. In addition, through methods such as “green” deposit marketing and closer interbank cooperation, the Bank effectively boosted the amounts of corporate deposits. As at 31 December 2015, the total corporate deposits of the Bank amounted to RMB211,001.2 million, representing an increase of RMB53,792.0 million or 34.2% from the end of last year. In 2015, the average balance of corporate deposits amounted to RMB161,607.9 million, representing an increase of RMB17,241.2 million or 11.9% compared with last year. Demand deposits accounted for 40.8% of corporate customer deposits of the Bank. According to the Harbin branch of the People’s Bank of China, during the Reporting Period, the balance of corporate deposits of the Harbin branch of the Bank accounted for 15.7% of corporate deposits in the local market, ranking the first in the local market.

Corporate loans

During the Reporting Period, the Bank focused on deepening the cooperation with external organizations and continued strengthening innovation in marketing, product support, service channels and technologies with a view to providing comprehensive services to its high-quality corporate customers. The Bank successfully obtained the qualification as a cooperative bank for the guarantee-assistant fund loan business and developed service products for industrial enterprises receiving the guarantee-assistant loans, therefore enhancing the Bank’s ability in providing services for SMEs. At the same time, the Bank also focused on promoting service products for livelihood project loans, green industry loans and so on, therefore furthering the Bank’s support on livelihood projects. The Bank had launched asset securitization, conducted government bond swap and underwriting, and implemented a corporate loan floating pricing mechanism in view of the interest rate liberalization. As at 31 December 2015, the total corporate loans of the Bank amounted to RMB86,649.6 million, representing an increase of 8.4% from the end of last year and accounting for 58.3% of total loans, where the assets quality of corporate loans was under control in general with the balance of NPLs at RMB902.2 million and the NPL ratio at 1.04%. During the Reporting Period, the Bank constantly optimized the structure of its corporate credit business. In terms of the industries, the corporate loans of the Bank concentrated on the wholesale and service sector and the rental and commercial services sector, which accounted for 20.1% and 9.0% of corporate loans of the Bank, respectively.

Intermediary services

During the Reporting Period, the Bank’s intermediary services for companies followed the guideline of “functionalization of products, modularization of functions, modeling of modules and branding of models” to give prominence to “features of products” for certain industries and “efficiency of services” brought by innovative processes, which generated a diversified yet balanced business development framework with significantly enhanced competitiveness and profitability.

The Bank continued to promote business development in corporate settlement and capital management, billing and payment agency, online banking and corporate settlement card business, aiming to build leading capability in payment, settlement and capital management for corporate customers. It also placed great efforts in promoting businesses such as bills, supply chain finance and cross-border finance, resulting in sharply increased transaction banking capabilities. The Bank, by emphasizing corporate wealth management and financial advisory from a cross-market, multi-channeled and comprehensive perspectives, has won trust of customers. Furthermore, by pushing for optimization of various intermediary business procedures and building up the electronic channels, the Bank has solved various bottle-neck issues and continuously enhanced the customers’ experience.

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(II) Retail Finance Business

The Bank has been upholding the “comprehensive retail finance” business positioning and “customer-oriented” business philosophy by strengthening research and trend analysis in retail business development, focusing on retail business value creation and profit contribution, and enhancing inter-departmental synergy by building up the headquarters retail platform. In 2015, after transforming the organizational structure, the retail finance headquarters, the retail finance headquarters has been established with three management departments, namely Retail Finance Department, Retail Credit Department, and Retail Product Innovation Center, and four SBUs, namely Consumer Finance SBU, Microfinance SBU, Credit Card Center and Housing Credit Banking SBU, which are committed to providing customers with comprehensive and versatile one-stop financial services to enhance customer retention and satisfaction. With the thriving development of internet banking and increasingly fierce market competition, the Bank will strive to achieve breakthroughs in key areas such as marketing, segmentation management, professional capability in wealth management, and retail credit differentiation and cross-selling so as to improve the input-output efficiency, profit contribution and market competitiveness of the retail finance business.

In 2015, the Bank continued to improve its pricing mechanism and system construction of the retail finance business, therefore enhancing the risk pricing capability and creating a new profit model. During the Reporting Period, the retail finance business of the Bank recorded profits before tax of RMB1,460.6 million (accounting for 24.7% of profit before tax of the Bank) and operating income of RMB2,965.7 million, representing a year-on-year increase of 22.3% and accounting for 24.8% of the operating income of the Bank.

Retail customers

By leveraging the advantages of its internet business platform, cross-regional operating layout and outlet resources, the Bank actively expanded its new retail customer groups and continuously enhanced its contribution to customer value in order to further consolidate its retail customer base and achieved rapid growth in the number of customers. As at 31 December 2015, the Bank had over 10.00 million retail customers, up 51% as compared to the end of last year, of which over 2.65 million customers were with existing loans.

Retail deposits

The Bank provides demand and time deposits service to retail customers based on the range between statutory interest rate and the floating interest rate. Such deposits are mostly denominated in RMB with only a small portion being denominated in foreign currencies. As at 31 December 2015, the total retail customer deposits of the Bank amounted to RMB95,816.5 million, representing an increase of RMB19,231.9 million or 25.1% from the end of last year. In 2015, the average balance of retail deposits amounted to RMB81,840.2 million, representing an increase of 18.9% as compared with last year. The number of customers with personal financial assets (in RMB and other currencies) over RMB50,000 amounted to 412,400, up 9.4% as compared with last year. Demand deposits accounted for 40.8% of retail customer deposits. According to the Harbin branch of the People's Bank of China, the balance of RMB retail deposits of the Harbin branch of the Bank ranked second in the local market during the Reporting Period.

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Retail loans

The Bank's retail credit business has always been customer-oriented, focusing on the application of financial scenarios modelling while positioning the business on customer groups such as urban white-collar, working class, individual industrial and commercial operators, small and micro business owners, students, new agricultural business entities and urban consumers in order to fully capture the differentiated demands of retail customers and fully meet the various financing demands of individual consumption and small and micro business customers. In 2015, capitalizing on the opportunities in the rapid development of mobile financing, the Bank has continuously enriched its retail credit product system by launching more than ten customer experience-oriented internet retail credit products, such as, White-collar e-Loans, Harvest e-Loans, Taxation e-Loans and Profit e-Loans. The Bank fully implemented and applied an internal retail evaluation system with the retail credit system evaluated and approved by an independent approver and certain credit business evaluated and approved by an automatic system. The Bank, by strengthening the cooperation with third-party data agencies and credit information platforms, and by integrating retail credit business resources to create a centralized retail credit operating model, has effectively enhanced the risk control capability and further enhanced the efficiency and maturity in response to customers' financial demands. Furthermore, by integrating refined customer management, differentiated marketing strategies, diversified service channels and professional retail teams, the Bank continued to improve the market competitiveness of its retail credit business. As at 31 December 2015, the balance of the Bank's personal loans reached RMB61,596.4 million, accounting for 41.4% of the Bank's total loans to customers, of which, loans to small enterprise owners, personal consumption loans and loans to farmers amounted to RMB17,558.4 million, RMB34,320.4 million and RMB9,717.6 million, respectively, and accounted for 28.5%, 55.7% and 15.8%, respectively, of the Bank's total personal loans.

Bank cards

Under the development principle of observing "Do's and Don'ts and taking the road of characteristics", the Bank's bank card business is directed mainly at the consumption demands of individual customers. According to the Bank's overall development strategy requirements, and during the Reporting Period, the Bank established a credit card center to enhance the competitiveness of the credit cards of the Company in the middle-and-high end market. Meanwhile, the Company continued to improve the quality and efficiency of its bank cards, and further improved its market competitiveness and market share through applying advanced operation equipment, expanding marketing channels, research and development of various bank card products etc., thus laying solid foundations for the healthy and sustainable development of the bank card business. As at 31 December 2015, the number of cards issued by the Bank saw a steady increase. The total number of issued debit cards reached 8,999,000, of which 1,523,300 were newly issued in 2015, up by 20.38% as compared to last year. The total number of issued credit cards reached 176,800, of which 21,700 were newly issued in the year, up by 13.99% as compared to last year. The credit card asset balance amounted to RMB3,108 million, down by 5.0% as compared to last year.

Wealth management

The Bank constantly enhances its wealth management capability to further accelerate the development of the wealth management business. By continuously enriching the wealth management product system and providing professional assets allocation services to customers, it has further improved its pre-sales, sales and after-sales service process of its asset allocation service system. In addition, efficiency of the Bank's account managers has been enhanced through further optimizing and consolidating the Bank's wealth management business platforms and its professional asset allocation systems. In 2015, the Bank recorded total sales of personal wealth management products of RMB125,223.0 million, up by 0.65% on a year-on-year basis; agent insurance premium amounted to RMB303.0 million, up more than 50 times as compared with last year and retail management fee and commission of RMB45.0 million, up by 41.7% as compared with last year.

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(III) Financial Institutions Business

During the Reporting Period, the financial institutions business division took full advantage of the implementation of the guiding policy of “comprehensive asset management” and achieved an increased profit contribution through reasonable coordination of its businesses of notes, bonds, currency, wealth management, foreign exchange and interbank investment and business expansion in areas such as municipal bond investment and private ABS assets subscription. As at 31 December 2015, the Bank recorded investment in municipal bonds of RMB4,095.0 million. During the Reporting Period, the Bank maintained its status as a class 1 trader and a member of financial bond underwriting syndicates for the three major “policy” banks, completed the application to the central treasury for fixed deposit business of commercial banks for 2015-2017, became a self-disciplined member of the interbank market, and obtained the qualification for wholesale certificates of deposit, interbank negotiable certificates of deposit and securitization of credit assets and completed the issuance of “agriculture, rural areas and farmers” financial bonds of RMB4.0 billion, effectively securing low-cost active liabilities. It was awarded by the Securities Times the Highest Growth Investment Bank (最具成長性銀行投行獎) in the Chinese Excellent Investment Banks Awards for 2015 (2015中國區優秀投行評選) for the third consecutive year. In October 2015, the Bank established its Interbank Finance Headquarters, and has established departments for Comprehensive Management Department, Interbank Credit Approval Department, Interbank Finance Department I, Interbank Finance Department II, Asset Escrow Department and the Wealth Management SBU under it.

The Bank has accelerated the pace of integration of the Interbank Financial Headquarters, established a unified management system and recorded rapid growth of the businesses. During the Reporting Period, the interbank finance of the Bank recorded profits before tax of RMB2,448.9 million, representing a year-on-year decrease of 1.3%, and operating income of RMB4,380.0 million, representing a year-on-year increase of 2.9% and accounting for 36.7% of operating income of the Bank.

Money Market Transactions

During the Reporting Period, the Central Bank lowered the interest rate and deposit reserve ratio, continuously leading to a lower interest rate level with the bond market showing signs of a bull market. Under such circumstances, the Bank made adjustments to its pace of investment by timely realizing its profits on gains from premium arising from its existing bond holdings. The Bank also shortened the duration of its new investments to enhance bonds liquidity. Meanwhile, by making reasonable duration arrangements and safeguarding capital while minimizing capital costs, it secured stable increase in income and improved profitability.

As at 31 December 2015, the balance of our due from and placement with banks and other financial institutions and financial assets held under reverse repurchase agreements was RMB81,063.0 million, representing an increase of RMB15,588.3 million or 23.8% over the end of last year. The balance of our due to and placement from banks and financial assets sold under reverse repurchase agreements was RMB72,311.9 million, representing an increase of RMB4,885.6 million or 7.2% from the end of last year.

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Investments in Securities and Other Financial Assets

During the Reporting Period, the Bank seized investment opportunities arising from market trends, made reasonable duration arrangements and increased transaction frequencies, thereby realized stable swing trading income and improved profitability. Furthermore, the Bank obtained the qualification for issuing interbank deposit certificate which serves to diversify the sources of debt and effective adjustment of the Bank's debt structure.

As at 31 December 2015, the Bank's balances of securities investments and other financial assets amounted to RMB139,458.1 million, representing an increase of RMB52,710.6 million or 60.8% as compared to the end of last year. As at 31 December 2015, the total amount of the Bank's bond investments was RMB39,405.9 million, representing an increase of RMB1,807.2 million or 4.8% from the end of last year. As at 31 December 2015, the total amount of the Bank's bond instruments issued by financial institutions was RMB100,027.6 million, representing an increase of RMB50,903.4 million or 103.6% from the end of last year. Moreover, according to China Central Depository & Clearing Co., Ltd., the bonds traded by the Bank in 2015 amounted to RMB1,501.9 billion.

Wealth Management Business

During the Reporting Period, the Bank issued 666 tranches of wealth management products to its customers, and raised total funds of RMB165,841 million. As at 31 December 2015, the balance of wealth management products was RMB83,691 million, representing an increase of 36.96% from the end of last year, of which non-principal protected wealth management products amounted to RMB47,225 million and principal protected wealth management products amounted to RMB36,466 million.

In terms of assets allocation, the Bank controlled the investments in non-standard debt-based assets strictly in compliance with relevant regulations of the regulators. As at 31 December 2015, the balance of wealth management investments in non-standard debt-based assets amounted to RMB1,860 million, accounting for 2.22% of the balance of the Bank's wealth management products and 0.42% of the Bank's total assets as at the end of 2015, which were in compliance with the regulatory requirements.

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(IV) Mobile finance

In order to fully coordinate the development of mobile finance business, and further enhance the capability of mobile finance business innovation, during the Reporting Period, the Bank established its mobile finance headquarters, under which the Mobile Finance Department and the Internet Finance SBU were established and were responsible for innovation and marketing work of traditional electronic banking channels, mobile business, and emerging finance business. In 2015, the Bank insisted on the dual mobile finance development strategies of “traditional business online + online mobile finance innovation” and by meeting customer experience and customer demands as the starting point, the Bank vigorously promoted innovation in mobile finance business and products while transforming traditional financial products and business through mobile services, thus forming a new format of mutual benefits and development between traditional business and mobile finance. In the future, the Bank will insist on the concurrent development of online mobile phone banking and offline traditional banking, thus realizing two-wheel driven growth and highlighting the functions of mobile finance in the construction of microcredit bank.

Traditional business online

The Bank's mobile payment, mobile credit, mobile office, mobile marketing and other mobile finance business recorded rapid growth during the year. It successively launched mobile phone banking, WeChat banking, mobile OA, mobile card issue, mobile credit, mobile wealth management and other products, which significantly improved the service performance and office efficiency, and effectively changed traditional banking service model. In 2015, the Bank, for the purpose of achieving extreme customer experience in its electronic banking channels, adopted fast iterative way to optimize channel functions. By personal online banking optimization, corporate online banking revision and mobile channel comprehensive promotion, the Bank gradually upgraded its traditional business to be provided online. During the Reporting Period, the Bank obtained the Best Customer Experience and Innovation Award issued by China Internet Banking Union, and 2015 Regional Commercial Bank Best Comprehensive Development of Internet Banking Award by the China Financial Certificate Authority.

To enrich the customer online payment scenarios and optimize the customer mobile payment experience, the Bank actively started cooperation with third-party payment institutions, thus, the Bank's mobile payment businesses including Alipay and Tenpay, recorded fast development, with annual transaction amount breaking RMB10 billion. Meanwhile, the Bank comprehensively promoted the mobile PAD, including 248,300 pre-treatment print vouchers, 7,496 mobile-issued cards, which greatly expanded the Bank's marketing ability for basic customers. The Bank developed E Second Loan (E秒貸), Xi Ha Loan (嘻哈貸), Ji E Loan (極貸), Golden Autumn Loan (金秋貸), Rainbow Loan and other quality online credit products, which now equipped the Bank with 7×24 hours credit business handling ability and fast approval and grant of loans operational capacity. Meanwhile, through various risk control measures such as data analysis model, retail internal assessment system and collateral valuation, they served to effectively control business risk. In addition, through creating mobile OA office system, the Bank gradually realized a paperless, automatic and mobile office, thus improving its operation and management efficiency.

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Internet finance business

During the Reporting Period, the Bank made good use of the advancement and achievements of internet technologies to pursue ultimate customer experience and quality credit products in order to support customer groups such as corporate owners, wage earners, students and farmers with credit facilities based on its mobile internet platforms, which achieved successful transformation from the traditional credit businesses to internet finance. As at 31 December 2015, the number of new loan customers of online businesses developed by the Internet Finance SBU amounted to 502,000, with RMB5,699 million loans granted in aggregate and a balance of loans of RMB3,632 million and a daily balance of over RMB1.0 billion; with annualized loan interest rate of over 10% in average, and the interest income derived from such loans amounted to RMB106 million.

The Bank has established cooperative relations with a number of third-party payment processors with massive user traffic to expand its customer usage. In addition to the broad cooperation with third-party payment processors, the Bank started to work with internet service providers and e-commerce platforms in product design, system integration and online operation so that it could carry out marketing towards a large scale of online users in a short time. In adapting to the continuous development of its products, the Bank established a further improved risk control system with risk evaluation models and anti-fraud models based on big data resources, and further optimized model strategies.

(V) Key featured businesses

1. Microcredit business

In 2015, the Bank continued to advance its microcredit strategy by focusing on technology innovation and R&D. Focusing on the theme of "Mobile Finance Year", the Bank insisted on exploration and bold innovation in the area of microcredit from a global perspective to facilitate the development of its specialized operating departments including the Microfinance SBU and the Consumer Finance SBU. As at 31 December 2015, the balance of the Bank's microcredit loans reached RMB111,894.1 million, representing an increase of 38.4% from the end of last year and accounting for 75.3% of the Bank's total loans to customers. The interest income from the Bank's microcredit business was RMB7,728.1 million for 2015, accounting for 69.0% of the total interest income from loans to customers.

The following table sets out the distribution of the microcredit loans by product type as of the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Corporate loans to small enterprises	50,297.7	45.0%	37,609.2	46.5%
Personal loans	61,596.4	55.0%	43,227.7	53.5%
Total amount of microcredit loans	111,894.1	100.0%	80,836.9	100.0%

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Small enterprise finance business

In 2015, the Bank's small enterprise financial business focused on four major aspects, namely "strengthening marketing to maintain growth", "optimizing processes to enhance efficiency", "innovating to inspire business transformation", and "stringent risk control to reduce NPLs", thereby steadily pushing the Bank's strategic plan forward. The Bank actively created mobile modes in small enterprise financial services through online loan application platforms such as online banking, mobile phone banking, and WeChat client application in order to expand the acquisition channels, optimize loan application process and improve customer experience. In addition, closely following the economic trend and the New Normal of the economy, the Bank established a long-term risk monitoring mechanism to safeguard the asset quality. During the Reporting Period, by actively adjusting its credit structure, improving its loan approval mechanism, enhancing the post-loan management, strengthening the overdue loans risk monitoring and other measures, the Bank maintained the quality of small enterprise business loans at an excellent level. As at 31 December 2015, the Bank's balance of corporate loans to small enterprises amounted to RMB50,297.7 million, representing an increase of 33.7% over the end of last year; the balance of NPLs for corporate loans to small enterprises amounted to RMB661.7 million, and the NPL ratio was 1.32%.

During the Reporting Period, due to the Bank's outstanding performance in small enterprise financial services, the Bank won the title of "2015 National Banking Institution Small & Micro Enterprise Financial Services Outstanding Team" awarded by the China Banking Regulatory Commission, becoming the only financial institution in Heilongjiang Province to win such award.

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Consumer finance

Consistently setting consumer finance as a key development direction of its Retail Finance Headquarters, the Bank has established the Consumer Finance SBU under the Bank's retail finance head office to carry out consumer finance R&D and product design and expansion and development of marketing channels across the country to provide consumer finance services to the general individual customers. The Bank's consumer finance business targets groups of customers whose income is at or below average such as novice employees, migrant workers and young white collars who have stable income and repayment ability but could not benefit from the traditional banking services. By embedding the consumer loan products into the customers' daily life scenarios, the Bank's consumer loan products provided personalized consumer satisfaction while at the same time, nurtured their consumption habits. Meanwhile, the Bank has strengthened its centralized management through innovative business models and enhanced loan granting efficiency and relevant risk prevention through big data technologies and automated granting models.

As at 31 December 2015, the Bank had launched consumer finance in several cities over China with personal consumption loans amounted to RMB34,320.4 million, representing an increase of 92.6% from the end of last year. The Consumer Finance SBU granted personal consumption loans of RMB9,057.0 million, with a balance of RMB6,712.0 million, representing an increase of more than RMB6,600 million from the end of the year, serving over 2.60 million customers cumulatively.

Microfinance

In 2015, the Bank further enhanced its model of "Credit Factory" by establishing and applying standardized microfinance model evaluation systems and multi-point risk prevention systems. It pulled together dedicated teams in Harbin, Dalian, Shenyang, Tianjin, Chongqing and other regions to serve the self-employed and quality wage earners with stable occupation and income and good personal creditworthiness. The Bank also enhanced the relevant product system to fully cover the microfinance needs of target groups relating to their operations and large consumptions by launching the Zhangshang Business Card (掌尚生意卡) products with online loan application and repayment, which set the framework for online and offline microfinance product structure. As at 31 December 2015, the Bank's loans to small enterprise owners amounted to RMB17,558.4 million, representing an increase of 10.2% from the end of last year. The balance of loans from the Microfinance SBU alone accounted for RMB858.0 million, representing close to seven-fold increase from the end of last year, serving 5,628 customers, representing an increase of 15 times from the end of last year. The business had an average loan pricing of 16.31%.

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Housing loans

During the Reporting Period, the Bank analyzed the big data by internet technology and through market segmentation and specific customer positioning, the Bank strived to turn the real estate of a customer into its “mobile telling machine”, thus satisfying the customer’s real estate-related financial demand for large consumption and wealth management, and turning the Bank to be a PRC leading integrated real estate-related financial service provider. For product innovation, the Bank achieved accurate marketing under the approach of obtaining customers in batches by means of mobile APP and WeChat subscription. The Bank also researched and developed online housing loan products to satisfy the customized demand of the customers in the short, medium and long terms, with a view to effectively shortening the processing service time by providing a standardized and flow-like “one-stop” operation process and a multi-dimensioned anti-fraud system, thereby significantly improving customers’ experience. As of 31 December 2015, the Bank’s personal housing loans amounted to RMB7,043.1 million, representing an increase of 26.33% from the end of last year.

Loans to farmers

For details of the loans to farmers of the Bank, please refer to the section headed “Key Featured Businesses” – “Modern Agriculture Financial Business”.

2. Sino-Russia financial services and cross-border e-commerce payment platform

(1) Sino-Russia financial services

During the Reporting Period, the Bank continued to keep Sino-Russia financial services as its key strategic point by centering on the key work requirements put forward by the PRC and leveraging the operational advantages of the Sino-Russia SBU, and the Bank achieved significant breakthroughs in Sino-Russia financial services in terms of market-making transactions in Ruble, cash exchange, cooperation with banks, cross-border financing, local currency lending, etc. Such services gradually rendered the Bank a leading bank in Sino-Russia financial services.

As of 31 December 2015, the Bank’s financial services provided to Russia generated operating income of RMB226.5 million, representing an increase of 5 times as compared to last year. The operating income of the SBU amounted to RMB130.4 million for the year, an increase of 10 times as compared to last year. The ratio of derivative deposit of Russian corporate customers amounted to 122%, leading to general growth in profitability and consolidated contribution of this segment.

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During the Reporting Period, the Bank, as the Chinese promoter, together with Sberbank of Russia, the largest bank in Russia, initiated the establishment of the Sino-Russia Financial Council, which was an alliance of 35 Russian and Chinese financial institutions and the first platform for the cooperation and interaction among financial institutions of the two countries. As at 31 December 2015, the number of overseas correspondent banks of the Bank reached 520, including 128 correspondent banks in Russia, making the Bank as one of the banks with the largest number of Sino-Russia correspondent banks in China. The first China-Russia RMB syndicated loan was signed with contract value amounted to RMB1.0 billion. As one of the authorized leading banks, the Bank, together with ten international financial institutions, entered into an international syndicated loan agreement with Alfa Bank, the largest private banking corporation in Russia, for a loan amount of USD185 million in aggregate, of which the Bank accounted for USD25.00 million and is the only participating bank from China.

During the Reporting Period, the Bank obtained approval to set up the first Ruble cash authentication center in China, maintaining its position as the largest Ruble cash exchange turnover institution in China. The Bank handled Ruble foreign exchange of RUB27,678 million and Ruble cash exchange of RUB2,067 million, and accumulated cross-border transactions in Ruble cash of RUB1,130 million in the year. Furthermore, the Bank commenced RMB cross-border transmitting services to Russia and recorded a turnover of RMB35.00 million for the year, which was the highest in China and a significant contribution towards the internationalization of RMB. Due to the outstanding performance of the Bank in Sino-Russian financial services, the Bank was awarded the Best Regional Trade Finance Bank of China in 2015 by The Asian Banker during the Reporting Period.

(2) *Cross-border E-commerce payment platform*

In 2015, cross-border E-commerce payment and settlement platform ("Platform") self-developed by the Bank was put into operation smoothly. Leveraging the Platform, the Bank provided cross-border payment and settlement services to domestic E-commerce and cross-border payment institutions, including online cross-border payment, cross-border collection, settlement, wealth management and other various financial products and services. The Platform had leading advantages in the industry, and adopted the design idea of "globalization+ regional characteristics", thus realizing integration of global cross-border payment tools and regional mainstream payment tools. As at 31 December 2015, the Platform had access to the two largest cross-border payment service institutions and 18 Russia local mainstream payment methods, achieving global coverage of cross-border E-commerce collection and settlement, and full coverage of Russia region collection and settlement. The Platform directly connected and settled with overseas payment institution system without any intermediate link resulting in payment data handling efficiency up by 20%, fee cost down by 30%, and liquidation cycle squeezed to the date or T+1 day. The payment success rate of the Platform was at the domestic leading level. As of 31 December 2015, the Platform had handled 520,000 cross-border payment transactions with a transaction volume achieving a breakthrough of RMB240 million. In 2015, the Platform was awarded the China Best Medium and Small Bank Selection Services Scientific Enterprise Award by the Modern Bankers and won the title of "Master International Card Strategic Cooperation Partner". The Platform was also listed as Harbin Important Innovation Project and granted with RMB5.00 million special funds as support from the municipal government.

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In the future, the Bank, will accelerate the development of wealth management, trading and financing functions, based on continuous improvement of cross-border payment and settlement, thus striving to build a leading cross-border E-commerce comprehensive financial service platform.

3. *Modern Agriculture Finance Business*

Having tightly focused on the national modern agriculture development strategy and development opportunities afforded by the Heilongjiang “two plains” comprehensive auxiliary reform and development strategy, the Bank, with the objective of promoting agriculture development, explored new financial service model to support modern agriculture development, thus achieving the integrated development of great agriculture and new finance. During the Reporting Period, the Bank, taking the geographical advantage of Heilongjiang as a major grain production area, initiated the grain financial services to implement grain whole industry chain financing services covering breeding, storing, processing and trading, and accelerated product innovation and customer expansion. During the Reporting Period, it invested RMB2,650 million in the grain whole industry chain financing, and successively supported the development of 26 national level or provincial level agriculture leading enterprises. The Bank's modern agriculture services covered Heilongjiang province and penetrated into the three eastern provinces in China and the eastern region in Inner Mongolia. It completed the preliminary strategic layout of the major grain production area in Northeast China. In the future, relying on bank-government, bank-enterprise, and bank-bank cooperation and focusing on grain finance, the modern agriculture industry layout supported by modern husbandry financial services would rapidly take shape. The geographical advantage of the Bank in Northeast China would be increasingly outstanding, and the operating characteristics would be clearer. As at 31 December 2015, the Bank's agriculture loans were RMB33,790.5 million, representing an increase of 6.6% from the end of last year, including loans to farmers of RMB9,717.6 million, representing an increase of 2.6% from the end of last year.

During the Reporting Period, the Bank, taking the opportunity of mobile internet technology development, actively explored new-type agriculture loan business, innovated the launch of “harvest e loan” series online agriculture products, achieved multi-channel self-services application, big data resource client obtaining, remote review and approval and fast automatic loan, and improved customer experience in rural areas. Meanwhile, according to the characteristics of rural clients, it further optimized the rural financial product system, and fully satisfied multi-scenario financing needs of rural customers in production and life consumption. Further, the Bank continued to provide support to intensive management in rural areas and modern agriculture construction in agriculture areas, and actively ran marketing campaigns for the financial market of new-type agriculture operating entities including home farm and agriculture machinery cooperatives with annual accumulated new-type operating loans of RMB7.86 billion. In addition, the Bank continued to enrich rural finance services channels. In April 2015, the Bank successfully launched first domestic agriculture business APP – Xiaoyi mobile phone banking. Leveraging its rich functions, simple operation, convenient processes, and characteristic credit services, Xiaoyi mobile phone banking successfully promoted and expanded new rural financial services channels in the rural area. As at 31 December 2015, Xiaoyi mobile phone banking users amounted to 32,000, and Farmer-assistance e-stations amounted to 1,879, representing an increase of 19% as compared to the corresponding period last year.

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The Bank continued to enhance agriculture business risk management, used technology means to control customer access standard, applied retail internal model to implement loan approval, enriched post-loan management measure, and comprehensively improved agriculture financial risk control ability. Leveraging on continuous innovation in the rural finance areas, the Bank's products "Just-for-you (乾道嘉) farmer-assistance e-stations-agency services mode" and "Property Loan Pass (地貸通)" for land operating right collateral were awarded the 2015 Best Financial Innovation Award and Top 10 Financial Product Innovation (Corporate Sector) by the Chinese Banker, thus further enhancing the reputation of the Bank in the area of rural financing businesses.

(VI) Information on controlling subsidiaries

1. Village and township banks

As at 31 December 2015, the Bank had 24 controlling village and township banks, 36 village and township sub-branches, which were mainly located in the eastern, central and western regions of China. As at 31 December 2015, the total assets of the 24 village and township banks amounted to RMB19,011 million, of which, the total amount of loans amounted to RMB10,021 million, representing a year-on-year increase of 8.7%. The balance of deposit amounted to RMB13,768 million, representing a year-on-year increase of 16.1%. In 2015, net profit amounted to RMB301 million, representing a year-on-year increase of 20.9%.

All village and township banks had thoroughly implemented the overall strategy of the Group. Centering on the "four adherences" i.e. adhering to localization, lower stream expansion, specialized operation and serving the "three rural" and small and micro enterprises, the Bank, through product innovation, building up service culture and innovative business development at different stages of development of the village and township banks with different management evaluation models, has gradually formulated a unique culture, philosophy, management mode and working procedures, which effectively enhanced the core competitiveness and made significant contributions to the overall development of the Bank.

2. HB Leasing

In 2015, HB Leasing thoroughly adhered to the strategic positioning of "giving priority to agriculture, and, by focusing on agriculture machinery, being based on Heilongjiang and geared to China", put further efforts in lease to farmers. It successively forged cooperation with 150 agricultural machinery cooperatives in Heilongjiang province for direct lease of machinery and with a number of leading agricultural companies in China for direct lease and financial lease. Through the outstanding results and performance in this area of the market, it was awarded the "Best Special Agricultural Financial Leasing Company for 2015" (2015年度最佳農業特色金融租賃公司) by CBN (《第一財經》). Furthermore, it proactively developed financial lease in modern transportation and logistics equipment, new energy, new and high-tech equipment and other areas as well as financial market services such as hire assignment and securitization of assets under lease. As of 31 December 2015, total assets of HB Leasing amounted to RMB12,370 million, representing an increase of 112.7%. In 2015, the net profit of HB Leasing amounted to RMB138 million, representing an increase of 321.8% from last year. HB Leasing is in a leading position among peers in China in terms of key performance indicators such as total assets, investments in projects and net profits.

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In the future, HB Leasing will continue to uphold “Inclusive Finance, Harmonious Co-Enrichment” as its operational philosophy and strive to achieve growth by virtue of innovation in products, channels, mechanisms and technologies in order to strengthen its unique lease to farmers and expand business with Russia so as to fulfill reasonable expectations of its customers, shareholders and staff. It will strive to become a reputable and popular first-class financial leasing company in China with outstanding characteristics, scientific governance, meticulous management, state-of-the-art technologies, quality asset and rich returns.

(VII) Distribution Channels

1. *Physical Network*

As at 31 December 2015, the Bank had a total of 352 branch outlets, including 17 branches, 274 sub-branches, 1 branch-level financial service center for small enterprises, and 24 controlling village and township banks and their 36 sub-branches.

2. *Electronic Banking*

The Bank has built up a preliminary electronic service system combining online means such as mobile phone banking, online banking, WeChat banking and phone banking with offline self-service terminals. Electronic modes of business have become the most important business channels of the Bank. As at 31 December 2015, the replacement rate of business transactions through the Bank's electronic banking reached 73%, up 9 percentage points over the end of last year, and that of mobile phone banking reached 24%.

(1) *Self-service banking*

The Bank has provided various convenient services to customers through self-service terminals, including deposit and withdrawal, account inquiry, bill payment, passcode changing and transfer services. It has set promoting self-service terminals as a key measure to improve offline banking, and introduced various self-service terminals with card issuance machines and a new generation of inquiry machines. As at 31 December 2015, the Bank had 904 self-service terminals, representing an increase of 15.9% from the end of last year, including 381 automatic withdrawal machines, 359 ATMs, 160 multi-media inquiry machines and four card issuance machines.

(2) *Online banking*

The Bank has continuously optimized and upgraded its online banking and introduced new functions. As at 31 December 2015, a total of 947,700 customers opened their online banking accounts with the Bank, representing an increase of 61.59% over the same period of last year. Corporate online banking customers amounted to 47,300, representing an increase of 39.94% over the same period of last year. Personal online banking customers amounted to 900,400 in total, representing an increase of 62.91% over the same period of last year.

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(3) *Phone banking*

The Bank provides 24-hour telephone banking services to customers through the unified national customer service hotline 95537. Such services include account inquiries, verbal report of loss, bill payment, transfer, credit card, operator inquiry and outgoing calls. During the Reporting Period, the telephone banking customer service center recorded a total of 2,340,000 business calls.

(4) *Mobile phone banking*

Following closely the developments in mobile phone banking, the Bank released new terminal device featuring fingerprint logon, visual account analysis, intelligent transfer, QR code instant payment and other functions, satisfying customers' diverse demand for mobile services. In 2015, the Bank gained 100,000 new active mobile phone banking users.

(5) *WeChat banking*

The WeChat banking of the Bank has stretched banking services from traditional offline banking channels to finger tips of customers. Featured functions of a WeChat account, such as notification of account changes, palm wealth management, credit card inquiry and loan application and diverse value-added daily-life services such as the coin mall, charging and bill payment services provide users with simple and convenient access to banking services. As at 31 December 2015, WeChat banking had over 300,000 followers, of which 180,000 had linked bank cards, and self-initiated inquiries by users amounted to 43,520,000 times and inquiries prompted by WeChat amounted to over 6,010,000 times in the year. Online wealth management sales amounted to RMB22,990 million and the number of WeChat banking customer accounts broke through 70,000; the highest sales of such products in a single week reached RMB1,190 million, representing 47.48% of the sales of non-guaranteed wealth management products and rendering WeChat banking one of the major channels for the Bank to offer its wealth management products.

(VIII) Information Technology

In 2015, the Bank continued to establish its system of information technological governance by deepening the application of information technology. Such efforts obtained substantial achievements in the building up of major application systems and technological governance and secured further comprehensive and effective IT support to the business development of the Bank.

1. *Smooth operation of major information systems and progress of IT projects*

During the Reporting Period, major information systems of the Bank were under stable operation in general without any material security events. Its application and inquiry-related projects progressed smoothly during the year, where systems including mobile phone banking, WeChat banking, mobile OA, mobile card issuance, mobile credit and mobile wealth management were put into operation, in support of the "Mobile Financial Year", which enhanced the efficiency of services and operations of the Bank.

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2. *Technology governance level continued to improve with regulatory rating reached 2B*

In 2015, the Bank continued to enhance technology governance, which stepped up technology governance to a new stage from the perspective of team building, technology cost control, system establishment, system construction, and outsource management. In 2015, the Bank made new breakthroughs in information technology regulatory rating, reaching the 2B rating, which is the highest level among city commercial banks in China. In 2015, the Bank, with reference to 2013 ISO27001 Information Security Management System Standard, completed its information management system upgrading construction in 8 areas, including information security, risk management, business connectivity, outsource management, research and project management etc.

3. *Proprietary self-control ability enhanced with breakthroughs made in data application*

The Bank further enhanced the technology innovation in software development and operation maintenance, thereby enhancing the proprietary self-control ability of technology system. In 2015, the Bank completed the interest liberalization project, which provides functional support to existing products based on price differentiation upon interest liberalization. Meanwhile, the Bank conducted research in the application of domestic software and open software and their practices, and the theory and practice results of the Bank's proprietary self-control technology system construction have obtained the recognitions by CBRC and the banking industry.

In 2015, the Bank made new breakthroughs in data management and application, by establishing an product appraisal system and data service model at all levels of the Bank. Meanwhile, it continued to carry out data management work and projects for new data platform construction, which served to form data quality rule database.

IX. Risk exposure and management

During 2015, the Bank actively followed the changes in the New Normal of the financial market while adhering to the philosophy of "risk management creating value". It continued to promote the implementation of the new capital accord, and deepened the establishment of the comprehensive risk management and assessment system. Moreover, the Bank has been optimizing its internal rating system, improving data management, thereby significantly enhancing the promptness and sensitivity of risk management works.

The Bank, by fully analyzing macroeconomic trend as well as internal and external risk characteristics and based on the Bank's development strategies, risk management capability, external changes and requirements for value return for shareholders, formulated the 2015 major risk management policies and implemented the dissemination of the overall risk appetite to the lower level.

(I) Credit Risk

Credit risk refers to the Bank's risk of economic losses caused by a debtor or a counter-party failing to fulfill his obligations under the contract or credit quality changes, affecting the value of the financial products. The Bank's credit risks exist mainly in loan portfolios, investment portfolios, guarantees, commitments and other on- and off-balance-sheet exposures. The Bank executes a unified risk appetite in credit risk management and controlled risk within an acceptable level, in order to achieve a higher risk return and realize the identification, measurement, monitoring and control of credit risk.

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During the Reporting Period, the Bank specified and confirmed its credit risk management policy, timely adjusted policy requirements based on external macro policy and economic environment changes, fully considered regional economic characteristics and business development strategies of various branches, attached importance to process limit quota setup, highlighted the negative list of industry, mitigation and products, realized differentiation, and put emphasis on the balance of capital, risk and revenue, aiming at Risk-adjusted return on capital maximization.

During the Reporting Period, the Bank took the opportunity arising from the implementation of the new capital accord, completed the development and application of internal rating system for retail and non-retail operations, and officially put it into operation on 3 July 2015, which currently is in stable operation. In the application of internal assessment results, it realized pre-loan access and credit authorization of non-retail internal rating, single customer limit and post-loan control. Meanwhile, the application of retail internal assessment system effectively supported the development of housing loan business, harvest e loans, white-collar e loans, and salary loans, which in turn effectively supported the establishment of the retail independent approval system. In non-retail and retail measurement tools and structure system, the Bank was basically consistent with leading banks in China.

During the Reporting Period, the Bank completed the development and application of collateral risk valuation system, and embedded 14 types and 21 sub-types valuation model developed and researched by the Bank. Collateral risk valuation system achieved front-end configuration of parameter, model, institution and role, thereby laying solid foundation for enhancing risk sensitiveness of the Bank. Meanwhile, through online and offline model combination, front-end system evaluation, back-end data extraction, sub-branch staff supplementation and various channels, the Bank carried out collateral re-valuation work by relying on collateral valuation system, which ensured the security of the credit assets of the Company.

During the Reporting Period, the Bank built up a risk management system suitable for mobile financial business development. Through cooperation with professional data service providers, it fully used third-party credit data to conduct risk analysis, and established retail rating card and corresponding rules and strategies, enhanced business data risk analysis in daily operation, and immediately adjusted rating weight, rules and strategies, strengthened anti-fraud management work, carried out targeted collection work and maintained a stable asset quality. Meanwhile, the Bank closely monitored the changes of the risk profile of customer loans to practicably enhance the quality of the risk classification throughout the Bank. It also increased collection of non-performing assets. As at 31 December 2015, the Bank collected a total of RMB71 million of the loans written off during previous years, representing an increase of 173.4% as compared to the same period last year.

During the Reporting Period, the Bank optimized and improved its risk monitor and pre-warning system, fully monitored the credit risk status, implemented the risk data market project. Its risk pre-warning system continued to be optimized and updated. The Bank made a great progress in pre-warning rules, connected relationship search and risk information sharing.

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(II) Liquidity Risk

Liquidity risk refers to the risk of failing to acquire sufficient funds at reasonable cost in time in order to pay the due debt, fulfill other payment obligations and meet the capital requirements for normal operation.

The Assets and Liabilities Management Committee of the Bank is responsible for formulating liquidity risk management policies and strategies, and reviewing the major problems arising from liquidity management activities. The Bank has established an overall liquidity risk management system to comprehensively manage liquidity risks. It has also set up a comprehensive liquidity risk limit system, which monitors and controls the execution of limits at a prescribed frequency.

During the Reporting Period, the Bank, by making use of the opportunities arising from the new capital accord standards and in strict compliance with the standards set out in the Basel Accords, fully applied the achievements made by its projects of liquidity risk management. Such application included stronger liquidity risk control at the corporate and group levels and consolidated-statements-based management of liquidity risk, which prevented the spread of such risk within the Group. The Bank adopted liquidity risk stress test by combining maturity gap analysis with cash flow analysis, and established a quick-response liquidity risk emergency system across various departments. Meanwhile, the Bank remained focused on improving its liquidity risk management system by strengthening its governance over organizational structure, relevant mechanisms, regulations, quota control, stress test, contingency plans, risk reporting and internal protocols, compiling relevant risk profiles and policies specific to itself, clarifying relevant management strategies, requirements and standards for control, so as to ensure that its relevant indicators remain in compliance with regulatory requirements and internal management standards and enhance its level of relevant management by avoiding risk events.

The following table sets out the remaining maturities of our financial assets and financial liabilities:

As at 31 December 2015									
	Overdue	Repayable on demand	Within 1 month	1 month to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Indefinite	Total
(In RMB million)									
Total financial assets	4,422.7	31,417.8	40,997.2	48,796.7	125,069.4	96,442.8	53,550.9	34,817.0	435,514.5
Total financial liabilities	–	137,057.7	53,264.1	48,487.9	130,275.4	40,957.2	768.4	–	410,810.7
Net liquidity	4,422.7	(105,639.9)	(12,266.9)	308.8	(5,206.0)	55,485.6	52,782.5	34,817.0	24,703.8

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The following table sets out our liquidity coverage ratio as at the date indicated.

	31 December 2015	31 December 2014
(In RMB million, except percentages)		
Qualified quality liquid assets	67,401.9	62,424.2
Net cash outflow in the following 30 days	50,643.0	54,928.9
Liquidity coverage ratio (%)	133.09%	113.65%

As at 31 December 2015, our liquidity coverage ratio was 133.09%, which satisfies the requirements of liquidity coverage ratio of commercial banks under the latest liquidity risk measures issued by the CBRC.

(III) Market Risk

Market risk refers to the risk of loss in the Bank's on- and off-balance sheet businesses as a result of adverse changes in market prices (interest rates, exchange rates, and stock and commodity prices). The market risks currently faced with the Bank are mainly interest rate risk and exchange rate risk. The Bank's objective of market risk management is to maximize risk-adjusted revenue while limiting the potential losses arising from market risk within a reasonably acceptable level based on the Bank-wide risk appetite.

Interest rate risk refers to the risk of loss in the Bank's on- and off-balance sheet businesses as a result of adverse changes in interest rates. The interest rate risk associated with the Bank's trading accounts exists mainly in the trading businesses, including bond trading and derivative trading. For the management of interest rate risk of trading accounts, the Bank defined the classification standards for trading accounts and bank accounts, reevaluate the market value of assets under the Bank's trading accounts on a daily basis, managed caps according to rating caps, stop-loss limits and risk limits, and monitored by frequency.

The following table sets out the results of our gap analysis as of 31 December 2015, based on the earlier of (i) the next expected re-pricing dates and (ii) the final maturity dates for our financial assets and financial liabilities.

As at 31 December 2015						
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non interest bearing	Total
(In RMB million)						
Total financial assets	211,177.5	136,996.8	59,472.7	17,366.4	8,550.1	433,863.5
Total financial liabilities	235,564.9	127,692.5	39,225.5	475.1	6,201.7	409,159.7
Interest rate sensitivity gap	(24,387.4)	9,304.3	20,247.2	16,891.3	N/A	N/A

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Exchange rate risk refers to the risk of loss in our on- and off-balance sheet businesses as a result of adverse changes in exchange rates. Our exchange rate risk exists mainly in our foreign currency-related trading and non-trading businesses, including foreign currency loans, foreign currency deposits, proprietary foreign exchange trading and foreign exchange settlement on behalf of customers. The Bank sets transaction caps, stop-loss limits and exposure limits to manage exchange rate risk arising from our foreign exchange business. After moving its foreign exchange trading center to Shanghai, the Bank leveraged its regional advantages and capacity of monitoring in real time market changes, and enhanced its profitability in foreign exchange proprietary transactions. Meanwhile, for foreign exchange settlement, the Bank has designated officers responsible for monitoring the foreign exchange market and implemented large position advance reporting system. Large foreign exchange settlement will be settled on a real time basis. This can ensure profits while controlling exchange rate risk effectively.

During the reporting Period, the Bank, while taking into account its historical transactions, the overall financial environment and its risk tolerance, applied the OPICS RISK system to measure risk based on sensitivity analysis, value-at-risk (VaR) analysis and scenario analysis on its monetary transactions to provide a basis for limit-setting models and carry out relevant work in a scientific manner. In addition, the Bank actively commenced work related to stress test for market risk by further improving its stress test solutions, communication of models, stress scenarios and selection of stress indicators to effectively ensure that market risk remained under control. Furthermore, the Bank, in response to the diversification of monetary transactions, developed sensible market risk measuring models and measurement of derivatives and actively explored RAROC estimation of market risk to achieve effective control over market risk combining qualification and quantification techniques.

The following table sets out our financial assets and liabilities by currency as of 31 December 2015.

As of 31 December 2015						
	RMB	USD equivalent to RMB	HKD equivalent to RMB	RUB equivalent to RMB	Other Currencies equivalent to RMB	RMB and equivalent to RMB Total
(In RMB million)						
Total financial assets	429,443.8	3,896.1	18.1	241.6	263.9	433,863.5
Total financial liabilities	406,715.0	2,263.9	41.2	26.5	113.1	409,159.7
Net position of financial assets and liabilities	22,728.8	1,632.2	(23.1)	215.1	150.8	24,703.8
Credit commitments	58,721.3	355.2	–	–	5.2	59,081.7

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(IV) Operational Risk

Operational risk refers to the risk of loss arising from flawed internal procedures, and loss caused by staff, IT systems, and external events. Operational risk includes legal risk, but excludes strategic risk and reputation risk.

The Bank's three defense lines to manage operational risk are separate and independent. Under a unified operational risk appetite, the Bank established a full set of operational risk management systems, covering relevant corporate governance structures, policies and systems, management tools, measurement methods and IT system, which would effectively prevent occurrence of events of high operational risk.

During the Reporting Period, taking the opportunity arising from the implementation of the Basel Accords, the Bank continued to promote the bank-wide application of three major management tools, namely self-assessment on risks and control, key risk indicators and loss data collection, to normalize the management of operational risk. It continuously optimized the functions of its operational risk management information system to enhance the automation and management efficiency of operational risk management. By strengthening operation management and supervision, and enforcing real-time alert on counter services through the counter service risk alert system, the Bank effectively controlled the occurrence of operation risk in its counter services.

(V) Information Technology Risk

Information technology risk refers to operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of our usage of information technology.

The Bank has included management of information technology risk into its general risk management system and enhanced such management through risk identification, monitoring, evaluation and control. It also generally enhanced its continuing management of business by combining best practices and its business continuing management system, and enhanced risk control over information technology and operation of the relevant system by establishing a sound information technology management system and conducting specific drills. By such doing, the stability and security of the systems are ensured and the continuing operation of its major businesses could be supported by better contingency measures.

(VI) Compliance Risk Management

Compliance management is a core risk management activity of the Bank. The Board of the Bank assumes ultimate responsibility for the compliance of the Bank's operating activities, and the Board of Supervisors supervises the compliance risk management. The Bank has built comprehensive and effective compliance risk management system, consolidated the three defensive lines for compliance risk management, and achieved effective identification and management of compliance risk through continued improvement and optimization of its compliance risk management as well as a higher risk management standard.

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During the Reporting Period, the Bank formulated and executed a risk-based and “integrated prevention, control, examination and correction” compliance management plan. It strived to realize the foundation of compliance management, actively optimized the compliance system construction, improved the compliance management policy standard, and strictly prevented and eliminated compliance risk; by leveraging the professional advantages, and emphasizing the substance of risks, and through pre-involved business research and development, it strongly supported and promoted business innovation and sound development of the Bank, accepted various external examinations such as “two curbs and two enhancements”, improved the compliance risk management system; enhanced the study of overseas regulatory policies and laws and regulations, and provided high-quality legal compliance services.

(VII) Anti-money laundering management

During the Reporting Period, the Bank continued improving its ability to self-regulate suspicious transactions, enhanced customer identification and customer risk rating management, improved the anti-money laundering monitoring personnel list, and continued optimizing its anti-money laundering management system construction, thus improved its anti-money monitoring work with gradual reduction in staff costs. Meanwhile, the Company actively assisted in anti-money investigations carried out by the regulatory authorities, organized theme trainings and campaigns on anti-money laundering, set up good internal and external environment for anti-money laundering, and effectively improved the management performance and work level for anti-money laundering management of the Bank. In 2015, the anti-money laundering team of the Bank was awarded the first prize in Group Category and Individual Category of the Heilongjiang Financial Institution Anti-money Laundering Knowledge Competition.

X. Key Relationships with Persons with Significant Impact

The organization structure reform carried out by the Bank during the Reporting Period has also provided a more beneficial mechanism and room for the growth of the employees. It attaches great importance on occupational health and security for the employees, and increasingly improving the staff occupational and security management system by establishing the Ha Run e Generation Club and organizing marathon races for the employees to participate. The career paths for the staff were broadened with the formulation of advanced training programs for employees to fully upgrade their professional knowledge and occupational skills. The Bank improved the incentive and restrictive mechanism, enhanced the staff performance assessment, and implemented comprehensive remuneration policies and benefits. It also cared about the working environment and physical and mental health of the staff, safeguarded the legitimate interest of the staff, and improved staff satisfaction and happiness, thus further laying the foundation of common growth of the staff and the enterprise. For details of the staff conditions of the Company, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organization” – “Employees” in this annual report.

During the Reporting Period, the Company actively exchanged information with investors and proactively participated in various investor presentations. Proactive high-level dynamic two-way exchange deepened investor’s recognition and understanding of the Bank, enhanced the Bank’s investment value, improved the core competitiveness of the Bank, and realized maximum value for the Bank as well as maximized its shareholders’ interest, thereby practicably safeguarding investors’ interests. In 2015, the Bank held 2 regular result release meetings and 2 news conferences. In October 2015, it held a reverse roadshow with the theme of “New Normal, New Opportunity and New Journey” at the head office in Harbin. Well-known domestic and overseas securities analysts and investors conducted on-site visits to the branches of the Bank, to obtain greater understanding of the Bank’s development strategy and business characteristics. In addition, the Bank held 2 global annual results roadshows with in-depth and effective communication with 28 domestic and overseas institution investors. Investor relation management activities were carried out effectively, which further improved the corporate value and the brand influence of the Bank.

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The Company adheres to its customer-oriented approach. In 2015, the Board specifically formulated the Measures for Administration of Consumers' Rights and Interests to establish an administration system for customer protection. It attached importance to communication with customers, and provided timely feedback to customers. The Company, through its national customer services hotline 95537, provides 24-hour telephone banking services. During the Reporting Period, its customer service center handled a total of over 2,300,000 transactions for the year. Better communication with customers provided a good customer base for the Bank. In 2015, the total number of the Bank's customers exceeded 9 million, thus realizing a two-fold increase as compared to the corresponding period last year.

XI. Corporate Social Responsibility

In 2015, against the backdrop of China's macro economy entering the New Normal, the Company steadfastly upheld the business philosophy of "Inclusive Finance, Harmonious Co-Enrichment". The Bank whole-heartedly built up itself as a value bank, a mobile bank and a green bank. The Bank made great effort to construct a "domestic leading and internationally renowned microcredit bank" for the provision of good services with well-defined characteristics, and to perform corporate social responsibility and repay the society through actions.

In 2015, the Company, under the framework of three responsibilities, namely financial responsibility, environmental responsibility and social responsibility, continued to deepen its own reform and development in order to serve the people's livelihood. The Bank also paid more attention to the relationship management between the Bank and the shareholders, the staff, the creditors or other stakeholders. The Bank further enriched the connotation of corporate culture, enhanced social responsibility management level, consolidated its traditional competitiveness in reform and innovation, strengthened its core competitiveness under the New Normal, actively improved the work environment and room for growth of the staff, encouraged and promoted its staff to actively participate in social welfare activities. In 2015, the Bank contributed RMB5.95 million in social welfare activities.

Green credit refers to the facilities granted to the green industry and energy conservation and environmental protection enterprises. The Bank strictly executed financial policies such as green credit, promoted green finance and put itself into the green credit area. It vigorously supported the development of green economy, recycle economy and low-carbon economy. As at the end of 2015, the green credit balance of the Bank amounted to RMB1,164.0 million. At the same time, it continued to strictly control the credit to industries characterized as of high pollution, high energy consumption and overcapacity, and gradually squeezed and eliminated the existing loans to such industries. As at the end of 2015, the Bank's loan balance in such industries was RMB553.0 million, accounting for only 0.37% of the loans of the Bank.

Meanwhile, the Company supported energy conservation and emission reduction. It actively established a paperless office and built up a new OA office system, thus saving resources and realizing coordinated and sustainable economic, environment and social developments. In September 2015, the Company, on the basis of realizing electronic banking services including mobile phone banking, WeChat banking and online banking, launched an online social welfare project of "I add one point for charity". For every transaction carried out by customers in electronic form, which effectively amounts to saving a note or statement at the counter, the Company will donate the saved paper expenses in the name of the "all online banking users" for charity purposes. As at 31 December 2015, the project saved paper expenses of over RMB100,000.

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XII. Material subsequent event

On 22 January 2016, the Bank convened the 2016 first extraordinary general meeting to approve the issue of eligible tier-2 capital instruments with a issue scale not exceeding RMB8.0 billion (including RMB8.0 billion) for a term of less than 5 years. The interest rate of the bond was determined with reference to the market interest rate. The proceeds from the issuance of Eligible Tier-2 Capital Instruments were to be used to replenish the tier-2 capital of the Company to improve its capital adequacy ratio, and to meet regulatory requirements and the requirements for sustainable development. After the issue, according to the requirements of the People's Bank of China, tier-2 capital instruments were to be traded in the National Interbank Bond Market.

XIII. Dividend

(I) Dividend

The results of the Bank for the year ended 31 December 2015, and the state of affairs of the Group as at that date were set out in the financial statements and notes thereto in this annual report.

Pursuant to the resolutions passed at the 2014 annual general meeting on 30 June 2015, the Bank distributed to all the shareholders the 2014 final dividends in cash in an aggregate amount of RMB1,132.547 million, representing a dividend of RMB0.103 per share (tax inclusive). Such dividends were distributed to holders of Domestic Shares and holders of H Shares whose names appeared on the register of members of the Bank on 12 July 2015. Such proposed distribution of dividends was denominated in RMB. Dividends payable to holders of Domestic Shares were settled in RMB, whereas dividends payable to holders of H Shares were settled in HKD. The amount of the actual distribution in respect of HKD was calculated based on the average benchmark exchange rate for the week preceding the date of the annual general meeting of the Bank (i.e. 30 June 2015) (inclusive of the date of the general meeting) as announced by the People's Bank of China. The dividends for the year 2014 mentioned above were distributed on 28 August 2015.

According to the Board meeting held on 22 March 2016, the Board proposed a distribution of 2015 final dividends in cash of approximately RMB1,176.529 million (tax inclusive) to all the shareholders, representing a dividend of RMB0.107 per share (tax inclusive). It is expected that the payment of the dividends will be made on 15 July 2016. The dividend distribution plan will be submitted to the annual general meeting of 2015 for consideration and approval.

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(II) Dividend tax

Withholding and paying foreign non-resident enterprise income tax

Pursuant to the applicable provisions and the implementing regulations of the Enterprise Income Tax of the PRC, when distributing the final dividend to non-resident enterprise holders of H Shares (including the H Shares registered in the name of HKSCC Nominees Limited), the Bank will withhold and pay enterprise income tax at the rate of 10%.

Withholding and paying foreign non-resident individual shareholder's individual income tax

Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC and Notice of Tax, the Bank will withhold and pay individual income tax on behalf of holders of H Shares according to the following arrangement:

For individual holders of H Shares who are residents of Hong Kong, Macau or other country/region that has signed a tax treaty with the PRC stipulating a dividend rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of such holders of H Shares when distributing the final dividend;

For individual holders of H Shares who are residents of a country/region which has signed a tax treaty with the PRC stipulating a dividend rate of lower than 10%, the Bank will withhold and pay individual income tax temporarily at the rate of 10% on behalf of such holders of H Shares while distributing the final dividends. In the event that the relevant holders of H Shares wish to apply for refund of the tax over-withheld, the Bank will handle the application of the relevant tax benefits on their behalf in accordance with the Notice of Tax. The qualified holders of H Shares are required to timely submit the written authorization and all application materials to the H Share Registrar, Computershare Hong Kong Investor Services Limited. The Bank will forward the received documents to the competent tax authorities for review, and if approved, the Bank will assist in handling the refund of the over-withheld tax;

For individual holders of H Shares who are residents of a country/region that has signed a tax treaty with the PRC stipulating a dividend rate higher than 10% but lower than 20%, the Bank will withhold and pay the individual income tax at the applicable rate stipulated in the relevant tax treaty on behalf of such holders of H Shares while distributing the final dividend; and

For individual holders of H Shares who are residents of a country/region which has signed a tax treaty with the PRC stipulating a dividend rate of 20% or has no tax treaty with China or otherwise, the Bank will withhold and pay the individual income tax at the rate of 20% on behalf of such holders of H Shares while distributing the final dividend.

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XIV. Other matters

(1) Share Capital and Substantial Shareholders

Please refer to “Changes in Share Capital and Information on Shareholders” for the detailed information relating to the share capital and substantial shareholders of the Bank.

(2) The Use of Proceeds

Please refer to “Important Events” II for the detailed information relating to the use of proceeds.

(3) Reserves

For the year ended 31 December 2015, details of the changes in reserves of the Bank are set out in the consolidated statement of changes in equity.

(4) Distributable Reserves

As at 31 December 2015, the distributable reserve of the Bank and subsidiaries under the China Accounting Standards for Business Enterprises was RMB8,183 million. The distributable reserve of the Bank was RMB7,466 million.

(5) Debentures

During the Reporting Period, the Bank issued the 2015 first tranche of special financial bonds for “agriculture, rural areas and farmers” of RMB4.0 billion, the details of which are as follows:

According to the resolutions of the 14th meeting of the fifth session of the Board on 10 September 2013 and the 2013 second extraordinary general meeting of the Bank on 26 September 2013, the Board and the Shareholders' general meeting approved the issue of special financial bonds for “agriculture, rural areas and farmers” of not more than RMB10.0 billion.

According to the “Approval for Harbin Bank to Issue ‘Agriculture, Rural Areas and Farmers’ Special Financial Bonds” issued by the CBRC (Yin Jian Fu [2014] No. 615) on 12 September 2014 and the “Administrative Approval Decision of the People’s Bank of China” (Banking Market License [2014] No. 241) issued by the PBOC on 5 December 2014, the issue of financial bonds of not more than RMB6.0 billion by the Bank in the interbank market was approved. The Bank completed the issue of the 2015 first tranche of the financial bonds on 26 May 2015 with proceeds amounting to RMB4.0 billion for a term of three years. The coupon rate was 4.20% and the interest was calculated annually at a fixed rate. The short name of the bonds is “15 Harbin Bank 01” (bond code: 1520022).

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(6) Purchase, Sale or Redemption of Listed Securities of the Company

The Bank or any of its subsidiaries did not purchase, sell or redeem any shares of the Bank from 1 January 2015 to the date of this report.

(7) Pre-emptive Rights

The Bank does not have provisions in respect of pre-emptive rights in its Articles of Association and under the PRC laws.

(8) Public Float

The total issued share capital of the Bank is 10,995,599,553 shares, and the H Shares held by the public amount to 3,023,570,000, representing 27.50% of the total issued share capital of the Bank, which is in compliance with the requirements of Hong Kong Listing Rules. Up to the date of this report, based on the publicly available information, the Bank has been in compliance with the public float requirement of the Hong Kong Listing Rules.

(9) Management Contracts

There were no management and administration contracts for the entire or substantial part of any business of the Bank during the Reporting Period.

(10) Major Customers

By the end of the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. The interest income from the five largest borrowers of the Bank did not exceed 30% of total interest income. The Directors of the Bank and their close associates did not have any interest in these five largest borrowers.

(11) Donations

The Bank made charitable and other donations in an aggregate sum of approximately RMB5.95 million for the year ended 31 December 2015.

(12) Connected Transactions

During the Reporting Period, in the ordinary and usual course of business, the Bank provided commercial banking services and products to the public in China, which included certain connected persons of the Bank such as shareholders, Directors, Supervisors, the President and/or their respective associates. As these transactions were entered into on normal commercial terms in the ordinary and usual course of the business of the Bank, such transactions were exempt from reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As at the end of the Reporting Period, there were no significant transactions between the Bank and its connected persons.

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(13) Directors and Supervisors

As at the end of the Reporting Period, the details of the members of the Board and their biographies were set out in the section headed “Directors, Supervisors, Senior Management and Institutions”, which constitutes a part of this Report of the Board of Directors.

During the Reporting Period, the election of the new session of the Board was completed. Ms. Gao Shuzhen, the then executive Director, ceased to be an executive Director of the Bank. The new executive Director, Mr. Zhang Qiguang, and new non-executive Director, Mr. Ma Pao-Lin, were elected as Directors of the new session of the Board. Mr. Ma Yongqiang, the then independent non-executive Director, resigned as an independent non-executive Director of the Bank due to personal reason.

(14) Directors' and Supervisors' Interests in Business in Competition with the Bank

None of the Directors and Supervisors of the Bank holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with the Bank.

(15) Remuneration Policy

Details of the remuneration policy and reward scheme of the Bank are set out in “Directors, Supervisors, Senior Management, Employees and Organization” – “Employees”.

The details of the remuneration determination policy for the Directors and Supervisors of the Bank are set out in “Directors, Supervisors, Senior Management, Employees and Organization” – “Information on Evaluation and Incentive Scheme and Annual Remuneration for Directors, Supervisors and Senior Management” and notes 11 and 12 to the financial statements.

(16) Directors' and Supervisors' Service Contracts

During the Reporting Period, the Directors and Supervisors of the Bank did not sign any service contracts which were not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

(17) Directors', Supervisors' and Chief Executives' Interests in Shares of the Bank and Their Rights to Acquire Shares or Debentures

For the year ended 31 December 2015, the Directors, Supervisors and President and their respective associates did not hold any shares, relevant shares or interests or short positions of debentures of the Bank or associated corporations (as defined in the SFO) which were required to be registered in the register pursuant to section 352 of the SFO or to be disclosed to the Bank and the Hong Kong Stock Exchange as provided by the Model Code.

During the Reporting Period, the Bank did not grant any right to subscribe for shares or debentures of the Bank or any associated corporations to its Directors, Supervisors and President (including their spouses or children under the age at 18).

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(18) Permitted Indemnity Provisions

Except the legal liability insurance described below, the Bank did not enter into any agreement with indemnity provisions with Directors and Supervisors of the Bank to provide indemnity to Directors or Supervisors for legal liabilities caused to third parties or other types of legal liabilities.

The Bank has purchased legal liability insurance for duties performed by Directors and Supervisors, and the relevant applicable laws are the PRC laws.

(19) Transactions, Arrangements or Contracts of Significance in which Directors or Supervisors has any Material Interest

The Bank and its subsidiaries did not enter into any transactions, arrangements or contracts of significance in which any Director or Supervisor of the Bank or any entity connected with any of them has, directly or indirectly, any material interest during the year ended 31 December 2015.

(20) Corporate governance

The Bank is committed to maintaining a high level of corporate governance. Details of corporate governance of the Bank are set out in the corporate governance report of this annual report.

(21) Auditors

Please refer to the section "Corporate Governance Report – External Auditors and Auditors' Remuneration" for the information on the auditors of the Bank.

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XV. Prospects

As the starting year of the Thirteenth Five-Year Development Plan of China, the economic situation in 2016 is still severe, and the banking industry is facing new challenges. Firstly, adjustment in the economic structure will bring definite challenges to the banking industry. Banking is a pro-cyclical industry, with an obvious correlation between economic growth and assets quality, the growth decline brought by economic structural adjustment will continue to affect the pace of overall development of the banking industry. Secondly, profitability of the traditional banking business based on interest spread will face great challenges. With accelerating interest rate liberalization, banks will face the risk of adjustment caused by narrowing interest spreads, and even negative interest rate gap. In 2016, in view of the repricing of the existing mortgage loans, weak demand for loans caused by economic downturn and policies on reducing the social financing costs and other factors, the yield of loans still faces downward pressure. Thirdly, financial disintermediation is even more noticeable, with banks facing challenges from non-bank financial institutions and even non-financial institutions. With continuous development in the multi-level financial market, the steady development of the direct financing market will compete with the traditional credit business of banks. Moreover, various types of wealth management institutions develop prosperously, which will divert sources of funds from the banking industry, thus creating pressure on the cost of funds to the banking industry. Fourthly, new market entrants represented by internet finance enterprises bring with innovative business models, posing challenges to the traditional banking business. With the help of new technology, internet-finance-based enterprises are gradually penetrating into banking services such as credit, asset management and supply chain finance, which is rapidly changing the market competition pattern and creating greater impact to the traditional business model of commercial banks.

While facing challenges, the current economic situation also brings a new round of development opportunities. Firstly, the implementation of the national strategies brings opportunities for development. The implementation of national strategies such as “One Belt and One Road”, “Entrepreneurship and Innovation by All”, “Internet +” and “Thirteenth Five-Year Plan” will give rise to emerging hot spot industries, which inevitably will bring new development opportunities for banks. Secondly, a strong consumer market brings opportunities for transformation. The future of China's consumer market will maintain a strong growth momentum. New emerging forces, such as the middle class and the affluent customers, the new generation and online shopping consumers will become the “new troika” of China's consumer market. In the future, nurturing such potential customer base will be the focus of strategic transformation for banks. Thirdly, the application of new technology brings opportunities for innovative financial models. The widespread use of the internet and big data allows banks to actively integrate into the rapid development of internet finance. Variety of Internet financial services such as mobile payment, investment and wealth management and online-offline integrated services will continue to be launched. With the gradual implementation of the national strategy of “Internet +”, banks will speed up deployment for internet finance and the innovation of financial models to explore new sources of profit growth. Fourthly, market-oriented reforms bring opportunities for business transformation. At present, comprehensive banking operations and mixed ownership reform have become issues of widespread social concern. It is expected that relevant policies and measures will be introduced in 2016. Banks which conform to the trends and make quick response will stand out and become leaders in the further development of the banking industry landscape.

Looking forward, the Bank will continue to uphold the business philosophy of “Inclusive Finance, Harmonious Co-Enrichment”. Relying on product innovation as the engine of development, the Bank insists on adhering to the following five paths of development: “microcredit” development; “characteristic, collectivized, international” development; “online mobile phone banking and offline traditional banking” dual development; development with support from four financial sectors “Retail Finance, Corporate Finance, Interbank Finance, Mobile Finance”; and product innovation-oriented development. The Bank will strive to become a “first class international microcredit bank providing quality and distinctive services” by 2020.

By order of the Board
Guo Zhiwen
Chairman

Changes in Share Capital and Information on Shareholders

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I. Share Capital

The Bank was listed on the Hong Kong Stock Exchange on 31 March 2014, upon an issuance of 2,748,700,000 H Shares in total. After completion of the issuance, the total share capital of the Bank increased to 10,995,599,553 shares with a registered capital of RMB10,995,599,553.

II. Statement of Changes in Shares

		Unit: Shares							
		1 January 2015		Increase/decrease during the Reporting Period (+/-)				31 December 2015	
		Number	Percentage	Private placement	New shares issued	Bonus issue	Others	Subtotal	Number Percentage
Domestic Shares									
1. Non-listed shares held by corporations		7,889,497,752	71.75%						7,889,497,752 71.75%
Including: (1) Shares held by state-owned enterprises		2,194,789,800	19.96%						2,194,789,800 19.96%
(2) Shares held by private enterprises		5,694,707,952	51.79%						5,694,707,952 51.79%
2. Non-listed shares held by natural persons		82,531,801	0.75%						82,531,801 0.75%
H Shares									
3. Overseas listed foreign shares		3,023,570,000	27.50%						3,023,570,000 27.50%
Total number of shares		10,995,599,553	100%						10,995,599,553 100%

Note: Non-listed shares (domestic shares) of the Bank were held by 31 state-owned corporate shareholders, including Harbin Economic Development, Harbin Hadong Investment Co., Ltd. (哈爾濱市哈東投資有限責任公司), Harbin Industrial Investment Group Co., Ltd. (哈爾濱工業投資集團有限責任公司) etc.

Changes in Share Capital and Information on Shareholders

III. Shareholdings of Shareholders

As at the end of the Reporting Period, the total number of the shares of the Bank was 10,995,599,553 shares, comprising 7,972,029,553 Domestic Shares and 3,023,570,000 overseas listed H Shares.

Shareholdings of Top 10 shareholders of Non-overseas Listed Shares

Name of Shareholder	Nature of Shareholder	Number of shares held (shares)	Shareholding percentage (%)	Number of shares pledged	Type of shares
1 Harbin Economic Development and Investment Company	State-owned	2,160,507,748	19.65%	–	Non-overseas listed shares
2 Harbin Kechuang Xingye Investment Company Limited	Private enterprise	720,262,554	6.55%	–	Non-overseas listed shares
3 Heilongjiang Keruan Software Technologies Company Limited	Private enterprise	719,816,019	6.55%	–	Non-overseas listed shares
4 Heilongjiang Xinyongsheng Trading Company Limited	Private enterprise	639,804,806	5.82%	261,376,069	Non-overseas listed shares
5 Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	Private enterprise	572,253,048	5.20%	172,693,932	Non-overseas listed shares
6 Heilongjiang Tuokai Economic and Trading Company Limited	Private enterprise	522,447,109	4.75%	396,032,968	Non-overseas listed shares
7 Heilongjiang Tongda Investment Co., Ltd.	Private enterprise	358,578,793	3.26%	–	Non-overseas listed shares
8 Harbin Jubang Investment Co., Ltd.	Private enterprise	301,170,095	2.74%	301,170,095	Non-overseas listed shares
9 Beijing Xinrun Investment Co., Ltd.	Private enterprise	255,418,587	2.32%	–	Non-overseas listed shares
10 Dongning Lizhi Architecture and Decoration Engineering Company Limited	Private enterprise	199,010,054	1.81%	194,982,174	Non-overseas listed shares

Note: The above shareholding percentage of non-overseas listed shares is calculated based on the total share capital of the Bank of 10,995,599,553 shares as at 31 December 2015. In addition, the above pledged or frozen shares held by the shareholders are subject to pledge only and not judicial moratorium.

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Substantial Interests and Short Positions

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

Domestic Shares

Name of shareholder	Capacity	Domestic shares held (long position)	Percentage of issued domestic share capital of the Bank	Percentage of total issued share capital of the Bank
Harbin Economic Development and Investment Company ¹	Beneficial owner	2,160,507,748	27.10%	19.65%
Harbin Kechuang Xingye Investment Company Limited ²	Beneficial owner	720,262,554	9.03%	6.55%
Heilongjiang Keruan Software Technologies Company Limited ³	Beneficial owner	719,816,019	9.03%	6.55%
Heilongjiang Xinyongsheng Trading Company Limited ⁴	Beneficial owner	639,804,806	8.03%	5.82%
Heilongjiang Tiandi Yuanyuan Network Technology Company Limited ⁵	Beneficial owner	572,253,048	7.18%	5.20%
Heilongjiang Tuokai Economic and Trading Company Limited ⁶	Beneficial owner	522,447,109	6.55%	4.75%

Notes:

1. Harbin Economic Development is wholly owned by Harbin Municipal Finance Bureau and is our only substantial shareholder (as defined under the Hong Kong Listing Rules).
2. Harbin Kechuang Xingye Investment Company Limited is owned as to 93.92% by Tianjin Wenhua Tianhai Industrial Company Limited (天津文華天海實業有限公司), which is owned as to 50% and 47.3% by Baotou Ronghui Trading Company Limited (包頭市榮慧貿易有限責任公司) and Hangzhou Jiela Trading Company Limited (杭州傑拉貿易有限公司), respectively. Baotou Ronghui Trading Company Limited (包頭市榮慧貿易有限責任公司) is owned as to 98.22% by Jinan Kangze Commercial and Trading Company Limited (濟南康澤商貿有限公司), which is in turn owned as to 62.5% and 37.5% by two natural persons, Tan Ran (譚燃) and Zhang Yanyong (張衍勇), respectively. Each of the above entities/persons is deemed to have interests in the same number of shares as Harbin Kechuang Xingye Investment Company Limited.
3. Heilongjiang Keruan Software Technologies Company Limited is owned as to 95.83% by Dalian Yujiixin Technology Company Limited (大連宇嘉信科技有限公司), which in turn is owned as to 60% and 40% by two natural persons, Liang Yifeng (梁乙峰) and Diao Xiaoxi (刁小熙), respectively. Each of the above entities/persons is deemed to have interests in the same number of shares as Heilongjiang Keruan Software Technologies Company Limited.
4. Heilongjiang Xinyongsheng Trading Company Limited is owned as to 95.4% by Beijing Chengxinfenghui Technology and Trading Company Limited (北京誠信豐匯科貿有限公司), which in turn is owned as to 60% and 40% by two natural persons, Liu Kun (劉坤) and Zhao Yonghe (趙永和), respectively. Each of the above entities/persons is deemed to have interests in the same number of shares as Heilongjiang Xinyongsheng Trading Company Limited.

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5. Heilongjiang Tiandi Yuanyuan Network Technology Company Limited is owned as to 93.61% by Beijing Huifutong International Investment Company Limited (北京匯富通國際投資有限公司), which in turn is owned as to 80% by a natural person Dong Yan (董雁). Each of the above entities/persons is deemed to have interests in the same number of shares as Heilongjiang Tiandi Yuanyuan Network Technology Company Limited.
6. Heilongjiang Tuokai Economic and Trading Company Limited is owned as to 95.27% by Beijing Tailonghuasheng Technology Company Limited (北京泰隆華勝科技有限公司), which in turn is owned as to 87.5% by Beijing Jieshentiancheng Trading Company Limited (北京傑勝天成貿易有限公司), which in turn is owned as to 70% by a natural person Guan Wu (管武). Each of the above entities/persons is deemed to have interests in the same number of shares as Heilongjiang Tuokai Economic and Trading Company Limited.

H Shares

Name of shareholder	Capacity	Number of H Shares held (long position)	Percentage of issued H share capital of the Bank	Percentage of total issued share capital of the Bank
Fubon Financial Holding Co., Ltd.	Interest of controlled corporation ¹	773,124,000	25.57%	7.03%
CITIC Capital Holdings Limited	Interest of controlled corporation ²	401,275,000	13.27%	3.65%

Notes:

1. Fubon Financial Holding Co., Ltd. held the interests in 773,124,000 H Shares of the Bank through its controlled corporation, Fubon Life Insurance Company Limited.
2. CITIC Capital Holdings Limited held the interests in the relevant number of shares through its controlled corporations.

Save as disclosed above, as at 31 December 2015, none of other persons had any interests or short positions in the Company or its associated corporations as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange.

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IV. Substantial Shareholders of the Bank

As at the end of the Reporting Period, Harbin Economic Development was the substantial shareholder holding more than 10% of the shares (as defined under the Hong Kong Listing Rules) of the Bank.

As at 31 December 2015, Harbin Economic Development, the single largest shareholder of the Bank, held 19.65% of the total issued shares of the Bank. According to the Business License (Registration No.: 230100100001678) issued by Harbin Administration of Industry and Commerce on 30 May 2012, and the Amendments to the Articles of Association of Harbin Economic Development and Investment Company made on 19 September 2011, Harbin Economic Development is a validly subsisting economic entity under the ownership by the whole people with the Harbin Municipal Finance Bureau as its sole shareholder.

V. Pledged and Frozen Shares Held by Shareholders with Shareholding of 5% or more of the Company

As at 31 December 2015, 434,070,001 shares of two shareholders each holding 5% or more of the Company were pledged.

VI. Controlling Shareholders and Actual Controllers

The Company does not have a controlling shareholder or actual controller.

VII. Shareholders with Shareholding of 5% or more of the Company

Please see III. "Shareholdings of Shareholders" above for the particulars of shareholders with shareholding of 5% or more of the Company as at 31 December 2015.

VIII. Performance of Undertakings by the Bank and Shareholders Holding 5% or More of the Shares

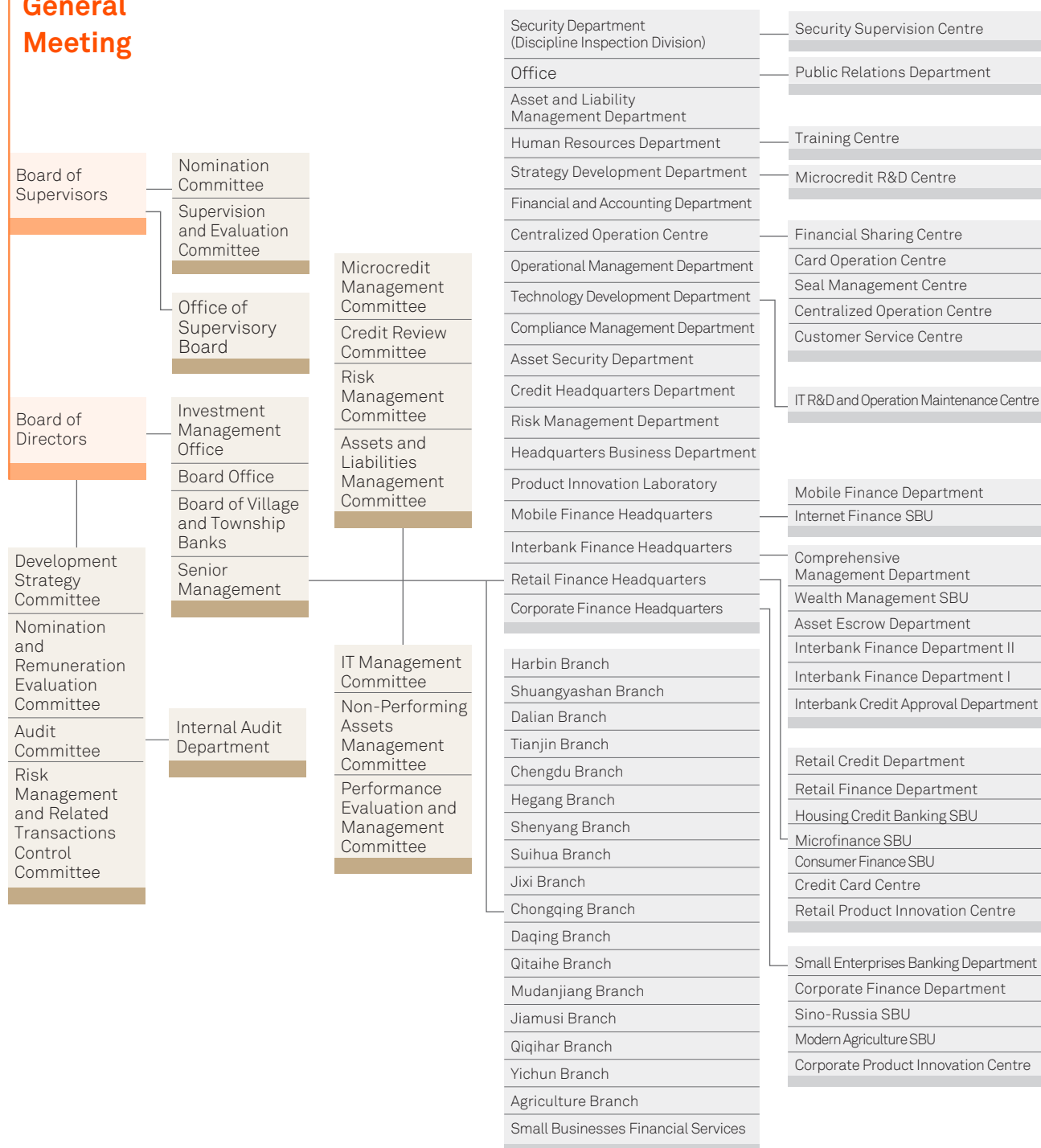
During the Reporting Period, neither the Bank nor its shareholders holding 5% or more of the total shares in issue of the Bank gave any undertakings.

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II. Corporate Governance Overview

Sound corporate governance is the responsibility of the Board of the Bank. In 2015, the Bank strictly complied with relevant overseas listing regulatory requirements, and strived to improve the Bank's corporate governance mechanism, as well as enhance and improve the Bank's corporate governance. The Bank had adopted the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, and had met the requirements of the PRC commercial bank administrative measures and corporate governance requirements and had established a sound corporate governance system. Currently, the principal corporate governance documents of the Company include: the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Board of Supervisors, the Working Rules for the Independent Directors, the Working Rules for the Development Strategy Committee of the Board of Directors, the Working Rules for the Risk Management and Related Transactions Control Committee of the Board of Directors, the Terms of Reference of the Audit Committee of the Board of Directors, the Terms of Reference of the Nomination and Remuneration Evaluation Committee of the Board of Directors, the Terms of Reference of the President, the Connected Transactions Administrative Measures, the Information Disclosure Administrative Measures, etc. The Board believes that during the period from 1 January 2015 up to 31 December 2015, the Bank had complied with the requirements of the provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

In addition, the Board has adopted the Model Code under Appendix 10 to the Hong Kong Listing Rules for the Directors, Supervisors and relevant employees of the Bank. After inquiries by the Bank, the Directors, Supervisors and relevant employees have confirmed that they had complied with relevant requirements of the code during the period from 1 January 2015 up to 31 December 2015.

In 2015, the shareholders' general meetings passed the following resolutions relating to corporate governance of the Bank:

At the 2014 annual general meeting of the Bank held on 30 June 2015, the following reports and regulatory documents on corporate governance were considered and approved: the Work Report of the fifth session of the Board of Directors, the Work Report of the fifth session of the Board of Supervisors; the 2014 annual financial statements of the Bank, the 2015 financial budgets of the Bank, the resolution on the 2014 profit distribution plan, the resolution on the 2014 Annual Report of the Bank, the resolution on the appointment of auditors for 2015, the resolution on the election and re-election of the members of the sixth session of the Board of Directors, the resolution on the re-election of Shareholders Representative Supervisors and External Supervisors of the sixth session of the Board of Supervisors, the resolution on the amendments to the Articles of Association, the resolution on the amendments to the Rules of Procedure for Shareholders' General Meetings, the resolution on the amendments to the Rules of Procedure for the Board of Directors' Meetings, the resolution on the amendments to the Rules of Procedure for the Board of Supervisors' Meetings, and the resolution on the granting to the Board a general mandate to issue additional H Shares.

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At the 2015 first extraordinary general meeting of the Bank held on 30 June 2015, the following reports and regulatory documents on corporate governance were considered and approved: the resolution on the proposal on the initial public offering and the listing of A Shares of Harbin Bank Co., Ltd., the resolution on the proposal on the distribution of the accumulated undistributed profits before the initial public offering of A Shares of Harbin Bank Co., Ltd., the resolution on the proposal on the use of the proceeds to be raised by the initial public offering of A Shares of Harbin Bank Co., Ltd. and the feasibility analysis, the resolution on granting authorization by general meeting of Harbin Bank Co., Ltd. to the Board to handle the Company's application for the initial public offering and the listing of A Shares and related matters, the resolution on amending Articles of Association of Harbin Bank Co., Ltd. (Draft) to be applicable and valid after the listing of A Shares, the resolution on the Future Dividend Return Plan of Harbin Bank Co., Ltd. (Draft), the resolution on stabilising the A Share price within three years after the initial public offering of A Shares, the resolution on commitments relating to the information disclosure of the prospectus on the initial public offering of A Shares, the resolution on dilution of immediate return and recovery of return on the initial public offering of A Shares, and the resolution on the report on use of proceeds from previous fund raising activities.

At the 2015 first domestic shareholders' class meeting of the Bank held on 30 June 2015, the following reports and regulatory documents on corporate governance were considered and approved: the resolution on the proposal on the initial public offering and the listing of A Shares of Harbin Bank Co., Ltd., the resolution on the proposal on the distribution of the accumulated undistributed profits before the initial public offering of A Shares of Harbin Bank Co., Ltd., the resolution on granting authorization by general meeting of Harbin Bank Co., Ltd. to the Board to handle the Company's application for the initial public offering and the listing of A Shares and related matters, the resolution on stabilising the A Share price within three years after the initial public offering of A Shares, the resolution on commitments relating to the information disclosure of the prospectus on the initial public offering of A Shares, and the resolution on dilution of immediate return and recovery of return on the initial public offering of A Shares.

At the 2015 first H shareholders' class meeting of the Bank held on 30 June 2015, the following reports and regulatory documents on corporate governance were considered and approved: the resolution on the proposal on the initial public offering and the listing of A Shares of Harbin Bank Co., Ltd., the resolution on the proposal on the distribution of the accumulated undistributed profits before the initial public offering of A Shares of Harbin Bank Co., Ltd., the resolution on granting authorization by general meeting of Harbin Bank Co., Ltd. to the Board to handle the Company's application for the initial public offering and the listing of A Shares and related matters, the resolution on stabilising the A Share price within three years after the initial public offering of A Shares, the resolution on commitments relating to the information disclosure of the prospectus on the initial public offering of A Shares, and the resolution on dilution of immediate return and recovery of return on the initial public offering of A Shares.

At the 2015 second extraordinary general meeting of the Bank held on 24 August 2015, the following reports and regulatory documents on corporate governance were considered and approved: the resolution on the amendments to the Rules of Procedure for Shareholders' General Meetings of Harbin Bank Co., Ltd., the resolution on the amendments to the Rules of Procedure for the Board of Directors' Meetings of Harbin Bank Co., Ltd., and the resolution on the amendments to the Rules of Procedure for the Board of Supervisors' Meetings of Harbin Bank Co., Ltd.

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In 2015, the Bank organized and held 66 important meetings in total of all kinds (such as general meetings and class meetings of shareholders, meetings of the Board and its special committees, and meetings of the Board of Supervisors and its special committees), including five general meetings and class meetings of shareholders, 11 meetings of the Board, 31 meetings of the special committees of the Board, nine meetings of the Board of Supervisors and ten meetings of the special committees of the Board of Supervisors. At the meetings, the Bank considered and approved 264 major proposals and reports, including: the Work Report of the Board of Directors, the Work Report of the Board of Supervisors, the Work Report of the President, the Financial Budget Report, the Financial Statements, the Profit Distribution Plan, the performance evaluation index of senior management, the Comprehensive Operation Plan, the Report on the Implementation of Connected Transactions, the Risk Control Report, the amendments of the Articles of Association, the institutional development plan, etc. To further optimize the corporate governance mechanism in satisfying requirements of the Hong Kong Listing Rules and requirements in relation to the listing of A Shares, in 2015, the Bank formulated the Management System for Fund Raising, the Accountability System for Material Errors in Annual Report Information Disclosure and the Management System for Registration of Internal Information User, and has revised the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, the Rules of Procedure for the Board of Directors' Meeting, the Rules of Procedure for the Board of Supervisors' Meeting, the Connected Transactions Administrative Measures, the Information Disclosure Measures, the Working Rules for Board Secretary and the Working Rules for Independent Directors, all of which were to be applicable upon the listing of A Shares.

During the Reporting Period, the Board of the Bank conducted an annual evaluation of the senior management in accordance with the requirements of the Administrative Measures on the Performance Evaluation of Senior Management, and applied the performance evaluation results in the remuneration distribution and terms of employment of the evaluated targets so as to provide incentives for the continuous improvement of duty performance of the senior management and to systematize, standardize and normalize the evaluation mechanism of the senior management by the Board.

According to the requirements of the Evaluation Method on Duty Performance of Directors, the Nomination and Remuneration Evaluation Committee of the Company conducted an annual evaluation of duty performance of the Directors in order to promote careful, earnest and diligent duty performance and self-discipline of the Directors.

The Bank continued to deepen the development of its internal control system by establishing, optimizing and implementing various rules and regulations of internal controls. A good internal control culture was developed and the business management and control mode of all business lines and business of various regions was refined through systematic publicity and education. Various internal control targets were achieved through various effective measures such as division of responsibilities, lines of reporting, incentive and restraint, etc.

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III. Board of Directors

The Board of the Bank shall hold at least four regular meetings a year. The notices and materials of the meetings should be sent to each Director at least 14 days and 3 days before the relevant meeting is convened, respectively, in accordance with the related corporate governance requirements under the Hong Kong Listing Rules and the Articles of Association. Each Director may put forward proposals to be added to the agenda of the meeting of the Board. The detailed minutes of the meetings of the Board will be provided to all attending Directors for their review, and then signed by all Directors for confirmation. A good communication and report mechanism has been established among the Board, the Directors and senior management of the Bank. Senior management personnel provide sufficient information for the Board and its special committees to make decisions. All Directors may seek independent professional opinions at the cost of the Bank. The president of the Bank regularly reports to the Board and is subject to supervision of the Board. Relevant senior management members may be invited to attend the meetings of the Board and its special committees from time to time for explanation or answering inquiries. In the meetings of the Board, all Directors can present their opinions freely, and decisions on important matters should be made after detailed discussion.

As the administrative body of the Board, the Board Office is responsible for the preparation of the shareholders' general meeting and the meetings of Board and special committees of the Board, information disclosure, investor relations management and other daily routines.

As the decision-making body of the Company, the Board is accountable to the shareholders' general meeting and responsible for implementing the resolutions of the shareholders' general meeting. The Board mainly exercises the following functions and powers:

1. Convening the shareholders' general meeting, and report to the shareholders' general meeting.
2. Implementing the resolutions of the shareholders' general meeting.
3. Deciding on the development plans of the Company.
4. Deciding on operation plans, investment plans and major assets disposal plans of the Company.
5. Formulating annual financial budgets and financial statements of the Company.
6. Formulating profit distribution plans and loss recovery plans of the Company.
7. Formulating proposals on the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Company.

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8. Formulating proposals on major acquisitions by the Company, acquisitions of the stock of the Company or merger, division, dissolution and change of the corporate form.
9. Regularly evaluating and improving the Company's corporate governance.
10. Deciding on external investment, acquisition and disposal of assets, assets mortgage, external security, related transactions and other matters of the Company, within the scope of authorization of the shareholders' general meeting.
11. Determining arrangement plans for the Company's internal management departments, branches and personnel and positions of the managers.
12. Appointing or removing the president or board secretary of the Company, according to the nomination of the chairman of the Board; appoint or remove senior management such as the vice-president, assistant president and financial chief, according to the nomination of the president.
13. Deciding on remuneration and disciplinary matters of senior management personnel.
14. Formulating basic management scheme and adopt the working rules for the president.
15. Formulating proposal on amendments to the Articles of Association of the Company.
16. Managing the information disclosure matters of the Company.
17. Proposing the engagement or replacement of the accounting firm that audits the Company to the shareholders' general meeting.
18. Hearing the work report of the president of the Company and check the work of the president.
19. Other functions and powers granted by laws, administrative regulations, department rules or the Articles of Association of the Company.

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IV. Board Members

As at the end of the Reporting Period, the Board of our Company consisted of 13 Directors, including 3 executive Directors: Mr. Guo Zhiwen, Mr. Liu Zhuo and Mr. Zhang Qiguang, five non-executive Directors: Mr. Zhang Taoxuan, Mr. Ma Pao-Lin, Mr. Qin Hongfu, Mr. Cui Luanyi and Mr. Chen Danyang, and five independent non-executive Directors: Mr. Zhang Shengping, Mr. He Ping, Mr. Du Qingchun, Mr. Wan Kam To and Mr. Kong Siu Chee. The five non-executive Directors are all from shareholders and have working experience in the fields of management, finance and accounting; three executive Directors have worked in the areas of banking and management for a long time and possess extensive bank management experience and professional expertise in those areas; five independent non-executive Directors are all experts in economic, financial, accounting and legal fields, two of whom are from Hong Kong, one with experience in auditing, finance, management consulting and the other with experience in corporate governance, risk control and management of the banking industry.

V. Change in the Composition of the Board of Directors during the Reporting Period

During the Reporting Period, the Bank has completed the re-election of the Board. Former executive Director Ms. Gao Shuzhen ceased to be an executive Director of the Bank, and Mr. Zhang Qiguang and Mr. Ma Pao-Lin were newly appointed as the executive Director and non-executive Director, respectively. In addition, former independent non-executive Director Mr. Ma Yongqiang resigned from his position as independent non-executive Director of the Bank in December 2015 due to personal reason.

VI. Chairman and President

The roles and works of the chairman of the Board and president of the Bank are taken by different individuals. There is a clear division of their responsibilities in compliance with the recommendations of the Hong Kong Listing Rules. Mr. Guo Zhiwen, as the chairman of the Board, is mainly in charge of chairing shareholders' general meetings, convening and chairing meetings of the Board, supervising and examining the implementation of the resolutions of the Board of the Directors, proposing to the Board candidates of the special committees, the president and secretary to the Board of the Bank, signing important documents of the Board and other documents which shall be signed by the legal representative of our Bank, encouraging different constructive opinions from Directors and facilitating effective contribution by non-executive Directors.

Mr. Zhang Qiguang, as the president of the Bank, is mainly in charge of the management of daily operation and the implementation of relevant resolutions and operation plans of the Board.

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VII. Duties of Directors

During the Reporting Period, all Directors carefully, earnestly and diligently exercised the rights granted by the Bank and regulatory authorities, and devoted enough time and energy to handle the matters of the Company. During the year, the attendance of Liu Zhuo, Kong Siu Chee, Ma Yongqiang, Zhang Shengping and Wan Kam To at physical meetings was 81.82%, 81.82%, 90.91%, 90.91% and 90.91%, respectively, and the attendance of remaining Directors was 100%.

The independent non-executive Directors have given professional advice on the proposals considered by the Board, such as the profit distribution plan. In addition, the independent non-executive Directors have also given full play to their professional expertise in the special committees of the Board, and put forward professional and independent opinions on the corporate governance and operation management of the Bank.

During the Reporting Period, the Bank's Board of Supervisors conducted annual evaluation of the performance of duties of the Directors, and reported the results of the evaluation to the shareholders' general meeting.

VIII. Meetings of Board of Directors and the Directors' Attendance

During the Reporting Period, the Bank held 11 meetings of the Board, considering and approving major proposals on development strategies, operation plans, financial policies, rule amendments and other matters, including 96 proposals and reports such as the working report of the Board, the working report of the president, financial budget, financial statements, profit distribution plan, performance evaluation index of senior management, comprehensive operation plan, management and implementation of connected transactions, amendments to the Articles of Association.

Meeting	Meeting Date	Meeting Mode
The 25th meeting of the 5th session of the Board	7 January 2015	By Telecommunication
The 26th meeting of the 5th session of the Board	9 January 2015	By Telecommunication
The 27th meeting of the 5th session of the Board	19 January 2015	On-site
The 28th meeting of the 5th session of the Board	30 March 2015	On-site
The 29th meeting of the 5th session of the Board	12 May 2015	On-site
The 1st meeting of the 6th session of the Board	30 June 2015	On-site
The 2nd meeting of the 6th session of the Board	9 July 2015	By Telecommunication
The 3rd meeting of the 6th session of the Board	13 August 2015	By Telecommunication
The 4th meeting of the 6th session of the Board	24 August 2015	On-site
The 5th meeting of the 6th session of the Board	14 October 2015	By Telecommunication
The 6th meeting of the 6th session of the Board	7 December 2015	On-site

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The attendance of each Director in meetings of the Board and general meetings in 2015 is set out below:

Board Members	Number of Board Meetings Requiring Attendance	Number of Board Meetings Attended in Person	Number of Board Meetings Attended by Proxy	Attendance Rate of Board Meetings ^(Note)	Number of General Meetings Attended/ Number of General Meetings Requiring Attendance
Guo Zhiwen	11	11	0	100%	5/5
Liu Zhuo	11	9	2	81.82%	1/5
Gao Shuzhen (resigned on 30 June 2015)	5	5	0	100%	4/4
Zhang Qiguang	6	6	0	100%	1/1
Zhang Taoxuan	11	11	0	100%	1/5
Ma Pao-Lin	6	6	0	100%	1/1
Qin Hongfu	11	11	0	100%	5/5
Cui Luanyi	11	11	0	100%	5/5
Chen Danyang	11	11	0	100%	5/5
Zhang Shengping	11	10	1	90.91%	5/5
Ma Yongqiang (resigned on 7 December 2015)	11	10	1	90.91%	5/5
He Ping	11	11	0	100%	5/5
Du Qingchun	11	11	0	100%	5/5
Wan Kam To	11	10	1	90.91%	5/5
Kong Siu Chee	11	9	2	81.82%	5/5

Note: During the Reporting Period, attendance by proxy with authorization was not deemed as attendance.

IX. Duty Performance of Independent Non-Executive Directors

The Board now has five independent non-executive Directors, the appointments of which are in full compliance with the requirements of CBRC and CSRC and the Hong Kong Listing Rules regarding qualification, number and proportion of independent non-executive directors. During the Reporting Period, they maintained communications with the Bank through meeting with the chairman, site visits, special researches, trainings, department interviews and other approaches. Independent non-executive Directors have actively voiced independent and professional opinions in the meetings of the Board and their special committees, attached importance to safeguarding minority shareholders' interests, and played a full role as independent non-executive directors.

The Bank has received independence confirmation letters from all the independent non-executive Directors. In the opinion of the Bank, all the independent non-executive Directors are independent from 1 January 2015 to the date of the report.

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X. Special Committees of the Board

The Board has four special committees including the Audit Committee, Nomination and Remuneration Evaluation Committee, Risk Management and Related Transactions Control Committee and Development Strategy Committee. Both the structure and the composition of each special committee comply with the provisions of regulatory authorities and the Articles of Association. Amongst these committees, Nomination and Remuneration Evaluation Committee, Risk Management and Related Transactions Control Committee and Audit Committee are chaired by independent non-executive Directors, which further strengthens the supervision on the Bank by independent non-executive Directors.

In 2015, the special committees of the Board exercised their power in an independent, regular and effective manner in accordance with the law. They held 31 meetings during the year, at which 91 proposals and reports on regular reports, structural adjustment, rule amendments and other matters were considered and they were critical to the sustainable development and corporate governance of the Bank. As a result, the professionalism of Board meetings and the work efficiency and decision-making capacity of the Board improved and the sustainable and healthy development of our businesses was boosted.

Members and terms of reference of the four special committees and their work in 2015 are as follows:

(I) Audit Committee

The Audit Committee mainly consists of independent non-executive Directors, one member of which also serves as chairman of the committee. The members include independent non-executive Directors: Mr. Wan Kam To (chairman of the committee), Mr. Zhang Shengping and Mr. Kong Siu Chee and a non-executive Director Mr. Qin Hongfu.

The major terms of reference of the Audit Committee during the Reporting Period are as follows:

1. Examining the Bank's accounting policies, financial condition and financial reporting procedure.
2. Reviewing the Bank's financial information and its disclosure.
3. Overseeing the Bank's financial reporting process and internal control procedures.
4. Monitoring and evaluating the Bank's Internal Audit Department.
5. Making recommendations to the Board on the appointment, re-appointment and removal of external auditors.
6. Coordinating internal and external audit work.
7. Reporting to the Board on Corporate Governance Code and terms of reference with respect to the Audit Committee in accordance with Appendix 14 to the Hong Kong Listing Rules.

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In 2015, the Audit Committee held 7 meetings, at which 15 proposals and reports were considered and passed, including the Proposal on the 2014 Annual Result Announcement and Annual Report, Proposal on 2014 Profit Distribution Plan, Proposal on the 2015 Financial Budget Report, Proposal on the Engagement of Auditors for 2015, Proposal on the 2014 Internal Control Evaluation Report of Harbin Bank Co., Ltd., Proposal on Approval of Preparation of 2015 Unaudited Interim Financial Statements according to the International Financial Reporting Standards, Proposal on Consideration and Approval of 2015 Interim Results Announcement and Interim Report and Proposal on Internal Control Management Measures of Harbin Bank. In 2015, the Audit Committee heard the work reports from the Internal Audit Department many times, continued to deepen the implementation of the internal control system, supervised and guided the audit and examination work, and further improved the internal control system. The Audit Committee also organized the preparation and review of the 2014 annual report and 2015 interim report according to regulators' disclosure requirements on the annual financial report and the disclosure plan of the Audit Committee. During the Reporting Period, the Audit Committee had several meetings and communications with the external auditors in the absence of executive Directors and senior management. On 21 March 2016, the Audit Committee reviewed the audited consolidated financial statements for the year ended 31 December 2015 prepared in accordance with the accounting principles and policies of the Bank. The attendance of each member in the meetings of the Audit Committee in 2015 is as follows:

Member of Audit Committee	Number of Meetings Requiring Attendance	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate ^(Note)
Ma Yongqiang (resigned on 7 December 2015)	7	7	0	100%
Zhang Shengping	7	7	0	100%
Wan Kam To	7	7	0	100%
Kong Siu Chee	7	7	0	100%
Qin Hongfu	7	7	0	100%

Note: During the Reporting Period, attendance by proxy with authorization was not deemed as attendance.

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(II) Nomination and Remuneration Evaluation Committee

The Nomination and Remuneration Evaluation Committee mainly consists of independent non-executive Directors, one of which also serves as chairman of the committee. Currently, members include independent non-executive Directors: Mr. Du Qingchun (chairman of the committee), Mr. He Ping, Mr. Wan Kam To and a non-executive Director Mr. Chen Danyang.

The major terms of reference of the Nomination and Remuneration Evaluation Committee during the Reporting Period are as follows:

1. Reviewing the structure, size and composition of the Board (including the skills, knowledge and experience) at least on an annual basis and proposing suggestions about the proposed change of the Board in accordance with company strategy.
2. Determining the conditions of service, criteria and selection procedures for Directors and senior management.
3. Conducting preliminary review on the qualifications and appointment conditions of Directors and senior management and propose suggestions to the Board.
4. Assessing the independence of independent Directors.
5. Making and implementing the remuneration policy and structure for directors and senior management.
6. Reviewing and approving the remuneration proposals of the management with reference to the enterprise policies and objectives formulated by the Board.
7. Making recommendations to the Board on the remuneration and incentives measures and schemes for the senior management.
8. Drafting the performance review standards for senior management and conducting such performance review, and reporting the results to the Board.
9. Evaluating the amounts of annual incentive compensation to be distributed to senior management, operating and management personnel and other employees.
10. Formulating Board diversity strategy.

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In 2015, the Nomination and Remuneration Evaluation Committee held 5 meetings. All members strictly performed the obligations listed in Terms of Reference for the Nomination and Remuneration Evaluation Committee and perfectly completed this year's work arrangements. Major works that were launched are as follows: conducting performance assessment of Directors and senior management, determining the 2015 annual performance assessment index and target value of senior management, and completing the preliminary assessment on the qualifications and conditions of Directors for the sixth session of the Board and senior management members and providing recommendations to the Board. Meanwhile, 10 proposals and reports including the Proposal on 2014 Director Performance Evaluation Report, Proposal on 2015 Annual Performance Assessment Index for Senior Management and Proposal on Director Nomination for the sixth session of the Board were reviewed and passed. The attendance of each member in the meetings of the Nomination and Remuneration Evaluation Committee in 2015 was as follows:

Member of Nomination and Remuneration Evaluation Committee	Number of Meetings Requiring Attendance	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate ^(Note)
Du Qingchun	5	5	0	100%
Ma Yongqiang (resigned on 7 December 2015)	5	5	0	100%
He Ping	5	5	0	100%
Wan Kam To	5	5	0	100%
Chen Danyang	5	5	0	100%

Note: During the Reporting Period, attendance by proxy with authorization was not deemed as attendance.

(III) Risk Management and Related Transactions Control Committee

The Risk Management and Related Transactions Control Committee currently consists of independent non-executive Directors, being Mr. Zhang Shengping (chairman), Mr. He Ping and Mr. Du Qingchun, an executive Director, being Mr. Liu Zhuo and a non-executive Director, being Mr. Cui Luanyi.

The major terms of reference of the Risk Management and Related Transactions Control Committee during the Reporting Period are as follows:

1. Supervising the risk control by senior management in respects of, among others, credit, market, operation and information technology.
2. Making regular assessment of the Bank's risk status.

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3. Providing advice on improving the Bank's risk management and internal control.
4. Reviewing the Bank's asset liability management policies.
5. Collecting and compiling lists and information of the Bank's related parties.
6. Examining and supervising the control of related party transactions of the Bank, as well as the implementation of control scheme of related party transactions by the Directors, senior management and related parties, and reporting the results to the Board.
7. Approving or conducting preliminary review of matters to be approved or preliminarily reviewed by the Risk Management and Related Transactions Control Committee as set out in the Articles of Association and any other internal system rules, keeping records of the relevant matters and reporting to the Board in accordance with the rules.

In 2015, the Risk Management and Related Transactions Control Committee held 11 meetings, at which 31 proposals and reports were considered and approved, including Proposal on 2015 Risk Management Policy, Proposal on Risk Appetite Adjustment and Proposal on Consideration and Approval of Internal Related Persons List. The attendance of each member in the meetings of Risk Management and Related Transactions Control Committee in 2015 is as follows:

Member of Risk Management and Related Transactions Control Committee	Number of Meetings Requiring Attendance	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate ^(Note)
Zhang Shengping	11	11	0	100%
He Ping	11	11	0	100%
Du Qingchun	11	11	0	100%
Liu Zhuo	11	11	0	100%
Cui Luanyi	11	11	0	100%

Note: During the Reporting Period, attendance by proxy was not deemed as attendance.

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(IV) Development Strategy Committee

The Development Strategy Committee currently consists of executive Directors, being Mr. Guo Zhiwen (chairman) and Mr. Zhang Qiguang, an independent non-executive Director, being Mr. Kong Siu Chee, and non-executive Directors, being Mr. Zhang Taoxuan and Mr. Ma Pao-Lin.

The major terms of reference of the Development Strategy Committee during the Reporting Period are as follows:

1. Researching and providing advice on the Bank's long and medium term development strategies.
2. Researching and providing advice on material investment and financing programs, material capital operation and asset operating projects to be approved by the Board as required under the Articles of Association.
3. Researching and providing advice on other material matters which may affect the development of the Bank.
4. Drafting the Bank's annual business targets.
5. Supervising and inspecting the implementation by senior management of the Bank's long and medium term development plans, annual business targets, investment and financing programs and capital allocation programs.
6. Exchanging information about the operation and risk exposure of the Bank with senior management and departments on a regular basis, as well as providing advice and recommendation.
7. Researching and providing advice on the strategy, policy and objective for the works on protecting consumers' rights, listening to the report on works regarding protection of consumers' rights by senior management on regular basis, supervising the execution and implementation of relevant works, and providing relevant report to the Board.
8. Researching and providing advice on the strategy, policy and objective for green credit, supervising the senior management in the implementation of green credit and fulfilment of social responsibility.

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In 2015, the Development Strategy Committee held eight meetings, at which 37 proposals and reports such as Proposal on 2015 Comprehensive Operation Plan, Proposal on the Initial Public Offering and the Listing of A Shares of Harbin Bank Co., Ltd., Proposal on the Transformation of Organizational Structure of Headquarter, Proposal on the Issuance of Qualified Tier 2 Capital Instrument and Proposal on 2016-2020 Summary of Development and Strategic Plan were considered and approved. The attendance of each member in the meetings of Development Strategy Committee in 2015 is as follows:

Member of Development Strategy Committee	Number of Meetings Requiring Attendance	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate ^(Note)
Guo Zhiwen	8	8	0	100%
Gao Shuzhen (resigned on 30 June 2015)	5	5	0	100%
Liu Zhuo (ceased to be a member of Development Strategy Committee from 30 June 2015)	5	5	0	100%
Zhang Qiguang	3	3	0	100%
Kong Siu Chee	8	5	3	62.5%
Zhang Taoxuan	8	8	0	100%
Ma Pao-Lin	3	3	0	100%

Note: During the Reporting Period, attendance by proxy was not deemed as attendance.

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XI. Board of Supervisors

The Board of Supervisors now consists of seven Supervisors, including three external Supervisors, three employees representative Supervisors and one shareholder representative Supervisor. The number and personnel composition of the Board of Supervisors are in compliance with the provisions of laws and regulations. During the Reporting Period, the Board of Supervisors held nine meetings, at which 21 proposals and reports such as the Work Report of the Board of Supervisors, performance evaluation reports, the annual report, strategic evaluation reports, profit distribution plan, nomination of Supervisors and amendments to the rules of procedures of the Board of Supervisors were considered and approved. The attendance of each Supervisor in the meetings of the Board of Supervisors in 2015 is as follows:

Member of Board of Supervisions	Number of Meetings Requiring Attendance	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate ^(Note)
Gao Shuzhen	6	6	0	100%
Zhang Bin (resigned on 30 June 2015)	3	3	0	100%
Cheng Yun (resigned on 30 June 2015)	3	3	0	100%
Wang Jiheng	9	9	0	100%
Meng Rongfang	9	8	1	88.89%
Bai Fan	9	8	1	88.89%
Lu Yujuan	9	9	0	100%
Wang Ying	9	9	0	100%
Yang Dazhi	6	6	0	100%
Chen Yutao (resigned on 30 June 2015)	3	3	0	100%

Note: During the Reporting Period, attendance by proxy was not deemed as attendance.

During the Reporting Period, the Board of Supervisors had two special committees, namely the Supervisory Board Nomination Committee and the Supervisory Board Supervision and Evaluation Committee. The structure and staff composition of each Supervisory Board Committee were in compliance with the provisions of regulatory authorities and the Articles of Association and each committee was chaired by external Supervisor. Each special committee carried out its work according to the laws, regulations, the Articles of Association, rules of procedure for the Board of Supervisors and the working rules of each Committee.

During the Reporting Period, the special committees of the Board of Supervisors exercised their authority and power in an independent, regular and effective manner in accordance with the law. Ten meetings were held throughout the year at which 15 proposals such as annual performance evaluation report, periodic reports and the profit distribution plan were considered.

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(I) Supervisory Board Nomination Committee

The Supervisory Board Nomination Committee consists of external Supervisors, being Mr. Wang Jiheng (chairman) and Ms. Bai Fan, and an employee representative Supervisor, being Ms. Wang Ying.

Its major terms of reference are as follows:

1. Drafting the conditions of service, criteria and selection procedures for supervisors.
2. Conducting preliminary review and providing advice to the Board of Supervisors on the qualifications and conditions of supervisor candidates nominated by shareholders.
3. Nominating qualified external supervisor candidates and recommending Supervisors to the Board of Supervisors.
4. Providing advice to the Board of Supervisors on the size and composition of the Board of Supervisors based on the Bank's operational and management status, total asset size and shareholding structure.

During the Reporting Period, the Supervisory Board Nomination Committee held one meeting, at which the Proposal on Supervisor Nomination for the sixth session of the Board of Supervisors was considered and approved. The attendance of each member in the meetings of the Supervisory Board Nomination Committee in 2015 is as follows:

Committee Member	Number of Meetings Requiring Attendance	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Wang Jiheng	1	1	0	100%
Bai Fan	1	1	0	100%
Wang Ying	1	1	0	100%

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(II) Supervisory Board Supervision and Evaluation Committee

The Supervisory Board Supervision and Evaluation Committee consists of an external Supervisor, being Ms. Meng Rongfang (chairman), a shareholder representative Supervisor, being Ms. Lu Yujuan, and an employee representative Supervisor, being Mr. Yang Dazhi.

Its major terms of reference are as follows:

1. Supervising the performance and discharge of duties and responsibilities by Directors, senior management and drafting and submitting relevant rules to the Board of Supervisors for review, and implementing relevant rules upon approval.
2. Drafting audit plan for the leaving of senior management and implementing such plans as approved by the Board of Supervisors.
3. Supervising the Bank's financial activities, operational decisions, risk management and internal control pursuant to relevant working rules of the Board of Supervisors and proposing supervisory recommendations.
4. Tracking the formulation of the Board's regular reports and relevant material adjustments and reporting the same to the Board of Supervisors.
5. Communicating with relevant Board Committees, relevant departments of the Bank and agency institutions and proposing supervisory recommendations on the engagement of external auditor when necessary.

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During the Reporting Period, the Supervisory Board Supervision and Evaluation Committee held nine meetings, at which 14 proposals and reports were considered and approved, such as the Proposal on 2014 Profit Distribution Plan and Proposal on the 2014 Annual Report, the Proposal on the Board of Supervisors' Evaluation Report on the 2014 Duty Performance of the Board of Directors and Directors, Proposal on the Evaluation Report on the 2014 Duty Performance of the Board of Supervisors and Supervisors, Proposal on the Board of Supervisors' Evaluation Report on the 2014 Duty Performance of the Senior Management and its members, Proposal on Conducting Audit on the Economic Responsibility of Zhang Qiguang, Proposal on Audit Report on the Economic Responsibility of Zhang Qiguang, Proposal on 2011-2015 Strategy Evaluation Report of Harbin Bank, Proposal on Conducting Audit on the Economic Responsibility of Gao Shuzhen in respect of her Resignation, Proposal on Conducting Audit on the Economic Responsibility of Wang Haibin and Sun Jiawei, Proposal on Audit Report on the Economic Responsibility of Gao Shuzhen in respect of her Resignation, Proposal on Audit Report on the Economic Responsibility of Wang Haibin, Proposal on Audit Report on the Economic Responsibility of Sun Jiawei and Proposal on 2015 Interim Report. The attendance of each member in the meetings of the Supervisory Board Supervision and Evaluation Committee in 2015 is as follows:

Committee Member	Number of Meetings Requiring Attendance	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Meng Rongfang	9	9	0	100%
Lu Yujuan	9	9	0	100%
Yang Dazhi	5	5	0	100%
Chen Yutao (resigned on 30 June 2015)	4	4	0	100%

XII. Change in the Members of the Board of Supervisors during the Reporting Period

During the Reporting Period, the Bank completed the re-election of the Board of Supervisors. Former Supervisors, namely Mr. Zhang Bin, Ms. Cheng Yun and Mr. Chen Yutao, ceased to be Supervisors of the Bank. New employee representative Supervisors, Ms. Gao Shuzhen and Mr. Yang Dazhi, were elected to the new session of the Board of Supervisors.

XIII. Financial and Business Relationship and Kinship among Directors, Supervisors and Senior Management

No relationship exists among Directors, Supervisors and senior management of the Bank, including financial and business relationship, kinship or other major relationship.

XIV. Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code set out in Appendix 10 of the Hong Kong Listing Rules as its codes governing securities transactions by its Directors and Supervisors. After making inquiries with all Directors and Supervisors, the Bank confirmed that they had complied with the above codes for the period from 1 January 2015 up to 31 December 2015. The Bank also set up guidelines in respect of dealings by relevant employees in the securities of the Bank on terms no less exacting than those of the Model Code. The Bank did not have knowledge that any relevant employee had breached the guidelines.

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XV. Trainings and Surveys of Directors and Supervisors during the Reporting Period

During the Reporting Period, the Board of the Bank organized survey and investigations by independent Directors for three times, during which they went to 4 branch offices and holding subsidiaries including Suihua Branch, Yichun Branch, Daqing Branch and Bayan Rongxing village and township banks. Through interviews and site visits, the independent Directors gained understanding of the establishment of regulatory systems of the departments and branches, appraisal system, information technology, risk management, budget control and operation, instructed them to enhance the management and operation, raise awareness of risks and improve risk management capability and gave independent, objective and professional opinions and recommendations on their operation and management.

During the Reporting Period, the Board of Supervisors organized the Supervisors to conduct survey, investigation and evaluation on the overall strategy implementation. The Supervisors communicated with 2 members of the senior management on internal control matters, and met personnel from over 10 departments including Internal Audit Department, Risk Management Department, Compliance Management Department and Financial and Accounting Department with focus on compliance management, risk control, credit approval, development direction for core business, strategy implementation and performance management.

During the Reporting Period, three training sessions were organized for Directors and Supervisors by the Bank, covering E-financing, social responsibility of listed company, corporate governance and hot issues in the banking industry with the participation of relevant senior management members. Meanwhile, the Bank organized learning sessions for senior management members on topics relating to corporate governance, law, finance and the Hong Kong Listing Rules, ensuring that they possessed an adequate understanding of the operation, business of the Bank and relevant laws and regulations.

The attendance of each Director in trainings on specific topics and site business visits in 2015:

Name of Directors	Number of trainings on specific topics	Number of site business visits
Guo Zhiwen	2	0
Liu Zhuo	0	0
Zhang Qiguang	1	0
Zhang Shengping	2	2
He Ping	3	2
Du Qingchun	3	3
Wan Kam To	2	1
Kong Siu Chee	2	1
Zhang Taoquan	2	0
Ma Pao-Lin	1	0
Qin Hongfu	3	0
Cui Luanyi	3	0
Chen Danyang	3	0

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XVI. Amendments to Articles of Association

The Bank adopted the current Articles of Association on 10 May 2013, which came into effect on the date of listing, being 31 March 2014. At the general meeting on 19 June 2014, the amended Articles of Association was approved, which became effective upon obtaining the approval of the relevant regulatory authorities on 6 August 2014. At the general meeting on 30 June 2015, the amended Articles of Association was approved, which was subject to the approval of regulatory authority. Save for the above, there has been no material change in the Articles of Association from 6 August 2014 up to the date hereof.

XVII. Company Secretaries under the Hong Kong Listing Rules

The appointment of Ms. Sun Feixia as board secretary was approved at the 24th meeting of the fifth session of the Board held on 3 December 2014 and her qualification was reviewed and approved by the CBRC, Heilongjiang Office on 19 January 2015.

Ms. Sun Feixia and Mr. Ngai Wai Fung have acted as joint company secretaries of the Bank since January 2014. Please refer to “Joint Company Secretaries” for the biographical details of Ms. Sun Feixia and Mr. Ngai Wai Fung. Each Director may discuss with, seek advice and obtain data from the company secretaries. Both of Mr. Ngai and Ms. Sun have confirmed their receipt of no less than 15 hours of relevant professional trainings. The principal contact person of Mr. Ngai with the Bank is Ms. Sun.

XVIII. Communication with Shareholders

In the management of investor relationship, the Company closely adheres to the operating philosophy of “Inclusive finance, Harmonious Co-Enrichment”, works on the strategic objective to “become a first-class international microcredit bank providing excellent services with unique characteristics”, highlights the unique market position of microcredit, rural credit and Sino-Russia credit and gives emphasis to displaying to investors the Bank’s latest achievements and future potential of developing business fields such as microcredit, mobile finance and Sino-Russia credit. Meanwhile, the Company also displays its comprehensive development plan in establishing village and township banks and subsidiaries such as HB Leasing.

During the Reporting Period, the Bank actively exchanged information with investors and potential investors and proactively participated in various investor presentations. Through proactive high-level dynamic two-way exchange, the Bank deepened investors’ recognition and understanding of the Bank and improved the investment value of the Bank, thereby safeguarding investors’ interests. In 2015, the Bank held two regular result release meetings and 2 news conferences. In October 2015, the Bank organized the first reverse roadshow with the theme of “New Normal, New Opportunity and New Journey” in Harbin. Famous domestic and overseas analysts and investors conducted on-site visits to the branches of the Bank and our customers, thus making them to have a better understanding on the Bank’s development strategy and business characteristics. In addition, the Company conducted 2 global annual results roadshows with in-depth and effective communication with 28 domestic and overseas institutional investors, and answered over 100 telephone inquiries from investors and analysts.

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Shareholders may at any time make inquiries to the Board in writing via the Board Office, whose contact details are as follows:

Address: No. 160 Shangzhi Street, Daoli District, Harbin, China

Post code: 150010

Tel: 86-451-86779933

Fax: 86-451-86779829

E-mail: ir@hrbb.com.cn

XIX. Rights of Shareholders

(I) Procedure of convening an extraordinary general meeting of shareholders

According to the provisions of the Articles of Association and Rules of Procedure for Shareholders' General Meeting:

1. Shareholders individually or jointly holding 10% or more of shares of the Bank may sign one or more written requests in the same form and content that the Board should convene an extraordinary general meeting or a separate class meeting of shareholders while declaring the topic of such meeting in such request. The Board shall, within 10 days after receipt of the request, make written feedback to agree or disagree to convene an extraordinary general meeting or a separate class meeting of shareholders in accordance with provisions of the laws, administrative regulations and the Articles of Association;
2. The Board shall deliver such notice of convening an extraordinary general meeting or a separate class meeting of shareholders within 5 days after the decision of the Board if it agrees to convene an extraordinary general meeting or a separate class meeting of shareholders. Any change of the former request in the notice shall be made with the consent of relevant shareholders;
3. While the Board disagrees to convene an extraordinary general meeting or a separate class meeting of shareholders or does not give feedback within 10 days after the receipt of such request, shareholders individually or joint holding 10% or more of shares of the Bank are entitled to propose that the Board of Supervisors should convene an extraordinary general meeting by submitting such request in writing;
4. While the Board of Supervisors agrees to convene an extraordinary general meeting or a separate class meeting of shareholders, it shall, within 5 days after the receipt of the request, deliver such notice, in which any change in the former proposal shall be made with the consent of relevant shareholders;
5. In the event that the Board of Supervisors fails to deliver such notice to convene an extraordinary general meeting or a separate class meeting of shareholders in a specified period, such acts shall be deemed to be refusing to convene such aforesaid meeting by the Board of Supervisors. Such shareholders individually or jointly holding 10% or more of shares of the Bank for 90 consecutive days may at their discretion convene and preside over such aforesaid meeting.

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(II) Procedure of submitting a proposal to the general meeting of shareholders

Shareholders individually or jointly holding 3% or more of the shares of the Bank may propose an interim proposal in writing and submit it to the convener 10 days before the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days after receiving the proposal and announce such proposal, which shall satisfy such provisions as otherwise specified in the local listing rules (the Hong Kong Listing Rules). Except as provided in the precedent paragraphs, the convener shall not alter proposals listed in the notice of the general meeting or add any proposals after the issuance of notice of the general meeting.

XX. External Auditors and Auditors' Remuneration

The Bank engaged Ernst & Young Hua Ming LLP and Ernst & Young to respectively act as auditors for 2015 annual financial report of the Bank prepared according to the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards.

For the year ended 31 December 2015, the Bank respectively paid RMB5.8 million and RMB0 million to such external auditors for audit services and non-audit services.

XXI. Internal Control

For details of the internal control of the Bank, please refer to "Internal Control and Internal Audit" of this annual report.

Report of the Board of Supervisors

I. Meeting of the Board of Supervisors

In 2015, the Board of Supervisors held nine meetings, at which 21 resolutions were considered and approved, including the resolution on Work Report of the fifth session of the Board of Supervisors, the resolution on the 2014 Profit Distribution Plan, the resolution on the 2014 Annual Report, the resolution on the Board of Supervisors' Evaluation Report on the 2014 Duty Performance of the Board of Directors and Directors, the resolution on the 2014 Duty Performance of the Board of Supervisors and Supervisors, the resolution on the Board of Supervisors' Evaluation Report on the 2014 Duty Performance of Senior Management and its Members, the resolution on amendments to the Rules of Procedures of the Board of Supervisors, the resolution on Supervisor Nomination for the sixth session of the Board of Supervisors, the resolution on amendments to the Working Rules of Special Committees of the Board of Supervisors, the resolution on the Audit Report on the Economic Responsibility of Zhang Qiguang, the resolution on the 2011-2015 Strategy Evaluation Report of Harbin Bank, the resolution on the election of the chairman of the Board of Supervisors, the resolution on the composition of different committees under the sixth session of the Board of Supervisors, the resolution on the amendments to the Rules of Procedures of the Board of Supervisors of Harbin Bank Co., Ltd., the resolution on the Audit Report on the Economic Responsibility of Gao Shuzhen in respect of her Resignation, the resolution on the Audit Report on the Economic Responsibility of Wang Haibin, the resolution on the Audit Report on the Economic Responsibility of Sun Jiawei, the resolution on the 2015 Interim Report, the resolution on the Work Plans for the sixth session of the Board of Supervisors of Harbin Bank, the resolution on the appointment of Hao Libo as the officer of the Board of Supervisors, and the Communications in respect of the Optimization Plan for Performance Management System upon the Transformation of Harbin Bank.

II. Major Work of the Board of Supervisors

(I) System Establishment

During the Reporting Period, the Board of Supervisors participated in the amendment to the Articles of Association, and organized the amendment to the Company's systems such as the Rules of Procedures for the Board of Supervisors and the Working Rules of Special Committees of the Board of Supervisors.

(II) Strategy Evaluation

During the Reporting Period, the Board of Supervisors, in performance of their duties, conducted 2011-2015 comprehensive strategy evaluation on the Company. Through internal and external investigations, data analysis and visits, depth analysis, a completed strategy evaluation report was formulated. The evaluation report objectively evaluated the decision-making standard of the Company's strategies, execution effects and competitiveness, and provided recommendations on the future strategic directions.

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(III) Supervision and Investigation

During the Reporting Period, the Board of Supervisors, in performance of their duties, monitored the duty performance of the Board and the senior management and matters relating to the financial operation, risk management and internal control, as well as organized and implemented relevant activities, including: first, conducted interactions with two members of the senior management including making communications and proposals about future development direction and business mode for core businesses, compliance management, risk control and credit approval; second, conducted interviews with the departments of the headquarters and listened to the on-site reports for over 10 times; focusing mainly on interviews with the departments of Internal Audit, Compliance Management, Risk Management, Financial and Accounting and relevant departments, and paying special attention on the comprehensive risk management and compliant operation on market risk, operating risk and credit risk and relevant prevention; third, conducted branch investigations on 16 branches inside and outside Harbin Province with focus on the strategy implementation, business development and risk management; fourth, conducted visits and interviews with village and township banks, and listened the reports from the management of village and township banks in Sichuan Suining, and Chongqing Dadukou, Wulong, Shapingba and Youyang in respect of business, risk management and problems encountered with focus on their corporate governance, operating decision and risk and internal control; and fifth, performance assessment of the departments of the headquarters with focus on operation objectives, strategy implementation, work quality and efficiency and management of compliance risk and so on.

(IV) Supervision of Duty Performance

During the Reporting Period, the Board of Supervisors continued supervising on the performance of the Board and the senior management in accordance with the relevant rules of the Articles of Association and the requirements relating to the evaluation of performance by the Board of Supervisors. Through attending the meetings of the Board and the senior management, and based on the actual duty performance of the Directors and senior management, the Board of Supervisors monitored the performance of the Board and the senior management and their members. Based on the annual supervision on the performance, the Board of Supervisors evaluated the annual work performance and compiled reports to submit to the shareholders' general meeting and relevant regulatory authorities.

(V) Putting Forward Management Suggestions

During the Reporting Period, the Board of Supervisors consistently paid attention to all kinds of risk status and control measures of the Company, and by focusing mainly on compliance management, risk management, internal control establishment, credit approval, development direction of core business performance management and so on during their investigations and supervision process, the Board of Supervisors provided comments and suggestions, and reported to the Board, the senior management for reference for decision-making and operation.

Report of the Board of Supervisors

(VI) Self-enrichment

The Board of Supervisors' self-enrichment activities included: first, completion of the re-election of the new session of the Board of Supervisors successfully, thereby optimizing the composition of the Board of Supervisors. The new session of the Board of Supervisors further introduced professionals with knowledge in operation and management, as well as extensive experience in economic and financial fields into the team. Employee representative supervisors are talents who are responsible for the operation, asset and liability, financial management and internal audit of the Bank. External supervisors are talents with extensive experience in finance, operation and risk management. The new session of the Board of Supervisors has increased the proportion of external supervisors, which has enhanced the independence of the performance of the Board of Supervisors and effectively strengthened the capability of supervisors in performing their duties; second, formulation of the work plan of the sixth session of the Board of Supervisors. The Bank planned the works for the sixth session of the Board of Supervisors, and formulated detailed objectives, key focus area and measures for its work. It focused on innovative working ways, methods and modes, ensured the Board and senior management and its members duly performed their duties, and enhanced the duty performance and supervision capability of the Board of Supervisors; third, strengthening the establishment of the supervisor team and enhancing their duty performance capability. By organizing trainings and examinations in relation to corporate governance and listing for Supervisors, Supervisors had a better understanding on corporate governance, risk management, macro-economic and operation management, and strengthened their theoretical level. This enabled the Supervisors to have a clearer picture on their legal responsibilities, rights and obligations, and an in-depth understanding on the problems and challenges confronted after the listing of the Company.

By Order of the Board of Supervisors

Gao Shuzhen

Chairman of the Board of Supervisors

Harbin, China
22 March 2016

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I. Reform of the Organization Structure

During the Reporting Period, in order to cope with changing environment in the banking industry, support innovative development centered on the business strategy of “comprehensive retail finance, comprehensive asset management and mobile finance”, transform our headquarters from managerial type into value-creation type, consolidate business portfolio and promote directly operated by headquarters, speed up product innovation, boost the vitality of business sectors, strengthen the support and service to front desk from middle and back office and enhance the operating efficiency, the Bank officially launched the optimization project for the organization structure in August 2015. Upon the completion of organization structure transformation, our headquarters are divided into four major headquarters, namely the Retail Finance Headquarters, Corporate Finance Headquarters, Interbank Finance Headquarters and Mobile Finance Headquarters. Meanwhile, to streamline the operating procedures and enhance the operating efficiency of middle and back office, the middle and back office of headquarters will be comprised of risk department, information technology department and support department (for details, please refer to the “Organization Chart” under the Corporate Governance Report). Before the reform of the organization structure, the original headquarters was comprised of 23 first-tier departments, 6 SBUs and 15 second-tier departments. After the transformation, the new headquarters is comprised of 23 first-tier departments, 12 SBUs or departments operating in accordance with the system of SBUs and 10 second-tier departments. Among which, the number of departments or SBUs directly operated by the headquarters increased to 12 from 6, while the number of managerial departments decreased to 33 from 38. Upon the transformation, the organization structure of headquarters is more streamlined. Hence, the Bank may make a quicker response to the market, increase the efficiency of customer service, strengthen the direct marketing capability of business, and optimize the management capability.

II. Debt Securities Issuing and Redemption

(I) Bond Issuance during the Reporting Period

During the Reporting Period, the Bank issued the first tranche of “agriculture, rural areas and farmers” special financial bonds of RMB4.0 billion in 2015. For details of the issuance, please refer to “(5) Debentures” under the Report of the Board of Directors.

(II) Previous Financial Bonds Issuance

1. Financial Bonds in 2012

According to the resolutions of the 31st meeting of the fourth session of the Board on 8 August 2011 and the 2011 first extraordinary general meeting of shareholders on 25 August 2011, the Board and the shareholders’ general meeting approved the Proposal of Harbin Bank to Issue Financial Bonds and agreed the public issuance by the Bank of RMB2.5 billion of ordinary (non-subordinated) financial bonds in the interbank market of China.

According to the “Approval for Harbin Bank to Issue Financial Bonds” issued by the CBRC (Yin Jian Fu [2011] No. 570) on 15 December 2011 and the “Administrative Approval Decision” by the People’s Bank of China (Banking Market License [2012] No. 19) on 21 March 2012, the Bank obtained the consent and permission from the CBRC and the PBOC for the issuance of the financial bonds in 2012.

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According to the “Prospectus for 2012 Financial Bonds Raising of Harbin Bank Co., Ltd.” prepared in May 2012, the terms of the bond issuance were as follows: the issuing scale was not more than RMB2.5 billion; the variety and maturity were as 5-year financial bonds of commercial banks; the coupon rate was a fixed interest rate; the final coupon rate shall be determined by book keeping and centralized allocation and shall not be changed during the bond duration; it shall be calculated annually in simple interest with no compound interest, and no more interest shall be accounted after maturity; and its short name was “12 Harbin Bank Financial Bonds” (bond code: 1220008).

2. *Financial Bonds in 2014*

According to the resolutions of the 14th meeting of the fifth session of the Board on 10 September 2013 and the 2013 second extraordinary general meeting of the Bank on 26 September 2013, the Board and the shareholders’ general meeting approved the issuance of “agriculture, rural areas and farmers” special financial bonds of not more than RMB10.0 billion.

According to the “Approval for Harbin Bank to Issue ‘Agriculture, Rural Areas and Farmers’ Special Financial Bonds” issued by the CBRC (Yin Jian Fu [2014] No. 615) dated on 12 September 2014 and the “Administrative Approval Decision” by the People’s Bank of China (Banking Market License [2014] No. 241) dated 5 December 2014, the issuance by the Bank of financial bonds of not more than RMB6.0 billion in the interbank market was approved. The Company obtained the consent and permission from the CBRC and the PBOC for the issuance of the first tranche of the financial bonds in 2014 on 15 December 2014.

The first tranche of our financial bonds in 2014 amounted to RMB2.0 billion with the term of three years. The coupon rate was 4.60% and the interest was calculated annually at a fixed rate. The short name of the bonds is “14 Harbin Bank 01” (bond code: 11420045).

III. **Proposed A Share Offering**

As approved at the 2015 first extraordinary general meeting, the first domestic shareholders’ class meeting and the first H shareholders’ class meeting of the Bank held on 30 June 2015, the Bank proposed to issue not more than 3,666,000,000 A shares with nominal value of RMB1.00 per share, representing approximately 25% of the total number of the enlarged share capital of the Bank after the completion of the A share offering. The number of shares of the actual issuance will be determined by the Board after consultation with the regulatory authorities, and according to the Company’s capital requirements and the market conditions after negotiations with the sponsor(s) as authorized by the general meeting. The Bank will disclose further information and progress of the A share offering in due course.

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IV. Material Legal Proceedings and Arbitrations

As at the end of the Reporting Period, pending legal proceedings in which the Bank was involved as a defendant or a third party amounted to RMB17,116,000. In the opinion of the Bank, it would not have any material impact on the Bank's operating activities. During the Reporting Period, there were no material legal proceedings or arbitration which had substantial impact on the operating activities of the Bank.

V. Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

During the Reporting Period, the Bank and all its Directors, Supervisors and senior management had no records of being imposed on inspections, administrative penalties and circulating criticisms by CSRC or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory authorities that posed significant impact on the Bank's operation.

VI. Material Contracts and Their Performance

During the Reporting Period, the Bank had no material contracts to be performed.

VII. The Audit Review

The Bank's consolidated financial statements for the year of 2015 prepared in accordance with International Financial Reporting Standards had been audited by Ernst & Young, who had issued an unqualified audit report. The Bank's report for the year 2015 had been reviewed by the Audit Committee of the Board and the Board of Directors.

VIII. Implementation of Share Incentive Scheme during the Reporting Period

During the Reporting Period, the Bank had not implemented any share incentive schemes.

IX. Material Acquisition and Disposal of Assets and Merger of Enterprises

During the Reporting Period, the Bank had no material acquisition, disposal of assets or merger of enterprises.

X. Profit Distribution during the Reporting Period

The 2014 profit distribution plan of the Bank was considered and approved at the 2014 annual general meeting held on 30 June 2015. A dividend of RMB0.103 per Share (inclusive of tax) was paid on 28 August 2015.

Internal Control and Internal Audit

I. Internal Control

In accordance with laws and regulations on internal control normative system for enterprises including the Commercial Banking Law of the People's Republic of China, the Basic Internal Control Norms for Enterprises and its relevant guidelines jointly issued by five ministries and commissions including the Ministry of Finance and the Guidelines for Internal Control of Commercial Banks issued by the CBRC, the Bank has established an internal control system covering five major aspects of internal environment, risk assessment, control activities, information and communication, and internal supervision. This provides a comprehensive process control over various operation management activities of the Company. As the decision-making body of the Bank, the Board is responsible for the creation, development and effective implementation of internal control; the management at various levels is responsible for coordinating the establishment and implementation of internal control and its daily operation; the various branch organizations and departments are responsible for establishing and continuously improving their own internal control systems in accordance with the requirements of laws and regulations; the compliance departments at different levels and the independent internal audit departments are responsible for the supervision and evaluation of the internal control system of the Bank, forming an internal control management and organizational structure with reasonable division of labour, clear responsibilities and reporting relationships .

During the Reporting Period, the Bank implemented a series of works on improving and optimizing internal control, primarily included: firstly, the Bank improved its risk evaluation system. The Company fully understood various risk exposures under the operating and management process, and basically established a comprehensive risk management system which is suitable for the Bank. Series of management measures and systems had been applied gradually, such as data platform, pricing management, comprehensive budgeting management, interest rate liberalization project, and internal assessment model for retail and non-retail business. Hence, the standard of delicacy management for risk assessment has greatly improved. Secondly, the Bank strengthened the use of technology and continued its works on the establishment of automatic internal control. It has optimized the mechanism for the establishment of automatic internal control, and incorporated the rationalized and optimized internal control points into its key information systems. Through strengthening the automation rate of internal control at different processes, the Bank further realized the automation and normalization of the internal control system, thereby ensuring the implementation of the result of internal control system establishment under informationization. Thirdly, the Bank strengthened its system establishment. Based on regulatory requirements, existing business development and reform of organization structure, the Bank promptly streamlined and improved its systems across the Bank, and standardized and guided the commencement of various businesses. The Bank also optimized systematic rating mechanism, and accelerated the optimization of procedures for system establishment. Fourthly, the Bank conducted several rounds of special inspections on illegal operation, crime commitment, review on "two areas of strengthening and two areas of restraint" and compliance of retail lending business, thereby strengthening the internal control as to prevent such violations. The Bank actively inspected problematic issues, and proactively facilitated relevant rectification. Fifthly, the Bank strengthened the establishment of compliance culture, thereby improving the ability of internal control. The Board and senior management of the Bank highly focused on the works in respect of internal control training, strengthening of incident prevention and control, consumer right protection and anti-money laundering management. It emphasized the importance of internal control, and conducted various compliance trainings and seminars, aiming to make all employees across the Bank acknowledge the importance of internal control, be familiar with the duty requirements for different positions, and understand the key points of internal control, thus building an excellent internal control environment across the Bank. The Bank further promoted its compliance philosophy of "giving highest priority to compliance, making all employees in compliance, working in compliance actively, and creating value through compliance", thereby building a corporate culture of "compliance with high efficiency".

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II. Internal Audit

The Bank has established in place an independent and vertical internal audit management system. The Board is responsible for building and maintaining a sound and effective internal audit system. The Board has established the Audit Committee, which is accountable to the Board, whereas the Internal Audit Department as the Bank's department for internal audit, is responsible for internal audit on the operation and management of the Bank, and is accountable to the Board and the Audit Committee. The Internal Audit Department exercises its right of internal audit as authorized by the Board and is not subordinated to any other departments or persons effected thereby. Neither does it take part in any specific operating activities within the scope of duties of other departments.

During the Reporting Period, on the principle of discovering material risks and potential risks, the Internal Audit Department focused on improving service efficiency and continued to strengthen audit innovation. It strengthened supervision over "key risks, key business, key departments and key personnel" and analysis of knowledge transfer and audit results, enhancing auditing quality. During the Reporting Period, it reached a 100% auditing coverage over branches and sub-branches of the Bank. The Board and the senior management emphasized on the audit findings and transformation of audit results, actively promoted the system optimization and process improvement, supervised the effective duty performance of the units under auditing and improved the Bank's risk control ability.

The Company has reviewed the effectiveness of internal control systems of the Group for the year ended 31 December 2015. The Board is of the view that, during the year, the business and matters within the scope of internal control assessment by the Company involved various kinds of control on the corporate and operational levels as well as in the area of information technologies and covered the principal aspects including Company's financial, operational and regulatory control and risk management. In addition, the Board also reviewed and was satisfied with the sufficiency of resources and the qualifications and experience of the employees for performing the Company's accounting and financial reporting functions, as well as the adequacy of the employee training courses and the relevant budget.

Directors, Supervisors, Senior Management, Employees and Organizations

I. Incumbent Directors, Supervisors and Senior Management

Directors

Name	Gender	Age	Position	Term of office
Guo Zhiwen	Male	48	Executive Director and Chairman of the Board	June 2015-June 2018
Liu Zhuo	Male	52	Executive Director and Vice Chairman of the Board	June 2015-June 2018
Zhang Qiguang	Male	43	Executive Director, President and Chief Financial Officer	July 2015-June 2018
Zhang Taoxuan	Male	54	Non-Executive Director	June 2015-June 2018
Ma Pao-Lin	Male	53	Non-Executive Director	August 2015-June 2018
Qin Hongfu	Male	38	Non-Executive Director	June 2015-June 2018
Cui Luanyi	Male	35	Non-Executive Director	June 2015-June 2018
Chen Danyang	Male	42	Non-Executive Director	June 2015-June 2018
Zhang Shengping	Male	50	Independent Non-Executive Director	June 2015-June 2018
He Ping	Male	50	Independent Non-Executive Director	June 2015-June 2018
Du Qingchun	Male	44	Independent Non-Executive Director	June 2015-June 2018
Wan Kam To	Male	63	Independent Non-Executive Director	June 2015-June 2018
Kong Siu Chee	Male	69	Independent Non-Executive Director	June 2015-June 2018

Supervisors

Name	Gender	Age	Position	Term of office
Gao Shuzhen	Female	52	Chairman of the Board of Supervisors and Employee Representative Supervisor	June 2015-June 2018
Wang Ying	Female	44	Employee Representative Supervisor	June 2015-June 2018
Yang Dazhi	Male	38	Employee Representative Supervisor	June 2015-June 2018
Lu Yujuan	Female	31	Shareholders Representative Supervisor	June 2015-June 2018
Wang Jiheng	Male	51	External Supervisor	June 2015-June 2018
Bai Fan	Female	41	External Supervisor	June 2015-June 2018
Meng Rongfang	Female	50	External Supervisor	June 2015-June 2018

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Senior Management

Name	Gender	Age	Position	Term of office
Lv Tianjun	Male	49	Vice President and Chief Risk Officer	June 2015-June 2018
Lu Weidong	Male	45	Vice President and Chief Information Officer	June 2015-June 2018
Xu Shaoguang	Male	55	Chief Credit Approval Officer	June 2015-June 2018
Wang Haibin	Male	46	Vice President	August 2015-June 2018
Sun Jiawei	Female	46	Vice President	August 2015-June 2018
Sun Feixia	Female	45	Secretary of the Board of Directors and Joint Company Secretary	June 2015-June 2018
Liu Yang	Male	46	Assistant to the President	September 2015-June 2018

II. Information on Remuneration Paid to Directors, Supervisors and Senior Management for 2015

Please refer to Notes 11 and 12 to the Financial Statements for the total amount of the remuneration of Directors, Supervisors and senior management.

III. Information of Directors, Supervisors and Senior Management

(I) Information of Chairman, President and Directors

Executive Directors

Mr. Guo Zhiwen (郭志文), has been the Chairman of our Board and the Legal Representative since October 2008. Mr. Guo has been an Executive Director of the Bank since May 2004 and Secretary of the Party Committee of the Bank since December 2003. He is also currently a Deputy to the 12th People's Congress of Heilongjiang Province. From July 1997 to October 2008, he worked as President of the Longqing Sub-branch of the Bank, Assistant to the President, Vice President and the President of the Bank. Prior to joining the Bank, from August 1994 to July 1997, Mr. Guo worked at Heilongjiang Longqing Urban Credit Cooperatives as Deputy General Manager and General Manager. Between August 1994 and December 1995, Mr. Guo also concurrently served as General Manager of the Exploitation Division of the Youth Development Foundation of Heilongjiang. Prior to that, from July 1988 to August 1994, Mr. Guo was Deputy General Manager of the Operational Department of Heilongjiang Youth Social Service Centre and Deputy General Manager of the Exploitation Division of the Youth Development Foundation of Heilongjiang. Mr. Guo received an EMBA degree from Peking University in July 2008. He is a Senior Economist as accredited by the Personnel Department of Heilongjiang Province.

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Mr. Liu Zhuo (劉卓), has been the Vice Chairman of the Bank since April 2012, Executive Director of the Bank since September 2007 and the Chairman of Dacheng Fund Management Co., Ltd. since December 2014. From October 2000 to April 2012, Mr. Liu held a number of positions in the Bank, including Office General Manager, Deputy Chairman of the Labor Union, General Manager of the Business Department and Assistant to the President of the Bank. Mr. Liu has also been Secretary to the Board of the Bank from September 2008 to December 2014. Prior to joining the Bank, from May 1990 to October 2000, Mr. Liu held various positions in the Harbin Municipal Committee of the Communist Youth League, including Section Officer of the Industrial Office, Deputy Head of the Urban Areas Department. From August 1986 to May 1990, Mr. Liu worked at the Technological Section of Harbin Municipal Shipyard. Mr. Liu received a Bachelor's degree in Engineering from Wuhan Water Transportation Engineering Institute in July 1986.

Mr. Zhang Qiguang (張其廣), has been an Executive Director and President of the Bank since July 2015 and Chief Financial Officer of the Bank since May 2011. Mr. Zhang has been the Vice President of the Bank from April 2012 to July 2015 and the President of our Harbin Branch from March 2012 to February 2015. Mr. Zhang is also currently a member of Harbin Municipal Committee of the 12th Chinese People's Political Consultative Conference, Deputy General Manager of its Economics Committee, and a Deputy to the 15th People's Congress of Nangang District of Harbin. From June 2001 to September 2012, Mr. Zhang held a number of positions in the Bank, including General Manager of the Business Department at the Headquarters, Executive Deputy General Manager of the Harbin Management Department and General Manager of the Financial Planning Department of the Bank. Prior to joining the Bank, from November 1993 to June 2001, Mr. Zhang worked at the PBOC Harbin Central Sub-branch. From July 1993 to November 1993, Mr. Zhang worked at Harbin Securities Company. Mr. Zhang received a Doctoral degree in Business Administration from Harbin Institute of Technology in November 2015. He is a Registered Accountant as accredited by the MOF.

Non-Executive Directors

Mr. Zhang Taoxuan (張濤軒), has been a Non-Executive Director of the Bank since May 2012. Mr. Zhang has been General Manager of Harbin Economic Development, head of the treasury division and General Manager of the payment center of Harbin Municipal Finance Bureau since April 2011. From December 2005 to April 2011, Mr. Zhang was the deputy head of the treasury division and Deputy General Manager of the payment center in Harbin Municipal Finance Bureau, and the Deputy General Manager and General Manager of Harbin Microcredit Loan Guarantee Centre for the Laid-off and Unemployed. From November 1996 to December 2005, Mr. Zhang held a number of positions in Harbin Municipal Finance Bureau, including associate chief officer and chief officer of budget division, chief officer of the treasury division. From June 1990 to November 1996, Mr. Zhang held a number of positions in Songhua Jiang Municipal Finance Bureau, including officer in industry division, chief Accountants and Deputy General Manager in budget division. From March 1981 to June 1990, Mr. Zhang worked at the Harbin Tonghe Sub-branch of Agricultural Bank of China. Mr. Zhang received a Master's degree in Agriculture Popularization from Northeast Agricultural University in January 2010. He is an Accountant as accredited by the MOF.

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Mr. Ma Pao-Lin (馬寶琳), has been a Non-Executive Director of the Bank since August 2015. Mr. Ma has been a deputy general manager of Fubon Life Insurance, a wholly-owned subsidiary of Fubon Financial Holding Co., Ltd. (TWSE: 2881) since July 2007, and was promoted to executive deputy general manager in July 2012. Mr. Ma has been the Manager of Fubon Financial Holding Co., Ltd. since October 2008 and a Director of Fubon Financial Holding Venture Capital Corp. since October 2009. He has been a Director of Diamond BioFund Inc. since January 2013, a Director of Diamond Capital Inc. since January 2013 and a Director of New Bright Bio Technology Investment Co., Ltd. (新耀生技投資股份有限公司) since December 2015. Mr. Ma has held positions in different companies since August 1988, including Yung Li Securities Co., Ltd., Bankers Trust Company, Da-Fa Investment Trust Co., Ltd., International Investment Trust Company Ltd. Aetna Life Insurance Co., of America Taiwan Branch office, ING-CHB Trust Company and Fubon Securities Investment Trust Co., Ltd. He obtained a Master's degree in industrial administration from National Cheng Kung University in June 1986.

Mr. Qin Hongfu (覃紅夫), has been a Non-Executive Director of the Bank since May 2011. Mr. Qin has been Chief Financial Officer of Harbin Kechuang Xingye Investment Company Limited since September 2004. Prior to that, from July 2000 to August 2004, Mr. Qin was an Accountant of Hebei Yongzhengde Accounting Firm. Mr. Qin received a Bachelor's degree in Management from Shijiazhuang University of Economics in June 2000 and is an Accountant as accredited by the MOF.

Mr. Cui Luanyi (崔鸞懿), has been a Non-Executive Director of the Bank since May 2011. Mr. Cui has been Chief Business Officer of Heilongjiang Tiandi Yuanyuan Network Technology Company Limited since May 2006. Prior to that, from September 2003 to May 2006, Mr. Cui worked as a teacher at the Telecommunications School of Tianjin University. Mr. Cui received a Master's degree in Economics from University Of International Business and Economics in June 2009.

Mr. Chen Danyang (陳丹陽), has been a Non-Executive Director of the Bank since April 2006. Mr. Chen has been Vice President of Heilongjiang Tuokai Economic and Trading Company Limited since October 2003. Prior to that, Mr. Chen used to work at the Haikou Office of China Cinda Asset Management Co., Ltd. and China Construction Bank. Mr. Chen received a Bachelor's degree in Economics from Hunan College of Finance and Economics in June 1995 and is an Accountant as accredited by the MOF.

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Independent Non-executive Directors

Mr. Zhang Shengping (張聖平), has been an independent Non-Executive Director of the Bank since June 2012. Mr. Zhang has been Deputy Dean of Guanghua School of Management of Peking University since July 2015, member of the Party Committee of Guanghua School of Management of Peking University since July 2011, Executive Director of the ExEd (Executive Education) of Guanghua School of Management of Peking University since May 2011, Associate Professor of Guanghua School of Management of Peking University since August 2002, and Assistant to the Dean of Guanghua School of Management of Peking University from May 2011 to June 2015. Mr. Zhang has been independent Director of Guangdong No. 2 Hydropower Engineering Company (listed on Shenzhen Stock Exchange, stock code: 002060) from November 2013 to December 2015. Mr. Zhang has been an independent Director of Huizhou Speed Wireless Technology Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300322) from January 2012 to December 2015, an independent Director of Tianjin Guangyu Development Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000537) from July 2014 to December 2015, an independent Director of Cinda Property Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600657) from January 2015 to December 2015, and an external Supervisor of Bank of Zhengzhou Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 06196) from June 2015 to December 2015. Before that, from July 2000 to June 2002, Mr. Zhang was a Post Doctorate of Guanghua School of Management of Peking University. From July 1987 to June 2000, Mr. Zhang worked as a Teaching Assistant, Lecturer and Associate Professor at the School of Economics of Shandong University. Mr. Zhang received a Doctor's degree in Economics from Nankai University in July 2000.

Mr. He Ping (何平), has been an independent Non-Executive Director of the Bank since October 2012. Mr. He has been teaching in the School of Finance of Renmin University of China since 1991 and is currently Deputy Dean, Professor and Doctoral Tutor of the School. Mr. He is also a Deputy to the 15th People's Congress of Haidian District of Beijing and a member of its Finance and Economics Working Committee. He studied in Renmin University of China as a Master's degree Candidate from 1988 to 1991. Prior to that and from July 1985 to August 1988, Mr. He worked at the Enshi Autonomous Prefecture Bureau of Cultural Affairs, Hubei Province. Mr. He received a Doctor's degree in History from Renmin University of China in July 1996.

Mr. Du Qingchun (杜慶春), has been an independent Non-Executive Director of the Bank since October 2012. Mr. Du has been a Partner of Beijing Dacheng Law Offices since August 2013. From April 2002 to July 2013, Mr. Du was Executive Partner and a Lawyer of Beijing Weiming Law Firm. From July 1998 to January 2001, Mr. Du worked at China Construction Bank. He studied in Peking University as a Master's degree Candidate from 1995 to 1998. He worked at the Political Management Cadre School of Heilongjiang Province from July 1992 to July 1995. Mr. Du received a Master's degree in Law from Peking University in July 1998.

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Mr. Wan Kam To (尹錦滔), has been an independent Non-Executive Director of the Bank since October 2013. Mr. Wan has been an independent Non-Executive Director of Target Insurance (Holdings) Limited (listed on Hong Kong Stock Exchange, stock code: 06161) since November 2014, an independent Non-Executive Director of Kerry Logistics Network Limited (listed on Hong Kong Stock Exchange, stock code: 00636) since November 2013, Mr. Wan has been independent Non-Executive Director of Shanghai Pharmaceuticals Holding Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 02607; listed on Shanghai Stock Exchange, stock code: 601607) since June 2013, independent Non-Executive Director of S. Culture International Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 01255) since May 2013, independent Non-Executive Director of KFM Kingdom Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 03816) since September 2012, independent Non-Executive Director of Dalian Port (PDA) Company Limited (listed on Hong Kong Stock Exchange, stock code: 02880; listed on Shanghai Stock Exchange, stock code: 601880) since June 2011, independent Non-Executive Director of Huaneng Renewables Corporation Limited (listed on Hong Kong Stock Exchange, stock code: 00958) since August 2010, independent Non-Executive Director of Fairwood Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 00052) since September 2009, and independent Non-Executive Director of China Resources Land Limited (listed on Hong Kong Stock Exchange, stock code: 01109) since March 2009. Prior to that, Mr. Wan has been an independent Non-Executive Director of GreaterChina Professional Services Limited (stock code: 8193) from May 2011 to November 2013, independent Director of RDA Microelectronics, Inc. (listed on NASDAQ, stock code: RDA) from November 2010 to July 2014, and independent Director of Mindray Medical International Limited (listed on New York Stock Exchange, stock code: MR) from September 2008 to December 2014. From July 1975 to June 2008, Mr. Wan held various positions in PricewaterhouseCoopers Hong Kong, including Audit Manager, Audit Director and Partner. Mr. Wan received Advanced Diploma in Accounting from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in October 1975 and has been a Hong Kong Chartered Accountant and a member of Hong Kong Institute of Certified Public Accountants since June 1989 and the Association of Chartered Certified Accountants since September 1983.

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Mr. Kong Siu Chee (江紹智), has been an independent Non-Executive Director of the Bank since October 2013. Mr. Kong has been an independent Non-Executive Director of Chinney Kin Wing Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 1556) since October 2015, and independent Non-Executive Director of China New Town Development Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 01278; listed on Singapore Stock Exchange, stock code: D4N) since November 2006. From March 2014 to October 2014, Mr. Kong has been an independent Non-Executive Director of Digital Hong Kong (listed on Hong Kong Stock Exchange, stock code: 8007). Prior to that, from May 1999 to December 2005, he was Director and alternate Chief Executive Officer of CITIC Ka Wah Bank. From 1993 to 1994, he was Director of Champion Technology Holdings Limited. Mr. Kong joined Standard Chartered Bank in 1969 and had served the Bank for almost 24 years, during which period, he was a senior administrative member. Mr. Kong received an MBA degree from the Chinese University of Hong Kong in December 1980, and received a diploma in Banking from the Chartered Banker Institute in London in December 1973.

(II) Information of Supervisors

Ms. Gao Shuzhen (高淑珍), has been Chairman of the Board of Supervisors and Employee Representative Supervisor of the Bank since June 2015. She is also currently a Deputy to the 14th People's Congress of Harbin. Ms. Gao has been an Executive Director of the Bank from May 2011 to June 2015, President of the Bank from May 2010 to June 2015, and President of the Board of Directors of Harbin Bank Financial Leasing Co., Ltd. (a subsidiary of the Bank) since June 2014. From January 2001 to May 2010, she held a number of positions in the Bank, including General Manager of the Market Development Department, General Manager of the Personal Banking Department, Assistant to the President and Vice President. Prior to joining the Bank, from July 1988 to January 2001, Ms. Gao worked at the Harbin Branch of Agricultural Bank of China as Section Chief of the System Management Section under the International Business Department, Vice President of the Huijin sub-branch and Deputy General Manager of the Market Development Department. Ms. Gao received a Doctor's degree in Management from Northeast Agricultural University in June 2006 and an EMBA degree from Tsinghua University in June 2011. She is a Senior Economist as accredited by Agricultural Bank of China.

Ms. Wang Ying (王穎), has been an Employees' Representative Supervisor of the Bank since June 2007 and has also been General Manager of the Internal Audit Department of the Bank since September 2012. From July 1997 to September 2012, she has held several positions in the Bank, including Assistant to the General Manager of the Office of the Supervisory Board, Deputy General Manager and Assistant to the General Manager of the Internal Audit Department. From August 1992 to July 1997, prior to joining the Bank, Ms. Wang worked as Cashier and Accountant respectively of Harbin Urban Credit Union. Ms. Wang received a Master's degree in Law from China University of Political Science and Law in 2010. Ms. Wang is a Senior Accountant and Senior Auditor as accredited by Heilongjiang Human Resources and Social Security Bureau.

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Mr. Yang Dazhi (楊大治), has been an Employees' Representative Supervisor of the Bank since June 2015. Mr. Yang joined the Bank in April 2015 as the Deputy General Manager of the Financial and Accounting Department of the Bank. He also worked as the General Manager of the Asset and Liability Management Department of the Bank since September 2015. Prior to joining the Bank, from July 1999 to April 2015, he worked at the headquarters of Industrial and Commercial Bank of China and was an officer of the accounting division under the accounting and settlement department, an officer, associate chief officer, chief officer and deputy head of the accounting management division under the accounting and settlement department, deputy head and head of the accounting division under the financial and accounting department, and head of the overseas and controlling company financial management division under the financial and accounting department. Mr. Yang obtained a master's degree in business administration from the University of Hong Kong in August 2014. He is currently an assistant accountant as accredited by Industrial and Commercial Bank of China.

Ms. Lu Yujuan (盧育娟), has been the Shareholders' Representative Supervisor of the Bank since September 2013. Ms. Lu has been Chief Executive Officer of Heilongjiang Keruan Software Technologies Company Limited since June 2010. From December 2008 to June 2010, Ms. Lu was Vice Manager of the Beijing Office of Heilongjiang Keruan Software Technologies Company Limited. From March 2008 to August 2008, Ms. Lu worked at the Office of Television Bureau of Changge, Henan Province. From November 2003 to December 2004, Ms. Lu was a first sergeant of Jinan Armed-police Command School. From November 2002 to November 2003, Ms. Lu was a first sergeant of Beidaihe Sanatorium of the Air Force. From September 2002 to November 2002, Ms. Lu was a first sergeant of Third Brigade of the Third Department of the Air Defense. From December 2000 to September 2002, Ms. Lu served as a sergeant in the Telecom Battalion of the 199 Infantry Division. Ms. Lu received a Master's degree in Arts from Communication University of China in June 2012.

Mr. Wang Jiheng (王吉恒), has been an external Supervisor of the Bank since August 2011. Mr. Wang has taught as a Professor at Northeast Agricultural University since August 2003, and was appointed as Doctoral Tutor in June 2004. From July 1985 to July 2003, he was a teacher of Heilongjiang Bayi Agricultural University. Mr. Wang received a Doctor's degree in Management from Northeast Agricultural University in June 2003.

Ms. Bai Fan (白帆), has been an external Supervisor of the Bank since July 2013. Ms. Bai has been an Associate Professor of School of Business Administration of Sichuan Tourism University since February 2015. From March 2004 to February 2015, she worked in Sichuan Staff University of Science and Technology, and served as an Associate Professor of Sichuan Staff University of Science and Technology since November 2011 and Assistant to the Head of its Business Administration Department since September 2010. From February 2002 to February 2004, Ms. Bai was an Assistant to the General Manager of Sichuan Fangzheng Agriculture Joint Stock Limited Company. Ms. Bai received a Doctor's degree in Economics from the School of Economics of Southwestern University of Finance and Economics in December 2012.

Ms. Meng Rongfang (孟榮芳), has been an external Supervisor of the Bank since September 2013. Ms. Meng has been Director, Senior Partner, and General Manager of the Risk Management Committee of BDO China Shu Lun Pan Certified Public Accountants LLP since January 2000. From August 1988 to December 1999, Ms. Meng worked successively as Assistant, Registered Accountant, Assistant to the Director and Vice Director Accountant of Shanghai Certified Public Accountants. Ms. Meng was a member of the 10th and 11th Public Offering Review Committee of the CSRC. From December 2006 to December 2008, Ms. Meng studied at the EMPAcc Program jointly held by the Chinese University of Hong Kong and Shanghai National Accounting Institute, and received a Master's degree in Accounting from the Chinese University of Hong Kong. Ms. Meng is a Senior Accountant as accredited by Shanghai Human Resources and Social Security Bureau.

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(III) Information of Senior Management

For the biography of Mr. Zhang Qiguang (張其廣), Executive Director and President of the Bank, please see “Executive Directors”.

Mr. Lv Tianjun (呂天君), has been a Vice President of the Bank since April 2012 and Chief Risk Officer of the Bank since May 2011. From June 2001 to April 2012, Mr. Lv held a number of positions in the Bank, including General Manager of the Human Resources Department, General Manager of the Risk Management Department and Deputy Secretary-General of the Discipline Committee of the Bank. Prior to joining the Bank, from January 1999 to June 2001, Mr. Lv worked at the PBOC Harbin Central Sub-branch as Reporter and Editor at Editorial Office, and from July 1988 to December 1998, Mr. Lv worked at the Heilongjiang Branch of the PBOC successively as staff at its Treasury Division and Reporter and Editor at its Research Institute. Mr. Lv received a Master's degree in Business Administration from China Europe International Business School in October 2013. He is an Economist accredited by the PBOC.

Mr. Lu Weidong (盧衛東), has been a Vice President and Chief Information Officer of the Bank since August 2013. Prior to joining the Bank, from April 2005 to August 2013, Mr. Lu held various positions in Deloitte Consulting (Shanghai) Co., Ltd. including being a Partner. From May 2002 to March 2005, he worked at Bearing Point (Shanghai) Management Consulting Co., Ltd. From March 2001 to April 2002, he was Senior Consultant of Andersen Management Consulting (Shanghai) Co., Ltd. From November 2000 to February 2001, he worked at the Shanghai Branch of China Star Corporation. From December 1999 to October 2000, he worked at Shanghai International Enterprises Cooperative Corp. and from August 1996 to December 1999, he worked at Shanghai Institute of Telecommunication Technology Research. Mr. Lu received a Master's degree in Science from Fudan University in July 1996.

Mr. Xu Shaoguang (徐紹光), has been the Chief Credit Approval Officer of the Bank since May 2011. From July 1997 to September 2012, Mr. Xu held a number of positions in the Bank, including President of the Zhongda Sub-branch, President of the Longjiang Sub-branch, General Manager of the Risk Management Department and General Manager of the Credit Approval Department of the Bank. Prior to that, from September 1996 to July 1997, Mr. Xu was Officer of Zhongda Urban Credit Union. From May 1992 to September 1996, Mr. Xu was Officer of the Credit Department of Harbin Urban Credit Union. From July 1982 to May 1992, Mr. Xu worked in various departments, including Technological Renovation Department, Chief Engineer Office and Computer Centre, of Harbin Cigarette Factory. Mr. Xu received a Bachelor's degree in Science from Heilongjiang University in July 1982. He is a Senior Engineer as accredited by the Personnel Department of Heilongjiang Province.

Mr. Wang Haibin (王海濱), has been a Vice President of the Bank since August 2015 and President of the Bank's Harbin Branch since February 2015. From July 1997 to August 2015, Mr. Wang held a number of positions in the Bank, including President of the Bank's Dazhi Sub-branch, General Manager of the Operational Management Office, General Manager of the Corporate Finance Department, General Manager of the Human Resources Department, Executive Vice President of the Bank's Harbin Branch and Assistant to the President of the Bank. Prior to joining the Bank, from February 1997 to July 1997, Mr. Wang worked as a General Officer of the Preparatory Office set for the establishment of the Bank. From August 1991 to February 1997, he worked as a Vice Director Officer at the Harbin Branch of the PBOC. Mr. Wang received a Master's degree in Engineering from Northeast Forestry University in January 2007. He is an Economist accredited by the PBOC.

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Ms. Sun Jiawei (孫嘉巍), has been a Vice President of the Bank since August 2015. Ms. Sun has been an Assistant to the President of the Bank from April 2012 to August 2015. Ms. Sun joined the Bank in July 1997. From July 1997 to December 2013, Ms. Sun held various positions in the Bank, including Vice President of our Dongli Sub-branch, General Manager of the Personal Wealth Management Department, General Manager of the Microcredit R&D Centre, Deputy General Manager of Personal Finance Department and Corporate Finance Department (Chairman), General Manager of Small Enterprises Banking Department and General Manager of Rural Banking Department. From November 1989 to July 1997, Ms. Sun worked as a Deputy General Manager of the Business Department of Longguang Credit Union. Ms. Sun received an MBA degree from Harbin Engineering University in December 2011. She is an Economist as accredited by the Ministry of Human Resources and Social Security.

Mr. Liu Yang (劉陽), has been an Assistant to the President of the Bank and President of Chengdu Branch of the Bank since September 2015. He has been the secretary of the Party Committee of Chengdu Branch of the Bank since January 2015. From September 2008 to January 2015, Mr. Liu has been the President of Tianjin Branch of the Bank. Mr. Liu joined the Bank in February 1997. He held a number of positions in the Bank, including credit section chief, assistant to general manager, deputy general manager of the Business Department, deputy general manager of the Asset Operation Centre, vice-president and president and general manager of the Bills Discounting Centre of Longqing Sub-branch from February 1997 to September 2008. Prior to that, Mr. Liu worked at Harbin Coal Mining Machinery Research Institute (哈爾濱市煤礦機械研究所), Harbin Coal Mine Electrical Appliance Factory (哈爾濱市煤礦電器廠) and the Business Department of Harbin Urban Credit Cooperatives Union (哈爾濱市城市信用合作社聯社) from July 1990 to February 1997. Mr. Liu received a Master's degree in business administration from Harbin Institute of Technology in July 2006. He is an Intermediate Accountant as accredited by the MOF.

Joint Company Secretaries

Ms. Sun Feixia (孫飛霞), has been the Secretary of the Board of Directors since January 2015, the Joint Company Secretary of the Bank since January 2014, and the General Manager of the Board Office since March 2008. From January 2013 to January 2015, she engaged in post doctoral research with China's Industrial Security Research Center of Beijing Jiaotong University. Ms. Sun has been the General Manager of the Investment Management Office under the Board from November 2012 to August 2015. Ms. Sun held positions such as Credit General Officer of the Bank's Wenchang Branch, General Officer of the Legal Department and the Internal Audit Department, as well as Assistant to the General Manager and the Deputy General Manager of the Office of the Board from July 1997 to March 2008. From February 1997 to July 1997, Ms. Sun also helped with the preparation for the establishment of the Bank as General Officer at the Debt Clearance Office. From July 1993 to February 1997, Ms. Sun was the General Manager of the Securities Department of Harbin Urban Credit Union. Ms. Sun received a Doctor's degree in Management from Northeast Agricultural University in June 2011. Ms. Sun is a Senior Economist as accredited by the Personnel Department of Heilongjiang Province.

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Mr. Ngai Wai Fung (魏偉峰), FCIS, FCS (PE), CPA and FCCA, joined the Bank since January 2014 as the Bank's Joint Company Secretary. Mr Ngai is also currently the Director and Chief Executive Officer of SW Corporate Services Group Limited. Mr. Ngai possesses extensive experience in serving as company secretary. He is the former President of Hong Kong Institute of Chartered Secretaries ("HKICS"). Mr. Ngai is a fellow member of HKICS, a fellow member of the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. In January 2013, Mr. Ngai was appointed as a Non-Official Member of the Working Group on Professional Services under the Economic Development Commission led by the Chief Executive of Hong Kong SAR and a member of Qualification and Examinations Board of Hong Kong Institute of Certified Public Accountants. He is also an Adjunct Professor of Law of Hong Kong Shue Yan University since September 2012. Mr. Ngai obtained a Master's Degree in Business Administration from Andrews University of the United States, Bachelor's Degree in Law (Honour) from the University of Wolverhampton, the United Kingdom, Master's Degree in Corporate Finance from the Hong Kong Polytechnic University and Doctorate Degree in Finance from the Shanghai University of Finance and Economic.

IV. Information on Evaluation and Incentive Scheme and Annual Remuneration for Directors, Supervisors and Senior Management

In accordance with Methods of Evaluation of Duty Performance of Directors, Methods of Evaluation of Duty Performance of Supervisors and Methods of Evaluation by Board of Supervisors on Duty Performance of Directors, the Bank has completed the evaluation on Directors through self-evaluation, mutual evaluation, evaluation by Board and evaluation by Board of Supervisors; and evaluation on Supervisors through evaluation by Board of Supervisors and mutual evaluation between Supervisors; the Nomination and Remuneration Evaluation Committee under the Board of Directors has set up scientific and reasonable evaluation indicators and systems pursuant to the Management Measures of Performance Review of Senior Management based on the principle of tying performance to remuneration and the combination of qualitative and quantitative methods, in order to mobilize the enthusiasm and creativity of senior management to the largest extent.

The Bank provides allowance to independent non-executive Directors, non-executive Directors, external Supervisors and shareholders representative Supervisors in accordance with provisions of Directors' Subsidies Management Measures and Supervisors' Subsidies Management Measures, and provides remuneration for executive Directors and employee representative Supervisors and senior management in accordance with provisions of Remuneration Management Measures. Remuneration for senior management should be in strict compliance with requirements of Guidelines on Supervising the Stable Payment of Commercial Banks released by CBRC.

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V. Confirmation of Independence of Independent Non-Executive Directors

The Bank had already received letters of confirmation on independence submitted by independent non-executive Directors in according to Rule 3.13 of the Hong Kong Listing Rules. Hence, the Bank believes that all independent non-executive Directors are in compliance with the rules regarding independence under the Hong Kong Listing Rules.

The Bank's independent non-executive Directors neither have any business or financial interests in the Bank and its subsidiaries nor hold any management position in the Bank. They are all elected for a term of three years. They may continue to serve for three years after the expiration of the term.

VI. H Share Appreciation Rights Incentive Plan during the Reporting Period

The Bank did not adopt any H share appreciation rights incentive plan during the Reporting Period.

VII. Employees

(I) Personnel composition

As at 31 December 2015, the Bank (excluding subsidiaries) had 7,131 employees, among which 812 were headquarters staff, accounting for 11.4% of the total, 2,544 were Harbin Branch staff, and 3,775 were staff of branches at other towns. Regarding the age composition, the average age of employees of the Bank is 32.9. 2,989 are between 26 and 30 years old, accounting for 41.9%. Regarding the educational background, there are 6,112 employees with bachelor degree or above, accounting for 85.6%. Subsidiaries had 923 employees in total.

(II) Staff training programs

During the Reporting Period, centering on the work theme of "Mobile Finance Year", the Bank enhanced its training standards, improved the training design system, and focused on the in-depth integration of internet and daily work. Focusing on the needs of customers, the Bank was on its way to build itself into a "learning organization" which featured on life-long learning and continuously improving.

During the Reporting Period, the Bank formulated training programmes according to the 2015 Training Plan, which were implemented among different levels of employees. Both training completion rate and coverage rate were 100%. The trainings covered all employees across the Bank, and primarily focused on customer relationship, new products introduction, mobile and internet integration, staff skill training, code of conduct of financial industry and general management skills. In 2015, departments at the headquarter of the Bank (excluding subsidiaries) implemented 105 trainings in total, including 72 internal trainings, and 33 external trainings for selected staff. The total attendance of the staff training sessions amounted to 7,771, and the total training hours amounted to 3,592.

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(III) Staff incentive policy

The Bank has established a scientific and reasonable staff evaluation system to implement comprehensive performance management. At the beginning of each year, the Bank sets up performance goal for each staff by breaking down the bank's strategic objectives layer by layer, and carries out pre-review at the half of a year and final review at the year end. In order to be scientific to the largest extent in staff review, the Bank has also adopted multi-dimensional measurement and a forced distribution method to evaluate employee performance which ensures truthful performance evaluation. In addition, the effective performance communication helps the employee reach their performance goals.

The Bank has established a series of staff incentive policies in line with the bank's development needs based on scientific performance review results: firstly, the Bank has adopted a broadband salary system to provide staff with incentive remuneration by raising and lowering remuneration grades; secondly, the Bank has established a career development platform to facilitate scientific selection and rotation of personnel and created multiple career paths through talents exchange and secondment for getting experience; thirdly, the Bank has created various strategic talent reserve plans including "Leaders" Training Program, Professional Managers Training Program to broaden the channels for talent development; fourthly, the Bank has set up a high level staff education and training mechanism by innovating training methods, breaking down training into three levels and providing overseas training; fifthly, the Bank has given full play to the staff incentive policy by effectively combining material and spiritual incentives.

(IV) Remuneration policy for employees

The Bank has successfully established a broadband salary management system with diversified composition, standardized management and systematic implementation and adopted a market-oriented and diversified management by region in order to scientifically and effectively motivate the Bank's employees and ensure the smooth implementation of the Bank's strategic development. The Bank's remuneration package is composed of fixed remuneration, short-term incentive, long-term incentive and welfare income, setting up differentiated combination of elements of remuneration for different groups. Meanwhile, the Bank is able to strictly comply with regulatory requirements in remuneration payment by adopting deferred payment and setting up a lock-up period for paying senior management as well as employees holding positions that may exert significant influence to risks in order to tie job duties with risk management responsibilities. As of the end of 2015, staff costs of the Bank were RMB1,924.1 million.

(V) Retirement and Benefits

The Bank pays the welfare benefits for employees who have not yet reached the statutory retirement age limit but are approved by the Bank to voluntarily retire from their employment from the internal retirement date to the statutory retirement age limit.

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VIII. Basic information of branches under the parent company

No.	Name of branch	Business address	Notes
1	Harbin branch	No. 160, Shangzhi Street, Daoli District, Harbin	143 sub-branches
2	Shuangyashan Branch	Jinyu Building, Xinxing Street, Jianshan District, Shuangyashan	12 sub-branches
3	Dalian Branch	Yinzhou International Plaza No. 11 Qiyi Street, Zhongshan District, Dalian City	14 sub-branches
4	Tianjin Branch	No. 223, Yong'an Road, Hexi District, Tianjin	14 sub-branches
5	Chengdu Branch	No. 210 Xiyulong Street, Qingyang District, Chengdu	10 sub-branches
6	Hegang Branch	North of Railway Station Square, Hegang	8 sub-branches
7	Shenyang Branch	No. 200 Shifu Road, Heping District, Shenyang City	12 sub-branches
8	Suihua Branch	Crossing of Huanghe North Road and Xinhua Street, Beilin District, Suihua	9 sub-branches
9	Jixi Branch	No. 253 Zhongxin Street, Jiguan District, Jixi	11 sub-branches
10	Chongqing Branch	No. 197 Wuyi Road, Yuzhong District, Chongqing	19 sub-branches
11	Daqing Branch	H-A, Jingsan Street, Dongfengxin Village, Saertu District, Daqing	6 sub-branches
12	Qitaihe Branch	No. 57 Dongjin Street, Taoshan District, Qitaihe	5 sub-branches
13	Mudanjiang Branch	No. 137, Guanghua Street, Dong'an District, Mudanjiang	5 sub-branches
14	Jiamusi Branch	Crossroads between Zhongshan Street and Binjiang Road, Xiangyang District, Jiamusi	2 sub-branches
15	Qiqihaer Branch	No. 37 Longsha Road, Jianhua District, Qiqihaer City	1 sub-branch
16	Yichun Branch	South Shop, 1/F China Unicom Building, No. 70 Tonghe Road, Yichun District, Yichun City	
17	Nongken branch	Crossroads between Shengli Street and Yingbin Road, Heilongjiang Province Jiansanjiang Farming Cultivate Bureau	3 sub-branches
18	Small Business Financial Service Centre	No. 160, Shangzhi Street, Daoli District, Harbin	

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- I. Independent Auditor's Report
- II. Financial Statements (Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, Statements of Financial Position of the Bank)
- III. Notes to Financial Statements
- IV. Unaudited Supplementary Financial Information

Independent Auditors' Report

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22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

To the members of Harbin Bank Co., Ltd.

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

We have audited the consolidated financial statements of Harbin Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") set out on pages 138 to 279, which comprise the consolidated and the bank's statements of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by IASB 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.

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with 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 auditors' judgement, 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 auditors consider 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.

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 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
22 March 2016

Consolidated Income Statement

The Year Ended 31 December 2015
(In RMB thousands, unless otherwise stated)

	Notes	Years ended 31 December	
		2015	2014
Interest income	5	20,642,844	18,596,813
Interest expense	5	(11,009,905)	(10,199,196)
NET INTEREST INCOME	5	9,632,939	8,397,617
Fee and commission income	6	2,134,699	1,775,883
Fee and commission expense	6	(175,281)	(175,542)
NET FEE AND COMMISSION INCOME	6	1,959,418	1,600,341
Net trading income	7	159,912	181,502
Net gain/(loss) on financial investments	8	31,313	(57,063)
Other operating income, net	9	161,781	130,371
OPERATING INCOME		11,945,363	10,252,768
Operating expenses	10	(4,736,895)	(4,433,284)
Impairment losses on:			
Loans and advances to customers	22	(893,527)	(567,115)
Others	13	(444,948)	(142,024)
OPERATING PROFIT		5,869,993	5,110,345
Share of profits of an associate		48,969	17,150
PROFIT BEFORE TAX		5,918,962	5,127,495
Income tax expense	14	(1,409,362)	(1,286,723)
PROFIT FOR THE YEAR		4,509,600	3,840,772
Attributable to:			
Owners of the parent	15	4,457,607	3,806,554
Non-controlling interests		51,993	34,218
		4,509,600	3,840,772
EARNINGS PER SHARE (RMB yuan)			
– basic and diluted	17	0.41	0.37

Details of the dividends declared, paid and proposed are disclosed in note 16 to these financial statements.

Consolidated Statement of Comprehensive Income

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	Notes	Years ended 31 December	
		2015	2014
Profit for the year		4,509,600	3,840,772
Other comprehensive income (after tax, net):			
Other comprehensive income attributed to owners of the parent	39	245,886	248,329
<i>Other comprehensive income to be reclassified to profit or loss in subsequent year</i>			
Net gain on available-for-sale financial assets		184,051	183,942
Share of other comprehensive income of an associate		61,835	64,387
Other comprehensive income attributed to non-controlling interests		119	—
Subtotal of other comprehensive income for the year		246,005	248,329
Total comprehensive income for the year		4,755,605	4,089,101
Total comprehensive income attributable to:			
Owners of the parent		4,703,493	4,054,883
Non-controlling interests		52,112	34,218
		4,755,605	4,089,101

Consolidated Statement of Financial Position

As at 31 December 2015
(In RMB thousands, unless otherwise stated)

		As at 31 December	
	Notes	2015	2014
ASSETS			
Cash and balances with the Central Bank	18	54,566,094	53,871,038
Due from banks and other financial institutions	19	30,035,064	28,207,243
Financial assets held for trading	20	2,840,042	1,912,551
Reverse repurchase agreements	21	51,027,890	37,267,471
Loans and advances to customers	22	145,061,523	121,014,264
Derivative financial assets	23	19,287	–
Financial investments	24	136,140,459	84,734,900
Finance lease receivables	25	10,447,874	4,160,425
Investment in an associate	27	1,156,296	1,045,492
Property and equipment	28	8,735,459	7,952,212
Deferred income tax assets	29	649,443	460,372
Other assets	30	4,171,837	3,015,650
TOTAL ASSETS		444,851,268	343,641,618
LIABILITIES			
Due to the Central Bank		764,253	1,716,910
Borrowings from banks and other financial institutions	31	8,137,937	3,400,000
Due to banks	32	52,028,920	58,023,841
Derivative financial liabilities	23	23,914	600
Repurchase agreements	33	12,145,000	6,002,521
Due to customers	34	306,817,669	233,793,794
Income tax payable		507,725	492,497
Debt securities issued	35	23,269,878	4,498,190
Other liabilities	36	7,308,013	5,550,644
TOTAL LIABILITIES		411,003,309	313,478,997
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	10,995,600	10,995,600
Reserves	38	13,920,950	13,047,620
Retained profits		8,183,051	5,487,055
		33,099,601	29,530,275
Non-controlling interests		748,358	632,346
TOTAL EQUITY		33,847,959	30,162,621
TOTAL EQUITY AND LIABILITIES		444,851,268	343,641,618

Guo Zhiwen
Chairman

Zhang Qiguang
President

Yang Dazhi
General Manager of Finance
and Accounting Department

Consolidated Statement of Changes in Equity

The Year Ended 31 December 2015
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	Attributable to owners of the parent										
	Issued share capital	Reserves						Retained profits	Non- controlling interests	Total equity	
		Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal				
											Total
Balance as at 1 January 2015	10,995,600	7,639,362	1,547,372	3,845,356	1,882	13,648	13,047,620	5,487,055	29,530,275	632,346	30,162,621
Profit for the year	-	-	-	-	-	-	-	4,457,607	4,457,607	51,993	4,509,600
Other comprehensive income											
– Change in fair value of available-for-sale investments, net of tax	-	-	-	-	184,051	-	184,051	-	184,051	119	184,170
– Share of other comprehensive income of an associate	-	-	-	-	-	61,835	61,835	-	61,835	-	61,835
Total comprehensive income	-	-	-	-	184,051	61,835	245,886	4,457,607	4,703,493	52,112	4,755,605
Capital contributed by owners	-	-	-	-	-	-	-	-	-	62,280	62,280
Dividends – 2014 final (note 16)	-	-	-	-	-	-	-	(1,132,547)	(1,132,547)	-	(1,132,547)
Appropriation to surplus reserve	-	-	410,364	-	-	-	410,364	(410,364)	-	-	-
Appropriation to general reserve (i)	-	-	-	218,700	-	-	218,700	(218,700)	-	-	-
Others	-	(1,620)	-	-	-	-	(1,620)	-	(1,620)	1,620	-
Balance as at 31 December 2015	10,995,600	7,637,742	1,957,736	4,064,056	185,933	75,483	13,920,950	8,183,051	33,099,601	748,358	33,847,959

(i) Includes the appropriation made by subsidiaries in the amount of RMB11,689 thousand.

Consolidated Statement of Changes in Equity

The Year Ended 31 December 2015
(In RMB thousands, unless otherwise stated)

	Attributable to owners of the parent										
	Reserves										
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal	Retained profits	Total	Non- controlling interests	Total equity
Balance as at 1 January 2014	8,246,900	4,222,379	1,190,017	2,270,338	(182,060)	(50,739)	7,449,935	4,030,707	19,727,542	199,745	19,927,287
Profit for the year	-	-	-	-	-	-	-	3,806,554	3,806,554	34,218	3,840,772
Other comprehensive income											
- Change in fair value of available-for-sale investments, net of tax	-	-	-	-	183,942	-	183,942	-	183,942	-	183,942
- Share of other comprehensive income of an associate	-	-	-	-	-	64,387	64,387	-	64,387	-	64,387
Total comprehensive income	-	-	-	-	183,942	64,387	248,329	3,806,554	4,054,883	34,218	4,089,101
Capital contributed by owners	2,748,700	3,416,983	-	-	-	-	3,416,983	-	6,165,683	400,000	6,565,683
Dividends - 2013 final (note 16)	-	-	-	-	-	-	-	(417,833)	(417,833)	(1,617)	(419,450)
Appropriation to surplus reserve	-	-	357,355	-	-	-	357,355	(357,355)	-	-	-
Appropriation to general reserve (i)	-	-	-	1,575,018	-	-	1,575,018	(1,575,018)	-	-	-
Balance as at 31 December 2014	10,995,600	7,639,362	1,547,372	3,845,356	1,882	13,648	13,047,620	5,487,055	29,530,275	632,346	30,162,621

(i) Includes the appropriation made by subsidiaries in the amount of RMB12,106 thousand.

Consolidated Statement of Cash Flows

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		Years ended 31 December	
	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,918,962	5,127,495
Adjustments for:			
Share of profits of an associate		(48,969)	(17,150)
Depreciation and amortisation	10	436,695	328,158
Net trading gain	7	(159,912)	(181,502)
Dividend income	8	(797)	(652)
Interest income on financial investments		(5,436,616)	(4,628,015)
Impairment loss on loans and advances to customers	22	893,527	567,115
Impairments of other assets	13	444,948	142,024
Unrealised foreign exchange loss		51,517	27,798
Interest expense on issuance of bonds	5	432,152	173,750
Accreted interest on impaired loans	22	(46,706)	(45,038)
Net loss/(gain) on disposal of available-for-sale financial assets	8	(30,516)	57,715
Net gain on disposal of property and equipment and other assets		(2,937)	(2,230)
		2,451,348	1,549,468
Net decrease/(increase) in operating assets:			
Due from the Central Bank		1,428,532	(1,411,546)
Due from banks and other financial institutions		(6,208,000)	6,911,705
Reverse repurchase agreements		4,989,137	5,312,895
Loans and advances to customers		(24,894,080)	(18,021,326)
Financial lease receivables		(6,354,730)	(4,202,449)
Other assets		(1,219,299)	(264,200)
		(32,258,440)	(11,674,921)
Net increase/(decrease) in operating liabilities:			
Due to the Central Bank		(952,657)	929,712
Borrowings from banks and other financial institutions		4,737,937	3,400,000
Due to banks		(7,591,559)	9,009,611
Repurchase agreements		6,142,479	(13,088,645)
Due to customers		74,620,513	8,019,030
Other liabilities		1,834,366	1,588,670
		78,791,079	9,858,378
Net cash flows from/(used in) operating activities before tax		48,983,987	(267,075)
Income tax paid		(1,644,595)	(1,183,684)
Net cash flows from/(used in) operating activities		47,339,392	(1,450,759)

Consolidated Statement of Cash Flows

The Year Ended 31 December 2015
(In RMB thousands, unless otherwise stated)

		Years ended 31 December	
	Notes	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, intangible assets and other long term assets		(1,312,833)	(1,334,359)
Proceeds from disposal of items of property and equipment		53,700	346,179
Cash paid for investments		(265,800,449)	(131,662,626)
Proceeds from sale and redemption of investments		213,352,150	116,191,009
Dividends received		797	652
Return on investments		5,420,717	4,447,484
Net cash flows used in investing activities		(48,285,918)	(12,011,661)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	6,243,818
Capital injection by non-controlling shareholders		62,280	400,000
Proceeds from issue of other debt securities		18,694,280	2,000,000
Payment for redemption of other debt securities		–	(1,000,000)
Interest paid on debt securities		(254,404)	(175,560)
Dividends paid on ordinary shares		(1,116,388)	(410,392)
Distribution of dividends to non-controlling shareholders		–	(1,617)
Net cash flows from financing activities		17,385,768	7,056,249
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		47,182,813	53,558,236
Effect of exchange rate changes on cash and cash equivalents		53,723	30,748
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	40	63,675,778	47,182,813
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES INCLUDE:			
Interest received		14,854,048	13,673,372
Interest paid		(10,269,714)	(9,033,587)

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		As at 31 December	
	Notes	2015	2014
ASSETS			
Cash and balances with the Central Bank	18	52,636,333	51,746,375
Due from banks and other financial institutions	19	26,895,726	25,377,770
Financial assets held for trading	20	2,840,042	1,912,551
Reverse repurchase agreements	21	51,027,890	37,267,471
Loans and advances to customers	22	135,040,440	111,796,660
Derivative financial assets	23	19,287	–
Financial investments	24	135,739,665	84,734,900
Investments in subsidiaries	26	2,970,020	2,762,000
Investments in an associate	27	1,156,296	1,045,492
Property and equipment	28	8,281,406	7,499,983
Deferred income tax assets	29	611,471	439,750
Other assets	30	4,019,488	2,963,829
TOTAL ASSETS		421,238,064	327,546,781
LIABILITIES			
Due to the Central Bank		–	600,000
Due to banks	32	53,886,993	59,845,941
Derivative financial liabilities	23	23,914	600
Repurchase agreements	33	12,145,000	6,002,521
Due to customers	34	293,049,315	222,020,081
Income tax payable		468,238	453,923
Debt securities issued	35	23,269,878	4,498,190
Other liabilities	36	6,090,127	5,037,426
TOTAL LIABILITIES		388,933,465	298,458,682
EQUITY			
Share capital	37	10,995,600	10,995,600
Reserves	38	13,842,925	12,980,140
Retained profits		7,466,074	5,112,359
TOTAL EQUITY		32,304,599	29,088,099
TOTAL EQUITY AND LIABILITIES		421,238,064	327,546,781

Guo Zhiwen

Chairman

Zhang Qiguang

President

Yang DazhiGeneral Manager of Finance
and Accounting Department

Notes to Financial Statements

The Year Ended 31 December 2015
(In RMB thousands, unless otherwise stated)

1. CORPORATE INFORMATION AND GROUP STRUCTURE

Harbin Bank Co., Ltd., which was previously known as Harbin Urban Cooperative Bank, is a joint-stock commercial bank established on 25 July 1997 based on the authorisation of the People's Bank of China ("PBOC") designated as YinFu [1997] No.69 "Approval upon the opening of Harbin Urban Cooperative Bank".

In June 1998, according to YinFa [1998] No. 94 issued by PBOC and State Administration for Industry & Commerce of the PRC ("SAIC"), the Bank changed its name from Harbin Urban Cooperative Bank to Harbin City Commercial Bank Co., Ltd. In November 2007, according to YinJianFu [2007] No. 480 approved by the China Banking Regulatory Commission ("CBRC"), the Bank changed its name from Harbin City Commercial Bank Co., Ltd. to Harbin Bank Co., Ltd.

The Bank obtained its finance permit No. B0306H223010001 from the CBRC of the PRC. The Bank obtained its business licence No. 230100100006877 from the SAIC. The legal representative is Guo Zhiwen and the registered office is located at No. 160 Shangzhi Avenue, Daoli District, Harbin, Heilongjiang Province.

As at 31 December 2015, the Bank has a total of 17 branches in Harbin, Shenyang, Daqing, Dalian, Shuangyashan, Hegang, Jixi, Chengdu, Chongqing, Tianjin, Mudanjiang, Qitaihe, Suihua, Qiqihar, Jiamusi, Yichun and Nongken with 274 sub-branches. The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise deposits, loans, payment and settlement services, as well as other banking services approved by the CBRC.

The subsidiaries of the Bank as at 31 December 2015 are as follows:

Company name	Notes	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage owned by the Bank/ voting rights	Amount invested by the Bank	Principal activities
Bayan Rongxing Village and Township Bank Co., Ltd.	(i)	Bayan, Heilongjiang	50,000	90.00	45,000	Village and township bank
Huining Huishi Village and Township Bank Co., Ltd.	(ii)	Huining, Gansu	30,000	100.00	30,000	Village and township bank
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	(iii)	Huairou, Beijing	200,000	85.00	207,600	Village and township bank
Yushu Rongxing Village and Township Bank Co., Ltd.	(iv)	Yushu, Jilin	30,000	100.00	30,000	Village and township bank
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.	(v)	Baoan, Shenzhen	200,000	70.00	140,000	Village and township bank
Yanshou Rongxing Village and Township Bank Co., Ltd.	(vi)	Yanshou, Heilongjiang	30,000	100.00	30,000	Village and township bank
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	(vii)	Dadukou, Chongqing	150,000	80.00	144,420	Village and township bank
Suining Anju Rongxing Village and Township Bank Co., Ltd.	(viii)	Suining, Sichuan	80,000	75.00	60,000	Village and township bank

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

Company name	Notes	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage owned by the Bank/ voting rights	Amount invested by the Bank	Principal activities
Huachuan Rongxing Village and Township Bank Co., Ltd.	(ix)	Huachuan, Heilongjiang	50,000	98.00	49,000	Village and township bank
Baiquan Rongxing Village and Township Bank Co., Ltd.	(x)	Baiquan, Heilongjiang	30,000	100.00	30,000	Village and township bank
Yanshi Rongxing Village and Township Bank Co., Ltd.	(xi)	Yanshi, Henan	30,000	100.00	30,000	Village and township bank
Leping Rongxing Village and Township Bank Co., Ltd.	(xii)	Leping, Jiangxi	30,000	100.00	30,000	Village and township bank
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	(xiii)	Rudong, Jiangsu	100,000	80.00	80,000	Village and township bank
Honghu Rongxing Village and Township Bank Co., Ltd.	(xiv)	Honghu, Hubei	30,000	100.00	30,000	Village and township bank
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	(xv)	Zhuzhou, Hunan	50,000	80.00	40,000	Village and township bank
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	(xvi)	Wulong, Chongqing	50,000	70.00	35,000	Village and township bank
Xin'an Rongxing Village and Township Bank Co., Ltd.	(xvii)	Xin'an, Henan	30,000	100.00	30,000	Village and township bank
Anyi Rongxing Village and Township Bank Co., Ltd.	(xviii)	Anyi, Jiangxi	30,000	100.00	30,000	Village and township bank
Yingcheng Rongxing Village and Township Bank Co., Ltd.	(xix)	Yingcheng, Hubei	30,000	100.00	30,000	Village and township bank
Leiyang Rongxing Village and Township Bank Co., Ltd.	(xx)	Leiyang, Hunan	50,000	100.00	50,000	Village and township bank
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	(xxi)	Baoting, Hainan	30,000	96.67	29,000	Village and township bank
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	(xxii)	Shapingba, Chongqing	100,000	80.00	80,000	Village and township bank
Hejian Ronghui Village and Township Bank Co., Ltd.	(xxiii)	Hejian, Hebei	50,000	100.00	50,000	Village and township bank
Chongqing Youyang Rongxing Village and Township Bank Co., Ltd.	(xxiv)	Youyang, Chongqing	60,000	100.00	60,000	Village and township bank
Harbin Bank Financial Leasing Co., Ltd.	(xxv)	Harbin, Heilongjiang	2,000,000	80.00	1,600,000	Leasing company

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

Statutory financial statements of the subsidiaries of the Bank prepared under China Accounting Standards (“CASs”) for the years ended 31 December 2015 and 2014 have been audited by Ernst and Young Hua Ming Certified Public Accountants LLP.

Major changes to the structure of the Group are as follows:

- (i) On 6 January 2009, the Bank established a wholly-owned subsidiary of Bayan Rongxing Village and Township Bank Co., Ltd. (“Bayan Rongxing”) with a registered capital of RMB23.8 million. On 8 April 2011, the Bank made an additional capital injection of RMB21.2 million into Bayan Rongxing. After the injection, the total registered capital increased to RMB45 million. On 17 February 2013, International Finance Company made an additional capital injection of RMB5 million into Bayan Rongxing. After the injection, the total registered capital has increased to RMB50 million. The Bank’s equity interest in Bayan Rongxing has decreased to 90% and is still the controlling shareholder of Bayan Rongxing.
- (ii) On 19 May 2009, the Bank established a wholly-owned subsidiary of Huining Huishi Village and Township Bank Co., Ltd. with a registered capital of RMB30 million.
- (iii) On 4 January 2010, the Bank, along with the Beijing Express Bosch Auto Sales & Service Co., Ltd., jointly established Beijing Huairou Rongxing Village and Township Bank Co., Ltd. (“Huairou Rongxing”) with a registered capital of RMB100 million. The Bank holds 90% of the shares, making it the controlling shareholder of the business entity. On 17 August 2015, the Bank, alone with Beijing huazhongxingong Trading Co., Ltd., jointly made an additional capital injection of RMB147 million into Huairou Rongxing. After the injection, the total registered capital has increased to RMB200 million. The Bank’s equity interest in Huairou Rongxing has decreased to 85% and is still the controlling shareholder of Huairou Rongxing.
- (iv) On 21 January 2010, the Bank established a wholly-owned subsidiary of Yushu Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB30 million.
- (v) On 11 June 2010, the Bank, along with China Baoan Group Co., Limited, HSBC Asset Management Co., Ltd., and Shenzhen Ning Jia Investment and Development Co., Ltd., jointly funded the establishment of Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd. (“Baoan Rongxing”) with a registered capital of RMB200 million. The Bank holds 70% of the shares of Baoan Rongxing, making it the controlling shareholder of the business entity.
- (vi) On 10 August 2010, the Bank established the wholly-owned subsidiary of Yanshou Rongxing Village and Township Bank Co., Ltd. (“Yanshou Rongxing”) with a registered capital of RMB10 million. On 15 June 2012, the Bank made an additional capital injection of RMB20 million into Yanshou Rongxing, increasing its total registered capital to RMB30 million.

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

- (vii) On 15 December 2010, the Bank, along with Chongqing Tiantai Green Agricultural Development (Group) Co., Ltd., jointly funded the establishment of Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd. ("Dadukou Rongxing") with a registered capital of RMB60 million. The Bank holds a 90% stake in the company, making it the controlling shareholder. On 25 February 2015, the Bank, along with Tiantai Investment Management Co., Ltd., Chongqing Nanhai Cement Factory and Chongqing Manyuanchun Garden Co. Ltd., made an additional capital injection of RMB123.3 million into Dadukou Rongxing. After the injection, the total registered capital has increased to RMB150 million, The Bank's equity interest in Dadukou Rongxing has decreased to 80% and is still the controlling shareholder of Dadukou Rongxing.
- (viii) On 22 December 2010, the Bank, along with Suining Rougang Investment Co., Ltd., Suining Kaiming Food Co., Ltd., Sichuan Zhuotong Industrial Co., Ltd., Sichuan Xinghe Real Estate Development Co., Ltd., jointly funded the establishment of Suining Anju Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB80 million. The Bank holds a 75% stake in the company, making it the controlling shareholder.
- (ix) On 27 January 2011, the Bank, along with Huachuan Xinying Urban Construction Investment Co., Ltd., jointly funded the establishment of Huachuan Rongxing Village and Township Bank Co., Ltd. ("Huachuan Rongxing") with a registered capital of RMB10 million. The Bank holds a 90% stake of the company, making it the controlling shareholder. On 30 March 2012, the Bank made an additional capital injection of RMB40 million into Huachuan Rongxing. After the capital injection, the registered capital of Huachuan Rongxing is RMB50 million, the Bank's stake in the company rose to 98% and it remains the controlling shareholder.
- (x) On 7 April 2011, the Bank established the wholly-owned subsidiary of Baiquan Rongxing Village and Township Bank Co., Ltd. ("Baiquan Rongxing") with a registered capital of RMB5 million. On 23 April 2012, the Bank made an additional capital injection of RMB25 million into Baiquan Rongxing, increasing its total registered capital to RMB30 million.
- (xi) On 19 April 2011, the Bank established a wholly-owned subsidiary of Yanshi Rongxing Village and Township Co., Ltd. with a registered capital of RMB30 million.
- (xii) On 25 April 2011, the Bank established a wholly-owned subsidiary of Leping Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB30 million.
- (xiii) On 9 May 2011, the Bank, along with Rudong Textile Rubber Co., Ltd. and Nantong Xiangfen Electronics Co., Ltd. jointly funded the establishment of Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB100 million. The Bank holds 80% of the shares of the company, making it the controlling shareholder.
- (xiv) On 16 May 2011, the Bank established a wholly-owned subsidiary of Honghu Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB30 million.

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

- (xv) On 4 May 2011, the Bank, along with Zhuzhou Hongda Electronic Co., Ltd., Zhuzhou Huachen Real Estate Development Co., Ltd., jointly funded the establishment of Zhuzhou Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB50 million. The Bank holds an 80% stake in the company, making it the controlling shareholder.
- (xvi) On 1 June 2011, the Bank, along with Wulong Water Co., Ltd., Chongqing Sanxing Industrial Company, Pengshui Shengda Hydropower Co., Ltd., Chongqing Tianlu Concrete Co., Ltd., jointly established Chongqing Wulong Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB50 million. The Bank holds a 70% stake in the company, making it the controlling shareholder.
- (xvii) On 8 June 2011, the Bank established the wholly-owned subsidiary of Xin'an Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB30 million.
- (xviii) On 20 June 2011, the Bank established a wholly-owned subsidiary of Anyi Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB30 million.
- (xix) On 16 June 2011, the Bank established a wholly-owned subsidiary of Yingcheng Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB30 million.
- (xx) On 17 June 2011, the Bank established a wholly-owned subsidiary of Leiyang Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB50 million.
- (xxi) On 6 July 2011, the Bank, along with Hainan Airlines Property Holdings (Group) Co., Ltd. jointly established Hainan Baoting Rongxing Village and Township Bank Co., Ltd. ("Baoting Rongxing") with a registered capital of RMB10 million. The Bank held a 90% stake in the Company, making it the controlling shareholder. In September 2012, the Bank made an additional capital injection of RMB20 million into Baoting Rongxing, increasing its total registered capital to RMB30 million. The Bank's stake in the company rose to 96.67%, and the Bank is still the controlling shareholder.
- (xxii) On 28 May 2012, the Bank, along with Chongqing Arcas Hotel Investment Management Ltd, Chongqing Caizhi Business Management Co., Ltd., jointly established Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB100 million. The Bank holds an 80% stake in the company, making it the controlling shareholder.
- (xxiii) On 25 June 2012, the Bank established the wholly-owned subsidiary of Hejian Ronghui Village and Township Bank Co., Ltd. ("Hejian Ronghui") with a registered capital of RMB30 million. On 29 August 2014, the Bank made an additional capital injection of RMB20 million into Hejian Ronghui, increasing its total registered capital to RMB50 million. The Bank's stake in the company remains 100%.
- (xxiv) On 24 May 2012, the Bank established the wholly-owned subsidiary of Chongqing Youyang Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB60 million.
- (xxv) On 11 June 2014, the Bank established Harbin Bank Financial Leasing Co., Ltd. with Dongninglizhi Decoration Engineering Co., Ltd. and Harbin Express Auto Sales Co., Ltd.. The Bank holds 80% of the shares of the company with a registered capital of RMB2 billion.

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2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations promulgated by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group in preparation of the Financial Information throughout the reporting periods.

These financial statements have been prepared under the historical cost convention, except for financial assets held for trading, available-for-sale financial assets and derivative financial instruments (unless the fair value cannot be reliably measured) that have been measured at fair value, as further explained in the respective accounting policies below. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual arrangements;
- (c) The Group's voting rights and potential voting rights.

The Bank re-assesses 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. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognises the carrying amount of any non-controlling interest;
- (c) derecognises the cumulative translation differences recorded in equity;
- (d) recognises the fair value of the consideration received;
- (e) recognises the fair value of any investment retained;
- (f) recognises any resulting surplus or deficit in profit or loss; and
- (g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated statement of financial position separately from the equity attributable to owners of the parent. An acquisition of non-controlling interests is accounted for as an equity transaction.

2.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2015

On 1 January 2015, the Group adopted the following revised standards:

IAS 19 Amendments – Defined Benefit Plans: Employee Contributions

The Group adopted the IAS 19 Amendments – Defined Benefit Plans: Employee Contributions in 2015. IAS 19 Amendments require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

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2.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2015 (Continued)

Annual Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle (issued in December 2013)

IFRS 2 – Share-Based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 – Business Combinations

The amendments are applied prospectively and clarify that: (1) all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable); and (2) IFRS 3 does not apply to the accounting for the formation of any joint arrangement.

IFRS 8 – Operating Segments

The amendments are applied retrospectively and clarify that: (1) an entity must disclose the judgments made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are “similar”; and (2) the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 24 – Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IFRS 13 – Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 – Investment Property

The amendment is applied prospectively and clarifies that the guidance in IFRS 3 is used to determine if the purchase of investment property is the purchase of an asset or a business combination.

The adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

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2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs (including IASs), that have been issued but are not yet effective, in these financial statements.

		Effective for annual periods beginning on or after
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IAS 27 Amendments	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 10, IFRS 12 and IAS 28 Amendments	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
IAS 1 Amendments	<i>Disclosure Initiative</i>	1 January 2016
IFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
IAS 16 and IAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
IFRS 16 Amendments	<i>Leases</i>	1 January 2019
Annual Improvements to IFRSs 2012-2014 cycle (issued in September 2014)		1 January 2016

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IAS 27 Amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

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2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

The amendments to IFRS 10, IFRS 12 and IAS 28 address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exception from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments to IAS 1 include narrow-focus improvements in materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments.

The amendments to IFRS 11 require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a “business” (as defined in IFRS 3 – Business Combinations).

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

IFRS 16 *Leases* requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The scope of the new standard includes leases of all assets, with certain exceptions.

The Group is in the process of assessing the impact of these new standards and amendments on the consolidated and separate financial statements of the Group and the Bank respectively.

Annual Improvements to IFRSs 2012-2014 Cycle was issued in September 2014. The annual improvements process was established to make non-urgent but necessary amendments to IFRSs. The amendments are effective from annual period beginning on or after 1 January 2016. No amendment was early adopted by the Group and no material changes to accounting policies were made in 2015.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Associate

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

The Group's investments in an associate are accounted for under the equity method of accounting. Under the equity method, an investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of the net assets of the associate, less any impairment losses. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interests in the associate.

The results of the associate are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in an associate are stated at cost less any impairment losses.

The reporting periods of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(2) Foreign currency translation

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition of financial instruments

At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, held-to-maturity financial investments, loans and receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

A financial asset or financial liability is measured initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Measurement of fair value

The fair value of a financial asset or financial liability traded in active markets is based on its quoted market price.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include making reference to the prices from recent arm's length market transactions between knowledgeable and willing parties, if available, current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated at fair value through profit or loss.

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if:

- (i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking; or
- (iii) it is a derivative.

Financial assets held for trading mainly include bond investments.

Financial assets or financial liabilities held for trading are measured at fair value after initial recognition. Realised or unrealised income or expenses are recognised in the income statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

Financial assets or financial liabilities designated at fair value through profit or loss

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

- (i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or financial liability or from recognising the gains and losses on them on different bases;
- (ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or
- (iii) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss.

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in the income statement when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortisation process. All the held-to-maturity financial investments are bond investments.

The Group shall reclassify any remaining held-to-maturity investments as available-for-sale and shall not classify any financial assets as held to maturity during the current financial year or during the two preceding financial years, if the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

- (i) is so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- (ii) occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- (iii) is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for impairment losses. Gains and losses are recognised in the income statement when such assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest rate method and are taken to the income statement as interest income. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to the income statement. Dividend and interest income on available-for-sale financial assets are recorded in the income statement.

In the case of an equity investment classified as available for sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

Other financial liabilities

Other financial liabilities are carried at amortised cost using the effective interest rate method.

(4) Impairment of financial assets

An assessment on carrying amount of financial assets is made at the end of each reporting period. Impairment is recognised if there is objective evidence of impairment of financial assets, i.e., one or more events that occur after the initial recognition of those assets and have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, they would probably enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Impairment of financial assets (Continued)

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, 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 and shall include the value of any relevant collateral. The original effective interest rate is the rate used to determine the values of financial assets at initial recognition. With respect to floating-rate loans, receivables and held-to-maturity investments, the discount rate could be the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

When an item of loans and receivables is uncollectible, it is written off against the related allowance for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Impairment of financial assets (Continued)

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on the financial asset, the amount of impairment loss, measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, is recognised in the income statement. In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, the amount of impairment loss is recognised in the income statement. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If there is objective evidence that the financial asset is impaired, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group considers the time period and continuity of the magnitude of the decline to evaluate whether the decline in fair value is prolonged. More significantly the fair value declines relative to the cost, the less the volatility moves, and the longer the decline lasts or the more obvious the continuity of the magnitude of the decline is, the more likely the equity investment impairs. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised as other comprehensive income.

In the case of debt instruments classified as available for sale, if, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impaired loss is reversed through the income statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(7) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(8) Repurchase and reverse repurchase transactions

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a “repurchase agreement”, reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a “reverse repurchase agreement”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

(9) Property and equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Property and equipment (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and annual depreciation rate of each item of property and equipment are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	30 years	5%	3.17%
Office equipment	3-10 years	0 or 5%	9.5%-31.67%
Motor vehicles	5 years	5%	19.00%
Operating lease fixed assets	20 years	5%	4.75%
Leasehold improvements	Over the shorter of the economic useful lives and remaining lease terms		

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(10) Land use rights

Land use rights are recognised at cost, which is the consideration paid. The rights are amortised using the straight-line basis over the period of the leases.

(11) Repossessed assets

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(14) Asset impairment

Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(15) Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with the Central Bank, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(16) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Statutory defined contribution plans

In accordance with the relevant laws and regulations, employees of the Group participate in various social insurance schemes like basic pension insurance, medical insurance, unemployment insurance and housing fund schemes administered by the local government authorities. The Group calculates and contributes to the local government agencies the above pension and insurance schemes using applicable contribution basis and rates stipulated in the relevant local regulations in the period the employees providing their services to the Group. Contributions to these plans are recognised in the income statement as incurred.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the income statement as incurred.

(17) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(18) Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

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

Fee and commission income

Fee and commission income is recognised after services have been rendered, and the chargeable amount is reasonably estimated.

The fair value of the award credits granted to the bank card holders is deferred and recognised as fee and commission income when the award credits are redeemed or expire.

Dividend income

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

Net trading income

Net trading income arising from trading activities include the gains and losses from changes in fair value for financial assets held for trading.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) Income tax (Continued)

Deferred income tax (Continued)

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(20) Leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.

Operating leases

Rental payments applicable to operating leases are charged to the income statement on the straight-line basis over the lease terms.

When the Group is the lessor under operating leases, the assets subject to operating leases are accounted for as the Group's assets. Rental income is recognised as "other operating income, net" in the income statement on the straight-line basis over the lease term.

Finance Lease

When the Group is a lessor under financial lease, at the leasing commencement date, the minimum lease payments receivables and initial direct costs are recognised as finance lease receivables and any unguaranteed residual value is recognised at the same time. The difference between the sum of minimum lease payments receivables, initial direct costs, the unguaranteed residual value and their present value is accounted for as unearned finance income.

The unearned finance income is amortised using the effective interest method over the lease period.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies set out in note 3(4).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(21) Related Parties

A party is considered to be related to the Group if:

(a) *the party is a person or a close member of that person's family and that person,*

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) *the party is an entity where any of the following conditions applies:*

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or the parent of the Group.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(22) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the income statement.

(23) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(24) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

(25) Structured entities

A structured entity is an entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity. Unconsolidated structured entities refer to equity in other entities which have no significant impact to the Group, including but not limited to equity instrument or debt instruments or any other involvements. The Group's unconsolidated structured entities mainly include off balance sheet non-guaranteed wealth management products sponsored by the Group (note 44).

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group shall reclassify the whole held-to-maturity investment portfolio as available for sale.

Impairment losses of loans and advances, financial lease receivables amounts due from banks and other financial institutions and receivables

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances, financial lease receivables amounts due from banks and other financial institutions and receivables. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using valuation techniques. These valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Early retirement benefit obligations

The Bank has established liabilities in connection with benefits payable to early retired employees. These amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, inflation rates, and other factors. Actual results that differ from the assumptions are recognised immediately and, therefore, affect recognised expense in the year in which the differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Bank's expense related to its employee early retirement benefit obligations.

Judgement of the control level to investee

The management determines whether the Bank controls related securitisation instruments, investment funds, non-principal-protected financial products, specific asset management plan and asset backed financing according to Note 2.1.

The Bank manages or invests several investment funds, non-principal-protected financial products, specific asset management plan and asset backed financing. When determining whether to control structural entities of these types, the Bank mainly estimates the whole economy benefit it has in these structural entities (including revenues by holding directly and expected fees) or the range of power of decision-making in the entities. The Bank determines whether to consolidate the structural entities into the financial statements according to whether the Bank is an agent or a main responsibility party and whether the economy interest of the Bank in the entities is significant.

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) or operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor).

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

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5. NET INTEREST INCOME

	Year ended 31 December	
	2015	2014
Interest income on:		
Loans and advances to customers	11,200,118	9,432,470
– Corporate loans and advances	7,093,565	5,736,212
– Personal loans	3,856,791	3,529,254
– Discounted bills	249,762	167,004
Reverse repurchase agreements	2,072,791	2,521,994
Available-for-sale financial assets	521,222	648,876
Held-to-maturity financial investments	931,765	835,811
Receivables	3,983,629	3,143,328
Due from the Central Bank	633,495	671,017
Deposits with banks and other financial institutions	883,372	1,311,876
Financial lease receivables	416,452	31,441
Subtotal	20,642,844	18,596,813
Interest expense on:		
Due to customers	(6,558,005)	(5,678,348)
Repurchase agreements	(354,098)	(489,536)
Due to banks	(3,302,980)	(3,799,188)
Debt securities issued	(432,152)	(173,750)
Due to the Central Bank	(38,417)	(41,824)
Borrowings from other financial institutions	(324,253)	(16,550)
Subtotal	(11,009,905)	(10,199,196)
Net interest income	9,632,939	8,397,617
Included: interest income on impaired loans	46,706	45,038
Interest income from:		
Listed debt instruments	1,452,987	1,484,687
Unlisted debt instruments	19,189,857	17,112,126
Subtotal	20,642,844	18,596,813

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6. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2015	2014
FEE AND COMMISSION INCOME:		
Advisory and consulting fees	842,268	783,147
Agency and custodian fees	941,632	654,981
Including: Non-guaranteed wealth management product	496,598	280,705
Bank card fees	166,082	210,048
Settlement and clearing fees	115,130	78,119
Others	69,587	49,588
Subtotal	2,134,699	1,775,883
FEE AND COMMISSION EXPENSE:		
Settlement and clearing fees	(19,559)	(17,529)
Agency fees	(14,039)	(10,761)
Bank card fees	(110,307)	(97,076)
Others	(31,376)	(50,176)
Subtotal	(175,281)	(175,542)
NET FEE AND COMMISSION INCOME	1,959,418	1,600,341

7. NET TRADING INCOME

	Year ended 31 December	
	2015	2014
Debt securities	163,939	182,102
Others	(4,027)	(600)
	159,912	181,502

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets held for trading, and changes in the fair value of derivative financial instruments.

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8. NET GAIN/(LOSS) ON FINANCIAL INVESTMENTS

	Year ended 31 December	
	2015	2014
Dividends from available-for-sale equity investments	797	652
Gain on disposal of held-to-maturity investments	1,982	–
Gain/(loss) on disposal of available-for-sale financial assets, net	28,534	(57,715)
Total	31,313	(57,063)

9. OTHER OPERATING INCOME, NET

	Year ended 31 December	
	2015	2014
Net gain on sale of property and equipment	2,456	–
Net gain on sale of repossessed assets	564	–
Gain from foreign exchange, net	2,206	2,950
Leasing income	30,423	3,348
Government grants and subsidies	108,844	85,200
Penalty and compensation payments	34	11
Others	17,254	38,862
Total	161,781	130,371

10. OPERATING EXPENSES

	Year ended 31 December	
	2015	2014
Staff costs:		
Salaries, bonuses and allowances	1,499,026	1,444,715
Social insurance	191,171	176,910
Housing fund	85,945	76,408
Staff benefits	125,737	103,381
Labour union expenditure and education costs	14,614	16,341
Early retirement benefits	7,642	4,807
Subtotal	1,924,135	1,822,562
General and administrative expenses	668,089	733,727
Business tax and surcharges	943,682	840,291
Depreciation and amortisation	436,695	328,158
Leasing expense	317,228	299,317
Auditors' remuneration	5,800	5,500
Others	441,266	403,729
Total	4,736,895	4,433,284

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax are as follows:

Name	Position	Year ended 31 December 2015						
		Fees	Remuneration	Discretionary	Contributions	Total	Of which:	Actual
		RMB'000	paid	bonuses	to defined	emoluments	deferred	amount of
			RMB'000	RMB'000	contribution	before tax	payment	remuneration
					schemes	RMB'000	RMB'000	paid (pre-tax)
					RMB'000	(5)=(1)+(2)		paid (pre-tax)
		(1)	(2)	(3)	(4)	+(3)+(4)	(6)	(7)=(5)-(6)
Guo Zhiwen	Chairman	-	774	3,840	36	4,650	1,920	2,730
Liu Zhuo	Vice Chairman	321	-	-	-	321	-	321
Zhang Qiguang	Executive Director	-	504	3,300	35	3,839	1,403	2,436
Chen Danyang	Director	146	-	-	-	146	-	146
Zhang Taoxuan	Director	145	-	-	-	145	-	145
Qin Hongfu	Director	146	-	-	-	146	-	146
Cui Luanyi	Director	146	-	-	-	146	-	146
Ma Baolin	Director	61	-	-	-	61	-	61
Zhang Shengping	Independent Director	130	-	-	-	130	-	130
He Ping	Independent Director	254	-	-	-	254	-	254
Du Qingchun	Independent Director	283	-	-	-	283	-	283
Kong Siu Chee	Independent Director	451	-	-	-	451	-	451
Wan Kam To	Independent Director	351	-	-	-	351	-	351
Gao Shuzhen	Chairman of the Board of Supervisors	-	1,406	2,590	35	4,031	1,322	2,709
Lu Yujuan	Supervisor	60	-	-	-	60	-	60
Wang Ying	Employee Supervisor	-	434	363	35	832	144	688
Yang Dazhi	Employee Supervisor	-	531	997	37	1,565	199	1,366
Wang Jiheng	External Supervisor	144	-	-	-	144	-	144
Bai Fan	External Supervisor	120	-	-	-	120	-	120
Meng Rongfang	External Supervisor	144	-	-	-	144	-	144

Note: Pursuant to the relevant PRC regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors (the "Board"), the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred.

- (1) At the annual general meeting for 2014 held on 30 June 2015, Zhang Qiguang was elected as the Executive Director of the Bank. Ma Baolin was elected as the Director of the Bank. Gao Shuzhen ceased to act as the Executive Director and President of the Bank.
- (2) At the annual general meeting for 2014 held on 30 June 2015, Gao Shuzhen and Yang Dazhi were appointed as the Employee Supervisors of the Bank. Zhang Bin, Cheng Yun and Chen Yutao ceased to act as the Supervisors of the Bank.
- (3) At the first meeting of the sixth Board held on 30 June 2015, as proposed by Guo Zhiwen, Sun Feixia has been appointed as the Secretary to the sixth Board and the joint secretary of the Bank, Zhang Qiguang has been appointed as President and the Chief Financial Officer of the Bank. As proposed by Zhang Qiguang, Lv Tianjun, Lu Weidong, Wang Haibin and Sun Jiawei have been appointed as the Vice Presidents of the Bank. Xu Shaoguang has been appointed as the Chief Credit approval Officer of the Bank. Liu Yang has been appointed as the assistant to the President of the Bank.
- (4) At the sixth meeting of the sixth Board held on 7 December 2015, Ma Yongqiang ceased to act as the independent Director of the Bank.

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

		Year ended 31 December 2014						
Name	Position	Fees RMB'000	Remuneration paid RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution schemes RMB'000	Total emoluments before tax RMB'000 (5)=(1)+(2) + (3)+(4)	Of which: deferred payment RMB'000 (6)	Actual amount of remuneration paid (pre-tax) RMB'000 (7)=(5)-(6)
Guo Zhiwen	Chairman	-	771	3,402	35	4,208	1,590	2,618
Liu Zhuo	Vice Chairman	-	435	1,685	33	2,153	-	2,153
Gao Shuzhen	Executive Director	-	624	3,071	34	3,729	1,322	2,407
Chen Danyang	Director	145	-	-	-	145	-	145
Zhang Taoxuan	Director	145	-	-	-	145	-	145
Qin Hongfu	Director	147	-	-	-	147	-	147
Cui Luanyi	Director	145	-	-	-	145	-	145
Zhang Shengping	Independent Director	308	-	-	-	308	-	308
Ma Yongqiang	Independent Director	298	-	-	-	298	-	298
He Ping	Independent Director	245	-	-	-	245	-	245
Du Qingchun	Independent Director	315	-	-	-	315	-	315
Kong Siu Chee	Independent Director	326	-	-	-	326	-	326
Wan Kam To	Independent Director	331	-	-	-	331	-	331
Zhang Bin	Chairman of the Board of Supervisors	-	546	2,823	33	3,402	1,171	2,231
Cheng Yun	Vice Chairman of the Board of Supervisors	-	435	1,936	33	2,404	1,017	1,387
Lu Yujuan	Supervisor	60	-	-	-	60	-	60
Wang Ying	Employee Supervisor	-	434	360	32	826	140	686
Chen Yutao	Employee Supervisor	-	303	313	20	636	116	520
Wang Jiheng	External Supervisor	144	-	-	-	144	-	144
Bai Fan	External Supervisor	120	-	-	-	120	-	120
Meng Rongfang	External Supervisor	144	-	-	-	144	-	144

Note: Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred.

During the year ended 31 December 2015, the Independent Director Zhang Shengping agreed to waive remuneration before tax of RMB155 thousand (2014: Nil).

During the year ended 31 December 2015, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or were payable to such persons upon joining the Group or as compensation for loss of office (2014: Nil).

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12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank. Their emoluments were determined based on the prevailing market rates of the region where the Bank is operating. In the years ended 31 December 2015 and 2014, the five highest paid individuals of the Group comprised two directors and one supervisor and two directors and two supervisors of the Bank, respectively, whose emoluments are disclosed in notes 11 and 46(c) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Year ended 31 December	
	2015	2014
Salaries, allowances and discretionary bonuses	19,839	16,844
Contribution to defined contribution schemes	141	134
Total	19,980	16,978

The number of non-director and non-supervisor employees whose emoluments fell within the following bands is set out below.

	Number of employees	
	Year ended 31 December	
	2015	2014
RMB3,000,001 to RMB3,500,000	–	1
RMB3,500,001 to RMB4,000,000	2	–
Total	2	1

During the year ended 31 December 2015, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or were payable to such persons upon joining the Group or as compensation for loss of office (2014: Nil).

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13. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Year ended 31 December	
	2015	2014
Impairment losses on:		
Financial investments – receivables	377,667	100,000
Financial lease receivables	67,281	42,024
	444,948	142,024

14. INCOME TAX EXPENSE**(a) Income tax**

	Year ended 31 December	
	2015	2014
Current income tax	1,659,823	1,474,554
Deferred income tax	(250,461)	(187,831)
	1,409,362	1,286,723

(b) Reconciliation between income tax and accounting profit

The income tax of the Group's institutions has been provided at the statutory rate of 25%. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December	
	2015	2014
Profit before tax	5,918,962	5,127,495
Tax at the PRC statutory income tax rate	1,479,740	1,281,874
Effect of different tax rates for certain subsidiaries	(3,627)	(3,064)
Non-deductible expenses (i)	40,080	46,624
Non-taxable income (ii)	(75,552)	(38,683)
Underprovision/(overprovision) in respect of prior years	(19,037)	4,260
Profits attributable to an associate	(12,242)	(4,288)
Tax expense at the Group's effective income tax rate	1,409,362	1,286,723

Notes:

- (i) The non-deductible expenses mainly represent non-deductible write-offs.
- (ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and micro-loans to farmers, which are exempted from income tax, under Chinese tax regulations.

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15. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2015 includes a profit of RMB4,103 million (2014: RMB3,574 million) which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

	Year ended 31 December	
	2015	2014
Dividends on ordinary shares declared and paid: Final dividend for 2014: RMB0.103 per share** (2013: RMB0.038 per share*)	1,132,547	417,833
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2015: RMB0.107 per share*** (2014: RMB0.103 per share**)	1,176,529	1,132,547

- * Based on the total number of shares after the new issuance on 31 March 2014 at RMB0.038 per share, distributed in cash
- ** Based on the total number of shares as at 31 December 2014 at RMB0.103 per share, distributed in cash
- *** Based on the total number of shares as at 31 December 2015 at RMB0.107 per share, distributed in cash

17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Year ended 31 December	
	2015	2014
Earnings: Profit attributable to owners of the parent	4,457,607	3,806,554
Shares: Weighted average number of ordinary shares in issue (in thousands) (note a)	10,995,600	10,308,425
Basic and diluted earnings per share (in RMB yuan)	0.41	0.37

The Group had no potential ordinary shares for both the current and prior years.

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17. EARNINGS PER SHARE (Continued)

(a) Weighted average number of shares in issue

	Year ended 31 December	
	2015	2014
Share capital at 1 January	10,995,600	8,246,900
Weighted average number of new shares issued in the year	–	2,061,525
Weighted average number of ordinary shares in issue at the end of year	10,995,600	10,308,425

Basic earnings per share as at 31 December 2015 and 2014 were computed by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

18. CASH AND BALANCES WITH THE CENTRAL BANK

	Group	
	31 December	
	2015	2014
Cash and balances with the Central Bank:		
Cash on hand	691,250	1,065,082
Mandatory reserves with the Central Bank (i)	34,754,118	36,184,313
Surplus reserves with the Central Bank (ii)	19,083,995	16,586,575
Fiscal deposits with the PBOC	36,731	35,068
Total	54,566,094	53,871,038

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18. CASH AND BALANCES WITH THE CENTRAL BANK (Continued)

	Bank	
	31 December	
	2015	2014
Cash and balances with the Central Bank:		
Cash on hand	599,896	984,902
Mandatory reserves with the Central Bank (i)	33,659,037	35,134,073
Surplus reserves with the Central Bank (ii)	18,340,669	15,592,332
Fiscal deposits with the PBOC	36,731	35,068
Total	52,636,333	51,746,375

- (i) The Group is required to place mandatory reserve deposits with the PBOC. Mandatory reserve deposits with the Central Bank are not available for use in the Group's daily operations. As at 31 December 2015 and 2014, the mandatory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.
- (ii) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

19. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 December	
	2015	2014
Nostro accounts:		
Banks operating in Mainland China	26,752,488	24,366,180
Other financial institutions operating in Mainland China	—	2,000
Banks operating outside Mainland China	1,349,076	365,310
	28,101,564	24,733,490
Less: Allowance for impairment losses	—	—
	28,101,564	24,733,490
Placements with banks and other financial institutions:		
Banks operating in Mainland China	1,271,160	1,121,077
Other financial institutions operating in Mainland China	—	800,000
Banks operating outside Mainland China	662,340	1,552,676
	1,933,500	3,473,753
Less: Allowance for impairment losses	—	—
	1,933,500	3,473,753
	30,035,064	28,207,243

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19. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

	Bank	
	31 December	
	2015	2014
Nostro accounts:		
Banks operating in Mainland China	22,613,150	21,536,707
Other financial institutions operating in Mainland China	–	2,000
Banks operating outside Mainland China	1,349,076	365,310
	23,962,226	21,904,017
Less: Allowance for impairment losses	–	–
	23,962,226	21,904,017
Placements with banks and other financial institutions:		
Banks operating in Mainland China	1,271,160	1,921,077
Other financial institutions operating in Mainland China	1,000,000	–
Banks operating outside Mainland China	662,340	1,552,676
	2,933,500	3,473,753
Less: Allowance for impairment losses	–	–
	2,933,500	3,473,753
	26,895,726	25,377,770

20. FINANCIAL ASSETS HELD FOR TRADING

	Group/Bank	
	31 December	
	2015	2014
Debt securities	2,840,042	1,912,551
Debt securities analysed into:		
Listed in Mainland China	2,840,042	1,912,551

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21. REVERSE REPURCHASE AGREEMENTS

	Group/Bank	
	31 December	
	2015	2014
Reverse repurchase agreements analysed by counterparty:		
Banks	51,027,890	37,267,471
	51,027,890	37,267,471
Reverse repurchase agreements analysed by collateral:		
Securities	2,700,000	690,000
Bills	48,177,890	30,827,471
Trust beneficial rights	150,000	5,750,000
	51,027,890	37,267,471

As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. At 31 December 2015, the Group had no such securities (31 December 2014: RMB699 million). As of 31 December 2015, none of these securities have been repledged under repurchase agreements (31 December 2014: Nil). The Group had also received notes with a fair value of approximately RMB13,798 million as of 31 December 2015 (31 December 2014: RMB1,095 million); of these securities, there were no securities have been repledged under repurchase agreements (31 December 2014: Nil). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

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22. LOANS AND ADVANCES TO CUSTOMERS

	Group	
	31 December	
	2015	2014
Corporate loans and advances	86,649,602	79,898,554
Personal loans	61,596,453	43,227,683
Discounted bills	428,770	804,098
	148,674,825	123,930,335
Less: Allowance for impairment	(3,613,302)	(2,916,071)
	145,061,523	121,014,264

	Bank	
	31 December	
	2015	2014
Corporate loans and advances	83,178,449	76,328,515
Personal loans	54,956,477	37,667,657
Discounted bills	219,052	477,134
	138,353,978	114,473,306
Less: Allowance for impairment	(3,313,538)	(2,676,646)
	135,040,440	111,796,660

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements of allowance for impairment losses during the year are as follows:

Group

	Individually assessed	Collectively assessed	Total
As at 1 January 2015	230,990	2,685,081	2,916,071
Exchange difference	2,163	1,095	3,258
Impairment loss:	76,970	816,557	893,527
Impairment allowances charged	102,877	816,557	919,434
Reversal of impairment allowances	(25,907)	–	(25,907)
Accreted interest on impaired loans (note 5)	(13,862)	(32,845)	(46,707)
Write-offs	–	(223,837)	(223,837)
Recoveries of loans and advances previously written off	31,851	39,139	70,990
As at 31 December 2015	328,112	3,285,190	3,613,302
As at 1 January 2014	79,224	2,347,082	2,426,306
Exchange difference	300	5	305
Impairment loss:	180,809	386,306	567,115
Impairment allowances charged	184,651	386,306	570,957
Reversal of impairment allowances	(3,842)	–	(3,842)
Accreted interest on impaired loans (note 5)	(19,876)	(25,162)	(45,038)
Write-offs	(9,467)	(49,118)	(58,585)
Recoveries of loans and advances previously written off	–	25,968	25,968
As at 31 December 2014	230,990	2,685,081	2,916,071

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements of allowance for impairment losses during the year are as follows: (Continued)

Bank

	Individually assessed	Collectively assessed	Total
As at 1 January 2015	227,900	2,448,746	2,676,646
Exchange difference	2,163	1,095	3,258
Impairment loss:	71,353	750,477	821,830
Impairment allowances charged	97,260	750,477	847,737
Reversal of impairment allowances	(25,907)	–	(25,907)
Accreted interest on impaired loans	(13,862)	(32,845)	(46,707)
Write-offs	–	(212,479)	(212,479)
Recoveries of loans and advances previously written off	31,851	39,139	70,990
As at 31 December 2015	319,405	2,994,133	3,313,538
As at 1 January 2014	76,828	2,157,509	2,234,337
Exchange difference	300	5	305
Impairment loss:	180,115	331,316	511,431
Impairment allowances charged	183,775	331,316	515,091
Reversal of impairment allowances	(3,660)	–	(3,660)
Accreted interest on impaired loans	(19,876)	(25,162)	(45,038)
Write-offs	(9,467)	(40,890)	(50,357)
Recoveries of loans and advances previously written off	–	25,968	25,968
As at 31 December 2014	227,900	2,448,746	2,676,646

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

	Group	
	31 December	
	2015	2014
Loans and advances:		
Unimpaired loans and advances (i)	146,596,175	122,530,607
Impaired loans and advances to customers (ii)		
Individually assessed	902,157	526,393
Collectively assessed	1,176,493	873,335
	148,674,825	123,930,335
Less: Allowance for impairment losses:		
Unimpaired loans and advances (i)	(2,805,551)	(2,107,081)
Impaired loans and advances to customers (ii)		
Individually assessed	(328,112)	(230,990)
Collectively assessed	(479,639)	(578,000)
	(3,613,302)	(2,916,071)
Net loans and advances:		
Unimpaired loans and advances (i)	143,790,624	120,423,526
Impaired loans and advances to customers (ii)		
Individually assessed	574,045	295,403
Collectively assessed	696,854	295,335
	145,061,523	121,014,264
Percentage of impaired loans and advances	1.40%	1.13%

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

	Bank	
	31 December	
	2015	2014
Loans and advances:		
Unimpaired loans and advances (i)	136,425,185	113,118,053
Impaired loans and advances to customers (ii)		
Individually assessed	820,431	503,401
Collectively assessed	1,108,362	851,852
	138,353,978	114,473,306
Less: Allowance for impairment losses:		
Unimpaired loans and advances (i)	(2,529,039)	(1,875,120)
Impaired loans and advances to customers (ii)		
Individually assessed	(319,405)	(227,900)
Collectively assessed	(465,094)	(573,626)
	(3,313,538)	(2,676,646)
Net loans and advances:		
Unimpaired loans and advances (i)	133,896,146	111,242,933
Impaired loans and advances to customers (ii)		
Individually assessed	501,026	275,501
Collectively assessed	643,268	278,226
	135,040,440	111,796,660
Percentage of impaired loans and advances	1.39%	1.18%

- (i) Unimpaired loans and advances should be collectively assessed for impairment.
(ii) Impaired loans and advances to customers include those with objective evidence of impairment.

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23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into interest/currency rate related derivative financial instruments for trading.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with fair value instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest/currency rates relative to their terms.

	Group/Bank					
	31 December					
	2015			2014		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments						
Interest rate swaps	-	-	-	467,205	-	600
FX forward	1,651,030	3,629	18,196	-	-	-
FX swap	841,499	15,658	5,718	-	-	-
	2,492,529	19,287	23,914	467,205	-	600

24. FINANCIAL INVESTMENTS

	Group	
	31 December	
	2015	2014
Receivables (a)	90,082,859	49,244,609
Held-to-maturity investments (b)	25,244,149	19,655,690
Available-for-sale financial assets (c)	21,291,118	15,934,601
Subtotal	136,618,126	84,834,900
Less: Allowance for impairment losses	(477,667)	(100,000)
Net balance	136,140,459	84,734,900

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24. FINANCIAL INVESTMENTS (Continued)

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

	Group	
	31 December	
	2015	2014
Certificate treasury bonds	82,527	120,368
Wealth management products issued by other financial institutions (i)	45,880,543	24,254,625
Trust fund plans (ii)	44,119,789	24,869,616
Subtotal	90,082,859	49,244,609
Less: Allowance for impairment losses	(477,667)	(100,000)
Net balance	89,605,192	49,144,609

- (i) Wealth management products issued by other financial institutions are fixed term products (1 to 5 years) and the interest rate is fixed or determinable (4% to 12%). These include investments in trust beneficiary rights, trust loans, etc.
- (ii) The trust fund plans are purchased from trust companies, with no active market quotes, definite period lengths (1 to 5 years), and the interest rate is fixed or determinable (5% to 11%). These include investments in trust loans and trust beneficiary rights, etc.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	Group	
	31 December	
	2015	2014
Debt securities analysed into:		
Listed in Mainland China	25,244,149	19,655,690

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24. FINANCIAL INVESTMENTS (Continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	Group	
	31 December	
	2015	2014
Debt securities analysed into:		
Listed in Mainland China	11,239,220	15,237,981
Unlisted:		
Equity investments at cost (i)	24,620	24,620
Wealth management products	4,000,794	650,000
Funds	6,000,284	–
Others	26,200	22,000
	21,291,118	15,934,601
Market value of listed debt securities	11,239,220	15,237,981

- (i) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

	Bank	
	31 December	
	2015	2014
Receivables (a)	90,082,859	49,244,609
Held-to-maturity investments (b)	25,244,149	19,655,690
Available-for-sale financial assets (c)	20,890,324	15,934,601
Subtotal	136,217,332	84,834,900
Less: Allowance for impairment losses	(477,667)	(100,000)
Net balance	135,739,665	84,734,900

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24. FINANCIAL INVESTMENTS (Continued)**(a) Receivables**

The receivables are unlisted and stated at amortised cost and comprise the following:

	Bank	
	31 December	
	2015	2014
Certificate treasury bonds	82,527	120,368
Wealth management products issued by other financial institutions (i)	45,880,543	24,254,625
Trust fund plans (ii)	44,119,789	24,869,616
Subtotal	90,082,859	49,244,609
Less: Allowance for impairment losses	(477,667)	(100,000)
Net balance	89,605,192	49,144,609

- (i) Wealth management products issued by other financial institutions are fixed term products (1 to 5 years) and the interest rate is fixed or determinable (4% to 12%). These include investments in trust beneficiary rights, trust loans, etc.
- (ii) The trust fund plans are purchased from trust companies, with no active market quotes, definite period lengths (1 to 5 years), and the interest rate is fixed or determinable (5% to 11%). These include investments in trust loans and trust beneficiary rights, etc.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	Bank	
	31 December	
	2015	2014
Debt securities analysed into:		
Listed in Mainland China	25,244,149	19,655,690

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24. FINANCIAL INVESTMENTS (Continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	Bank	
	31 December	
	2015	2014
Debt securities analysed into:		
Listed in Mainland China	11,239,220	15,237,981
Unlisted:		
Equity investments at cost (i)	24,620	24,620
Wealth management products	3,600,000	650,000
Funds	6,000,284	–
Others	26,200	22,000
	20,890,324	15,934,601
Market value of listed debt securities	11,239,220	15,237,981

- (i) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

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25. FINANCE LEASE RECEIVABLES

	Group	
	31 December	
	2015	2014
Financial lease receivables	11,708,466	4,845,522
Less: Unearned finance lease income	(1,151,287)	(643,073)
Present value of minimum finance lease receivables	10,557,179	4,202,449
Less: Allowance for impairment losses	(109,305)	(42,024)
Including: collective assessment	(109,305)	(42,024)
Net balance	10,447,874	4,160,425

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	Group					
	31 December					
	2015			2014		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	3,925,190	(513,927)	3,411,263	1,228,041	(241,192)	986,849
1 year to 2 years	2,764,393	(316,378)	2,448,015	1,134,065	(178,809)	955,256
2 years to 3 years	2,338,578	(193,575)	2,145,003	976,318	(120,688)	855,630
3 years to 5 years	2,521,846	(123,173)	2,398,673	1,405,919	(98,429)	1,307,490
More than 5 years	158,459	(4,234)	154,225	101,179	(3,955)	97,224
	11,708,466	(1,151,287)	10,557,179	4,845,522	(643,073)	4,202,449

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26. INVESTMENTS IN SUBSIDIARIES

	Bank	
	31 December	
	2015	2014
Unlisted investments, at cost	2,970,020	2,762,000

27. INVESTMENT IN AN ASSOCIATE

	Group/Bank	
	31 December	
	2015	2014
Investment in an associate	1,156,296	1,045,492

Details of the Group's associate are as follows:

Name	Percentage of equity/ voting rights		Place of incorporation/ registration	Principal activities
	2015-12-31	2014-12-31		
Unlisted investments directly held:	%	%		
Guangdong Huaxing Bank Company Limited ("Huaxing Bank")	16	16	Guangdong, PRC	Commercial banking

Note: Though the Group controls 16% of the voting rights of Huaxing Bank, it is the second largest shareholder of Huaxing Bank and holds position of a director, and is thus capable to exert significant influence on the operating and financial decisions of the investee. Accordingly, the Group classified it as an associate.

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27. INVESTMENT IN AN ASSOCIATE (Continued)

The following table illustrates the summarised financial information of the Group's associate:

	31 December	
	2015	2014
Assets	106,211,279	68,283,646
Liabilities	(100,233,184)	(62,999,321)
Net assets	5,978,095	5,284,325
Proportion of Group's ownership	16%	16%
Share of the net assets	956,296	845,492
Goodwill on acquisition	200,000	200,000
Carrying amount of the investment	1,156,296	1,045,492
Revenue	1,733,876	1,119,971
Continuing operation profit	385,018	122,243
Non continuing operation profit	991	2,278
Profit for the year	306,058	107,190
Group's share of profit	48,969	17,150
Total comprehensive income	693,770	509,608
Dividends received	—	—

The financial information above was extracted from the financial statements of the associate.

As at 31 December 2015 and 2014, contingent liabilities of the associate mainly included bank acceptances, guarantees issued and sight letters of credit. The associate had no significant capital commitments as at the end of the year.

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28. PROPERTY AND EQUIPMENT

Group

	Properties and buildings	Construction in progress	Leasehold improve- ments	Office equipment	Motor vehicles	Operating lease fixed assets	Total
Cost:							
At 1 January 2015	2,831,401	4,273,731	395,154	1,213,538	75,171	294,317	9,083,312
Additions	379,604	552,383	47,409	201,905	6,980	–	1,188,281
Construction in progress transfers	2,267,301	(2,326,705)	–	59,404	–	–	–
Disposals	(5,859)	(6,104)	–	(878)	(5,201)	–	(18,042)
At 31 December 2015	5,472,447	2,493,305	442,563	1,473,969	76,950	294,317	10,253,551
At 1 January 2014	2,515,913	4,340,722	267,931	966,033	67,555	–	8,158,154
Additions	151,393	498,455	127,237	193,900	7,659	294,317	1,272,961
Construction in progress transfers	164,134	(223,563)	–	59,429	–	–	–
Disposals	(39)	(341,883)	(14)	(5,824)	(43)	–	(347,803)
At 31 December 2014	2,831,401	4,273,731	395,154	1,213,538	75,171	294,317	9,083,312
Accumulated depreciation:							
At 1 January 2015	364,992	–	166,652	552,678	46,778	–	1,131,100
Depreciation charge for the year	107,065	–	69,834	191,788	8,872	13,996	391,555
Disposals	(738)	–	–	(384)	(3,441)	–	(4,563)
At 31 December 2015	471,319	–	236,486	744,082	52,209	13,996	1,518,092
At 1 January 2014	285,383	–	109,901	412,375	35,553	–	843,212
Depreciation charge for the year	79,646	–	56,765	144,065	11,266	–	291,742
Disposals	(37)	–	(14)	(3,762)	(41)	–	(3,854)
At 31 December 2014	364,992	–	166,652	552,678	46,778	–	1,131,100
Net carrying amount:							
At 31 December 2015	5,001,128	2,493,305	206,077	729,887	24,741	280,321	8,735,459
At 31 December 2014	2,466,409	4,273,731	228,502	660,860	28,393	294,317	7,952,212

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28. PROPERTY AND EQUIPMENT (Continued)

Bank

	Properties and buildings	Construction in progress	Leasehold improve- ments	Office equipment	Motor vehicles	Total
Cost:						
At 1 January 2015	2,756,691	4,270,485	325,132	1,141,019	55,326	8,548,653
Additions	379,606	518,761	41,331	187,439	5,938	1,133,075
Construction in progress transfers	2,267,111	(2,326,515)	–	59,404	–	–
Disposals	(1,137)	(3,361)	–	(667)	(5,071)	(10,236)
At 31 December 2015	5,402,271	2,459,370	366,463	1,387,195	56,193	9,671,492
At 1 January 2014	2,441,602	4,336,695	212,069	916,897	48,190	7,955,453
Additions	150,993	495,666	113,077	174,057	7,179	940,972
Construction in progress transfers	164,135	(219,993)	–	55,858	–	–
Disposals	(39)	(341,883)	(14)	(5,793)	(43)	(347,772)
At 31 December 2014	2,756,691	4,270,485	325,132	1,141,019	55,326	8,548,653
Accumulated depreciation:						
At 1 January 2015	357,760	–	131,391	525,606	33,913	1,048,670
Depreciation charge for the year	105,263	–	58,148	176,868	5,576	345,855
Disposals	(487)	–	–	(635)	(3,317)	(4,439)
At 31 December 2015	462,536	–	189,539	701,839	36,172	1,390,086
At 1 January 2014	281,275	–	87,115	395,036	26,594	790,020
Depreciation charge for the year	76,522	–	44,290	134,330	7,360	262,502
Disposals	(37)	–	(14)	(3,760)	(41)	(3,852)
At 31 December 2014	357,760	–	131,391	525,606	33,913	1,048,670
Net carrying amount:						
At 31 December 2015	4,939,735	2,459,370	176,924	685,356	20,021	8,281,406
At 31 December 2014	2,398,931	4,270,485	193,741	615,413	21,413	7,499,983

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28. PROPERTY AND EQUIPMENT (Continued)

The carrying values of the Group's and the Bank's properties and buildings are analysed based on the remaining terms of the land leases as follows:

	Group	
	31 December	
	2015	2014
Held in China		
Over 50 years	1,891,056	202,908
10 to 50 years	3,071,934	2,224,435
Less than 10 years	38,138	39,066
	5,001,128	2,466,409
	Bank	
	31 December	
	2015	2014
Held in China		
Over 50 years	1,891,056	202,908
10 to 50 years	3,010,541	2,156,957
Less than 10 years	38,138	39,066
	4,939,735	2,398,931

As at 31 December 2015, the process of obtaining the titles for the Group's properties and buildings with an aggregate net carrying value of RMB2,802 million (31 December 2014: RMB302 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

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29. DEFERRED INCOME TAX ASSETS

(a) Analysed by nature

Group

	31 December			
	2015		2014	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	2,522,404	630,601	1,673,063	418,266
Change in fair value of derivatives	4,628	1,157	600	150
Salaries, bonuses, allowances and subsidies payables	24,936	6,234	24,228	6,057
Early retirement benefits	17,636	4,409	14,881	3,720
Deferred revenue	309,480	77,370	147,609	36,902
Subtotal	2,879,084	719,771	1,860,381	465,095
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(248,068)	(62,017)	(2,508)	(627)
Change in fair value of held-for-trading financial assets	(33,244)	(8,311)	(16,386)	(4,096)
Subtotal	(281,312)	(70,328)	(18,894)	(4,723)
Net deferred income tax	2,597,772	649,443	1,841,487	460,372

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29. DEFERRED INCOME TAX ASSETS (Continued)

(a) Analysed by nature (Continued)

Bank

	31 December			
	2015		2014	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	2,380,068	595,017	1,598,911	399,728
Change in fair value of derivatives	4,628	1,157	600	150
Salaries, bonuses, allowances and subsidies payables	14,588	3,647	15,892	3,973
Early retirement benefits	17,636	4,409	14,881	3,720
Deferred revenue	309,480	77,370	147,609	36,902
Subtotal	2,726,400	681,600	1,777,893	444,473
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(247,276)	(61,819)	(2,508)	(627)
Change in fair value of held-for- trading financial assets	(33,240)	(8,310)	(16,386)	(4,096)
Subtotal	(280,516)	(70,129)	(18,894)	(4,723)
Net deferred income tax	2,445,884	611,471	1,758,999	439,750

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29. DEFERRED INCOME TAX ASSETS (Continued)

(b) Movements of deferred income tax Group

	At 1 January 2015	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2015
Deferred income tax assets:				
Allowance for impairment losses	418,266	212,335	–	630,601
Changes in fair value of derivatives	150	1,007	–	1,157
Salaries, bonuses, allowances and subsidies payables	6,057	177	–	6,234
Early retirement benefits	3,720	689	–	4,409
Deferred revenue	36,902	40,468	–	77,370
Subtotal	465,095	254,676	–	719,771
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(627)	–	(61,390)	(62,017)
Change in fair value of held-for- trading financial assets	(4,096)	(4,215)	–	(8,311)
Subtotal	(4,723)	(4,215)	(61,390)	(70,328)
Total	460,372	250,461	(61,390)	649,443

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29. DEFERRED INCOME TAX ASSETS (Continued)

(b) Movements of deferred income tax (Continued)

Group (Continued)

	At 1 January 2014	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2014
Deferred income tax assets:				
Allowance for impairment losses	249,694	168,572	–	418,266
Change in fair value of available-for-sale financial assets	60,687	–	(60,687)	–
Change in fair value of held-for- trading financial assets	9,910	(9,910)	–	–
Changes in fair value of derivatives	–	150	–	150
Salaries, bonuses, allowances and subsidies payables	6,139	(82)	–	6,057
Early retirement benefits	3,843	(123)	–	3,720
Deferred revenue	–	36,902	–	36,902
Deductible tax losses	3,582	(3,582)	–	–
Subtotal	333,855	191,927	(60,687)	465,095
Change in fair value of available-for-sale financial assets	–	–	(627)	(627)
Change in fair value of held-for- trading financial assets	–	(4,096)	–	(4,096)
Subtotal	–	(4,096)	(627)	(4,723)
Total	333,855	187,831	(61,314)	460,372

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29. DEFERRED INCOME TAX ASSETS (Continued)**(b) Movements of deferred income tax (Continued)****Bank**

	At 1 January 2015	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2015
Deferred income tax assets:				
Allowance for impairment losses	399,728	195,289	–	595,017
Changes in fair value of derivatives	150	1,007	–	1,157
Salaries, bonuses, allowances and subsidies payables	3,973	(326)	–	3,647
Early retirement benefits	3,720	689	–	4,409
Deferred revenue	36,902	40,468	–	77,370
Subtotal	444,473	237,127	–	681,600
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(627)	–	(61,192)	(61,819)
Change in fair value of held-for- trading financial assets	(4,096)	(4,214)	–	(8,310)
Subtotal	(4,723)	(4,214)	(61,192)	(70,129)
Total	439,750	232,913	(61,192)	611,471

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29. DEFERRED INCOME TAX ASSETS (Continued)

(b) Movements of deferred income tax (Continued)

Bank (Continued)

	At 1 January 2014	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2014
Deferred income tax assets:				
Allowance for impairment losses	223,041	176,687	–	399,728
Change in fair value of available-for-sale financial assets	60,687	–	(60,687)	–
Change in fair value of held-for-trading financial assets	9,910	(9,910)	–	–
Changes in fair value of derivatives	–	150	–	150
Salaries, bonuses, allowances and subsidies payables	4,447	(474)	–	3,973
Early retirement benefits	3,843	(123)	–	3,720
Deferred revenue	–	36,902	–	36,902
Subtotal	301,928	203,232	(60,687)	444,473
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	–	–	(627)	(627)
Change in fair value of held-for- trading financial assets	–	(4,096)	–	(4,096)
Subtotal	–	(4,096)	(627)	(4,723)
Total	301,928	199,136	(61,314)	439,750

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30. OTHER ASSETS

	Group	
	31 December	
	2015	2014
Interest receivable (a)	2,959,729	2,414,052
Land use rights (b)	4,977	822
Advance payments	279,174	212,465
Settlement and clearing accounts	657,106	160,700
Reposessed assets (c)	—	43,363
Intangible assets (d)	133,948	78,719
Other receivables	133,029	105,208
Others	3,874	321
	4,171,837	3,015,650

	Bank	
	31 December	
	2015	2014
Interest receivable (a)	2,853,018	2,338,432
Land use rights (b)	87	93
Advance payments	208,571	166,239
Settlement and clearing accounts	657,106	160,700
Reposessed assets (c)	—	43,363
Intangible assets (d)	120,324	75,775
Community bank suspended investment	—	90,420
Other receivables	176,508	88,486
Others	3,874	321
	4,019,488	2,963,829

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30. OTHER ASSETS (Continued)

(a) Interest receivable

	Group	
	31 December	
	2015	2014
Banks and other financial institution	193,954	254,902
Reverse repurchase agreements	263,144	299,496
Loans and advances to customers	1,385,580	936,100
Bond and other investments	1,117,051	923,554
	2,959,729	2,414,052

	Bank	
	31 December	
	2015	2014
Banks and other financial institution	207,043	256,228
Reverse repurchase agreements	263,144	299,496
Loans and advances to customers	1,265,780	859,154
Bond and other investments	1,117,051	923,554
	2,853,018	2,338,432

As of 31 December 2015, all interest receivables were due within one year.

(b) Land use rights

	Group	
	31 December	
	2015	2014
Located in Mainland China		
10 to 50 years	4,977	822

	Bank	
	31 December	
	2015	2014
Located in Mainland China		
10 to 50 years	87	93

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30. OTHER ASSETS (Continued)**(c) Repossessed assets**

	Group/Bank	
	31 December	
	2015	2014
Buildings	–	43,363
Less: Allowance for impairment losses	–	–
	–	43,363

(d) Intangible assets

Intangible assets consist primarily of computer software, which is amortised within five years.

31. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 December	
	2015	2014
Unsecured borrowings	8,137,937	2,900,000
Pledged borrowings	–	500,000
	8,137,937	3,400,000

As at 31 December 2014, the pledged borrowings of RMB500 million were secured by the finance lease receivables of RMB557 million. There was no remaining credit limit under these pledged borrowings.

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32. DUE TO BANKS

	Group	
	31 December	
	2015	2014
Deposits:		
Banks operating in Mainland China	48,862,551	54,602,695
Banks operating outside Mainland China	14,004	8,842
	48,876,555	54,611,537
Placements:		
Banks operating in Mainland China	2,982,750	3,359,767
Banks operating outside Mainland China	169,615	52,537
	3,152,365	3,412,304
	52,028,920	58,023,841

	Bank	
	31 December	
	2015	2014
Deposits:		
Banks operating in Mainland China	50,720,624	56,424,795
Banks operating outside Mainland China	14,004	8,842
	50,734,628	56,433,637
Placements:		
Banks operating in Mainland China	2,982,750	3,359,767
Banks operating outside Mainland China	169,615	52,537
	3,152,365	3,412,304
	53,886,993	59,845,941

Interest due to banks is calculated based on contract interest rates.

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33. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchases of bonds and bills.

	Group/Bank	
	31 December	
	2015	2014
Repurchase agreements analysed by counterparty:		
Banks	12,145,000	6,002,521
	12,145,000	6,002,521
Repurchase agreements analysed by collateral:		
Bonds	12,145,000	6,002,521
	12,145,000	6,002,521

34. DUE TO CUSTOMERS

	Group	
	31 December	
	2015	2014
Demand deposits:		
Corporate customers	85,924,132	77,546,011
Personal customers	39,089,262	29,179,343
	125,013,394	106,725,354
Time deposits:		
Corporate customers	125,077,103	79,663,146
Personal customers	56,727,172	47,405,294
	181,804,275	127,068,440
	306,817,669	233,793,794

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34. DUE TO CUSTOMERS (Continued)

	Bank	
	31 December	
	2015	2014
Demand deposits:		
Corporate customers	80,106,410	71,818,408
Personal customers	37,440,746	28,014,195
	117,547,156	99,832,603
Time deposits:		
Corporate customers	121,588,048	76,692,997
Personal customers	53,914,111	45,494,481
	175,502,159	122,187,478
	293,049,315	222,020,081

35. DEBT SECURITIES ISSUED

	Group/Bank	
	31 December	
	2015	2014
Financial bonds issued (a)	8,496,302	4,498,190
Negotiable certificates of deposit issued	14,773,576	–
	23,269,878	4,498,190

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35. DEBT SECURITIES ISSUED (Continued)**(a) Financial bonds**

As approved by the PBOC and the CBRC, the Bank issued financial bonds through the open market in 2012, 2014 and 2015. These financial bonds were traded in the inter-bank bond market. The Bank has not had any defaults of principal or interest or other breaches with respect to the financial bonds during the year ended 31 December 2015 (2014: Nil). The relevant information on these financial bonds is set out below:

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Issue amount
		(RMB)				(RMB)
12 Harbin Bank financial bonds	15 May 2012	100	4.55%	16 May 2012	16 May 2017	2,500 million
14 Harbin Bank financial bonds	15 December 2014	100	4.60%	17 December 2014	17 December 2017	2,000 million
15 Harbin Bank financial bonds	26 May 2015	100	4.20%	28 May 2015	28 May 2018	4,000 million

36. OTHER LIABILITIES

	Group	
	31 December	
	2015	2014
Interest payable (a)	3,893,447	3,485,068
Wealth management products payable	54,556	7,409
Settlement and clearing accounts	387,529	242,969
Account payable from agency services	115,403	312,434
Salaries, bonuses, allowances and subsidies payables (b)	544,312	453,842
Sundry tax payables	267,406	217,473
Deferred revenue (c)	458,748	200,269
Dividends payable	65,402	49,243
Accrued expenses	56,105	80,577
Lease guarantee fee	702,635	274,780
Other payables	762,470	226,580
	7,308,013	5,550,644

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36. OTHER LIABILITIES (Continued)

	Bank	
	31 December	
	2015	2014
Interest payable (a)	3,721,144	3,401,333
Wealth management products payable	54,556	7,409
Settlement and clearing accounts	387,529	239,268
Account payable from agency services	115,403	312,327
Salaries, bonuses, allowances and subsidies payables (b)	474,881	411,175
Sundry tax payables	242,113	188,345
Deferred revenue (c)	307,395	144,096
Dividends payable	65,402	49,243
Accrued expenses	39,517	74,226
Other payables	682,187	210,004
	6,090,127	5,037,426

(a) Interest payable

	Group	
	31 December	
	2015	2014
Deposits of banks and other financial institutions	1,127,453	885,515
Due to customers	2,580,899	2,521,334
Repurchase agreements	9,296	2,760
Bonds payable	175,799	75,459
	3,893,447	3,485,068

	Bank	
	31 December	
	2015	2014
Deposits of banks and other financial institutions	1,040,774	875,963
Due to customers	2,495,275	2,447,151
Repurchase agreements	9,296	2,760
Bonds payable	175,799	75,459
	3,721,144	3,401,333

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36. OTHER LIABILITIES (Continued)

(b) Salaries, bonuses, allowances and subsidies payable

	Group	
	31 December	
	2015	2014
Salaries, bonuses and allowances	503,133	415,350
Social insurance	6,686	5,249
Housing fund	3,668	3,739
Employee benefits	449	172
Labour union expenditure and education costs	12,738	14,451
Early retirement benefits	17,638	14,881
	544,312	453,842

	Bank	
	31 December	
	2015	2014
Salaries, bonuses and allowances	437,016	375,986
Social insurance	6,225	5,107
Housing fund	3,613	2,835
Employee benefits	—	99
Labour union expenditure and education costs	10,389	12,267
Early retirement benefits	17,638	14,881
	474,881	411,175

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36. OTHER LIABILITIES (Continued)

(c) Deferred revenue

Deferred revenue consists mainly of intermediary services and reverse repurchase agreements deferred revenues. Deferred revenue will be recognised in the next few years in accordance with the corresponding amortisation expense that is charged to the income statement.

	Group	
	31 December	
	2015	2014
Intermediary services	457,637	135,315
Reverse repurchase agreements	—	64,734
Others	1,111	220
	458,748	200,269

	Bank	
	31 December	
	2015	2014
Intermediary services	306,284	79,142
Reverse repurchase agreements	—	64,734
Others	1,111	220
	307,395	144,096

37. SHARE CAPITAL

	Bank			
	31 December			
	2015		2014	
	Number of shares (thousands)	Nominal value	Number of shares (thousands)	Nominal value
Opening balance	10,995,600	10,995,600	8,246,900	8,246,900
Shares issued (a)	—	—	2,748,700	2,748,700
Ending balance	10,995,600	10,995,600	10,995,600	10,995,600

- (a) In March 2014, 2,748,700 thousand ordinary shares with par value of RMB1 were issued at HK\$2.90 per share in the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited. The premium arising from the issuance of new shares was recorded in the capital reserve account. Ernst & Young Hua Ming Certified Public Accountants (LLP) Shanghai Branch has verified the capital injection and issued the capital verification report (Ernst & Young Hua Ming 2014 Yanzi No.60715519_B01) on 28 May 2014.

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38. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

(i) *Statutory surplus reserve*

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

For the year ended 31 December 2015, the Bank made an appropriation of 10% of the profit for the year determined under the generally accepted accounting principles of PRC ("PRC GAAP") to the statutory surplus reserve amounting to RMB410,364 thousand (2014: RMB357,355 thousand).

(ii) *Discretionary surplus reserve*

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital. For the years ended 31 December 2015 and 2014, the bank made no appropriation to the discretionary surplus reserve.

(c) General reserve

From 1 July 2012, the Bank is required by the Ministry of Finance ("MOF") to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year ending balance of its risk assets.

For the year ended 31 December 2015, the Bank made appropriation to the general reserve amounting to RMB207,011 thousand (2014: RMB1,562,912 thousand).

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38. RESERVES (Continued)

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of an associate other than the items listed above.

(f) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

The movements in reserves and retained profits of the Bank during the years are set out below.

	Reserves						Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Other reserves	Total	
Balance as at 1 January 2015	7,639,362	1,547,372	3,775,843	1,882	15,681	12,980,140	5,112,359
Profit for the year	-	-	-	-	-	-	4,103,637
Change in fair value of available-for-sale investments	-	-	-	183,575	-	183,575	-
Other reserves	-	-	-	-	61,835	61,835	-
Dividend – 2014 final (note 16)	-	-	-	-	-	-	(1,132,547)
Appropriation to surplus reserve (i)	-	410,364	-	-	-	410,364	(410,364)
Appropriation to general reserve	-	-	207,011	-	-	207,011	(207,011)
Balance as at 31 December 2015	7,639,362	1,957,736	3,982,854	185,457	77,516	13,842,925	7,466,074
Balance at 1 January 2014	4,222,379	1,190,017	2,212,931	(182,060)	(48,706)	7,394,561	3,876,902
Profit for the year	-	-	-	-	-	-	3,573,557
Change in fair value of available-for-sale investments	-	-	-	183,942	-	183,942	-
Other reserves	-	-	-	-	64,387	64,387	-
Capital contributed by owners	3,416,983	-	-	-	-	3,416,983	-
Dividend – 2013 final (note 16)	-	-	-	-	-	-	(417,833)
Appropriation to surplus reserves (i)	-	357,355	-	-	-	357,355	(357,355)
Appropriation to general reserve	-	-	1,562,912	-	-	1,562,912	(1,562,912)
Balance as at 31 December 2014	7,639,362	1,547,372	3,775,843	1,882	15,681	12,980,140	5,112,359

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39. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Group	
	31 December	
	2015	2014
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income	239,754	167,841
Transfer to the income statement arising from disposal	5,687	77,415
Income tax effect	(61,390)	(61,314)
	184,051	183,942
Share of other comprehensive income of an associate	61,835	64,387
	245,886	248,329

40. CASH AND CASH EQUIVALENTS

On the consolidated cash flow statement, cash and cash equivalents with an original maturity of less than three months are as follows:

	Group	
	31 December	
	2015	2014
Cash on hand (note 18)	691,250	1,065,082
Balances with the Central Bank (note 18)	19,083,995	16,586,575
Due from banks and other financial institutions	7,621,515	12,001,694
Reverse repurchase agreements	36,279,018	17,529,462
	63,675,778	47,182,813

During the reporting period, investing and financing activity of the Group and the Bank that did not involve cash receipts and payments only represented the conversion of retained profits into share capital. Details of the retained profits converted into share capital are disclosed in note 38(f).

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41. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group	
	31 December	
	2015	2014
Authorised, but not contracted	–	1,627
Contracted, but not provided	1,164,489	1,685,439
	1,164,489	1,687,066

	Bank	
	31 December	
	2015	2014
Contracted, but not provided	1,164,489	1,658,439
	1,164,489	1,658,439

(b) Operating lease commitments

Operating lease commitments – Lessee

At the end of the reporting period, the Group and the Bank leased certain of its office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	Group	
	31 December	
	2015	2014
Within one year	259,599	235,530
After one year but not more than five years	568,670	512,060
After five years	282,705	283,941
	1,110,974	1,031,531

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41. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Operating lease commitments (Continued)

Operating lease commitments – Lessee (Continued)

	Bank	
	31 December	
	2015	2014
Within one year	238,715	220,619
After one year but not more than five years	506,702	473,616
After five years	263,918	278,758
	1,009,335	972,993

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	Group	
	31 December	
	2015	2014
Bank acceptances	49,452,513	37,142,540
Guarantees issued	6,884,397	5,302,537
Sight letters of credit	1,275,761	1,231,767
Undrawn credit card limit	1,289,077	635,773
	58,901,748	44,312,617

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41. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Credit commitments (Continued)

	Bank	
	31 December	
	2015	2014
Bank acceptances	48,254,816	35,734,098
Guarantees issued	69,406	16,298
Sight letters of credit	1,275,761	1,231,767
Undrawn credit card limit	1,289,077	635,773
	50,889,060	37,617,936

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	Group	
	31 December	
	2015	2014
Financial guarantees and credit related commitments	18,662,882	16,253,133

	Bank	
	31 December	
	2015	2014
Financial guarantees and credit related commitments	16,988,648	14,722,460

The credit risk-weighted amount of financial guarantees and credit related commitments refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 31 December 2014 and 2015, there were no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

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41. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**(f) Redemption commitments of government bonds**

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2015, the Bank had underwritten and sold bonds with an accumulated amount of RMB2,752 million (31 December 2014: RMB2,220 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(g) Risk fund rescue obligation

The Bank has been a member of the Asia Financial Cooperation Association ("AFCA") since 31 December 2012, which has established a risk fund divided into equal shares. The price per share was equal to RMB100 million as at the fund establishment date. The Bank subscribed for 2 shares with 10% cash and 90% cooperative obligation. This means the Bank has the obligation of providing support to the AFCA members through certain methods such as placement, within the limit of RMB180 million.

42. FIDUCIARY ACTIVITIES**Designated funds and loans**

	Group	
	31 December	
	2015	2014
Designated funds	7,888,644	15,659,920
Designated loans	7,888,644	15,659,920

	Bank	
	31 December	
	2015	2014
Designated funds	7,473,557	15,097,221
Designated loans	7,473,557	15,097,221

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42. FIDUCIARY ACTIVITIES (Continued)

Designated funds and loans (Continued)

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk. The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The Group provides custody, trust and asset management services to third parties. Revenue from these activities is included in "Net Fee and Commission Income" set out in note 6 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

43. TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose trusts. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received as collateral.

As at 31 December 2014 and 2015, there was none of the above mentioned financial assets transferred to third parties that did not qualify for derecognition.

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44. INTEREST OF UNCONSOLIDATED STRUCTURED ENTITIES

The Group is principally involved with structured entities through financial investments and assets management. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on the Group's controls on them. The interests held by the Group in the unconsolidated structured entities are set out as below:

Structured entities sponsored by the Group

When conducting wealth management business, the Group established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 31 December 2015, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB47,225 million (31 December 2014: RMB46,318 million). For the year ended 31 December 2015, fee and commission income includes commission, custodian fee and management fee income from wealth management business that amounted to RMB496,598 thousand (for the year ended 31 December 2014: RMB280,705 thousand).

For the purpose of asset-liability management, wealth management products may trigger short-term financing needs for the Group and other banks. However, the Group is not contractually obliged to provide financing and during the year ended 31 December 2015, the Group did not provide any financing to the unconsolidated wealth management products (for the year ended 31 December 2014: Nil).

Structured entities sponsored by other financial institutions

As at 31 December 2015, the interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out as below:

	As at 31 December 2015			
	Available-for-sale financial assets	Receivables	Total	Maximum exposure to loss
Fund	6,000,284	–	6,000,284	6,000,284
Wealth management products	4,000,794	–	4,000,794	4,000,794
Investment trusts and assets management plans	–	90,000,332	90,000,332	89,522,665
Others	26,200	–	26,200	26,200

	As at 31 December 2014			
	Available-for-sale financial assets	Receivables	Total	Maximum exposure to loss
Wealth management products	650,000	–	650,000	650,000
Investment trusts and assets management plans	–	49,124,241	49,124,241	49,024,241
Fund	22,000	–	22,000	22,000

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45. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for liabilities or contingent liabilities, mainly arising from repurchase agreements and negotiated deposits. As at 31 December 2015, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB17,981 million (31 December 2014: RMB11,522 million).

46. RELATED PARTY DISCLOSURES

(a) Significant related party disclosures

(i) Shareholders of the Bank with 5% or above ownership

Name	Share percentage in the Bank	
	31 December	
	2015 %	2014 %
Harbin Economic Development and Investment Company	19.65	19.65
Fubon Life Insurance Company Limited	7.03	7.03
Harbin Kechuang Xingye Investment Company Limited	6.55	6.55
Heilongjiang Keruan Software Technology Company Limited	6.55	6.55
Heilongjiang Xin Yongsheng Trading Company Limited	5.82	5.82
Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	5.20	5.20

(ii) Subsidiaries of the Bank

Details of the subsidiaries of the Bank are set out in note 1 Corporate Information and Group Structure.

(b) Related party transactions

(i) Transactions between the Bank and major shareholders

	31 December	
	2015	2014
Balances at end of the year:		
Deposits	440	474
Transactions during the year:		
Interest expense on deposits	40	27
Interest rate ranges during the year are as follows:	%	%
Deposits	0.39-3.78	0.39-0.42

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46. RELATED PARTY DISCLOSURES (Continued)**(b) Related party transactions (Continued)***(ii) Transactions between the Bank and subsidiaries*

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	31 December	
	2015	2014
Balances at end of the year:		
Loans	16,862	9,210
Deposits	7,932	6,129
Transactions during the year:		
Interest income on loans	650	507
Interest expense on deposits	37	31
Interest rate ranges during the year are as follows:	%	%
Loans	3.43-9.65	4.31-9.65
Deposits	0.385-5.85	0.39-5.90

(ii) Key management personnel compensation

The aggregate compensation for the year is as follows:

	31 December	
	2015	2014
Emoluments and other short term employment benefits	34,953	37,111

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47. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into four different operating segments as below:

Corporate financial business

Corporate financial business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to trading business.

Retail financial business

Retail financial business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Interbank financial business

Interbank financial business cover money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Other business

This represents business other than corporate financial business, retail financial business and interbank financial business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

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47. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Year ended 31 December 2015</u>					
External net interest income	3,086,743	1,647,569	4,898,627	–	9,632,939
Internal net interest income/(expense)	1,114,830	1,235,650	(2,350,480)	–	–
Net fee and commission income	235,561	82,463	1,641,394	–	1,959,418
Other income, net (i)	2,206	–	190,428	160,372	353,006
Operating income	4,439,340	2,965,682	4,379,969	160,372	11,945,363
Operating expenses	(1,930,141)	(1,134,888)	(1,553,405)	(118,461)	(4,736,895)
Impairment losses on:					
Loans and advances to customers	(523,336)	(370,191)	–	–	(893,527)
Others	(67,281)	–	(377,667)	–	(444,948)
Operating profit	1,918,582	1,460,603	2,448,897	41,911	5,869,993
Share of profits of an associate	–	–	–	48,969	48,969
Profit before tax	1,918,582	1,460,603	2,448,897	90,880	5,918,962
Income tax expense					(1,409,362)
Profit for the year					4,509,600
Other segment information:					
Depreciation and amortisation	172,093	100,037	160,619	3,946	436,695
Capital expenditure	517,361	300,740	482,868	11,864	1,312,833
<u>As at 31 December 2015</u>					
Segment assets	138,113,649	76,423,269	228,703,932	1,610,418	444,851,268
Segment liabilities	214,465,058	96,925,070	98,141,590	1,471,591	411,003,309
Other segment information:					
Credit commitments	57,612,671	1,289,077	180,000	–	59,081,748

(i) Includes trading income, net gain/loss on financial investments and other net operating income

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47. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Year ended 31 December 2014</u>					
External net interest income	1,992,179	1,729,281	4,676,157	–	8,397,617
Internal net interest income/(expense)	1,198,550	547,976	(1,746,526)	–	–
Net fee and commission income	248,804	148,494	1,203,043	–	1,600,341
Other income, net (i)	2,950	–	124,439	127,421	254,810
Operating income	3,442,483	2,425,751	4,257,113	127,421	10,252,768
Operating expenses	(1,705,960)	(999,423)	(1,675,878)	(52,023)	(4,433,284)
Impairment losses on:					
Loans and advances to customers	(270,667)	(296,448)	–	–	(567,115)
Others	(42,024)	–	(100,000)	–	(142,024)
Operating profit	1,423,832	1,129,880	2,481,235	75,398	5,110,345
Share of profits of an associate	–	–	–	17,150	17,150
Profit before tax	1,423,832	1,129,880	2,481,235	92,548	5,127,495
Income tax expense					(1,286,723)
Profit for the year					<u>3,840,772</u>
Other segment information:					
Depreciation and amortisation	117,790	68,916	139,669	1,783	328,158
Capital expenditure	478,810	280,225	567,045	8,279	1,334,359
<u>As at 31 December 2014</u>					
Segment assets	106,222,998	74,306,348	161,726,143	1,386,129	343,641,618
Segment liabilities	162,496,773	77,504,237	72,535,412	942,575	313,478,997
Other segment information:					
Credit commitments	43,676,844	635,773	180,000	–	44,492,617

(i) Includes trading income, net gain/loss on financial investments and other net operating income

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47. SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group operates principally in Mainland China.

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Heilongjiang Province:	Including Head Office, Harbin, Shuangyashan, Jixi, Hegang, Suihua, Daqing, Qitaihe, Mudanjiang, Jiamusi, Qiqihar, Yichun and Nongken as well as Harbin Bank financial leasing Co., Ltd. and village and township banks operating within Heilongjiang.
Northeastern China:	Including Dalian, Shenyang, as well as village and township banks operating in Northeastern China excluding the ones in Heilongjiang.
Southwestern China:	Chengdu, Chongqing, as well as village and township banks operating in Southwest China and mainly located in Sichuan and Chongqing.
Northern China:	Tianjin, as well as village and township banks operating in Northern China which mainly located in Beijing and Tianjin.
Other regions:	Village and township banks operating in regions other than those listed above.

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47. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China					Total
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	
<u>Year ended 31 December 2015</u>						
External net interest income	5,701,822	1,007,869	2,130,800	466,703	325,745	9,632,939
Internal net interest income/(expense)	148,241	16,541	(248,707)	83,925	–	–
Net fee and commission income	1,286,878	229,188	241,499	200,959	894	1,959,418
Other income, net (i)	281,959	1,578	41,690	5,788	21,991	353,006
Operating income	7,418,900	1,255,176	2,165,282	757,375	348,630	11,945,363
Operating expenses	(3,102,538)	(485,920)	(712,258)	(271,606)	(164,573)	(4,736,895)
Impairment losses on:						
Loans and advances to customers	(471,425)	(78,997)	(305,737)	(17,901)	(19,467)	(893,527)
Others	(444,948)	–	–	–	–	(444,948)
Operating profit	3,399,989	690,259	1,147,287	467,868	164,590	5,869,993
Share of profits of an associate	48,969	–	–	–	–	48,969
Profit before tax	3,448,958	690,259	1,147,287	467,868	164,590	5,918,962
Income tax expense						(1,409,362)
Profit for the year						4,509,600
Other segment information:						
Depreciation and amortisation	300,556	31,877	73,968	11,955	18,339	436,695
Capital expenditure	823,173	137,774	233,389	82,597	35,900	1,312,833
<u>As at 31 December 2015</u>						
Segment assets	309,839,829	35,661,628	74,061,031	17,083,485	8,205,295	444,851,268
Segment liabilities	261,945,526	45,388,134	70,451,816	25,983,110	7,234,723	411,003,309
Other segment information:						
Credit commitments	5,742,774	20,897,352	13,935,917	11,774,717	6,730,988	59,081,748

(i) Includes trading income, net gain/loss on financial investments and other net operating income

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47. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
<u>Year ended 31 December 2014</u>						
External net interest income	4,727,855	1,005,662	1,737,097	647,867	279,136	8,397,617
Internal net interest income/(expense)	234,623	(25,736)	(178,638)	(30,249)	–	–
Net fee and commission income	1,026,395	137,125	264,938	147,971	23,912	1,600,341
Other income, net (i)	172,425	10,345	27,578	7,122	37,340	254,810
Operating income	6,161,298	1,127,396	1,850,975	772,711	340,388	10,252,768
Operating expenses	(2,853,068)	(499,439)	(683,706)	(250,839)	(146,232)	(4,433,284)
Impairment losses on:						
Loans and advances to customers	(329,500)	(82,654)	(65,420)	(63,507)	(26,034)	(567,115)
Others	(142,024)	–	–	–	–	(142,024)
Operating profit	2,836,706	545,303	1,101,849	458,365	168,122	5,110,345
Share of profits of an associate	17,150	–	–	–	–	17,150
Profit before tax	2,853,856	545,303	1,101,849	458,365	168,122	5,127,495
Income tax expense						(1,286,723)
Profit for the year						<u>3,840,772</u>
Other segment information:						
Depreciation and amortisation	216,448	31,833	52,559	13,845	13,473	328,158
Capital expenditure	811,561	145,863	237,801	99,634	39,500	1,334,359
<u>As at 31 December 2014</u>						
Segment assets	215,750,812	42,678,953	58,879,883	18,859,862	7,472,108	343,641,618
Segment liabilities	190,846,674	43,458,608	51,176,884	21,377,337	6,619,494	313,478,997
Other segment information:						
Credit commitments	2,974,948	12,937,944	17,075,024	6,169,500	5,335,201	44,492,617

(i) Includes trading income, net gain/loss on financial investments and other net operating income

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The Board has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments monitoring financial risks within the Group, including the Risk Management Department to monitor credit risk and operational risk as well as the Asset and Liability Management department together with the Risk Management Department to monitor market and liquidity risks. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk, liquidity risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. Credit risk affecting the group is primarily due to loans, debt instruments, guarantees, commitment as well as other risks both on and off the balance sheet.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. In addition, the Group also makes available to its customer guarantees which may require the Group to make payments on their behalf. Those payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and are mitigated by the same control processes and policies.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry, or geographic location or have comparable economic characteristics.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

If there is objective evidence that an impairment loss on a loan or advance has been incurred on an individual basis, 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 discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the income statement. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment assessment (Continued)

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individuals, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether these, in management's experience, indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. Fair value of collateral is shown in note 21.

Corporate loans are mainly collateralised by properties or other assets. As at 31 December 2015, the carrying value of corporate loans covered by collateral amounted to RMB55,739 million (31 December 2014: RMB46,264 million).

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral (Continued)

Personal loans are mainly collateralised by residential properties. As at 31 December 2015, the carrying value of personal loans covered by collateral amounted to RMB30,091 million (31 December 2014: RMB23,630 million).

The Group prefers more liquid collateral with a relatively stable market value and does not accept the collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flow, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair values of collateral of past due but not impaired loans and impaired loans are disclosed in note 48(a)(iii).

The credit business management department monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) *Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

As at the end of the reporting period, the maximum credit risk exposure of the Group and of the Bank without taking account of any collateral and other credit enhancements is set out below:

	Group	
	31 December	
	2015	2014
Balances with the Central Bank	53,874,844	52,805,956
Due from banks and other financial institutions	30,035,064	28,207,243
Financial assets held for trading	2,840,042	1,912,551
Reverse repurchase agreements	51,027,890	37,267,471
Loans and advances to customers	145,061,523	121,014,264
Derivative financial assets	19,287	–
Financial investments		
– Receivables	89,605,192	49,144,609
– Held-to-maturity investments	25,244,149	19,655,690
– Available-for-sale financial assets	21,266,498	15,909,981
Finance lease receivables	10,447,874	4,160,425
Others	3,749,864	2,679,960
	433,172,227	332,758,150
Credit commitments	59,081,748	44,492,617
Total maximum credit risk exposure	492,253,975	377,250,767

	Bank	
	31 December	
	2015	2014
Balances with the Central Bank	52,036,437	50,761,473
Due from banks and other financial institutions	26,895,726	25,377,770
Financial assets held for trading	2,840,042	1,912,551
Reverse repurchase agreements	51,027,890	37,267,471
Loans and advances to customers	135,040,440	111,796,660
Derivative financial assets	19,287	–
Financial investments		
– Receivables	89,605,192	49,144,609
– Held-to-maturity investments	25,244,149	19,655,690
– Available-for-sale financial assets	20,865,704	15,909,981
Others	3,686,632	2,678,038
	407,261,499	314,504,243
Credit commitments	51,069,060	37,797,936
Total maximum credit risk exposure	458,330,559	352,302,179

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****(ii) Risk concentrations**By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 48(a)(v) to the financial statements. The composition of the Group's and of the Bank's gross loans and advances to customers by industry is analysed as follows:

	Group	
	31 December	
	2015	2014
Agriculture, forestry, animal husbandry and fishing	3,528,214	3,563,557
Mining	321,156	371,936
Manufacturing	10,524,185	11,582,629
Production and supply of electricity, gas and water	1,933,727	2,125,184
Construction	3,551,403	5,895,534
Transportation, storage and postal services	3,191,879	2,662,710
Information transmission, computer services and software	708,506	584,636
Commercial trade	29,848,707	28,378,893
Lodging and catering	2,587,243	2,571,630
Finance	28,020	44,000
Real estate	10,657,555	6,853,450
Leasing and commercial services	13,324,448	11,620,355
Scientific research, technological services and geological prospecting	244,650	378,621
Water, environment and public utility management and investment industry	3,447,782	2,068,208
Resident services and other services	1,113,598	430,036
Education	420,576	405,175
Health, social security and social welfare	1,029,853	235,300
Culture, sports and entertainment	181,100	126,700
Public administration and social organisations	7,000	–
Subtotal for corporate loans and advances	86,649,602	79,898,554
Personal loans:		
Personal business	17,558,441	15,938,045
Personal consumption	34,320,391	17,819,589
Loans to farmers	9,717,621	9,470,049
Subtotal for personal loans	61,596,453	43,227,683
Discounted bills	428,770	804,098
Total for loans and advances to customers	148,674,825	123,930,335

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Risk concentrations (Continued)

By industry distribution (Continued)

	Bank	
	31 December	
	2015	2014
Agriculture, forestry, animal husbandry and fishing	2,935,825	3,037,907
Mining	305,866	348,481
Manufacturing	9,540,363	10,562,184
Production and supply of electricity, gas and water	1,888,978	2,091,772
Construction	3,183,973	5,520,992
Transportation, storage and postal services	3,123,273	2,578,870
Information transmission, computer services and software	680,506	561,636
Commercial trade	28,849,510	27,346,381
Lodging and catering	2,499,593	2,516,507
Finance	7,520	4,000
Real estate	10,643,635	6,848,450
Leasing and commercial services	13,270,788	11,428,465
Scientific research, technological services and geological prospecting	221,650	378,621
Water, environment and public utility management and investment industry	3,416,932	2,058,618
Resident services and other services	1,038,108	340,756
Education	376,126	362,975
Health, social security and social welfare	1,017,603	235,300
Culture, sports and entertainment	178,200	106,600
Subtotal for corporate loans and advances	83,178,449	76,328,515
Personal loans:		
Personal business	14,558,013	13,592,770
Personal consumption	33,678,122	17,295,633
Loans to farmers	6,720,342	6,779,254
Subtotal for personal loans	54,956,477	37,667,657
Discounted bills	219,052	477,134
Total for loans and advances to customers	138,353,978	114,473,306

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****(iii) Loans and advances to customers**

The total credit risk exposures of loans and advances to customers are summarised as follows:

	Group	
	31 December	
	2015	2014
Neither past due nor impaired	143,506,586	120,200,665
Past due but not impaired	3,089,589	2,329,942
Impaired	2,078,650	1,399,728
	148,674,825	123,930,335
Less: Allowance for impairment losses		
Collectively assessed	(3,285,190)	(2,685,081)
Individually assessed	(328,112)	(230,990)
	(3,613,302)	(2,916,071)
	145,061,523	121,014,264
	Bank	
	31 December	
	2015	2014
Neither past due nor impaired	133,436,701	111,512,536
Past due but not impaired	2,988,484	1,605,517
Impaired	1,928,793	1,355,253
	138,353,978	114,473,306
Less: Allowance for impairment losses		
Collectively assessed	(2,994,133)	(2,448,746)
Individually assessed	(319,405)	(227,900)
	(3,313,538)	(2,676,646)
	135,040,440	111,796,660

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers (Continued)

Neither past due nor impaired

The loans and advances to customers of the Group that are neither past due nor impaired are classified as “Pass” or “Special mention” under the five-tier loan classification system maintained by the Group. Management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the reporting period.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the end of the reporting period:

Group

	31 December 2015		
	Pass	Special Mention	Total
Unsecured loans	14,771,354	638,159	15,409,513
Guaranteed loans	42,029,872	266,444	42,296,316
Loans secured by mortgages	73,875,675	669,709	74,545,384
Pledged loans	11,251,371	4,002	11,255,373
	141,928,272	1,578,314	143,506,586

	31 December 2014		
	Pass	Special Mention	Total
Unsecured loans	5,291,243	2,248	5,293,491
Guaranteed loans	43,976,202	215,814	44,192,016
Loans secured by mortgages	59,600,002	553,419	60,153,421
Pledged loans	10,535,919	25,818	10,561,737
	119,403,366	797,299	120,200,665

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****(iii) Loans and advances to customers (Continued)**

Neither past due nor impaired (Continued)

Bank

	31 December 2015		
	Pass	Special Mention	Total
Unsecured loans	14,689,253	637,847	15,327,100
Guaranteed loans	37,282,119	247,670	37,529,789
Loans secured by mortgages	69,680,650	633,611	70,314,261
Pledged loans	10,264,849	702	10,265,551
	131,916,871	1,519,830	133,436,701

	31 December 2014		
	Pass	Special Mention	Total
Unsecured loans	5,196,904	2,266	5,199,170
Guaranteed loans	39,453,361	266,578	39,719,939
Loans secured by mortgages	56,201,436	573,081	56,774,517
Pledged loans	9,793,910	25,000	9,818,910
	110,645,611	866,925	111,512,536

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group and the Bank that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers (Continued)

Past due but not impaired (Continued)

Group

	31 December 2015		
	Corporate loans and advances	Personal loans	Total
Past due for:			
Less than one month	1,122,254	238,486	1,360,740
One to two months	686,874	237,428	924,302
Two to three months	606,118	108,092	714,210
Over three months	78,616	11,721	90,337
	2,493,862	595,727	3,089,589
Fair value of collateral held	6,315,341	872,108	7,187,449

	31 December 2014		
	Corporate loans and advances	Personal loans	Total
Past due for:			
Less than one month	892,112	95,518	987,630
One to two months	359,215	60,977	420,192
Two to three months	575,936	25,083	601,019
Over three months	224,958	96,143	321,101
	2,052,221	277,721	2,329,942
Fair value of collateral held	3,346,698	452,560	3,799,258

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers (Continued)

Past due but not impaired (Continued)

Bank

	31 December 2015		
	Corporate loans and advances	Personal loans	Total
Past due for:			
Less than one month	1,107,954	226,550	1,334,504
One to two months	675,585	228,421	904,006
Two to three months	596,974	100,646	697,620
Over three months	51,454	900	52,354
	2,431,967	556,517	2,988,484
Fair value of collateral held	6,106,756	739,260	6,846,016

	31 December 2014		
	Corporate loans and advances	Personal loans	Total
Past due for:			
Less than one month	540,719	71,566	612,285
One to two months	306,893	35,140	342,033
Two to three months	416,751	14,334	431,085
Over three months	133,760	86,354	220,114
	1,398,123	207,394	1,605,517
Fair value of collateral held	1,936,429	179,766	2,116,195

Impaired

Impaired loans and advances are defined as those loans and advances have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair values of collateral that the Group and the Bank hold relating to loans individually determined to be impaired as at 31 December 2015 amounted to RMB1,756,465 thousand and 1,677,617 thousand (31 December 2014 the Group and the Bank: RMB624,823 thousand and 588,884 thousand). The collateral mainly consists of land, buildings and equipment.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Financial lease receivables

	Group	
	31 December	
	2015	2014
The lease amount		
Neither past due nor impaired	10,557,179	4,202,449
	10,557,179	4,202,449
Less: Allowance for impairment losses	(109,305)	(42,024)
Net amount	10,447,874	4,160,425

(v) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities by type of issuers and investments:

Group

	31 December 2015				
	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and the Central Bank	82,527	5,591,584	915,372	422,666	7,012,149
Policy banks	–	14,048,317	8,513,897	348,877	22,911,091
Banks and other financial institutions	45,862,536	3,440,632	10,027,278	1,493,304	60,823,750
Corporate entities	43,839,639	2,163,616	1,809,951	575,195	48,388,401
Subtotal	89,784,702	25,244,149	21,266,498	2,840,042	139,135,391
Impaired					
Banks and other financial institutions	18,007	–	–	–	18,007
Corporate entities	280,150	–	–	–	280,150
Subtotal	298,157	–	–	–	298,157
Less: Allowance of impairment losses	(477,667)	–	–	–	(477,667)
Total	89,605,192	25,244,149	21,266,498	2,840,042	138,955,881

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Debt securities (Continued)

Group (Continued)

	31 December 2014				
	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and the Central Bank	120,368	1,494,479	1,093,771	647,720	3,356,338
Policy banks	–	14,436,671	8,656,406	400,548	23,493,625
Banks and other financial institutions	24,224,625	1,208,966	672,000	–	26,105,591
Corporate entities	24,675,083	2,515,574	5,487,804	864,283	33,542,744
Subtotal	49,020,076	19,655,690	15,909,981	1,912,551	86,498,298
Past due but not impaired					
Corporate entities	224,533	–	–	–	224,533
Subtotal	224,533	–	–	–	224,533
Less: Allowance of impairment losses	(100,000)	–	–	–	(100,000)
Total	49,144,609	19,655,690	15,909,981	1,912,551	86,622,831

Bank

	31 December 2015				
	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and the Central Bank	82,527	5,591,584	915,372	422,666	7,012,149
Policy banks	–	14,048,317	8,513,897	348,877	22,911,091
Banks and other financial institutions	45,862,536	3,440,632	9,626,484	1,493,304	60,422,956
Corporate entities	43,839,639	2,163,616	1,809,951	575,195	48,388,401
Subtotal	89,784,702	25,244,149	20,865,704	2,840,042	138,734,597
Impaired					
Banks and other financial institutions	18,007	–	–	–	18,007
Corporate entities	280,150	–	–	–	280,150
Subtotal	298,157	–	–	–	298,157
Less: Allowance of impairment losses	(477,667)	–	–	–	(477,667)
Total	89,605,192	25,244,149	20,865,704	2,840,042	138,555,087

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Debt securities (Continued)

Bank (Continued)

	31 December 2014				
	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and the Central Bank	120,368	1,494,479	1,093,771	647,720	3,356,338
Policy banks	–	14,436,671	8,656,406	400,548	23,493,625
Banks and other financial institutions	24,224,625	1,208,966	672,000	–	26,105,591
Corporate entities	24,675,083	2,515,574	5,487,804	864,283	33,542,744
Subtotal	49,020,076	19,655,690	15,909,981	1,912,551	86,498,298
Past due but not impaired					
Corporate entities	224,533	–	–	–	224,533
Subtotal	224,533	–	–	–	224,533
Less: Allowance of impairment losses	(100,000)	–	–	–	(100,000)
Total	49,144,609	19,655,690	15,909,981	1,912,551	86,622,831

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

The Group and the Bank's expected remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

Group

31 December 2015

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the Central Bank	-	19,775,245	-	-	-	-	-	34,790,849	54,566,094
Due from banks and other financial institutions	-	6,490,565	1,535,000	2,839,673	18,669,826	500,000	-	-	30,035,064
Financial assets held for trading	-	-	260,291	1,603,604	341,475	391,471	243,201	-	2,840,042
Reverse repurchase agreements	-	-	10,321,436	25,957,582	14,748,872	-	-	-	51,027,890
Loans and advances to customers	4,190,483	-	7,821,152	9,429,396	49,264,220	39,557,064	34,799,208	-	145,061,523
Financial investments	166,273	4,401,079	20,201,337	7,205,863	36,878,902	48,896,000	18,340,185	26,200	136,115,839
Derivative financial assets	-	-	-	272,598	1,397,720	-	-	-	1,670,318
Finance lease receivables	-	-	211,105	282,637	2,808,217	6,991,690	154,225	-	10,447,874
Other financial assets	65,910	750,937	646,899	1,205,298	960,177	106,529	14,114	-	3,749,864
Total financial assets	4,422,666	31,417,826	40,997,220	48,796,651	125,069,409	96,442,754	53,550,933	34,817,049	435,514,508
Financial liabilities:									
Due to the Central Bank	-	-	38,837	236,035	489,381	-	-	-	764,253
Borrowings from banks and other financial institutions	-	-	200,000	1,830,000	4,970,000	1,137,937	-	-	8,137,937
Due to banks	-	2,608,220	16,816,000	9,150,000	21,754,700	1,700,000	-	-	52,028,920
Derivative financial liabilities	-	-	-	273,492	1,401,452	-	-	-	1,674,944
Repurchase agreements	-	-	12,145,000	-	-	-	-	-	12,145,000
Due to customers	-	133,608,435	21,045,151	33,612,018	90,185,683	27,891,304	475,078	-	306,817,669
Debt securities issued	-	-	2,196,369	2,484,489	10,092,718	8,496,302	-	-	23,269,878
Other financial liabilities	-	841,026	822,792	901,821	1,381,531	1,731,627	293,348	-	5,972,145
Total financial liabilities	-	137,057,681	53,264,149	48,487,855	130,275,465	40,957,170	768,426	-	410,810,746
Net position	4,422,666	(105,639,855)	(12,266,929)	308,796	(5,206,056)	55,485,584	52,782,507	34,817,049	24,703,762

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (Continued)

Group (Continued)

31 December 2014

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the Central Bank	-	17,651,657	-	-	-	-	-	36,219,381	53,871,038
Due from banks and other financial institutions	-	1,659,303	4,730,760	8,976,647	12,040,533	800,000	-	-	28,207,243
Financial assets held for trading	-	-	140,011	459,019	529,451	525,175	258,895	-	1,912,551
Reverse repurchase agreements	-	-	4,742,028	12,184,304	19,441,139	900,000	-	-	37,267,471
Loans and advances to customers	2,093,723	-	10,479,048	10,739,540	49,694,623	20,762,052	27,255,278	-	121,014,264
Financial investments	124,533	-	5,011,965	6,951,640	26,231,867	27,700,915	18,667,360	22,000	84,710,280
Finance lease receivables	-	-	-	160,030	816,951	3,087,192	96,252	-	4,160,425
Other financial assets	24,454	183,576	581,749	956,666	909,828	14,767	8,920	-	2,679,960
Total financial assets	2,242,710	19,494,536	25,685,561	40,427,846	109,654,392	53,790,101	46,286,705	36,241,381	333,823,232
Financial liabilities:									
Due to the Central Bank	-	-	50,414	300,598	1,365,898	-	-	-	1,716,910
Borrowings from banks and other financial institutions	-	-	-	900,000	2,500,000	-	-	-	3,400,000
Due to banks	-	113,515	12,581,000	13,748,821	26,730,505	4,850,000	-	-	58,023,841
Derivative financial liabilities	-	-	-	428	172	-	-	-	600
Repurchase agreements	-	-	6,002,521	-	-	-	-	-	6,002,521
Due to customers	-	134,283,608	9,774,162	19,111,844	40,002,884	24,620,212	6,001,084	-	233,793,794
Debt securities issued	-	-	-	-	-	4,498,190	-	-	4,498,190
Other financial liabilities	-	676,248	315,099	911,617	1,327,407	1,343,435	56,011	-	4,629,817
Total financial liabilities	-	135,073,371	28,723,196	34,973,308	71,926,866	35,311,837	6,057,095	-	312,065,673
Net position	2,242,710	(115,578,835)	(3,037,635)	5,454,538	37,727,526	18,478,264	40,229,610	36,241,381	21,757,559

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (Continued)

Bank

31 December 2015

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the Central Bank	-	18,940,565	-	-	-	-	-	33,695,768	52,636,333
Due from banks and other financial institutions	-	1,378,227	2,130,000	2,857,673	20,029,826	500,000	-	-	26,895,726
Financial assets held for trading	-	-	260,291	1,603,604	341,475	391,471	243,201	-	2,840,042
Reverse repurchase agreements	-	-	10,321,436	25,957,582	14,748,872	-	-	-	51,027,890
Loans and advances to customers	3,966,372	-	7,000,135	8,164,491	43,332,570	38,017,410	34,559,462	-	135,040,440
Financial investments	166,273	4,000,285	20,201,337	7,205,863	36,878,902	48,896,000	18,340,185	26,200	135,715,045
Derivative financial assets	-	-	-	272,598	1,397,720	-	-	-	1,670,318
Other financial assets	62,715	676,090	625,413	1,254,499	952,924	102,622	12,369	-	3,686,632
Total financial assets	4,195,360	24,995,167	40,538,612	47,316,310	117,682,289	87,907,503	53,155,217	33,721,968	409,512,426
Financial liabilities:									
Due to banks	-	4,471,293	16,561,000	9,150,000	22,004,700	1,700,000	-	-	53,886,993
Derivative financial liabilities	-	-	-	273,492	1,401,452	-	-	-	1,674,944
Repurchase agreements	-	-	12,145,000	-	-	-	-	-	12,145,000
Due to customers	-	125,178,536	20,822,487	32,185,653	86,987,842	27,402,036	472,761	-	293,049,315
Debt securities issued	-	-	2,196,369	2,484,489	10,092,718	8,496,302	-	-	23,269,878
Other financial liabilities	-	774,167	794,695	832,729	1,287,273	1,060,529	250,943	-	5,000,336
Total financial liabilities	-	130,423,996	52,519,551	44,926,363	121,773,985	38,658,867	723,704	-	389,026,466
Net position	4,195,360	(105,428,829)	(11,980,939)	2,389,947	(4,091,696)	49,248,636	52,431,513	33,721,968	20,485,960

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (Continued)

Bank (Continued)

31 December 2014

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the Central Bank	-	16,577,234	-	-	-	-	-	35,169,141	51,746,375
Due from banks and other financial institutions	-	1,304,147	2,357,774	8,946,047	11,969,802	800,000	-	-	25,377,770
Financial assets held for trading	-	-	140,011	459,019	529,451	525,175	258,895	-	1,912,551
Reverse repurchase agreements	-	-	4,742,028	12,184,304	19,441,139	900,000	-	-	37,267,471
Loans and advances to customers	2,023,372	-	9,741,906	9,555,967	44,106,211	19,274,504	27,094,700	-	111,796,660
Financial investments	124,533	-	5,011,965	6,951,640	26,231,867	27,700,915	18,667,360	22,000	84,710,280
Other financial assets	24,386	182,068	532,846	937,896	978,356	14,568	7,918	-	2,678,038
Total financial assets	2,172,291	18,063,449	22,526,530	39,034,873	103,256,826	49,215,162	46,028,873	35,191,141	315,489,145
Financial liabilities:									
Due to central bank	-	-	-	-	600,000	-	-	-	600,000
Due to banks	-	1,735,615	12,590,000	13,748,821	26,921,505	4,850,000	-	-	59,845,941
Derivative financial liabilities	-	-	-	428	172	-	-	-	600
Repurchase agreements	-	-	6,002,521	-	-	-	-	-	6,002,521
Due to customers	-	125,715,760	9,437,424	18,425,837	38,252,958	24,188,102	6,000,000	-	222,020,081
Debt securities issued	-	-	-	-	-	4,498,190	-	-	4,498,190
Other financial liabilities	-	664,132	305,343	839,700	1,270,562	1,158,774	6,056	-	4,244,567
Total financial liabilities	-	128,115,507	28,335,288	33,014,786	67,045,197	34,695,066	6,006,056	-	297,211,900
Net position	2,172,291	(110,052,058)	(5,808,758)	6,020,087	36,211,629	14,520,096	40,022,817	35,191,141	18,277,245

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group and the Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

31 December 2015

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the Central Bank	-	19,775,245	-	-	-	-	-	34,790,849	54,566,094
Due from banks and other financial institutions *	-	6,490,565	12,085,146	28,947,615	34,036,194	514,958	-	-	82,074,478
Financial assets held for trading	-	-	280,545	1,623,657	367,740	456,316	259,145	-	2,987,403
Loans and advances to customers **	1,405,290	6,608	8,908,417	11,697,691	54,819,843	52,585,776	47,141,373	3,496,080	180,061,078
Financial investments**	-	4,401,079	21,057,125	8,628,875	41,200,740	57,156,514	21,891,764	192,473	154,528,570
Derivative financial assets	-	-	-	272,598	1,397,720	-	-	-	1,670,318
Finance lease receivables	-	-	230,664	496,423	3,198,103	7,624,817	158,458	-	11,708,465
Other financial assets	-	657,107	81,620	396	1,376	44,942	4,694	-	790,135
Total financial assets	1,405,290	31,330,604	42,643,517	51,667,255	135,021,716	118,383,323	69,455,434	38,479,402	488,386,541
Financial liabilities:									
Due to the Central Bank	-	-	40,488	238,766	494,429	-	-	-	773,683
Borrowings from banks and other financial institutions	-	-	235,630	1,893,065	5,074,329	1,275,485	-	-	8,478,509
Due to banks ***	-	2,433,496	29,260,184	9,379,466	22,279,251	1,865,831	-	-	65,218,228
Derivative financial liabilities	-	-	-	273,492	1,401,452	-	-	-	1,674,944
Due to customers	-	133,705,741	23,373,632	36,964,229	95,777,059	25,971,596	590,765	-	316,383,022
Debt securities issued	-	-	2,196,369	2,484,489	10,466,469	9,041,750	-	-	24,189,077
Other financial liabilities	-	596,748	263,575	392,926	38,915	697,646	88,888	-	2,078,698
Total financial liabilities	-	136,735,985	55,369,878	51,626,433	135,531,904	38,852,308	679,653	-	418,796,161
Net position	1,405,290	(105,405,381)	(12,726,361)	40,822	(510,188)	79,531,015	68,775,781	38,479,402	69,590,380

* Includes reverse repurchase agreements.

** Undated loans and advances to customers and financial investments which are impaired or not impaired but overdue for more than one month are included.

*** Includes repurchase agreements.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(ii) Maturity analysis of contractual undiscounted cash flows (Continued)

Group (Continued)

31 December 2014

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the Central Bank	-	17,651,657	-	-	-	-	-	36,219,381	53,871,038
Due from banks and other financial institutions*	-	1,664,013	9,820,874	21,503,375	32,091,176	1,744,836	-	-	66,824,274
Financial assets held for trading	-	-	158,620	492,848	576,810	582,352	271,697	-	2,082,327
Loans and advances to customers**	1,615,114	-	11,497,578	12,552,653	53,581,400	30,879,935	38,036,188	2,226,977	150,389,845
Financial investments**	-	-	5,662,834	8,087,161	29,262,478	34,816,288	23,071,078	146,533	101,046,372
Finance lease receivables	-	-	22,403	205,095	1,000,543	3,516,301	101,180	-	4,845,522
Other financial assets	-	160,804	15,597	28,292	37,528	14,767	8,920	-	265,908
Total financial assets	1,615,114	19,476,474	27,177,906	42,869,424	116,549,935	71,554,479	61,489,063	38,592,891	379,325,286
Financial liabilities:									
Due to the Central Bank	-	-	55,247	309,013	1,380,637	-	-	-	1,744,897
Borrowings from banks and other financial institutions	-	-	16,477	929,105	2,564,426	-	-	-	3,510,008
Due to banks***	-	114,021	10,276,082	23,216,035	27,459,811	5,147,719	-	-	66,213,668
Derivative financial liabilities	-	-	-	428	172	-	-	-	600
Due to customers	-	134,371,372	10,302,676	20,087,374	42,743,631	30,847,924	6,032,224	-	244,385,201
Debt securities issued	-	-	17,475	33,258	230,476	4,835,358	-	-	5,116,567
Other financial liabilities	-	561,950	15,243	87,144	142,562	287,892	49,958	-	1,144,749
Total financial liabilities	-	135,047,343	20,683,200	44,662,357	74,521,715	41,118,893	6,082,182	-	322,115,690
Net position	1,615,114	(115,570,869)	6,494,706	(1,792,933)	42,028,220	30,435,586	55,406,881	38,592,891	57,209,596

* Includes reverse repurchase agreements.

** Undated loans and advances to customers and financial investments which are impaired or not impaired but overdue for more than one month are included.

*** Includes repurchase agreements.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(ii) Maturity analysis of contractual undiscounted cash flows (Continued)

Bank

31 December 2015

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the Central Bank	-	18,940,565	-	-	-	-	-	33,695,768	52,636,333
Due from banks and other financial institutions *	-	1,378,227	12,672,950	28,965,733	35,401,071	514,958	-	-	78,932,939
Financial assets held for trading	-	-	280,545	1,623,657	367,740	456,316	259,145	-	2,987,403
Loans and advances to customers **	1,340,901	40	8,001,114	10,307,448	48,598,863	50,811,196	46,821,220	3,258,051	169,138,833
Financial investments**	-	4,000,285	21,057,125	8,628,875	41,200,740	57,156,514	21,891,764	192,473	154,127,776
Derivative financial assets	-	-	-	272,598	1,397,720	-	-	-	1,670,318
Other financial assets	-	657,112	80,933	47,434	-	44,722	3,413	-	833,614
Total financial assets	1,340,901	24,976,229	42,092,667	49,845,745	126,966,134	108,983,706	68,975,542	37,146,292	460,327,216
Financial liabilities:									
Due to banks ***	-	4,296,943	29,003,672	9,377,166	22,530,022	1,865,831	-	-	67,073,634
Derivative financial liabilities	-	-	-	273,492	1,401,452	-	-	-	1,674,944
Due to customers	-	125,275,940	23,138,381	35,517,016	92,528,241	25,457,328	588,416	-	302,505,222
Debt securities issued	-	-	2,196,369	2,484,489	10,466,469	9,041,750	-	-	24,189,077
Other financial liabilities	-	538,390	252,617	349,500	3,853	88,350	46,482	-	1,279,192
Total financial liabilities	-	130,111,173	54,591,039	48,001,663	126,930,037	36,453,259	634,898	-	396,722,069
Net position	1,340,901	(105,134,944)	(12,498,372)	1,844,082	36,097	72,530,447	68,340,644	37,146,292	63,605,147

* Includes reverse repurchase agreements.

** Undated loans and advances to customers and financial investments which are impaired or not impaired but overdue for more than one month are included.

*** Includes repurchase agreements.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(ii) Maturity analysis of contractual undiscounted cash flows (Continued)

Bank (Continued)

31 December 2014

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the Central Bank	-	16,577,234	-	-	-	-	-	35,169,141	51,746,375
Due from banks and other financial institutions *	-	1,305,811	7,396,722	21,471,264	32,016,070	1,744,836	-	-	63,934,703
Financial assets held for trading	-	-	147,627	470,843	559,535	582,352	271,697	-	2,032,054
Loans and advances to customers **	753,012	-	10,614,473	11,146,878	48,292,512	29,825,256	38,076,495	1,481,376	140,190,002
Financial investments**	-	-	5,441,854	7,725,635	28,972,516	34,816,288	23,071,078	146,533	100,173,904
Other financial assets	-	160,804	8,800	25,890	121,626	14,568	7,918	-	339,606
Total financial assets	753,012	18,043,849	23,609,476	40,840,510	109,962,259	66,983,300	61,427,188	36,797,050	358,416,644
Financial liabilities:									
Due to the Central Bank	-	-	2,067	3,933	606,000	-	-	-	612,000
Due to banks ***	-	1,735,998	18,975,339	14,519,598	27,654,643	5,147,719	-	-	68,033,297
Derivative financial liabilities	-	-	-	428	172	-	-	-	600
Due to customers	-	125,803,526	9,956,259	19,385,323	40,956,100	30,373,863	6,031,111	-	232,506,182
Debt securities issued	-	-	17,475	33,258	230,476	4,835,358	-	-	5,116,567
Other financial liabilities	-	557,263	14,392	70,009	98,336	103,231	3	-	843,234
Total financial liabilities	-	128,096,787	28,965,532	34,012,549	69,545,727	40,460,171	6,031,114	-	307,111,880
Net position	753,012	(110,052,938)	(5,356,056)	6,827,961	40,416,532	26,523,129	55,396,074	36,797,050	51,304,764

* Includes reverse repurchase agreements.

** Undated loans and advances to customers and financial investments which are impaired or not impaired but overdue for more than one month are included.

*** Includes repurchase agreements.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

Group	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2015								
Credit commitments	1,435,698	6,257,295	15,748,977	33,013,447	2,446,331	-	180,000	59,081,748
31 December 2014								
Credit commitments	635,773	8,406,712	13,857,244	20,699,497	713,391	-	180,000	44,492,617
Bank								
31 December 2015								
Credit commitments	1,346,237	5,656,064	14,573,395	29,303,682	9,682	-	180,000	51,069,060
31 December 2014								
Credit commitments	635,773	6,682,818	12,603,290	17,693,951	2,104	-	180,000	37,797,936

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on-and off-balance- sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group's market risk contains interest rate risk and currency risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance-sheet foreign exchange positions arising from derivative transactions.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank uses different management methods to control market risk comprising trading book and banking book risks, respectively.

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD, Russian ruble ("RUB") and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)**(c) Market risk (Continued)****(i) Currency risk (Continued)**

The Group sets trading limits, stop-loss limits and exposure limits to foreign exchange transactions to manage foreign exchange risk and to keep currency risk within limits. Based on the guidelines provided by the Risk Management Committee, laws and regulations as well as evaluation of the current market, the Group sets its risk limits and minimises the possibility of mismatch through more reasonable allocation of foreign currency sources and deployment.

Group

		Effect on profit before tax	
		31 December	
Currency	Change in rate	2015	2014
USD	-1%	(19,875)	(13,708)
HKD	-1%	231	(7,340)
RUB	-1%	(2,151)	(333)

While the table above indicates the effect on profit before tax of 1% depreciation of USD, HKD and RUB, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

A breakdown of the assets and liabilities analysed by currency is as follows:

Group

31 December 2015

	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the Central Bank	54,471,132	72,674	2,053	17,706	2,529	54,566,094
Due from banks and other financial institutions	27,135,355	2,421,357	16,054	223,680	238,618	30,035,064
Financial assets held for trading	2,840,042	-	-	-	-	2,840,042
Reverse repurchase agreements	51,027,890	-	-	-	-	51,027,890
Loans and advances to customers	143,679,430	1,361,134	-	-	20,959	145,061,523
Derivative financial assets	4,786	12,775	-	-	1,726	19,287
Financial investments	136,115,839	-	-	-	-	136,115,839
Finance lease receivables	10,447,874	-	-	-	-	10,447,874
Other financial assets	3,721,431	28,171	-	205	57	3,749,864
Total financial assets	429,443,779	3,896,111	18,107	241,591	263,889	433,863,477
Financial liabilities:						
Due to the Central Bank	764,253	-	-	-	-	764,253
Borrowings from banks and other institutions	8,137,937	-	-	-	-	8,137,937
Due to banks	50,870,005	1,148,717	-	939	9,259	52,028,920
Derivative financial liabilities	8,462	10,848	-	-	4,604	23,914
Repurchase agreements	12,145,000	-	-	-	-	12,145,000
Due to customers	305,678,282	1,030,170	7,076	10,034	92,107	306,817,669
Debt securities issued	23,269,878	-	-	-	-	23,269,878
Other financial liabilities	5,841,227	74,129	34,138	15,505	7,146	5,972,145
Total financial liabilities	406,715,044	2,263,864	41,214	26,478	113,116	409,159,716
Net position	22,728,735	1,632,247	(23,107)	215,113	150,773	24,703,761
Credit commitments	58,721,299	355,259	-	-	5,190	59,081,748

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31 December 2014

	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the Central Bank	53,792,262	52,102	1,436	18,962	6,276	53,871,038
Due from banks and other financial institutions	26,866,868	405,578	824,373	28,374	82,050	28,207,243
Financial assets held for trading	1,912,551	-	-	-	-	1,912,551
Reverse repurchase agreements	37,267,471	-	-	-	-	37,267,471
Loans and advances to customers	119,501,155	1,513,109	-	-	-	121,014,264
Financial investments	84,710,280	-	-	-	-	84,710,280
Finance lease receivables	4,160,425	-	-	-	-	4,160,425
Other financial assets	2,673,165	6,687	105	-	3	2,679,960
Total financial assets	330,884,177	1,977,476	825,914	47,336	88,329	333,823,232
Financial liabilities:						
Due to the Central Bank	1,716,910	-	-	-	-	1,716,910
Borrowings from banks and other institutions	3,400,000	-	-	-	-	3,400,000
Due to banks	57,603,609	419,811	-	384	37	58,023,841
Derivative financial liabilities	600	-	-	-	-	600
Repurchase agreements	6,002,521	-	-	-	-	6,002,521
Due to customers	233,009,019	687,351	1,308	13,604	82,512	233,793,794
Debt securities issued	4,498,190	-	-	-	-	4,498,190
Other financial liabilities	4,495,194	12,140	90,616	-	31,867	4,629,817
Total financial liabilities	310,726,043	1,119,302	91,924	13,988	114,416	312,065,673
Net position	20,158,134	858,174	733,990	33,348	(26,087)	21,757,559
Credit commitments	43,971,081	512,664	-	-	8,872	44,492,617

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

A breakdown of the assets and liabilities analysed by currency is as follows: (Continued)

Bank

31 December 2015

	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the Central Bank	52,541,371	72,674	2,053	17,706	2,529	52,636,333
Due from banks and other financial institutions	23,996,017	2,421,357	16,054	223,680	238,618	26,895,726
Financial assets held for trading	2,840,042	-	-	-	-	2,840,042
Reverse repurchase agreements	51,027,890	-	-	-	-	51,027,890
Loans and advances to customers	133,658,347	1,361,134	-	-	20,959	135,040,440
Derivative financial assets	4,786	12,775	-	-	1,726	19,287
Financial investments	135,715,045	-	-	-	-	135,715,045
Other financial assets	3,658,199	28,171	-	205	57	3,686,632
Total financial assets	403,441,697	3,896,111	18,107	241,591	263,889	407,861,395
Financial liabilities:						
Due to banks	52,728,078	1,148,717	-	939	9,259	53,886,993
Derivative financial liabilities	8,462	10,848	-	-	4,604	23,914
Repurchase agreements	12,145,000	-	-	-	-	12,145,000
Due to customers	291,909,928	1,030,170	7,076	10,034	92,107	293,049,315
Debt securities issued	23,269,878	-	-	-	-	23,269,878
Other financial liabilities	4,869,418	74,129	34,138	15,505	7,146	5,000,336
Total financial liabilities	384,930,764	2,263,864	41,214	26,478	113,116	387,375,436
Net position	18,510,933	1,632,247	(23,107)	215,113	150,773	20,485,959
Credit commitments	50,708,611	355,259	-	-	5,190	51,069,060

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31 December 2014

	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the Central Bank	51,667,598	52,103	1,436	18,962	6,276	51,746,375
Due from banks and other financial institutions	24,037,395	405,578	824,373	28,374	82,050	25,377,770
Financial assets held for trading	1,912,551	-	-	-	-	1,912,551
Reverse repurchase agreements	37,267,471	-	-	-	-	37,267,471
Loans and advances to customers	110,283,551	1,513,109	-	-	-	111,796,660
Financial investments	84,710,280	-	-	-	-	84,710,280
Other financial assets	2,671,243	6,687	105	-	3	2,678,038
Total financial assets	312,550,089	1,977,477	825,914	47,336	88,329	315,489,145
Financial liabilities:						
Due to the Central Bank	600,000	-	-	-	-	600,000
Due to banks	59,425,709	419,811	-	384	37	59,845,941
Derivative financial liabilities	600	-	-	-	-	600
Repurchase agreements	6,002,521	-	-	-	-	6,002,521
Due to customers	221,235,306	687,351	1,308	13,604	82,512	222,020,081
Debt securities issued	4,498,190	-	-	-	-	4,498,190
Other financial liabilities	4,109,974	12,140	90,616	-	31,837	4,244,567
Total financial liabilities	295,872,300	1,119,302	91,924	13,988	114,386	297,211,900
Net position	16,677,789	858,175	733,990	33,348	(26,057)	18,277,245
Credit commitments	37,276,400	512,664	-	-	8,872	37,797,936

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Group's bank account interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB interest rate policy which includes a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have an impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year. The sensitivity of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at year end.

Interest rate risk of the Group's trading book, mainly exists in transactions, including those of bonds. For the management of interest rate risk, the Group uses explicit criteria for the classification of financial assets in the trading account, re-evaluating the market value of trading account assets daily, setting trading limits, stop-loss limits and risk limitation for the purpose of limit management. The Group also monitors and controls this by frequency.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)**(c) Market risk (Continued)****(ii) Interest rate risk (Continued)**

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Bank's net interest income and equity.

Group

Change in basis points	Effect on net interest income		Effect on equity	
	31 December		31 December	
	2015	2014	2015	2014
+100 basis points	(206,449)	(199,040)	(171,677)	(217,613)
-100 basis points	206,449	199,040	181,528	229,843

Bank

Change in basis points	Effect on net interest income		Effect on equity	
	31 December		31 December	
	2015	2014	2015	2014
+100 basis points	(190,657)	(265,032)	(171,677)	(217,613)
-100 basis points	190,657	265,032	181,528	229,843

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:

Group

31 December 2015

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
Financial assets:						
Cash and balances with the Central Bank	53,874,844	-	-	-	691,250	54,566,094
Due from banks and other financial institutions	10,505,238	19,029,826	500,000	-	-	30,035,064
Financial assets held for trading	2,064,119	141,251	391,471	243,201	-	2,840,042
Reverse repurchase agreements	36,279,018	14,748,872	-	-	-	51,027,890
Loans and advances to customers	49,741,125	74,218,231	15,419,752	1,491,932	4,190,483	145,061,523
Financial investments	48,265,226	28,858,637	43,161,477	15,631,289	199,210	136,115,839
Derivative financial assets	-	-	-	-	19,287	19,287
Finance lease receivables	10,447,874	-	-	-	-	10,447,874
Other financial assets	-	-	-	-	3,749,864	3,749,864
Total financial assets	211,177,444	136,996,817	59,472,700	17,366,422	8,850,094	433,863,477
Financial liabilities:						
Due to the Central Bank	274,872	489,381	-	-	-	764,253
Borrowings from other financial institutions	2,030,000	4,970,000	1,137,937	-	-	8,137,937
Due to banks	28,374,220	21,954,700	1,700,000	-	-	52,028,920
Derivative financial liabilities	-	-	-	-	23,914	23,914
Repurchase agreements	12,145,000	-	-	-	-	12,145,000
Due to customers	188,059,967	90,185,683	27,891,304	475,078	205,637	306,817,669
Debt securities issued	4,680,858	10,092,719	8,496,301	-	-	23,269,878
Other financial liabilities	-	-	-	-	5,972,145	5,972,145
Total financial liabilities	235,564,917	127,692,483	39,225,542	475,078	6,201,696	409,159,716
Total interest sensitivity gap	(24,387,473)	9,304,334	20,247,158	16,891,344	N/A	N/A

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The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:
(Continued)

Group (Continued)

31 December 2014

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
Financial assets:						
Cash and balances with the Central Bank	52,805,956	-	-	-	1,065,082	53,871,038
Due from banks and other financial institutions	15,366,710	12,040,533	800,000	-	-	28,207,243
Financial assets held for trading	799,889	529,451	324,316	258,895	-	1,912,551
Reverse repurchase agreements	16,926,332	19,441,139	900,000	-	-	37,267,471
Loans and advances to customers	32,807,701	81,099,778	2,891,520	724,657	3,490,608	121,014,264
Financial investments	24,383,980	24,975,108	21,773,223	13,423,847	154,122	84,710,280
Finance lease receivables	4,160,425	-	-	-	-	4,160,425
Other financial assets	-	-	-	-	2,679,960	2,679,960
Total financial assets	147,250,993	138,086,009	26,689,059	14,407,399	7,389,772	333,823,232
Financial liabilities:						
Due to the Central Bank	351,012	1,365,898	-	-	-	1,716,910
Borrowings from other financial institutions	3,400,000	-	-	-	-	3,400,000
Due to banks	24,846,698	28,327,143	4,850,000	-	-	58,023,841
Derivative financial liabilities	-	-	-	-	600	600
Repurchase agreements	6,002,521	-	-	-	-	6,002,521
Due to customers	164,676,695	38,406,246	24,620,212	6,001,084	89,557	233,793,794
Debt securities issued	-	-	4,498,190	-	-	4,498,190
Other financial liabilities	-	-	-	-	4,629,817	4,629,817
Total financial liabilities	199,276,926	68,099,287	33,968,402	6,001,084	4,719,974	312,065,673
Total interest sensitivity gap	(52,025,933)	69,986,722	(7,279,343)	8,406,315	N/A	N/A

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued) (ii) Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities:

Bank

31 December 2015

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
Financial assets:						
Cash and balances with the Central Bank	52,036,437	-	-	-	599,896	52,636,333
Due from banks and other financial institutions	6,365,900	20,029,826	500,000	-	-	26,895,726
Financial assets held for trading	2,064,119	141,251	391,471	243,201	-	2,840,042
Reverse repurchase agreements	36,279,018	14,748,872	-	-	-	51,027,890
Loans and advances to customers	45,090,989	70,048,207	14,548,280	1,386,592	3,966,372	135,040,440
Financial investments	47,864,432	28,858,637	43,161,477	15,631,289	199,210	135,715,045
Derivative financial assets	-	-	-	-	19,287	19,287
Other financial assets	-	-	-	-	3,686,632	3,686,632
Total financial assets	189,700,895	133,826,793	58,601,228	17,261,082	8,471,397	407,861,395
Financial liabilities:						
Due to banks	29,978,634	22,204,700	1,700,000	3,659	-	53,886,993
Derivative financial liabilities	-	-	-	-	23,914	23,914
Repurchase agreements	12,145,000	-	-	-	-	12,145,000
Due to customers	171,660,379	74,246,402	29,948,036	16,988,861	205,637	293,049,315
Debt securities issued	4,680,858	10,092,719	8,496,301	-	-	23,269,878
Other financial liabilities	-	-	-	-	5,000,336	5,000,336
Total financial liabilities	218,464,871	106,543,821	40,144,337	16,992,520	5,229,887	387,375,436
Total interest sensitivity gap	(28,763,976)	27,282,972	18,456,891	268,562	N/A	N/A

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The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities: (Continued)

Bank (Continued)

31 December 2014

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
Financial assets:						
Cash and balances with the Central Bank	50,761,473	-	-	-	984,902	51,746,375
Due from banks and other financial institutions	12,607,969	11,969,801	800,000	-	-	25,377,770
Financial assets held for trading	799,889	529,451	324,316	258,895	-	1,912,551
Reverse repurchase agreements	16,926,332	19,441,139	900,000	-	-	37,267,471
Loans and advances to customers	27,969,878	78,784,076	2,339,307	680,027	2,023,372	111,796,660
Financial investments	24,383,980	24,975,108	21,773,223	13,423,847	154,122	84,710,280
Other financial assets	-	-	-	-	2,678,038	2,678,038
Total financial assets	133,449,521	135,699,575	26,136,846	14,362,769	5,840,434	315,489,145
Financial liabilities:						
Due to the Central Bank	-	600,000	-	-	-	600,000
Due to banks	28,074,436	28,518,143	4,850,000	-	-	61,442,579
Derivative financial liabilities	-	-	-	-	600	600
Repurchase agreements	6,002,521	-	-	-	-	6,002,521
Due to customers	153,493,254	36,656,320	24,188,102	6,000,000	85,767	220,423,443
Debt securities issued	-	-	4,498,190	-	-	4,498,190
Other financial liabilities	-	-	-	-	4,244,567	4,244,567
Total financial liabilities	187,570,211	65,774,463	33,536,292	6,000,000	4,330,934	297,211,900
Total interest sensitivity gap	(54,120,690)	69,925,112	(7,399,446)	8,362,769	N/A	N/A

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(d) Capital management

The Group's objectives on capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and
- To maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, etc.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBRC. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

Since 1 January 2013, the Group began to disclose the capital adequacy ratio in accordance with the "Trial Measures for Capital Management of Commercial Banks" and will continue to promote the content of this disclosure. The CBRC requires that a commercial bank maintains its core tier 1 capital adequacy ratio above 7.5%, the tier 1 capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

- (i) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, reserves include the valid portion of capital reserve and retained profits, surplus reserve and general reserve.
- (ii) Pursuant to the Notice on Specifying the Calculating Method of General Provisions for Loan Impairment issued by the CBRC, the general provisions for loan impairment included in supplementary capital should not exceed 1% of the total loan balance since the second quarter of 2010.
- (iii) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, 100% and 50% costs of investment in unconsolidated equity investments were deducted when calculating the net capital base and net core capital base, respectively.

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48. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

	Group	
	31 December	
	2015	2014
Core capital		
Qualified part of share capital	10,995,600	10,995,600
Qualified part of capital reserve	7,712,515	7,652,295
Surplus reserve and general reserves	6,021,792	5,392,728
Retained earnings	8,183,051	5,487,055
Qualified part of non-controlling interests	748,358	632,346
Core tier 1 capital deductible items:		
Fully deductible items	(133,948)	(78,719)
Net core tier 1 capital	33,527,368	30,081,305
Net other tier 1 capital	—	—
Net tier 1 capital	33,527,368	30,081,305
Net tier 2 capital	1,534,651	1,516,343
Net capital	35,062,019	31,597,648
Total risk-weighted assets	301,091,379	215,823,886
Core tier 1 capital adequacy ratio	11.14%	13.94%
Tier 1 capital adequacy ratio	11.14%	13.94%
Capital adequacy ratio	11.64%	14.64%

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

Group

31 December 2015

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative financial assets	–	19,287	–	19,287
Financial assets held for trading				
Debt securities	–	2,840,042	–	2,840,042
Available-for-sale financial assets				
Debt securities	–	11,239,220	–	11,239,220
Wealth management products	–	4,000,794	–	4,000,794
Fund	–	6,000,284	–	6,000,284
Others	–	26,200	–	26,200
	–	21,266,498	–	21,266,498
	–	24,125,827	–	24,125,827
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	–	23,914	–	23,914
<u>Financial assets disclosed at fair value</u>				
Receivables	–	89,602,050	–	89,602,050
Held-to-maturity investments	–	26,898,046	–	26,898,046
	–	116,500,096	–	116,500,096
<u>Financial liabilities disclosed at fair value</u>				
Financial bonds	–	8,643,502	–	8,643,502
Negotiable certificates of deposit	–	14,781,750	–	14,781,750
	–	23,425,252	–	23,425,252

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**Determination of fair value and fair value hierarchy (Continued)**

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy: (Continued)

Group (Continued)

31 December 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Financial assets held for trading				
Debt securities	–	1,912,551	–	1,912,551
Available-for-sale financial assets				
Debt securities	–	15,237,981	–	15,237,981
Wealth management products	–	650,000	–	650,000
Others	–	22,000	–	22,000
	–	15,909,981	–	15,909,981
	–	17,822,532	–	17,822,532
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	–	600	–	600
<u>Financial assets disclosed at fair value</u>				
Receivables	–	49,139,387	–	49,139,387
Held-to-maturity investments	–	20,853,714	–	20,853,714
	–	69,993,101	–	69,993,101
<u>Financial liabilities disclosed at fair value</u>				
Financial bonds	–	4,470,065	–	4,470,065

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Determination of fair value and fair value hierarchy (Continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy: (Continued)

Bank

31 December 2015

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative financial assets	–	19,287	–	19,287
Financial assets held for trading				
Debt securities	–	2,840,042	–	2,840,042
Available-for-sale financial assets				
Debt securities	–	11,239,220	–	11,239,220
Wealth management products	–	3,600,000	–	3,600,000
Fund	–	6,000,284	–	6,000,284
Others	–	26,200	–	26,200
	–	20,865,704	–	20,865,704
	–	23,725,033	–	23,725,033
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	–	23,914	–	23,914
<u>Financial assets disclosed at fair value</u>				
Receivables	–	89,602,050	–	89,602,050
Held-to-maturity investments	–	26,898,046	–	26,898,046
	–	116,500,096	–	116,500,096
<u>Financial liabilities disclosed at fair value</u>				
Financial bonds	–	8,643,502	–	8,643,502
Negotiable certificates of deposit	–	14,781,750	–	14,781,750
	–	23,425,252	–	23,425,252

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**Determination of fair value and fair value hierarchy (Continued)**

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy: (Continued)

Bank (Continued)

31 December 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Financial assets held for trading				
Debt securities	–	1,912,551	–	1,912,551
Available-for-sale financial assets				
Debt securities	–	15,237,981	–	15,237,981
Wealth management products	–	650,000	–	650,000
Others	–	22,000	–	22,000
	–	15,909,981	–	15,909,981
	–	17,822,532	–	17,822,532
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	–	600	–	600
<u>Financial assets disclosed at fair value</u>				
Receivables	–	49,139,387	–	49,139,387
Held-to-maturity investments	–	20,853,714	–	20,853,714
	–	69,993,101	–	69,993,101
<u>Financial liabilities disclosed at fair value</u>				
Financial bonds	–	4,470,065	–	4,470,065

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Determination of fair value and fair value hierarchy (Continued)

Financial assets held for trading, available-for-sale financial assets and derivatives are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available then fair values are estimated on the basis of discounted cash flows or pricing models. For debt securities, the fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

- (i) The receivables are not quoted in an active market. In the absence of any other relevant observable market, the fair values of receivables are estimated on the basis of pricing models or discounted cash flows.
- (ii) The fair values of held-to-maturity investments, subordinated bonds, financial bonds and Negotiable certificates of deposit are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group and the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or reprised at current market rates frequently are as follows:

Assets	Liabilities
Balances with the Central Bank	Due to the Central Bank
Due from banks and other financial institutions	Borrowings from banks and other financial institutions
Reverse repurchase agreements	Due to banks
Loans and advances to customers	Repurchase agreements
Finance lease receivables	Due to customers
Other financial assets	Other financial liabilities

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50. SUBSEQUENT EVENTS

As approved at the Board of Directors' meeting held on 22 March 2016, the profit distribution plan of 2015 was as follow:

1. 10% of 2015 net profit amounting to RMB410,364 thousand is appropriated to the statutory surplus reserve;
2. RMB1,312,710 thousand is appropriated to the general reserve;
3. Based on the number of total shares of 10,995,600 thousand issued as at 31 December 2015, a cash dividend of RMB0.107 per share amounting to approximately RMB1,177 million was approved, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting.

On 22 January 2016, the Bank convened the 2016 first extraordinary general meeting to approve the issue of eligible tier-2 capital instruments with an issue scale not exceeding RMB8.0 billion (including RMB8.0 billion) for a term of no less than 5 years. The interest rate of the bond was determined with reference to the market interest rate. The proceeds from the issuance of Eligible Tier-2 Capital Instruments were to be used to replenish the tier-2 capital of the Bank.

Except for the above, there were no other significant events after the reporting period.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2016.

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In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplemental financial information as follow:

(a) Liquidity ratio

	31 December	
	2015	2014
RMB current assets to RMB current liabilities	40.42%	42.94%
Foreign currency current assets to foreign currency current liabilities	16.77%	25.77%

These liquidity ratios are calculated based on relevant regulations provided by CBRC and Chinese accounting policies.

(b) Currency concentrations

	USD	HKD	RUB	Others	Total
31 December 2015					
Spot assets	3,896,111	18,107	241,591	263,889	4,419,698
Spot liabilities	(2,263,864)	(41,214)	(26,478)	(113,116)	(2,444,672)
Forward purchases	700,659	–	–	–	700,659
Forward sales	(540,333)	–	–	(314,814)	(855,147)
Net long/(short) position	1,792,573	(23,107)	215,113	(164,041)	1,820,538
31 December 2014					
Spot assets	1,977,476	825,914	47,336	88,329	2,939,055
Spot liabilities	(1,119,302)	(91,924)	(13,988)	(114,416)	(1,339,630)
Forward purchases	–	–	–	–	–
Forward sales	(23,601)	–	–	–	(23,601)
Net long/(short) position	834,573	733,990	33,348	(26,087)	1,575,824

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(c) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December	
	2015	2014
Due from banks and other financial institutions		
Asia Pacific excluding Mainland China	39,407	753,552
– of which attributed to Hong Kong	38,157	752,107
Europe	1,641,416	1,038,250
North and South America	330,593	126,184
Total	2,011,416	1,917,986

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(d) Loans and advances to customers

(i) Overdue loans and advances to customers

	31 December	
	2015	2014
Amount for overdue loans and advances to customers		
Between 3 and 6 months	90,337	161,344
Between 6 and 12 months	1,352,806	715,857
Over 12 months	722,201	830,121
As a percentage of the total gross loans and advances to customers		
Between 3 and 6 months	0.06%	0.13%
Between 6 and 12 months	0.91%	0.58%
Over 12 months	0.49%	0.67%
	1.46%	1.38%

(ii) Overdue loans and advances to customers by geographical distribution

	31 December	
	2015	2014
Amount for overdue loans and advances to customers		
Heilongjiang region	2,288,156	1,767,398
Northeastern China	1,095,804	672,096
Southwest China	1,489,792	806,870
Northern China	207,989	453,139
Other region	83,534	19,497
	5,165,275	3,719,000

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(e) Overdue due from banks and other financial institutions

As at 31 December 2015 and 2014, there were no overdue accounts from banks and other financial institutions in respect of principal or interest.

(f) Overdue placements with banks and other financial institutions

As at 31 December 2015 and 2014, there were no overdue placements with banks and other financial institutions in respect of principal or interest.

(g) Exposures to Mainland China non-bank entities

	31 December	
	2015	2014
On-balance-sheet exposure	155,305,035	125,015,095
Off-balance-sheet exposure	59,081,748	44,492,617
Individually assessed allowance for impairment losses	459,996	230,990

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.

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- I. Financial Statements with Signature and Seal of Legal Representative, Person in Charge of Accounting Work and Person in Charge of Accounting Firms
- II. Original Audit Report with Accounting Firms' Seals and Certified Public Accountants' Signatures and Seals
- III. Text of Annual Report Autographed by Directors of the Company
- IV. Articles of Association of the Company