



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

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

Stock Code : 3698

▶ ▶ ▶ INTERIM REPORT 2016



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## Definitions

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

“Bank” or “Huishang Bank”	means Huishang Bank Corporation Limited, including its subsidiaries, branches and sub-branches
“CBRC”	means the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC Anhui Office”	means the China Banking Regulatory Commission Anhui Office (中國銀監會安徽監管局)
“CSRC”	means the China Securities Regulatory Commission (中國證券監督管理委員會)
“Domestic Shares”	means ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 per share
“HK\$” or “Hong Kong Dollars”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	means the Stock Exchange of Hong Kong Limited
“Listing”	means the listing of H shares of the Bank on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	means the date on which dealings in the H shares of the Bank first commenced on the Hong Kong Stock Exchange, i.e. 12 November 2013
“Non-green Industries”	means the heavily-polluting, highly energy-consuming and over-capacity industries
“PBOC”	means the People’s Bank of China
“PRC”	means the People’s Republic of China
“Reporting Period”	means the first half of 2016 (1 January 2016 to 30 June 2016)
“Three Dimensional Rural Issues”	abbreviation for issues relating to agriculture, rural areas and farmers
“Yuan” or “RMB”	means Renminbi, the lawful currency of China. Unless otherwise specifies, any monetary amount referred to in this report will be Renminbi

## Chapter I Corporate Information

### 1.1 CORPORATE BASIC INFORMATION

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

*Note: Huishang Bank Corporation Limited is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), is not subject to the supervision of the Hong Kong Monetary Authority, and is not authorized to carry on banking/deposit-taking business in Hong Kong.*

## Chapter I Corporate Information

### 1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited at the end of 2005. On 28 December 2005, the Bank officially merged with 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, the Bank was listed on the Main Board of the Hong Kong Stock Exchange. The Bank holds a financial institution license numbered B0162H234010001 issued by CBRC Anhui Office and a legal entity business license numbered 340000000026144 issued by Anhui Provincial Administration of Industry and Commerce. The registered address is Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, PRC. As of 30 June 2016, the registered capital of Huishang Bank was RMB11,049,819,283.

The Bank's principal activities include taking deposits from corporate and retail customers, using such deposits to finance its loans and funds business, which mainly encompass money market activities, investment and trading activities and transactions on behalf of customers in the PRC. As of 30 June 2016, Huishang Bank had 8,086 employees in service. Apart from the headquarters, the Bank had 356 branches and sub-branches (including 17 branches and 339 sub-branches). The Bank also had three subsidiaries, namely, Huiyin Finance Leasing Co., Ltd., Jinzhai Huiyin Rural Bank Co., Ltd. and Wuwei Huiyin Rural Bank Co., Ltd. and held minority interest in Chery Huiyin Motor Finance Service Co., Ltd.

## Chapter II Summary of Accounting Data and Business Data\*

### 2.1 MAIN FINANCIAL INFORMATION

	<i>In millions of RMB</i>		
			Changes over the corresponding period of the previous year +/(-)%
	<b>January to June 2016</b>	January to June 2015	
<b>Results of operation</b>			
Net operating income <sup>(1)</sup>	<b>10,167</b>	7,707	31.92%
Profit before income tax	<b>4,363</b>	4,005	8.94%
Net profit attributable to shareholders of the Bank	<b>3,408</b>	3,067	11.12%

	<i>RMB</i>		
			Changes over the corresponding period of the previous year +/(-)%
	<b>January to June 2016</b>	January to June 2015	
<b>Per share</b>			
Basic earnings attributable to shareholders of the Bank	<b>0.31</b>	0.28	10.71%
Diluted earnings attributable to shareholders of the Bank	<b>0.31</b>	0.28	10.71%
Net assets attributable to shareholders of the Bank as at the end of the period	<b>3.87</b>	3.41	13.49%

	<i>In millions of RMB</i>		
			Changes over the end of the previous year +/(-)%
	<b>30 June 2016</b>	31 December 2015	
<b>Scale indicators</b>			
Total assets	<b>694,671</b>	636,131	9.20%
Including: Total loans and advances	<b>255,220</b>	243,434	4.84%
Total liabilities	<b>650,704</b>	593,785	9.59%
Including: Total deposits from customers	<b>432,065</b>	359,225	20.28%
Equity attributable to shareholders of the Bank	<b>42,745</b>	41,159	3.85%

Note: (1) Net operating income comprises net interest income, net fee and commission income, net trade income, net income from investment in securities, dividend income, as well as other net operating income, excluding net income from investment in associates.

\* Interim financial data of the Bank have not been audited.

## Chapter II Summary of Accounting Data and Business Data\*

### 2.2 FINANCIAL RATIOS

	January to June 2016	January to December 2015	January to June 2015	Changes over the corresponding period of the previous year + / (-)
<b>Profitability indicators<sup>(1)</sup></b>				
Return on average assets ("ROAA") after tax attributable to shareholders of the Bank	1.02	1.10	1.16	(0.14)
Return on average equity ("ROAE") after tax attributable to shareholders of the Bank	16.25	15.89	16.55	(0.30)
Net interest spread	2.51	2.52	2.46	0.05
Net interest margin	2.69	2.71	2.68	0.01
<b>% accounted for net operating income</b>				
– Net interest income	87.58	87.43	86.93	0.65
– Net non-interest income <sup>(2)</sup>	12.42	12.57	13.07	(0.65)
Cost-to-income ratio (including business tax and surcharges) <sup>(3)</sup>	27.14	32.02	25.24	1.90
<b>Asset quality indicators</b>				
	30 June 2016	31 December 2015	30 June 2015	Changes over the corresponding period of the previous year + / (-)
Non-performing loan ratio	1.02	0.98	0.97	0.05
Allowance to non-performing loan ratio	267.50	250.49	233.88	33.62
Allowance to loans ratio	2.73	2.47	2.27	0.46
<b>Capital adequacy indicators</b>				
Core tier I capital adequacy ratio	8.89	9.80	9.70	(0.81)
Capital adequacy ratio	11.97	13.25	11.24	0.73
Total equity to total assets	6.33	6.66	6.76	(0.43)

Notes: (1) The ratios are calculated on an annualized basis.

(2) Net non-interest income in this indicator comprises net fee and commission income, net trade income, net income from investment in securities, dividend income and other net operating income, excluding net income from investment in joint ventures and associates.

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

## Chapter III Management Discussion and Analysis

### 3.1 OVERALL BUSINESS REVIEW

In the face of the complex external situations and increasingly fierce peer competition during the first half of 2016, the Bank made efforts to overcome various adverse factors by focusing on quality and efficiency and shifting its priorities towards transformational development and structural adjustment. All these led to a steady expansion of our business scale and improved profitability, realizing steady growth in various business segments and continuous improvement in operating and management level, which were mainly reflected as follows:

The scale of assets and liabilities increased moderately. As of the end of June 2016, the total assets of the Bank were RMB694,671 million, representing an increase of RMB58,541 million or 9.20% as compared with the end of last year. Total investments were RMB297,595 million, representing an increase of RMB67,198 million or 29.17% as compared with the end of last year. Total loans and advances were RMB255,220 million, representing an increase of RMB11,786 million or 4.84% as compared with the end of last year. Total deposits from customers were RMB432,065 million, representing an increase of RMB72,840 million or 20.28% as compared with the end of last year.

Non-performing assets increased and provision coverage maintained at a stable level. As of the end of June 2016, the balance of the Bank's non-performing loans was RMB2,602 million, representing an increase of RMB205 million as compared with the end of last year. Non-performing loan ratio was 1.02%, representing an increase of 0.04 percentage point as compared with the end of last year. Allowance to non-performing loan ratio was 267.50%, representing an increase of 17.01 percentage points as compared with the end of last year.

### 3.2 ANALYSIS OF INCOME STATEMENT

#### 3.2.1 Particulars of financial performance

	<i>In millions of RMB</i>	
	<b>January to June 2016</b>	January to June 2015
Net interest income	<b>8,904</b>	6,700
Net fee and commission income	<b>1,258</b>	902
Other net income	<b>4</b>	105
Operating expenses	<b>2,759</b>	1,945
Provision for insurance claims	–	–
Share of profits of associates	<b>81</b>	50
Share of profits of joint ventures	–	–
Impairment losses on assets	<b>3,125</b>	1,807
Profit before income tax	<b>4,363</b>	4,005
Income tax	<b>918</b>	932
Net profit	<b>3,445</b>	3,073
Net profit attributable to shareholders of the Bank	<b>3,408</b>	3,067

From January to June 2016, the Bank realized a profit before income tax of RMB4,363 million, representing an increase of 8.94% as compared with the same period of last year. The effective income tax rate was 21.04%, representing a decrease of 2.23 percentage points as compared with the same period of last year.



## Chapter III Management Discussion and Analysis

### 3.2 ANALYSIS OF INCOME STATEMENT (Continued)

#### 3.2.2 Net operating income

From January to June 2016, the Bank had a net operating income of RMB10,247 million, representing a year-on-year increase of 32.10%. Among which, net interest income accounted for 86.89%, representing a year-on-year increase of 0.52 percentage point; net non-interest income accounted for 13.11%, representing a year-on-year decrease of 0.52 percentage point.

	January to June 2016 (%)	January to June 2015 (%)	January to June 2014 (%)
Net interest income	<b>86.89</b>	86.37	88.76
Net fee and commission income	<b>12.27</b>	11.63	7.74
Other net income	<b>0.05</b>	1.35	2.85
Income from investment in joint ventures and associates	<b>0.79</b>	0.65	0.65
<b>Total</b>	<b>100.00</b>	100.00	100.00

Note: Such analysis of net operating income comprises income from investment in joint ventures and associates; and other net income including net profit or loss on trading, net income from investment in securities, dividend income and other net operating income.

#### 3.2.3 Net interest income

From January to June 2016, the Bank's net interest income amounted to RMB8,904 million, representing an increase of 32.90% as compared with the same period of last year, which was mainly due to an increase in the scale of interest-earning assets.

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

	January to June 2016			January to December 2015			In millions of RMB, except percentages January to June 2015		
	Average balance	Interest income	Annualized average yield %	Average balance	Interest income	Average yield %	Average balance	Interest income	Annualized average yield %
<b>Interest-earning assets</b>									
Loans and advances	<b>245,183</b>	<b>6,790</b>	<b>5.54</b>	236,257	15,667	6.63	233,131	7,914	6.79
Securities investment	<b>282,754</b>	<b>7,428</b>	<b>5.25</b>	158,329	8,493	5.36	117,812	3,033	5.15
Cash and balances with the central bank	<b>63,673</b>	<b>489</b>	<b>1.54</b>	59,107	922	1.56	58,595	443	1.51
Deposits and placements in banks and other financial institutions	<b>63,168</b>	<b>936</b>	<b>2.96</b>	90,311	3,689	4.08	90,760	2,056	4.53
Financial leasing	<b>7,895</b>	<b>322</b>	<b>8.16</b>	3,084	170	5.51	279	8	5.73
<b>Total interest-earning assets and interest income</b>	<b>662,673</b>	<b>15,965</b>	<b>4.82</b>	547,088	28,941	5.29	500,577	13,454	5.38

## Chapter III Management Discussion and Analysis

### 3.2 ANALYSIS OF INCOME STATEMENT (Continued)

#### 3.2.3 Net interest income (Continued)

*In millions of RMB, except percentages*

	January to June 2016			January to December 2015			January to June 2015		
	Average balance	Interest expenses	Annualized average cost ratio %	Average balance	Interest expenses	Average cost ratio %	Average balance	Interest expenses	Annualized average cost ratio %
<b>Interest-bearing liabilities</b>									
Borrowings from the central bank	-	-	-	83	2	2.41	94	1	3.14 <sup>(1)</sup>
Deposits from customers	376,074	3,042	1.62	317,348	6,466	2.04	309,132	3,388	2.19
Deposits and placements from banks and other financial institutions	144,297	2,350	3.26	145,814	5,508	3.78	122,092	2,563	4.20
Debt securities issued	92,437	1,669	3.61	45,640	2,122	4.65	32,548	802	4.93
<b>Total interest-bearing liabilities and interest expenses</b>	<b>612,808</b>	<b>7,061</b>	<b>2.30</b>	<b>508,885</b>	<b>14,098</b>	<b>2.77</b>	<b>463,866</b>	<b>6,754</b>	<b>2.91</b>
<b>Net interest income</b>	/	<b>8,904</b>	/	/	<b>14,843</b>	/	/	<b>6,700</b>	/
<b>Net interest spread</b>	/	/	<b>2.51</b>	/	/	<b>2.52</b>	/	/	<b>2.46</b>
<b>Net interest margin</b>	/	/	<b>2.69</b>	/	/	<b>2.71</b>	/	/	<b>2.68</b>

Note: (1) Annualized average cost ratio of borrowings from the central bank was calculated based on the data rounding to RMB1,000 during the period from January to June 2015.

The annualized average yield of interest-earning assets was 4.82%, while the annualized average cost ratio of interest-bearing liabilities was 2.30%.

From January to June 2016, the net interest spread of the Bank was 2.51%, representing an increase of 0.05 percentage point as compared with the same period of last year. From January to June 2016, the net interest margin of the Bank was 2.69%, representing an increase of 0.01 percentage point as compared with the same period of last year.

## Chapter III Management Discussion and Analysis

### 3.2 ANALYSIS OF INCOME STATEMENT (Continued)

#### 3.2.3 Net interest income (Continued)

The following table sets forth the distribution of changes in interest income and interest expenses of the Bank caused by the changes in scale and interest for the periods indicated. The changes in scale were measured by the changes of average balance (average daily balances); while the changes in interest rates were measured by changes in average interest rates. The changes in interest income and expenses resulting from changes in scale and interest rate were recognized in the amount incurred by the effect of the changes in interest rate on the changes in interest income and expenses.

	<i>In millions of RMB</i>		
	January to June 2016 vs. January to June 2015		
	Increase (decrease) due to		Net increase
	Scale	Interest rate	(decrease)
<b>Assets</b>			
Loans and advances	409	(1,553)	(1,124)
Securities investment	4,247	148	4,395
Balances with the central bank	38	8	46
Deposits and placements in banks and other financial institutions	(625)	(495)	(1,120)
Financial leasing	218	96	314
<b>Changes in interest income</b>	<b>4,288</b>	<b>(1,777)</b>	<b>2,511</b>
<b>Liabilities</b>			
Borrowings from the central bank	(1)	0	(1)
Deposits from customers	733	(1,079)	(346)
Deposits and placements from banks and other financial institutions	466	(679)	(213)
Debt securities issued	1,475	(608)	867
<b>Changes in interest expenses</b>	<b>2,673</b>	<b>(2,366)</b>	<b>307</b>
<b>Changes in net interest income</b>	<b>1,615</b>	<b>(589)</b>	<b>2,204</b>

## Chapter III Management Discussion and Analysis

### 3.2 ANALYSIS OF INCOME STATEMENT (Continued)

#### 3.2.4 Interest income

From January to June 2016, the Bank recognized an interest income of RMB15,965 million, representing an increase of 18.66% as compared with the same period of last year, which was mainly due to the expansion in the scale of interest-earning assets, especially the rapid growth in the scale of securities investment. From January to June 2016, the interest income from securities investment was RMB7,428 million, representing an increase of RMB4,396 million or 144.96% as compared with the same period of last year. From January to June 2016, the interest income from loans and advances of the Bank was RMB6,789 million, representing a decrease of RMB1,125 million or 14.21% as compared with the same period of last year.

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

*In millions of RMB, except percentages*

	January to June 2016			January to June 2015		
	Average balance	Interest income	Annualized average yields %	Average balance	Interest income	Annualized average yields %
Corporate loans	169,862	4,713	5.55	162,430	5,766	7.10
Retail loans	48,700	1,587	6.52	57,842	1,774	6.13
Discounted bills	26,621	489	3.67	12,859	374	5.82
<b>Loans and advances</b>	<b>245,183</b>	<b>6,789</b>	<b>5.54</b>	<b>233,131</b>	<b>7,914</b>	<b>6.79</b>

## Chapter III Management Discussion and Analysis

### 3.2 ANALYSIS OF INCOME STATEMENT (Continued)

#### 3.2.5 Interest expenses

From January to June 2016, the interest expense of the Bank was RMB7,061 million, representing an increase of RMB307 million or 4.55% as compared with the same period of last year, which was primarily attributable to an increase in the scale of interest-bearing liabilities.

#### *Interest expense on deposits from customers*

From January to June 2016, the Bank's interest expense on deposits from customers was RMB3,042 million, representing a decrease of RMB346 million or 10.21% as compared with the same period of last year, which was primarily attributable to the decrease in annualized average cost ratio of deposits from customers.

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

	January to June 2016			In millions of RMB, except percentages January to June 2015		
	Average balance	Interest expense	Annualized average cost ratio %	Average balance	Interest expense	Annualized average cost ratio %
Deposits from corporate customers						
Demand deposits	157,856	477	0.60	117,189	473	0.81
Time deposits	101,187	1,609	3.18	89,735	1,783	3.97
<b>Sub-total</b>	<b>259,043</b>	<b>2,086</b>	<b>1.61</b>	206,924	2,256	2.18
Deposits from retail customers						
Demand deposits	38,791	77	0.40	27,911	61	0.44
Time deposits	49,865	691	2.77	40,030	670	3.35
<b>Sub-total</b>	<b>88,656</b>	<b>768</b>	<b>1.73</b>	67,941	731	2.15
Others	28,375	188	1.33	34,267	401	2.34
<b>Total deposits from customers</b>	<b>376,074</b>	<b>3,042</b>	<b>1.62</b>	309,132	3,388	2.19

## Chapter III Management Discussion and Analysis

### 3.2 ANALYSIS OF INCOME STATEMENT (Continued)

#### 3.2.6 Net non-interest income

From January to June 2016, the Bank realized a net non-interest income of RMB1,344 million, representing an increase of RMB287 million or 27.15% as compared with the same period of last year, which was primarily attributable to an increase in fee and commission income.

The table below sets out the main components of net non-interest income of the Bank for the periods indicated:

	<i>In millions of RMB</i>	
	<b>January to June 2016</b>	January to June 2015
<b>Fee and commission income</b>	<b>1,312</b>	946
Less: Fee and commission expenses	<b>54</b>	44
<b>Net fee and commission income</b>	<b>1,258</b>	902
<b>Other net non-interest income<sup>(1)</sup></b>	<b>86</b>	155
<b>Total net non-interest income</b>	<b>1,344</b>	1,057

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

#### 3.2.7 Net fee and commission income

From January to June 2016, net fee and commission income of the Bank was RMB1,258 million, representing an increase of RMB356 million or 39.47% as compared with the same period of last year, which was primarily attributable to an increase in commissions from custodian and other fiduciary activities, bank card fees and agency service fees.

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

	<i>In millions of RMB</i>	
	<b>January to June 2016</b>	January to June 2015
<b>Fee and commission income</b>	<b>1,312</b>	946
Bank card fees	<b>241</b>	100
Settlement and clearing fees	<b>77</b>	55
Agency services fees	<b>73</b>	14
Consultancy and advisory fees	<b>90</b>	104
Guarantee and commitment fees	<b>4</b>	24
Custodian and other fiduciary service commissions	<b>732</b>	562
Others <sup>(1)</sup>	<b>95</b>	87
<b>Fee and commission expenses</b>	<b>(54)</b>	(44)
<b>Net fee and commission income</b>	<b>1,258</b>	902

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

## Chapter III Management Discussion and Analysis

### 3.2 ANALYSIS OF INCOME STATEMENT (Continued)

#### 3.2.8 Other net non-interest income

From January to June 2016, the Bank recognized other net non-interest income of RMB86 million, representing a decrease of RMB69 million, or 44.52% as compared with the same period of last year, which was mainly due to a decrease in net income from investment in securities, other net operating income and net trading income.

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

	<i>In millions of RMB</i>	
	<b>January to June 2016</b>	January to June 2015
Net income from investment in securities	(17)	60
Dividend income	0	0
Net trading income	(12)	(2)
Net income from investment in associates	81	50
Other net operating income	34	47
<b>Total other net income</b>	<b>86</b>	155

#### 3.2.9 Operating expenses

From January to June 2016, operating expenses of the Bank were RMB2,759 million, representing an increase of 41.85% as compared with the same period of last year, which was primarily attributable to increase (in different magnitudes) in staff costs, office and administrative expenses, depreciation and amortization, as well as lease expenses under the impact of factors including business expansion.

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

	<i>In millions of RMB</i>	
	<b>January to June 2016</b>	January to June 2015
Staff costs	1,344	694
Business tax and surcharges	608	602
Depreciations and amortization	182	155
Lease expenses	126	106
Other general and administrative expenses	499	388
<b>Total operating expenses</b>	<b>2,759</b>	1,945

## Chapter III Management Discussion and Analysis

### 3.2 ANALYSIS OF INCOME STATEMENT (Continued)

#### 3.2.10 Asset impairment losses

In the first half of 2016, the Bank's allowance to asset impairment losses was RMB3,125 million, representing an increase of 72.94% as compared with the same period of last year.

	<i>In millions of RMB</i>	
	<b>30 June 2016</b>	30 June 2015
Loans and advances to customers		
– collectively-assessed	<b>(1,778)</b>	(832)
– individually-assessed	<b>(358)</b>	(695)
Available-for-sale financial assets	<b>(115)</b>	(13)
Investments classified as receivables	<b>(750)</b>	(238)
Other receivables	<b>(124)</b>	(29)
<b>Total</b>	<b>(3,125)</b>	(1,807)

### 3.3 BALANCE SHEET ANALYSIS

#### 3.3.1 Assets

As of 30 June 2016, the Bank's total assets amounted to RMB694,671 million, representing an increase of 9.20% as compared with the end of 2015. The increase in total assets was primarily due to an increase in investments, balance with the central bank as well as assets such as loans and advances.

<b>Items</b>	<i>In millions of RMB, except percentages</i>			
	<b>30 June 2016</b>		31 December 2015	
	<b>Amount</b>	<b>% of the total</b>	Amount	% of the total
Total loans and advances	<b>255,220</b>	<b>36.74%</b>	243,434	38.26%
Provision for loan impairment losses	<b>(6,961)</b>	<b>(1.00)%</b>	(6,006)	(0.94)%
Net loans and advances	<b>248,259</b>	<b>35.74%</b>	237,428	37.32%
Investments	<b>297,595</b>	<b>42.83%</b>	230,397	36.22%
Cash	<b>1,117</b>	<b>0.16%</b>	1,179	0.19%
Balances with the central bank	<b>89,304</b>	<b>12.86%</b>	77,235	12.14%
Deposits in banks and other financial institutions	<b>5,397</b>	<b>0.78%</b>	10,283	1.62%
Inter-bank loans and financial assets purchased under resale agreement	<b>29,257</b>	<b>4.21%</b>	63,910	10.05%
Fixed assets	<b>1,647</b>	<b>0.24%</b>	1,617	0.25%
Deferred income tax assets	<b>1,830</b>	<b>0.26%</b>	1,274	0.20%
Financial leasing receivables	<b>14,369</b>	<b>2.07%</b>	7,502	1.18%
Other assets	<b>5,896</b>	<b>0.85%</b>	5,306	0.83%
<b>Total assets</b>	<b>694,671</b>	<b>100.00%</b>	636,131	100.00%



## Chapter III Management Discussion and Analysis

### 3.3 BALANCE SHEET ANALYSIS (Continued)

#### 3.3.1 Assets (Continued)

##### 3.3.1.1 Loans and advances

As of 30 June 2016, the Bank's total loans and advances amounted to RMB255,220 million, representing an increase of 4.84% as compared with the end of last year, and the total loans and advances accounted for 36.74% of the Bank's total assets, down 1.53 percentage points from the end of last year.

##### *Distribution of loans by product types*

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

Items	<i>In millions of RMB, except percentages</i>			
	30 June 2016		31 December 2015	
	Amount	% of the total	Amount	% of the total
Corporate loans	165,039	64.67%	157,430	64.67%
Discounted bills	18,414	7.21%	21,610	8.88%
Retail loans	71,767	28.12%	64,394	26.45%
Total loans and advances	255,220	100.00%	243,434	100.00%

##### *Corporate loans*

As of 30 June 2016, the Bank's total corporate loans amounted to RMB165,039 million, representing an increase of 4.83% as compared with the end of last year, accounted for 64.67% of the total loans and advances of the Bank, which remained at the same level as compared with the end of last year. During the first half of 2016, in view of the macroeconomic environment and regulatory requirements, the Bank reasonably adjusted its total loan amount, thoroughly adjusted its loan structure, and systemically prevented various risks, which achieved simultaneous optimization of corporate loan structure and risk return.

##### *Discounted bills*

As of 30 June 2016, the Bank's total discounted bills amounted to RMB18,414 million, representing a decrease of 14.79% as compared with the end of last year. Since this year, according to regulatory requirements, the Bank has improved the comprehensive return of bill assets through ways such as adjusting the loan scale with discount, optimizing the loan structure, accelerating the turnover and centralizing operation in order to control the total amount of loans within an appropriate level.

## Chapter III Management Discussion and Analysis

### 3.3 BALANCE SHEET ANALYSIS (Continued)

#### 3.3.1 Assets (Continued)

##### 3.3.1.1 Loans and advances (Continued)

###### Retail Loans

As of 30 June 2016, the Bank's total retail loans amounted to RMB71,767 million, representing an increase of 11.45% as compared with the end of last year, accounted for 28.12% of the total loans and advances, representing an increase of 1.67 percentage points from the end of last year.

*In millions of RMB, except percentages*

Items	30 June 2016		31 December 2015	
	Amount	% of the total amount	Amount	% of the total amount
Personal residential mortgage loans	51,472	71.72%	44,627	69.30%
Personal business revolving loans	9,433	13.14%	10,316	16.02%
Others	10,862	15.14%	9,451	14.68%
Total retail loans	71,767	100.00%	64,394	100.00%

##### 3.3.1.2 Investments

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

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

*In millions of RMB, except percentages*

Items	30 June 2016		31 December 2015	
	Amount	% of the total amount	Amount	% of the total amount
Financial assets held for trading	4,301	1.45%	2,730	1.18%
Derivative financial assets	21	0.01%	4	0.00%
Available-for-sale financial assets	106,716	35.86%	96,272	41.79%
Held-to-maturity financial assets	47,661	16.02%	42,257	18.34%
Financial assets classified as receivables	138,896	46.66%	89,134	38.69%
Investments	297,595	100.00%	230,397	100.00%

## Chapter III Management Discussion and Analysis

### 3.3 BALANCE SHEET ANALYSIS (Continued)

#### 3.3.1 Assets (Continued)

##### 3.3.1.2 Investments (Continued)

###### Financial assets held for trading

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

	<i>In millions of RMB</i>	
	<b>30 June 2016</b>	31 December 2015
Chinese government	<b>321</b>	207
Financial institutions	<b>2,014</b>	2,168
Corporate	<b>308</b>	355
Interbank certificates of deposits	<b>1,658</b>	–
<b>Total financial assets held for trading</b>	<b>4,301</b>	2,730

The Bank was prudently optimistic about the performance of the bond market in the second half of the year. The Bank took the appropriate opportunity in the first half of the year to increase the holding of interbank certificates of deposits with higher security.

###### Available-for-sale investments

As of 30 June 2016, the balance of the Bank's available-for-sale investments increased by 10.85% from the end of 2015 to RMB106,716 million. Such investment was mainly based on the structure of assets and liabilities and the needs to improve business performance.

In the first half of 2016, the macro economy continued to slow down accompanied by a low inflation rate. The PBOC maintained its prudent monetary policy and made timely and appropriate fine-tuning. As a result, the overall liquidity remained loose. In response to market environment, the Bank proactively took advantage of the market opportunities, increased the scope and set up of investments, and continued optimizing the structure of its investment portfolio, which achieved relatively outstanding results in its investments.

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

	<i>In millions of RMB</i>	
	<b>30 June 2016</b>	31 December 2015
Chinese government bonds	<b>11,568</b>	9,108
Financial bonds	<b>10,773</b>	10,137
Corporate bonds	<b>3,494</b>	4,675
Asset management and trust scheme	<b>71,733</b>	68,075
Non-principal-guaranteed wealth management products issued by other banks	<b>6,325</b>	4,500
Interbank certificates of deposits	<b>3,391</b>	229
Equity securities	<b>10</b>	10
<b>Total available-for-sale investments</b>	<b>107,294</b>	96,734
Provision for impairment	<b>(578)</b>	(462)
<b>Net available-for-sale investments</b>	<b>106,716</b>	96,272

## Chapter III Management Discussion and Analysis

### 3.3 BALANCE SHEET ANALYSIS (Continued)

#### 3.3.1 Assets (Continued)

##### 3.3.1.2 Investments (Continued)

###### *Held-to-maturity investments*

As of 30 June 2016, the balance of held-to-maturity investments held by the Bank increased by RMB5,404 million or 12.79% as compared with the end of last year. Held-to-maturity investments will be held in the long run as our strategy allocation.

	<i>In millions of RMB</i>	
	<b>30 June 2016</b>	31 December 2015
Chinese government bonds	<b>33,427</b>	28,020
Financial bonds	<b>10,040</b>	10,039
Corporate bonds	<b>4,194</b>	4,198
Interbank certificates of deposit	–	–
<b>Total held-to-maturity investments</b>	<b>47,661</b>	42,257

###### *Loans and investments classified as receivables*

Loans and investments classified as receivables consist of the Bank's investment in wealth management products, asset management schemes by securities firms or trust companies, and certificates of Chinese government bonds. There is no open market for these investments. During the first half of 2016, due to the relatively sufficient market liquidity as a whole, the Bank specifically increased its investments in asset management schemes to enhance its return on investments.

	<i>In millions of RMB</i>	
	<b>30 June 2016</b>	31 December 2015
Government bonds	<b>96</b>	120
Wealth management products	<b>3,800</b>	5,800
Asset management schemes by securities firms or trust companies	<b>136,382</b>	83,846
<b>Total loans and investments classified as receivables</b>	<b>140,278</b>	89,766
Provision for impairment	<b>(1,382)</b>	(632)
<b>Net loans and investments classified as receivables</b>	<b>138,896</b>	89,134

## Chapter III Management Discussion and Analysis

### 3.3 BALANCE SHEET ANALYSIS (Continued)

#### 3.3.1 Assets (Continued)

##### 3.3.1.2 Investments (Continued)

###### Carrying value and market value

All bond investments classified as financial assets held for trading or available-for-sale investments are recorded at market value or fair value.

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

	30 June 2016		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Held-to-maturity investments	47,661	48,719	42,257	43,456
Loans and investments classified as receivables	138,896	138,889	89,134	89,126

*In millions of RMB*

###### Subsidiaries and major affiliate company

Name	Initial investment amount (in thousands of RMB)	Percentage of Shareholdings (%)	Number of shares held at the end of the period (Share)	Carrying value at the end of the period (in thousands of RMB)	Sources of shares held	Note
Jinzhai Huiyin Rural Bank Co., Ltd. <sup>(1)</sup>	32,800	41	32,800	32,800	Capital contribution for establishment	Subsidiary
Huiyin Financial Leasing Co., Ltd.	1,020,000	51	1,020,000	1,020,000	Capital contribution for establishment	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd. <sup>(2)</sup>	40,000	40	40,000	69,513	Capital contribution for establishment	Subsidiary
Chery Huiyin Motor Finance Service Co., Ltd.	100,000	20	200,000	494,292	Capital contribution for establishment	Affiliate company

###### Notes:

- (1) On 15 June 2013, the Bank entered into the Acting-in-concert Declaration with Anhui Jinan Stainless Steel Casting Co. Ltd. (holding 10% of the shares of Jinzhai Huiyin Rural Bank Co., Ltd.), Anhui Heyi Food Co. Ltd. (holding 9% of the shares of Jinzhai Huiyin Rural Bank Co., Ltd.) and Guan Houlong (holding 10% of the shares of Jinzhai Huiyin Rural Bank Co., Ltd.), respectively, pursuant to which, such shareholders will act in concert with the Bank in voting when dealing with material decisions regarding financial and operating policies of Jinzhai Huiyin Rural Bank Co., Ltd. As such, the Bank has effective control over Jinzhai Huiyin Rural Bank Co., Ltd., and, in turn, Jinzhai Huiyin Rural Bank Co., Ltd. is a subsidiary in which the Bank has a controlling interest.
- (2) In 2010, the Bank invested in and established Wuwei Huiyin Rural Bank Co., Ltd. Its registered capital was RMB100 million, of which the Group contributed RMB40 million, accounting for 40% shareholding. Upon the approval from the CBRC, Wuwei Huiyin Rural Bank Co., Ltd. officially opened for business on 8 August 2010. Although the Bank has no absolute controlling interest in Wuwei Huiyin Rural Bank Co., Ltd., after taking into full account of various factors, the company's operating activities since its incorporation indicated that the Bank has a dominant position over operating activities of Wuwei Huiyin Rural Bank Co., Ltd. Therefore, the Bank has effective control over it. The Bank included Wuwei Huiyin Rural Bank Co., Ltd in its consolidated financial statements on 31 December 2014.

For further details of subsidiaries and major affiliate company of the Bank, please refer to Section 3.9.6 of this interim report.

## Chapter III Management Discussion and Analysis

### 3.3 BALANCE SHEET ANALYSIS (Continued)

#### 3.3.2 Liabilities

As of 30 June 2016, the total liabilities of the Bank amounted to RMB650,704 million, representing an increase of 9.59% as compared with the end of last year, which was mainly due to steady growth of deposits from customers, debt securities issued and placements from banks and other financial institutions.

*In millions of RMB, except percentages*

Items	30 June 2016		31 December 2015	
	Amount	% of the total	Amount	% of the total
Loans from the central bank	5	0.00%	–	–
Deposits from banks and other financial institutions	92,887	14.27%	89,286	15.04%
Placements from banks and other financial institutions	11,184	1.72%	7,911	1.33%
Derivative financial liabilities	18	0.00%	20	0.00%
Financial assets sold under repurchase agreements	14,349	2.21%	45,432	7.65%
Deposits from customers	432,065	66.40%	359,225	60.50%
Taxes payable	1,216	0.19%	1,467	0.25%
Debt securities issued	85,827	13.19%	79,426	13.38%
Other liabilities	13,153	2.02%	11,018	1.86%
<b>Total liabilities</b>	<b>650,704</b>	<b>100.00%</b>	<b>593,785</b>	<b>100.00%</b>

## Chapter III Management Discussion and Analysis

### 3.3 BALANCE SHEET ANALYSIS (Continued)

#### 3.3.2 Liabilities (Continued)

##### Deposits from customers

The Bank has always been focusing on actively expanding its deposit business. In 2016, despite increasingly intense competition among its peers, the Bank managed to maintain a steady growth in its deposits from customers through various forceful measures. As of 30 June 2016, the Bank's total deposits from customers amounted to RMB432,065 million, representing an increase of 20.28% from the end of 2015, and accounted for 66.40% of the total liabilities of the Bank.

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

Items	30 June 2016		31 December 2015	
	Balance	% of the total	Balance	% of the total
<i>In millions of RMB, except percentages</i>				
<b>Corporate Deposits</b>				
Demand deposits	177,429	41.07%	139,970	38.97%
Time deposits	123,863	28.67%	103,213	28.73%
<b>Subtotal</b>	<b>301,292</b>	<b>69.74%</b>	243,183	67.70%
<b>Retail Deposits</b>				
Demand deposits	41,657	9.64%	33,410	9.30%
Time deposits	61,431	14.22%	53,360	14.85%
<b>Subtotal</b>	<b>103,088</b>	<b>23.86%</b>	86,770	24.15%
Other deposits	27,685	6.40%	29,272	8.15%
Include: margin deposits	26,945	6.24%	28,752	8.00%
<b>Total deposits from customers</b>	<b>432,065</b>	<b>100.00%</b>	359,225	100.00%

As of 30 June 2016, corporate deposits of the Bank accounted for 69.74% of total customer deposits, representing an increase of 2.04 percentage points from the end of 2015.

The Bank's time deposits from customers to total deposits ratio has steadily increased since 2016. As of 30 June 2016, the Bank's demand deposits to total customer deposits ratio was 50.71%, representing an increase of 2.44 percentage points from the end of 2015. Among them, the proportion of corporate demand deposits accounted for 41.07% of deposits from customers, representing an increase of 2.10 percentage points from the end of 2015; while the proportion of retail demand deposits accounted for 9.64% of customer deposits, representing an increase of 0.34 percentage point from the end of 2015.

## Chapter III Management Discussion and Analysis

### 3.3 BALANCE SHEET ANALYSIS (Continued)

#### 3.3.3 Equity

Items	In millions of RMB	
	30 June 2016	31 December 2015
Share capital	11,050	11,050
Capital reserve	6,751	6,751
Surplus reserve	5,862	5,250
General risk reserve	6,276	4,716
Investment revaluation reserve	205	271
Retained earnings	12,601	13,121
Total equity attributable to shareholders of the Bank	42,745	41,159
Non-controlling interest	1,223	1,186
Total equity	43,968	42,345

### 3.4 LOAN QUALITY ANALYSIS

#### 3.4.1 Distribution of loans by the five-category classification

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

	In hundred millions of RMB, except percentages			
	30 June 2016		31 December 2015	
	Amount	% of the total	Amount	% of the total
Pass	2,438.03	95.53	2,340.10	96.13
Special mention	88.15	3.45	70.26	2.89
Substandard	19.83	0.78	15.14	0.62
Doubtful	5.32	0.21	7.31	0.30
Loss	0.87	0.03	1.53	0.06
Gross loans and advances to customers	2,552.20	100.00	2,434.34	100.00
Total non-performing loans	26.02	1.02	23.98	0.98

Under the five-category classification system, the non-performing loans ("NPL") of the Bank include loans of substandard, doubtful and loss categories. Affected by the external business environment, the Bank's asset quality faced serious challenges. By focusing on risk prevention and accelerating disposal treatment, the Bank maintained stable quality of assets. As of the end of the Reporting Period, the non-performing loan ratio of the Bank was 1.02%. Although it was 0.04 percentage point higher than that of the end of 2015, the Bank was still able to maintain an outstanding position among its peers.



## Chapter III Management Discussion and Analysis

### 3.4 LOAN QUALITY ANALYSIS (Continued)

#### 3.4.2 Distribution of loans and NPLs by product type

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

	30 June 2016				31 December 2015			
	Amount of loans	% of the total	NPLs	NPL ratio %	Amount of loans	% of the total	NPLs	NPL ratio %
Corporate loans	1,650.39	64.67	19.59	1.19	1,574.30	64.67	18.65	1.18
Discounted bills <sup>(1)</sup>	184.14	7.21	-	-	216.10	8.88	-	-
Retail loans	717.67	28.12	6.43	0.90	643.94	26.45	5.33	0.83
<b>Total loans and advances to customers</b>	<b>2,552.20</b>	<b>100.00</b>	<b>26.02</b>	<b>1.02</b>	<b>2,434.34</b>	<b>100.00</b>	<b>23.98</b>	<b>0.98</b>

Note: (1) Overdue discounted bills are transferred to corporate loans.

#### 3.4.3 Distribution of loans and NPLs by industry

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

	30 June 2016				31 December 2015			
	Amount of loans	% of the total	NPLs	NPL ratio %	Amount of loans	% of the total	NPLs	NPL ratio %
<b>Corporate loans</b>	<b>1,650.39</b>	<b>64.67</b>	<b>19.59</b>	<b>1.19</b>	<b>1,574.30</b>	<b>64.67</b>	<b>18.64</b>	<b>1.18</b>
Commerce and services	529.89	20.77	8.76	1.65	521.03	21.41	7.68	1.47
Manufacturing	426.29	16.71	7.86	1.84	374.20	15.37	7.77	2.08
Public utilities	287.18	11.26	0.20	0.07	268.79	11.04	-	-
Real estate	111.60	4.37	0.57	0.51	134.00	5.50	1.70	1.27
Construction	127.87	5.01	0.88	0.69	128.99	5.30	0.77	0.60
Energy and chemical	45.00	1.76	0.56	1.24	32.60	1.34	0.09	0.28
Transportation	54.72	2.14	0.26	0.48	54.33	2.23	0.37	0.68
Education and media	21.19	0.83	-	-	17.07	0.70	-	-
Catering and travelling	19.16	0.75	0.19	0.99	19.76	0.81	0.03	0.15
Financial services	9.26	0.36	-	-	2.10	0.09	-	-
Others <sup>(1)</sup>	18.23	0.71	0.31	1.70	21.43	0.88	0.23	1.07
<b>Discounted bills</b>	<b>184.14</b>	<b>7.21</b>	<b>-</b>	<b>-</b>	<b>216.10</b>	<b>8.88</b>	<b>-</b>	<b>-</b>
<b>Retail loans</b>	<b>717.67</b>	<b>28.12</b>	<b>6.43</b>	<b>0.90</b>	<b>643.94</b>	<b>26.45</b>	<b>5.34</b>	<b>0.83</b>
<b>Total loans and advances to customers</b>	<b>2,552.20</b>	<b>100.00</b>	<b>26.02</b>	<b>1.02</b>	<b>2,434.34</b>	<b>100.00</b>	<b>23.98</b>	<b>0.98</b>

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

In the first half of 2016, the Bank's overall credit strategy was to "practice green concept of credit business, optimize the allocation of credit resources, actively support the development of the real economy, strengthen risk controls of key areas and key industries, and adhere to the bottom risk line". The Bank guided the credit resources to better serve the real economy, actively allocated credit resources to "small and micro" enterprises and developed green credit. The Bank also implemented credit limit management over local government financing platforms, real estate and overcapacity industries, and implemented industry risk prevention and control on the "Non-green Industries" such as steel trade, PV and shipbuilding industries. During the Reporting Period, the increments of non-performing corporate loans of the Bank were mainly from wholesale and retail industries.

## Chapter III Management Discussion and Analysis

### 3.4 LOAN QUALITY ANALYSIS (Continued)

#### 3.4.4 Distribution of loans and NPLs by geographical segment

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

*In hundred millions of RMB, except percentages*

	30 June 2016				31 December 2015				30 June 2015			
	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)
Anhui	2,348.92	92.04	20.88	0.89	2,221.71	91.27	21.63	0.97	2,260.11	93.40	22.78	1.01
Jiangsu	203.28	7.96	5.14	2.53	212.63	8.73	2.35	1.11	159.72	6.60	0.72	0.45
<b>Total loans and advances to customers</b>	<b>2,552.20</b>	<b>100.00</b>	<b>26.02</b>	<b>1.02</b>	<b>2,434.34</b>	<b>100.00</b>	<b>23.98</b>	<b>0.98</b>	<b>2,419.83</b>	<b>100.00</b>	<b>23.50</b>	<b>0.97</b>

The Bank has expanded its business into Nanjing, Jiangsu Province since the beginning of 2009. In the first half of 2016, total loans attributable to Jiangsu Province accounted for 7.96% of the total loans and advances to customers, while NPLs attributable to Jiangsu Province accounted for 19.75% of the total NPLs.

#### 3.4.5 Distribution of loans and NPLs by type of collateral

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

*In hundred millions of RMB, except percentages*

	30 June 2016				31 December 2015			
	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)
Collateralized loans	1,355.02	53.10	16.20	1.20	1,289.14	52.95	15.00	1.16
Pledged loans	122.86	4.81	0.50	0.41	82.67	3.40	1.11	1.34
Guaranteed loans	702.67	27.53	8.19	1.17	679.44	27.91	6.19	0.91
Unsecured loans	187.51	7.35	1.13	0.60	166.98	6.86	1.68	1.01
Discounted bills	184.14	7.21	0	0.00	216.11	8.88	0	0.00
<b>Total loans and advances to customers</b>	<b>2,552.20</b>	<b>100.00</b>	<b>26.02</b>	<b>1.02</b>	<b>2,434.34</b>	<b>100.00</b>	<b>23.98</b>	<b>0.98</b>

With the economic downturn, the Bank focused on the implementations of risk mitigation measures including increasing collaterals to prevent and control risk. As of the end of the Reporting Period, both NPL and NPL ratio of guaranteed loans and collateralized loans increased as compared with those at the end of 2015 due to the effect of the overall economic environment, which was mainly due to the relatively slow enforcement of economic cases and the longer disposal time of collaterals under the current economic situation. The Bank has adopted other risk mitigating measures such as improving its guarantee and assets preservation under litigation to handle NPL risk in a timely manner.

## Chapter III Management Discussion and Analysis

### 3.4 LOAN QUALITY ANALYSIS (Continued)

#### 3.4.6 Loans of the top 10 single borrowers

The following table sets forth the loans of the Bank's top 10 single borrowers as at the dates indicated:

*In millions of RMB, except percentages*

Top 10 borrowers	Industry that borrower belongs to	Amount of loans as of 30 June 2016	Percentage of net capital
A	Public management and social organisation	1,900	4.33%
B	Leasing and commercial services	1,520	3.46%
C	Urban infrastructure construction	1,395	3.17%
D	Urban infrastructure construction	1,200	2.73%
E	Mining	1,044	2.37%
F	Construction	1,035	2.35%
G	Leasing and commercial services	960	2.18%
H	Leasing and commercial services	906	2.06%
I	Leasing and commercial services	899	2.04%
J	Leasing and commercial services	869	1.98%
Total		11,728	26.67%

#### 3.4.7 Distribution of loans by overdue period

The following table sets forth the distribution of loans by overdue period as at the dates indicated:

*In millions of RMB, except percentages*

	30 June 2016	31 December 2015
Total overdue customers loans and advances listed by duration		
Less than 3 months	2,660	314
3 to 6 months	1,544	1,952
6 to 12 months	2,624	1,867
Over 12 months	1,679	810
Total	8,507	4,943
Less than 3 months	31.27%	6.36%
3 to 6 months	18.15%	39.48%
6 to 12 months	30.85%	37.77%
Over 12 months	19.73%	16.39%
Total	100.00%	100.00%

## Chapter III Management Discussion and Analysis

### 3.4 LOAN QUALITY ANALYSIS (Continued)

#### 3.4.8 Restructuring loans

The Bank's restructuring non-performing loan amounted to RMB22 million in the first half of 2016. Such credit assets were classified as sub-standard, and were related to Ma'anshan Branch.

No.	Core branch	Name of the borrowing enterprise	Date of the loan restructuring	Maturity date after loan restructuring	Loan balance	Five-category classification as		Balance	Five-category	
					as of 30 June 2016 after restructuring (in '0000 of RMB)	of 30 June 2016 after restructuring	Former loan extending date	Former loan maturity date	before restructuring (in '0000 of RMB)	before restructuring
1	Ma'anshan	Ma'anshan Guangyuan Flange Rings Co., Ltd.	31 March 2016	31 March 2017	2,200	Special mention	23 October 2014	23 October 2015	2,200	Sub-standard

#### 3.4.9 Change of allowances for loan impairment

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

The following table set forth the changes of the Bank's allowances for impairment on loans to customers:

	<i>In millions of RMB</i>	
	30 June 2016	31 December 2015
Balance at the beginning of the period/year	6,006	4,662
Net allowances for impairment on loans to customers	2,137	2,686
Unwind of discount interest on allowance during the period/year	(44)	(65)
Loans written-off during the period/year	(1,160)	(1,344)
Loans collected during the period/year	22	67
Balance at the end of the period/year	6,961	6,006

The Bank adhered to a stable and prudent policy in respect of making provisions. As of the end of the Reporting Period, the balance of allowances for impairment losses on loans of the Bank amounted to RMB6,961 million, representing an increase of RMB955 million as compared with the end of last year. The NPL allowance coverage ratio was 267.50%, representing an increase of 17.01% as compared with the end of last year; the allowance-to-loan ratio was 2.73%, representing an increase of 0.26 percentage point as compared with the end of last year.

## Chapter III Management Discussion and Analysis

### 3.5 CAPITAL ADEQUACY RATION ANALYSIS

The Bank continued to optimize its structure and enhance capital management, and satisfied the regulatory requirements of capital adequacy ratio of the CBRC during the Reporting Period.

In the first half of 2016, the Bank calculated the capital adequacy ratio in accordance with the relevant requirements of the “Administrative Measures for the Capital of Commercial Banks” issued by the CBRC. As of 30 June 2016, the Bank’s capital adequacy ratio was 11.97%, Tier 1 capital adequacy ratio was 8.91%, and core Tier 1 capital adequacy ratio was 8.89%.

*In millions of RMB, except percentages*

	<b>30 June 2016</b>	31 December 2015
<b>Core Tier 1 capital</b>	<b>43,359</b>	41,542
Including: Paid-up capital	<b>11,050</b>	11,050
Capital reserve	<b>6,956</b>	7,022
Surplus reserve and general reserve	<b>12,138</b>	9,966
Retained earnings	<b>12,601</b>	13,121
Non-controlling interests	<b>614</b>	383
Regulatory deductions for Tier 1 Capital	<b>(82)</b>	(91)
<b>Core Tier 1 capital, net of deductions</b>	<b>43,277</b>	41,451
Other Tier 1 capital, net of deductions	<b>77</b>	41
Total Tier 1 capital, net of deductions	<b>43,354</b>	41,492
<b>Tier 2 capital</b>	<b>14,896</b>	14,539
Including: Tier 2 capital instruments and premium	<b>10,382</b>	10,780
Surplus loan loss provisions	<b>4,358</b>	3,689
Non-controlling interests	<b>156</b>	70
<b>Total capital, net of deductions</b>	<b>58,250</b>	56,031
<b>Risk-weighted assets</b>	<b>486,708</b>	422,933
<b>Capital adequacy ratio</b>	<b>11.97%</b>	13.25%
<b>Tier 1 capital adequacy ratio</b>	<b>8.91%</b>	9.81%
<b>Core Tier 1 capital adequacy ratio</b>	<b>8.89%</b>	9.80%

## Chapter III Management Discussion and Analysis

### 3.6 SEGMENT PERFORMANCES

#### Operating segments

The Bank provides services through four major business segments: corporate banking, retail banking, treasury and others. The table below set forth the segment performance of the Bank by business category as at the periods indicated:

*In millions of RMB, except percentages*

Items	January to June 2016		January to June 2015	
	Segment profit before tax	Percentage	Segment profit before tax	Percentage
Corporate banking	2,415	55.35%	2,362	58.97%
Retail banking	410	9.40%	82	2.05%
Treasury	1,368	31.35%	1,469	36.68%
Others	170	3.90%	92	2.30%
Total	4,363	100.00%	4,005	100.00%

### 3.7 OTHERS

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

The off-balance sheet items of the Bank include letters of guarantee, letters of credit, bank acceptance and bank commitment letters. Commitment letters include loans commitment, operating leases commitment, capital commitment and certificate government bond honor commitments. Loan commitment is the main component of the bank commitment letters. Contingencies and commitments can be found in Note 39 of the financial statements.

#### 3.7.2 Overdue outstanding debt

As of 30 June 2016, the Bank had no overdue outstanding debt.

## Chapter III Management Discussion and Analysis

### 3.8 OPERATING ENVIRONMENT, INFLUENCE OF THE CHANGE IN MACRO POLICY AND THE FOCUSES OF THE OPERATION

#### 1. Complex and volatile external development environment

The Brexit brought certain impact to the global market. In a short term, the Brexit will result in the rising market sentiment to avoid risk, the increase of U.S dollar index and the outflow of capital, which is adverse to the stability of RMB exchange rate. Furthermore, as the economic recovery in the United States slowed down, the Federal Reserve resolved to delay the raising of interest rates at the discussion meeting in June 2016 once more. Despite of this, the expectation of raising interest rates still continued to affect the market sentiment, RMB exchange rate was under pressure in a mid-long term and the pressure of potential capital outflow continued. Europe and Japan sustained their quantitative easing policy, the global financial market got impacted by the Brexit, the raising of interest rate of Federal Reserve was still uncertain, and emerging economies developed under a volatile trend, which all increased the uncertainties faced by the global economy.

#### 2. Smooth and steady development of domestic economy

The overall domestic economy proved smooth and steady in the first half of 2016. Amid decline of investment growth, slow growth of consumption, and the larger scale of decline in export, the industrial production tended to be stable, infrastructure investment increased at high-speed and social employment maintained stable. In addition, under the “stable currency and loose finance” policy, the economy and society ran steadily, while domestic commercial banks were faced with new opportunities and challenges with the transition from the old driving forces to the new ones still in process.

#### 3. Launch of the pilot scheme of investment-loan linkage business

As the structural adjustment deepens, innovation-driven force keeps an accelerated growth. On the one hand, high and new technology kept rapid development and the proportion of added value of high technology industry in added value of above-set-scale industry has continuously improved; on the other hand, the innovative entities continued to surge and “Entrepreneurship and Innovation” has been a rising trend. The PBOC, the CBRC and the Ministry of Science and Technology jointly published guiding opinions in April 2016 to encourage the banking institutions to initiate the pilot scheme of investment-loan linkage business. Although the Bank was not listed as the first ten pilot banks, Hefei-Wuhu-Bengbu Independent Innovation Comprehensive Experimental Zone has been successfully promoted to a National Independent Innovation Demonstration Zone, which will bring new opportunities to accelerate the development of technological innovation-based enterprises in Anhui Province and offer the Bank new chances to serve technological innovation-based enterprises as well.

## Chapter III Management Discussion and Analysis

### 3.8 OPERATING ENVIRONMENT, INFLUENCE OF THE CHANGE IN MACRO POLICY AND THE FOCUSES OF THE OPERATION (Continued)

#### 4. Frequent occurrence of risk events

Since the first half of 2016, there have been various domestic bonds going into default, and default bodies range from private enterprises to enterprises controlled by the central authorities and the local authorities. In terms of reasons, on the one hand, it has been affected by the deterioration of operating conditions and the increase of corporate debt burden due to the economic downturn; on the other hand, it has also been related to the disposal of zombie companies and the active exposure of risks under the supply-side reform. Since June 2016, the NDRC has conducted intensive investigation on the overcapacity reduction of each region, and it is expected that more efforts will be put in the promotion of overcapacity reduction in the second half of 2016, which may lead to further exposure to credit risks under more stringent policies.

#### 5. Prospects and measures

2016 will see a further diversification of the global economy. The US economy will continue to recover, which signals the upcoming interest rate hike to be made by the Federal Reserve. Despite of the improvement in the European and Japanese economies, the risks in the emerging markets will intensify. The oil price will become stable with rebounding demand. It is expected to see an early trend of inflation worldwide in the second half of 2016. Domestic investment will continue to slow down with no growth momentum, while consumption will remain stable. The prospect for import and export seems bleak, as the economic downward pressure will be still high. In the second half of 2016, a more aggressive fiscal policy is expected to be launched with some room for monetary policies. With the influence of the policies for achieving stable growth, the economy is expected to gradually rebound. Intensified challenges from internet finance, complex and volatile regulatory environment, expansion of integrated operation, and risk of deteriorating asset quality will pose challenges to the traditional banking industry. Meanwhile, the Yangtze River Economic Belt development strategy, new-type urbanization construction, and greater future economic development potentials in Anhui Province will bring good opportunities for the Bank's steady development.

By seizing the opportunity of launching more fiscal policies, the Bank will play its role vigorously to support the local economic development, innovate differentiated financial products, make project reserves and loan placements, maintain its asset quality through strict risk control and consolidate customer base for the purpose of creating new profit growth points for the Bank.



## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION

#### 3.9.1 Wholesale banking

The Bank's wholesale banking business mainly provides a full range of wholesale financial products and services to corporations, financial institutions and government agencies, which include corporate loans, corporate deposits, bill discounting, investment banking, fund business and a series of fee- and commission-based services, and provides solutions of comprehensive services to large corporations. Corporate banking is our major source of operating income and contributes most of our operating profit.

In the first half of 2016, while maintaining its advantages in the existing wholesale business, the Bank remained customer-centric to continue to grow its wholesale business in the local market of Anhui Province, and also vigorously expanded to markets beyond Anhui Province such as Nanjing City, fostering new sources of business growth. The Bank continued to intensify its adjustment in customer structure and income structure, thus accelerating its integrated operation development. The Bank strengthened its risk management and control, and comprehensively enhanced the profitability of its assets, effectively promoting a fast and healthy development of the wholesale banking business. As of the end of 2015, the Bank's market share of local and foreign currencies corporate deposits has continued to rank first in Anhui Province for eight consecutive years. In the first half of 2016, the Bank has further expanded its leading position in corporate deposits within Anhui Province. Transformation businesses including investment banks, supply chain finance, cash management, bill business and urbanization fund business have all achieved rapid growth, and innovated businesses including "PPP Quanchengtong (全程通)" business were widely recognized by the market.

Facing new changes in the economic and financial situation, the Bank shall continue to focus on reform and innovation in the second half of 2016. The Bank shall accelerate its integrated operation development, further enhancing the quality of its professional services, and making efforts to achieve sustainable and healthy development of the wholesale banking business.

#### **Corporate loans**

Corporate loans are the most important component of the Bank's loan portfolio. Currently, most of the Bank's corporate loans customers are enterprises operating their business within Anhui Province. Corporate loans of the Bank mainly include working capital loans, fixed asset loans and other corporate loans (by type of products). The Bank provides working capital loans for corporate customers for their daily operations. The Bank provides fixed asset loans for corporate customers to satisfy their financing demands in new construction, expansion, reconstruction and purchase of fixed asset investment projects. The Bank also provides other corporate loans products including shantytowns redevelopment loans, operational property mortgages, urbanization loans, pledges of accounts receivable financing, pledges of chattel financing, non-standard warehouse receipts financing and confirming warehouse financing. During the first half of 2016, with adherence to the principle of supporting real economic development and having regard to the national macro-economic policies, the Bank further optimized the industry structure of corporate loans by prioritizing its support to industrial transformation and upgrade, strategic emerging industries, traditional industries with competitive advantages and modern services industries. At the same time, the Bank effectively controlled the growth of loans in "Non-green" industries. As of 30 June 2016, the balance of the Bank's corporate loans was RMB165,039 million, representing an increase of RMB7,609 million from the beginning of the year.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.1 Wholesale banking (Continued)

##### *Corporate loans (Continued)*

During the first half of 2016, the Bank orderly pushed forward professional and process-oriented services to small enterprises, endeavored to strengthen its ability in marketing, products specialization and risk management, and continually enhanced the financial services ability for micro and small businesses. The main approaches were:

Firstly, the Bank improved credit products and services for micro and small enterprises to meet customer's demand in full scale. In the first half of 2016, the Bank mainly introduced three key credit products for micro and small enterprises, i.e., Easy-Revolving-Loan (易連貸) with "no repayment of principal, renewing loans directly", re-guarantee loans based on the proportion of "risks shared by banks and the government" ("4321" loans) and Easy-Tax-Loan facing "Trusted Tax-paying Enterprises", which innovated respectively in loans renewal manner, risks sharing manner and credit guarantee manner, decreasing cost of continued loan bridge funds for enterprises and expanding audience enterprise range of such policies. At the same time, the Bank launched a small enterprises financial services platform mobile end to provide "one-stop pocket financial services" for micro and small enterprises during the first half of 2016, realizing the functions of account management and mobile payment for micro and small enterprises whenever and wherever possible.

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

Thirdly, we implemented professional reform to small enterprises and improved financial services to micro and small enterprises. We are profession-oriented and focused on the professionalization of "organization, team, products, process and assessment". The Bank strived to promote small enterprise professional operation reform and gradually established a small enterprise professional operating model which has characteristics of our Bank and is reproducible. Promoting upgrade of corporate business and transformation of branch business, the Bank step-by-step realized branch professional operation of micro and small business. The Bank built a marketing model with precise target to effectively improve our ability to develop new customers. The Bank consolidated the team construction and established a professional working mechanism for small enterprise business. The crucial business process has been remodeled to effectively prevent and control the business risk. Our financial service ability for small and micro enterprises has been further enhanced by establishing microcredit business division, micro and small branches and differentiated evaluation system for small and micro enterprise business.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.1 Wholesale banking (Continued)

##### **Discounted bills**

In the first half of 2016, based on the overall balance of assets size, liquidity, profitability and risk, the Bank actively responded to changes in the operating environment, scientifically followed the pace of bills business development, enhanced the profitability of the bills business, and promoted the healthy and compliant development of bills business. As of 30 June 2016, the Bank's loan balance of discounted bills amounted to RMB18,414 million, representing a decrease of RMB3,196 million from the end of 2015.

##### **Corporate deposits**

The Bank provides corporate deposits products and services to customers, such as corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposit, negotiated deposit, corporate structured deposit, corporate intelligent call deposit and corporate intelligent time deposit. The Bank actively addressed the challenges brought by interest rate liberalization. While focusing on improving the performance of corporate deposits, the Bank continued to improve the market competitiveness of corporate deposits businesses, strived to expand the sources of low-cost corporate deposits, and further improved the corporate deposit structure. The Bank has established a leading market position in terms of corporate deposits in Anhui. According to the data of the PBOC Hefei Central Sub-branch, the Bank maintained the first place in terms of corporate deposits in the province for eight consecutive years from 2008 to 2015. During the first half of 2016, the corporate deposits of the Bank grew steadily. As of 30 June 2016, the balance of corporate deposits of the Bank amounted to RMB301,292 million, representing an increase of RMB58,109 million from the previous year. The Bank has further expanded its leading position in regard to corporate deposit.

##### **Cash management business**

Cash management is a new strategic corporate finance business of the Bank in response to the challenge brought by interest rate liberalization, which covers a variety of comprehensive services plans, including account management, collection and payment management, liquidity management, investment and financing management, risk management and information services. During the first half of 2016, the cash management business of the Bank was customer-oriented. We deepened product innovation and customer service upgrading and strived to provide comprehensive, integrated and one-stop treasury management services to corporate customers. The reputation and influence of "Zhuo Yue e+ (卓越e+)" cash management brand continued to improve. During the first half of 2016, the transaction amount of cash management business of the Bank reached RMB450,000 million, representing an increase of 50% as compared with the same period of last year.

##### **Fund business**

Taking into consideration of the business cooperation with governments under the new situation, the Bank launched innovative fund cooperation modes, including urbanization fund, industry development fund and small and medium enterprise profit-making development fund. Urbanization fund was used for swapping the liquidity inventory debts of local governments, amounts payable by governments and other public service that meet the requirements under national files. Industry development fund and small and medium enterprise profit-making development fund were used for supporting the development of small and medium enterprises and related industries. As of 30 June 2016, the Bank realized a total amount of RMB123,114 million in urbanization fund business; RMB2,484 million in industry development fund business and RMB1,930 million in small and medium enterprise profit-making development fund.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.1 Wholesale banking (Continued)

##### *Fund business (Continued)*

The Bank responds positively to the nation's call on targeted poverty alleviation, taking full advantages of local legal person institutions. Under the support of the government of Jinzhai county, the Bank founded the first development fund on targeted poverty-relief in Anhui Province, Investment & Development Fund of Jinzhai Huiyin on Targeted Poverty-Relief, with a total fund registration size of RMB1,250 million, which is primarily used in various targeted poverty alleviation projects presented in the "3115" Poverty-Relief Plan in Jinzhai.

##### *PPP (Public-Private-Partnership) business*

The Bank actively responded to the policies of central government, prioritized PPP business as its strategic business, fully supported the infrastructure conducted by local government through PPP model and promoted the rapid development of local economy and the improvement of people's livelihood. During the first half of 2016, under the support of Anhui Government, the Bank founded the Infrastructure Development Fund of Huishang Bank of Anhui, the first provincial PPP guidance fund in Anhui province with a total fund registration size of RMB50,000 million. The Bank innovatively initiated "PPP Quanchengtong (PPP全程通)" business and invested assets in several projects, and therefore, the Bank began to have an influence in the area of PPP business in Anhui Province.

##### *Investment banking business*

The Bank focused on carrying out the lead underwriting business of debt financing instruments, asset securitization, structure financing, merger and financing, investment and financing consultancy and other investment banking business, and promoted its business transformation. The Bank constantly enriched products in investment banking business by launching innovative products, such as asset securitization products of personal housing mortgage loans (RMBS) and debt financing plans.

After obtaining the qualification as a lead underwriter for Type B Debt Financing Instruments of Non-financial Enterprises, the Bank actively carried out lead underwriting business. As at 18 February 2016, with the approval of National Association of Financial Market Institutional Investors, the Bank became one of the first lead underwriters for Type B that obtained the independent lead underwriting qualification. The Bank was allowed to independently conduct lead underwriting business for debt financing instruments of non-financial enterprises within Anhui province, indicating that the Bank took another significant step in serving regional economic construction and direct corporate financing. During the first half of 2016, the Bank successfully registered three debt financing instruments, with a registered amount of RMB13,500 million, issued seven debt financing instruments, with a total amount of RMB3,800 million, effectively facilitating the business transformation and development of the Bank.

The Bank made breakthrough in asset securitization, successfully obtained the registration and administrative licensing for asset securitization of RMB5 billion personal housing mortgage loans (RMBS) from the PBOC, and the acceptance of the registration of the first issuance of RMB629 million from CBRC. It was the first securitization business of personal housing mortgage loans issued by the Bank, laying a foundation for its diversified financing channels and development of securitization.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.1 Wholesale banking (Continued)

##### *International business*

During the first half of 2016, the Bank focused on providing financial support to the “One Belt, One Road” national strategy, Renminbi internationalization, and small and medium enterprises to “Go Global”, vigorously developing cross-border settlement, cross-border financing and comprehensive corporate financing services. During the first half of 2016, the Bank accumulatively handled USD3,744 million in cross-border settlement, representing an increase of 40.91% as compared with the same period of last year; reached a market share of 12.71% in cross-border settlement within Anhui Province, representing an increase of 1.31% as compared with the same period of last year and an increase of 1.69% as compared with the beginning of this year; cross-border payment and settlement amounted to USD2,598 million (excluding Nanjing region), which ranked 5th among all the financial institutions within Anhui Province.

The Bank always adheres to being customer-based, and constantly improves international market share. As of the end of June 2016, the Bank has 3,122 customers from international business, representing an increase of 326 customers as compared with the end of 2015 and a year-on-year increase of 17.28%, active customers in trade finance amounted to 1,136. With increasing expansion of its international customer group, the Bank’s customer base continues to consolidate.

During the first half of 2016, the Bank continued to increase its investment in international and national trade finance of the real economy and constantly explored innovation and breakthrough in transaction banking products. As of the end of June 2016, the Bank accumulatively granted international trade financing amounted to USD314 million, trade financing under domestic letters of credit amounted to RMB4,603 million, financing external guarantee amounted to USD800 million. Foreign exchange trade matching business amounted to USD150 million; derivative products business (including future foreign exchange settlement, forward exchange transactions, foreign exchange swap and RMB foreign exchange swaps) accumulatively amounted to USD1,130 million, non-interest net income accumulatively amounted to RMB74.4451 million, representing a year-on-year increase of 41.84%. The sources of income from foreign exchange intermediary business have been further diversified.

In distributors channel construction, the Bank seized opportunity of connectivity and construction along countries covered by the “One Belt, One Road” strategy, and continuously improved overseas agency banking network according to the development demands of customer and business. As of the end of June 2016, the Bank has established agency banking business relationship with 725 banks in more than 80 countries across six continents in the world, including 235 agency banks in countries and regions covered by the “One Belt, One Road” strategy, and has set up 15 overseas clearing accounts for the main settlement currencies to constantly optimize overseas agency banking structure, improve clearing channels, thus fully meeting customers’ demand for clearing and settlement services.

#### 3.9.2 Retail banking business

##### *Business overview*

During the first half of 2016, through enhancing market expansion, providing innovative financial products and services, accelerating business channel and team building, the Bank actively built wealth management center systems, and spared no efforts to promote services designed for different client groups and marketing activities. These efforts have helped to lay down a solid foundation for retail business development of the Bank and improve the performance indicators at a faster speed and constantly enhance regional competitiveness of its retail business.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.2 Retail banking business (Continued)

##### *Business overview (Continued)*

During the first half of 2016, the Bank's active customer base maintained a steady growth, among which the number of medium-to-high-value customers grew faster than others, and customer structure was further optimized. Wealth management business maintained a rapid growth rate, with a significant increase in the sales of wealth management products (WMPs) and further increased the sales of non-principal-guaranteed products. In addition, the sales of government bonds were in a leading position in the province. The scale of deposit from retail customers expanded rapidly. New indicators of retail deposits and daily average saving deposits hit their record high for the same period of previous year, and the scale of retail consumption loan business continued to grow.

During the second half of 2016, under the strong impact from interest rate liberalization and internet finance, the pressures of retail business of the Bank will become more acute. The Bank will, through improving the retail business philosophy, management, innovation and technology, strengthen the retail business talent pool, increase the capabilities of outlets, broaden wealth management product line, improve service quality and strengthen data analysis ability. At the same time, the Bank will accelerate the pace in conducting a series of foundation work, such as the establishment of wealth centers and community branches, small and micro branches and agricultural benefiting branches as well as promotion of inclusive finance, optimization of sales capacity of outlets. The Bank will continue to maintain a rapid and healthy development for each retail business so as to compressively improve the overall competitiveness of retail businesses and contribution to the entire business.

##### *Wealth management business*

The Bank's personal wealth management business primarily includes personal wealth management services, agency sale of funds, agency services of insurance products and agency sale of government bonds, among which:

During the first half of 2016, the Bank raised RMB40,156 million for the personal wealth management business, representing a year-on-year increase of 58.27%. Penetration of personal wealth management products amounted to RMB33,907 million, representing a year-on-year increase of 68.57%. Agency sale of open-end funds amounted to RMB1,719 million, representing a year-on-year decrease of 2.71%. Penetration of funds was RMB1,224 million, representing a year-on-year increase of 78.96%. Agency sale of insurance products was RMB208 million, representing a year-on-year increase of 19.93 times. Agency sale of government bonds amounted to RMB460 million, representing a year-on-year increase of 40%.

During the first half of 2016, income from the intermediary business of the Bank's personal wealth management business amounted to RMB185.0036 million, representing a year-on-year increase of RMB114.544 million or 162.57%. Among those, income from the intermediary business of personal wealth management business amounted to RMB177.0272 million, representing an increase of 169.76%, whereas income from the intermediary business of agency sale of funds amounted to RMB1.1206 million, representing a year-on-year decrease of 4.17%. Income from the intermediary business of agency sale of insurance products amounted to RMB4.2982 million, representing a year-on-year increase of 152%. Income from the intermediary business of agency sale of government bonds amounted to RMB2.5576 million, representing a year-on-year increase of 30%.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.2 Retail banking business (Continued)

##### **Bank card business**

##### *One card (一卡通)*

During the first half of 2016, the Bank further deepened the expansion and operation of the customer base of retail business. In adherence to the customer-centric business philosophy and with an aim to cater to the customers' needs, through vigorously promoting the circulation of financial IC cards and focusing on carrying out the campus one card project, the Bank enhanced the resource integration of preferential merchants, proactively carried out various kinds of marketing activities for bank cards, constantly cultivated the card-using habits of customers and constantly enhanced its customer loyalty, so as to further achieve a steady and continuous growth in Huangshan debit cards transactions. As of the end of June 2016, penetration of debit cards amounted to 9.6039 million. Total deposits of the cards amounted to RMB41,909 million, accounting for 40.65% of total retail deposits. Deposit per card amounted to RMB4,364. Bank card administration fees income of the Bank amounted to RMB241.22 million from January to June 2016, representing a year-on-year increase of RMB140.80 million or 140.20%, which was primarily influenced by a rapid growth in income generated from, among others, the promotional campaigns of bank card consumptions and credit card installments.

##### *Credit card*

During the first half of 2016, on the one hand, the Bank accelerated its research and development on mobile payment products and constantly optimized the online channel of credit cards for the purpose of establishing the service brand of "intelligence finance", aiming to establish an influential credit card brand in Anhui Province. The Bank proactively developed mobile payment products such as smart wristbands, APPLE PAY, Samsung Pay, Huawei Pay and Mi Pay, and continuously optimized the credit card channels such as WeChat and APP, with an aim to establish an online and offline O2O commercial circle for credit cards and improve customer service satisfaction. On the other hand, based on the "consumer finance" service, the Bank established the consumer financial product system and launched installment products of the consumer finance series such as direct car installment, parking space installment and education installment based on diversified consumer finance needs of card holders, so as to improve customers service capabilities. Meanwhile, with the help of integration and optimization of sales channels and internal processes, the Bank comprehensively enhanced its marketing and internal management capabilities. Leveraging on data analysis methods and internet technologies, the Bank paid more attention to risk inspection and handling in the course of an action and comprehensively strengthened its risk management capabilities. As of the end of the Reporting Period, the Bank issued a total of 653,209 credit cards, of which 605,733 were valid cards. The number of credit cards newly issued during the Reporting Period was 145,476. For the first half of 2016, the transaction amount of credit cards of the Bank was RMB13,085 million; the monthly average transaction amount of valid cards was RMB4,045. The outstanding overdraft amount of credit cards was RMB6,054 million, representing an increase of RMB447 million as compared with the end of 2015. Credit card interest income amounted to RMB30.2925 million, representing an increase of 15.43% as compared to the same period of the previous year. Credit card non-interest income amounted to RMB215.7960 million, representing an increase of 201.00% as compared to the same period of the previous year. As of 30 June 2016, credit cards NPL ratio was 1.85%, representing an increase of 0.72 percentage point from the end of 2015.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.2 Retail banking business (Continued)

##### *Retail loans*

During the first half of 2016, with an aim to expand and consolidate its consumption loan business and with prior consideration for customers and products, the Bank strengthened the planning of its personal consumption loan business, beefed up the construction of its team, accelerated its channel integration, improved its service quality and contributed more efforts to marketing and investing of consumption loans business focusing on personal housing loans to achieve a continuous growth in the scale of the personal consumption loans business. As of the end of June 2016, the balance of the Bank's personal consumption loans (exclusive of the overdraft amount of credit cards) amounted to RMB43,632 million, representing an increase of RMB5,830 million or 15.42% as compared with the beginning of 2016, which accounted for 16.62% in the industry, representing an increase of 1.36 percentage points as compared with the beginning of 2016. The personal consumption NPL ratio was 0.24%, representing an increase of 0.04 percentage points as compared with the beginning of 2016.

##### *Retail customer deposits*

During the first half of 2016, facing further deepening liberalization of interest rates, impact of internet finance, diversification of customers' wealth management needs and intense competition in the industry, the Bank achieved a relatively fast growth in customer deposits by adhering to its customer-oriented business philosophy, focusing on customers' needs on wealth management, payment and settlement, and loan financing, and through speeding up market responsiveness, prompting the establishment of rural inclusive financial systems, getting through online and offline service channels, continuously innovating products and marketing mode as well as launching products which adapted to liberalization of interest rates. As of the end of June 2016, the Bank's total retail customer deposits amounted to RMB103,088 million, representing an increase of 18.81% as compared with the beginning of the year. Among these deposits, saving deposits under headquarter from county regions amounted to RMB22,163 million, representing an increase of 45.96%.



## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.3 Financial market business

##### *Business strategy*

During the first half of 2016, Chinese economy continued to slow down, while the inflation rate increased slightly as compared with last year but still maintained at a lower level. The Central Bank adopted a robust monetary policy, enhanced the construction of Interest Rate Corridor mechanism and placed more emphasis on an appropriate pre-tuning and fine-tuning. Hence, the overall monetary market liquidity remained stable. The Bank, after conducting an intensive study on the foreign and domestic economic situations, analyzed the trend of bond market, formulated its investment plan in a scientific way and increased returns on asset portfolios and income from intermediary business. Firstly, the Bank actively adjusted its assets structure after conducting analyses and judgments on interest rate movements and flexibly grasping the progress and tempo of assets investment, and properly increased its efforts in allocating local government bonds and financial bonds with relatively higher yields so as to enhance profitability of asset portfolios. Secondly, the Bank proactively participated in the securities swing trading in secondary markets so as to improve the income from transaction spread while sparing no efforts to strengthen its market making capabilities and proactively performing its obligations as a probationary market maker. Thirdly, the Bank expanded and consolidated its bond underwriting business. During the first half year, the Bank contributed more efforts to government bond and policy financial bond underwriting, so as to increase income from intermediary business. Fourthly, the Bank proactively improved its business innovation capabilities and explored new types of business. During the first half year, the Bank acquired the qualification for trading on the Shanghai Gold Exchange, which marked a significant step of the Bank in carrying out proprietary trading of precious metals. During the first half year, the Bank proactively conducted interest rate swap trading and gradually improved its derivatives trading level. As of the end of June 2016, the average duration of RMB bond investment portfolios was 3.43 years. Annual return on investment portfolios was 4.50%. Yield of interest income of government bonds after tax return was 4.94%.

##### *Business development*

During the first half of 2016, the Bank promoted a steady and sound growth of its financial markets business by optimizing the structure of its investment portfolios, strengthening business innovation and enriching types of products. As of the end of June 2016, the Bank's investment scale amounted to RMB297,595 million, representing an increase of 29.17% as compared with the beginning of 2016.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.4 Asset Management Business

In 2016, as a Standing Committee unit of financial professional committee of China Banking Association, the Bank accelerated the reform of wealth management business governance system, established the first-grade Asset Management Department of the Head Office, completed business system and organization system, put entrusted wealth management business under centralized management, and promoted all-round development of the wealth management business of the Bank.

In respect of business scale, the entrusted wealth management business of the Bank, supported by two major product systems, namely “Ben Li Ying” (本利盈) and “Chuang Ying” (創贏), achieved rapid business expansion in the first half year of 2016. The Bank issued a total of 405 tranches of financial products with the total proceeds raised of RMB76,311 million, representing an increase of 17.20% as compared with the corresponding period of last year. The balance of wealth management products at the end of the period amounted to RMB67,614 million, representing an increase of 36.71% as compared with the corresponding period of last year. The daily average balance of wealth management products amounted to RMB61,478 million, representing an increase of 71.23% as compared with the corresponding period of last year.

In respect of customer system, in the first half of 2016, the Bank established a relatively comprehensive customer system that covers retail, agency and peer banks, with its customer type continuously improved, and business ways effectively expanded. At the same time, more efforts were put to support retail customers in the industry, with the total proceeds raised of RMB40,156 million, representing an increase of 58.27% as compared with the corresponding period of last year, and surviving scale amounted to RMB33,907 million, representing an increase of 68.57% as compared with the corresponding period of last year.

#### 3.9.5 Distribution channels

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

##### **Physical distribution channels**

As of 30 June 2016, the Bank built a total of 602 self-service banks and put a total of 2,023 self-service equipment into operation, including 584 ATMs, 797 CRSs, 527 self-service terminals and 115 card issuing machines.

##### **Electronic banking channels**

The Bank places great emphasis on optimizing and expanding electronic banking channels, including online banking and mobile banking, which has effectively relieved the pressure on sales networks. In the first half of 2016, the trading account transactions via retail electronic channels accounted for 84.98%, representing an increase of 3.83 percentage points over the last year; whereas the trading account transaction via corporate electronic channels accounted for 60.27%, representing an increase of 1.89 percentage points over the last year.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.5 Distribution channels (Continued)

##### **Online banking**

In the first half of 2016, the Bank's personal online banking business continued to develop rapidly with a substantial increase of customer base and the increasing trading activities of customers. As of 30 June 2016, the total number of personal online banking customers amounted to 1.8739 million. The trading account transactions via personal online banking accounted for 46.42%, representing an increase of 0.81 percentage point over the last year. The number of personal online banking transactions accumulated to 93.5301 million in the first half of 2016, representing a year-on-year increase of 68.97%. Among these transactions, the number of online payment transactions was 8.9777 million, representing a year-on-year increase of 78.70%. The transaction amount was RMB10,094 million, representing a year-on-year increase of 100.40%. In recent years, the enterprise online banking business of the Bank experienced a comprehensive and rapid development. Therefore, it has become an efficient operating channel connecting customers across various areas of public business with constant solidification of customer base and continued improvement in efficiency of channels. It continued to develop under the direction of customer operation, value exploration, cross sales and industry expansion. In the first half of 2016, the Bank recorded 18.6150 million transactions of enterprise online banking, representing a year-on-year increase of 14.35%. The transaction amount of enterprise online banking accumulated to RMB1,013,264 million, representing a year-on-year increase of 37.95%.

##### **Mobile banking**

In the first half of 2016, the Bank's personal mobile banking continued to maintain a rapid growth. As of 30 June 2016, the total number of mobile banking customers reached 942,300. During the Reporting Period, the number of transactions reached 14.4130 million, representing a year-on-year increase of 299.79%, and the transaction amount accumulated to RMB46,932 million, representing a year-on-year increase of 232.73%.

##### **Direct banking**

The direct banking of the Bank developed rapidly since its launch in January 2015. The number of direct banking customers and transaction volume also grew rapidly. As of 30 June 2016, the total number of direct banking electronic customers amounted to 677,200, and the total penetration of products reached RMB3,842 million, with a total transaction amount of RMB31,500 million during the Reporting Period. After a year and a half of development, the infrastructure of direct banking continued to improve. Three product lines including investment, financing and payment moved forward together. Cross-border cooperation and product innovation emerged one after another. Market reputation continued to improve. The Bank's direct banking "Hui Chang You Cai (徽常有财)" has been ranked top five among the direct banking list in China for a long term. In the ranking list of China Internet Finance Top 300, the Bank's highest ranking was 27.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.6 Business of subsidiaries and major affiliate company

##### *Subsidiaries*

##### *Huiyin Financial Leasing Co., Ltd.*

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

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

Since opening, under the philosophy of “setting standards, laying foundation, seizing customers, and innovating model”, Huiyin Financial Leasing has set up a foothold in Anhui and serves the entire country. The company has actively expanded its business scope and customer resources, providing customers with professional and integrated financial leasing services. It adheres to the idea of stable business operations and sustainable development and strives to enhance its business scale, speed, quality and efficiency. It promotes business scale expansion, strives to adjust the structure of its customers, products, businesses and income and persists on prudent risk management. It constantly enhances the level of risk management to raise risk resilience. Huiyin Financial Leasing develops resource advantage and improves its comprehensive core competitiveness, creating sustainable competitive advantage for its medium-term and long-term development. As of the end of June 2016, its total assets amounted to RMB14,620 million and total liabilities amounted to RMB12,507 million; newly added investment in financing lease amounted to RMB8,348 million and the balance of lease amounted to RMB14,586 million; net operating income amounted to RMB241 million and net profits amounted to RMB62 million, with a NPA ratio of zero. Each major operation indicator was in line with regulatory standards.

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.6 Business of subsidiaries and major affiliate company (Continued)

##### *Subsidiaries (Continued)*

##### *Jinzhai Huiyin Rural Bank Co., Ltd.*

Registered in Jinzhai County of Lu'an City, Jinzhai Huiyin Rural Bank Co., Ltd. ("Jinzhai Huiyin") officially commenced business operation on 28 June 2013 with a registered capital of RMB80 million. Jinzhai Huiyin was jointly established by the Bank and Anhui GuoYuan Investment Co., Ltd, along with other enterprises and individuals. The Bank contributed RMB32.80 million to the registered capital of Jinzhai Huiyin, accounting for 41% of its shareholding. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) handling domestic settlements; (4) handling bill acceptance and discounting; (5) engaging in inter-bank lending; (6) engaging in banking card business; (7) issuing, redemption of and underwriting government bonds as agents; (8) collecting payments as an agent and engaging in insurance business as an agent; and (9) other businesses approved by the banking regulatory authority of the State Council.

Since its commencement of business, with the support from shareholders, Jinzhai Huiyin has adhered to its original goal of rooting in Jinzhai and serving "Three Dimensional Rural Issues". Its mission is to promote comprehensive financial reform in the rural villages and accelerate the economic and social development in Jinzhai County. It has focused its business on agricultural credit, deposit growth, channel development, and risk prevention and control and has achieved good business development and received recognition from customers, local government and regulatory authorities. In the first half of 2016, the bank successfully issued the "Huangshan Card (黄山卡)" of Jinzhai Huiyin, opened the self-service banking and "Guimiantong (柜面通)" business, and steadily promoted the use of mobile banking, Alipay, WeChat Payment, credit card and credit reporting system. The availability and convenience of basic financial services have been further enhanced. As of the end of June 2016, the total assets and total liabilities of Jinzhai Huiyin amounted to RMB958 million and RMB858 million, respectively, representing a year-on-year net increase of RMB141 million and RMB136 million, respectively. Loans and deposits were RMB662 million and RMB832 million, respectively, representing a year-on-year net increase of RMB113 million and RMB133 million, respectively. The NPL ratio was 0.02%, the allowances for impairment losses on loans were RMB20.5053 million and the allowance-to-loan ratio was 3.1%. The operating income was RMB23.61 million, operating profit was RMB8.25 million and net profit was RMB5.5377 million, representing a year-on-year increase of RMB6.4858 million, RMB2.1526 million and RMB0.2377 million, respectively. Each major operation indicator was in line with regulatory standards.

##### *Wuwei Huiyin Rural Bank Co., Ltd.*

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

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.6 Business of subsidiaries and major affiliate company (Continued)

##### *Subsidiaries (Continued)*

##### *Wuwei Huiyin Rural Bank Co., Ltd. (Continued)*

Since opening, Wuwei Huiyin has been adhered to Huishang Bank's operating philosophy, which upholds the principles of scientific development. As the company is based in Wuwei and relies on the town, it strongly supports the development of "Three Dimensional Rural Issues" economy, individual businesses and SMEs. In accordance with the operating philosophy of "close to the towns, serve Three Dimensional Rural Issues", the company took advantage of its comprehensive corporate governance structure, sound internal control mechanism, leading management skills and strong brand influence. Under effective risk control mechanism, the company innovated a variety of loans with different types, forms and operation processes; it tailored to provide flexible, high quality and efficient financial services to the "Three Dimensional Rural Issues" customers, and supported the county's economic development, extended the service to the wider rural areas and provided financial support to farmers' production and development. In the first half of 2016, the bank successfully issued the "Huiyin Card (徽銀卡)" of Wuwei Huiyin, opened the mobile banking, and steadily promoted the use of Alipay, credit card and credit reporting system. The availability and convenience of basic financial services have been further enhanced. As of the end of June 2016, its total assets and total liabilities amounted to RMB1,888 million and RMB1,675 million, respectively. Deposits and loans were RMB1,645 million and RMB1,307 million, respectively. In the first half of 2016, it recorded a net profit of RMB4.8007 million and NPL ratio of 0.78 %. Each major operation indicator was in line with regulatory standards.

##### *Major affiliate company*

##### *Chery Huiyin Motor Finance Service Co., Ltd.*

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

## Chapter III Management Discussion and Analysis

### 3.9 BUSINESS OPERATION (Continued)

#### 3.9.6 Business of subsidiaries and major affiliate company (Continued)

##### *Major affiliate company (Continued)*

##### *Chery Huiyin Motor Finance Service Co., Ltd. (Continued)*

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

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

### 3.10 RISK MANAGEMENT

In the first half of 2016, risks associated with the banking industry continued to rise due to the complex and volatile domestic and international economic environments. The Bank continued to implement its “prudent, rational and stable” risk preference so as to improve its comprehensive risk management system to proactively avoid various risks.

#### 3.10.1 Credit Risk Management

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

## Chapter III Management Discussion and Analysis

### 3.10 RISK MANAGEMENT (Continued)

#### 3.10.1 Credit Risk Management (Continued)

In the first half of 2016, in view of the challenging market condition with increasing pressure from credit risks due to economic downturn, and guided by comprehensive risk management and focused on maintaining asset quality, the Bank continued to strengthen its credit risk management and control through comprehensive risk examination and on-site inspection and supervision. The Bank strengthened its risk alert and exit mechanism, and conducted key risk examination on loans associated with sensitive industries such as steel, coal and real estate industry. The Bank also strengthened its risk control over key fields, including real estate, over-capacity and emerging industries, and strictly prevented external risk exposures such as guarantee circle and trade financing. Besides, the Bank strictly implemented the national industrial and environmental protection policies on overcapacity industries. The Bank also continued to strengthen its ability to design risk mitigation measures for credit approval, improved the method of credit availability and optimized the credit structure. The Bank proactively mitigated potential risks by strengthening its follow-up management for loans with significant risks, setting up a watch list of debtors for dynamic management, and formulating solutions for loans with potential risks on a “one-customer-one-policy” basis. In addition, the Bank spared greater efforts in the collection of NPLs, with an aim to dispose of non-performing assets through different channels and ways, enhanced the liquidity of inventory assets and optimized the credit structure. During the Reporting Period, the Bank’s NPL balance had increased due to the impact of domestic economic downturn. However, through implementing a number of measures while reducing old loans and controlling new loans, the risk of decline in asset quality is under control. Please refer to Section 3.4 “Loan Quality Analysis” in this report for the distribution structure.

#### 3.10.2 Market Risk Management

Market risk is the risk of loss in respect of the Bank’s on and off-balance sheet activities that was caused by changes in interest rates, foreign exchange rates and other market factors.

In the first half of 2016, facing complex and dynamic external environment, the Bank strived to enhance market risk management tools and optimized market risk management processes in order to achieve better daily market risk management. The Bank adopted a variety of tools and methods such as cash flow analysis, sensitivity analysis and scenario analysis to conduct quantitative analysis on capital investment. The Bank enhanced market risk quota management, conducted stress test on interest rate risk of transaction accounts and further improved its capacity in quantifying and managing market risk so as to effectively avoid market risk. The Bank insisted on optimizing procedures and innovating technologies. Under the comprehensive risk management framework, the Bank fully identified, accurately measured and constantly monitored market risks associated with its various businesses to control market risks within a reasonably tolerable range.

#### 3.10.3 Operational Risk Management

Operational risk refers to the risk of loss arising from deficient or problematic internal procedures, personnel, IT systems and external events. The operational risks faced by the Bank mainly comprise external fraud, internal fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, business interruption, IT systems fault and execution, delivery and process management.



## Chapter III Management Discussion and Analysis

### 3.10 RISK MANAGEMENT (Continued)

#### 3.10.3 Operational Risk Management (Continued)

With respect to operational risk management, the Bank further strengthened its operational risk management in the following ways: (1) the Bank established operational risk management policy guidance, carried out measures for identification, assessment and monitoring of operational risk, implemented a two-way reporting system for operational risks; (2) the Bank carried out operational risk investigation activities on a quarterly basis, aiming to prevent potential risk exposures in key areas and significant operational risk; (3) the Bank continued to promote the establishment of operational risk management system, strengthened the construction in three major instruments of operational risk, revised key risk indicators, with the aim of improving operational risk management techniques; (4) the Bank analyzed typical cases of operational risk, issued knowledge point introduction on operational risk and compilation of typical cases; and (5) the Bank strengthened drilling performance on significant IT systems fault and business continuity management.

#### 3.10.4 Liquidity Risk Management

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

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

The Bank's liquidity risk management adheres to its stable, prudent and rational principles. It emphasizes risk prevention and mitigation while promoting business development and profit growth. The Bank stressed on the importance of "ensuring adequate liquidity" and adopts a flexible approach to manage and control the proportion of liquidity asset portfolio with the highest efficiency. Based on our own features and external market environment, the Bank develops liquidity stress scenarios to ensure that there will be no liquidity risk in any stress scenarios or within the prescribed shortest survival period. Meanwhile, the Bank also formulated contingency plans to prevent potential liquidity crisis and take effective measures to control risk spreading in liquidity crisis scenarios.

## Chapter III Management Discussion and Analysis

### 3.10 RISK MANAGEMENT (Continued)

#### 3.10.4 Liquidity Risk Management (Continued)

By closely monitoring macro-economic policies and capital market conditions, the Bank dynamically adjusts its liquidity management strategies and pace of capital operation in accordance with the Bank's assets and liabilities and liquidity position, effectively addressing the impact of periodic and seasonal factors on the Bank's liquidity and practically improving the Bank's ability to respond to liquidity risk.

#### 3.10.5 Interest Rate Risk Management

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

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

In the first half of 2016, the Bank further promoted its in-depth strategic transformation, proactively coped with interest rate liberalization and increased its efforts in optimizing asset-liability structure and customer base structure. Firstly, the Bank actively optimized its loan structure to accelerate business development of retail and small-micro enterprises. Secondly, the Bank proactively strengthened its loan pricing management with the aim of improving its risk pricing capability and return on loans. Thirdly, the Bank further promoted the rapid development of its intermediary business, optimized its income structure and reduced its reliance on interest spread between deposits and loans. Fourthly, the Bank strengthened the analysis of customers' overall contribution using data from management accounting, so as to effectively improve pricing management.

#### 3.10.6 Exchange Rate Risk Management

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

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

## Chapter III Management Discussion and Analysis

### 3.10 RISK MANAGEMENT (Continued)

#### 3.10.6 Exchange Rate Risk Management (Continued)

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

#### 3.10.7 Reputation Risk Management

Reputation risk refers to the risk of the Bank being negatively evaluated by relevant interested parties due to the Bank’s operations, management and other activities or external events.

Reputation risk management is an important component of the corporate governance and the comprehensive risk management system, which covers all activities, operations and business scopes of the Bank and its subsidiaries. The Bank has established and formulated the reputation risk management system and relevant requirements to proactively and effectively prevent reputation risk and respond to any reputation events so as to mitigate loss and negative impact. When managing reputation risk, the Bank prioritizes risk prevention and focused on media monitoring, analysis and alert in its daily operation, which therefore achieved satisfactory effects. In addition, the Bank proactively conducts promotional activities, is capable of quickly and promptly addressing any information that may easily be misunderstood or misinterpreted by the public, and has established an effective management system. Meanwhile, the Bank actively participates in social public welfare undertakings and public activities, and assumes its corporate social responsibilities on a voluntary basis, with a view to striving to establish a healthy corporate image.

#### 3.10.8 Compliance Risk Management

Compliance risk refers to the risk that commercial banks may be subject to legal sanctions, regulatory punishments, major financial losses, or reputational damage as a result of any violation of laws and regulations, rules and criteria. The Board of Directors of the Bank takes the ultimate responsibility for compliance of the Bank’s operating activities. The Risk Management Committee under the Board of Directors monitors compliance risk management effectively. The Board of Supervisors is responsible for supervising the performance by the Board of Directors and the senior management of their duties on compliance management. The senior management is responsible for managing compliance risk, conducting regular assessment on compliance risk and submitting compliance risk management reports to the Board. The Bank has established a robust compliance risk management system and organizational structure, formed the three defense lines for compliance risk management with interaction among front, middle and back offices, and the vertical double-line reporting system among the head office, branches and sub-branches, and continued to improve the compliance risk management mechanism and the risk management techniques and procedures, so as to ensure effective management of compliance risk.

## Chapter III Management Discussion and Analysis

### 3.10 RISK MANAGEMENT (Continued)

#### 3.10.8 Compliance Risk Management (Continued)

During the Reporting Period, with the focus on its business development strategies, the Bank strived to put internal control as its priority, established the philosophy of “facilitating development through compliance”, with an aim to enhance the foresight and pertinence of compliance management. The Bank constantly implemented various requirements of external regulatory authorities, and strengthened the establishment of internal control system. Hence, the compliance risk management mechanism operated effectively, with favorable comments coming from external regulatory authorities. The Bank launched special activities such as the “Looking back-Two Strengthenings, Two Restraints”, and internal control and special governance of branches in great depth to actively promote the establishment of compliance culture, and continued to improve its internal rules and regulations, optimize the compliance risk identification and assessment process, strengthen accountability system for non-compliance, and increase the support for legal compliance review and product innovation, thereby offering protection for the operation of the Bank in compliance with laws. The Bank was rated as “A-class” financial institution, the highest level, in the comprehensive evaluation on implementing relevant provisions of the PBOC.

#### 3.10.9 Anti-Money Laundering Management

The Bank attaches great importance to anti-money laundering through fully implementing anti-money laundering laws and regulations, fulfilling its statutory obligations and promoting in-depth anti-money laundering activities.

During the Reporting Period, based on the changes to money laundering risks, the Bank optimized the withdrawal rules on unusual transactions, screened the list of clients under close watch, carried out effective inspection of money laundering risk and fortified the firewall against money laundering risk. The Bank also set up a sound positive incentive mechanism of anti-money laundering, organized the election of the advanced units for anti-money laundering and fully mobilized and activated the enthusiasm, initiatives and creativity of our business lines, outlets and employees for anti-money laundering. Moreover, the Bank improved the risk indicator system of client’s money laundering, followed qualitative and quantitative principles and dynamically adjusted the risk level of client’s money laundering. Based on the suspicious transactions reported by our branches, the Bank strengthened its capacity in collecting, analyzing and applying data and information in order to make timely risk alert. The Bank also launched anti-money laundering trainings through various channels at different levels to raise our staff’s sense of duty on anti-money laundering, and nurture an anti-money laundering compliance environment.

Currently, under the increasingly complex international economic and financial conditions, the ways and means of money laundering are becoming more subtle and diverse. Anti-money laundering is facing increasingly severe challenges. The Bank will proactively adopt its risk-based anti-money laundering methods to continue to strengthen the internal control mechanisms and to raise the level of money laundering risk prevention and control.

## **Chapter III Management Discussion and Analysis**

### **3.10 RISK MANAGEMENT (Continued)**

#### **3.10.10 Implementation of Basel Accord**

The Bank is one of the earliest city commercial banks in China devoting itself to the implementation of the Basel New Capital Accord. With measurements of the three main risks under the first pillar as the main theme, the Bank gradually promoted the development and application of the advanced methods for capital measurement in accordance with the requirements of the “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” and other regulatory policies. Currently, the Bank has established a non-retail credit risk internal grading system for customers and officially launched it in 2012. The non-retail credit risk internal grading system for debts is currently in pilot operation. The retail credit risk internal grading system was completed at the end of 2013, and is now in promotion for application in several stages. The project on operational risk standards has been approved and is in the process of business consultation whereas the market risk internal modeling is in the argumentation and approval preparation stage.

### **3.11 INFORMATION TECHNOLOGY**

During the Reporting Period, the Bank continued to strengthen the construction and management of information technology and increasingly improved the technological support and services. The Bank’s information system continued to operate securely and stably, which supported and facilitated its business development. Firstly, the Bank continued to provide safe and effective services for its information system, backbone networks and basic environment. The Bank’s information system continued to operate stably and the ability for provision of information technology service further improved. Secondly, the Bank optimized the business system and continuously carried out project construction. As a result, it successfully completed operation of characteristic businesses of branches and operation of important information system of the head office and optimized the transformation of partial important information system, which strongly supported the Bank’s business development. Thirdly, the Bank launched construction on operation of management quality system ISO20000 and implemented the CMMI3 international certification for its system development and management to further regulate management of operation and development and enhance its management level for the standardization and normalization of information technology. Fourthly, the Bank implemented the significant project construction, launched planning design and construction for the new data centre and carried out the new core system construction, which laid an important foundation for its future development. Fifthly, the Bank positively promoted its construction and management of disaster recovery system and organized to implement emergency drills for network system so as to improve its capacities in providing continuous network system services and the sustainable management level of businesses. Sixthly, the Bank strengthened supervision, inspection, education and training, and carried out information technology security checks and risk appraisal. The Bank also actively strengthened the promotion of education, commenced network security advertising, and special training for information safety and confidential management as well as construction of data centers and trainings on the management of operation and trainings on techniques, which actively enhanced the levels of information technology safety management.

## Chapter III Management Discussion and Analysis

### 3.12 PROFIT DISTRIBUTION

#### Profit distribution plan for 2015

The profit distribution plan of the Bank for 2015 was considered and approved at the 2015 annual general meeting held on 20 June 2016.

Audited net profit attributable to shareholders of the Bank in 2015 was RMB6,117 million. Pursuant to the Articles of Association of the Bank, the profit distribution plan for 2015 is as follows:

- (1) 10% of the net profit of the Bank for 2015 (i.e. RMB612 million) was allocated to the statutory surplus reserve;
- (2) 10% of the net profit of the Bank for 2015 (i.e. RMB612 million) was allocated to the discretionary surplus reserve;
- (3) RMB1,560 million was allocated to the general risk provision;
- (4) Cash dividend totalling RMB1,757 million (tax inclusive), i.e. RMB0.159 per Share (tax inclusive) was declared and paid to all shareholders of the Bank.

The dividend for 2015 is payable to the holders of Domestic Shares and H Shares whose names appear on the register of members of the Bank as of 29 June 2016. The dividend declared shall be denominated in Renminbi. The dividend payable to holders of Domestic Shares shall be paid in Renminbi whilst the dividend payable to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of dividend payable in Hong Kong dollars shall be the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC for the five business days immediately prior to the date on which the dividend was declared at the 2015 annual general meeting (i.e. 20 June 2016 (inclusive)).

#### Interim profit distribution for 2016

The Bank has no profit distribution plan for the Reporting Period.

## **Chapter III Management Discussion and Analysis**

### **3.13 SOCIAL RESPONSIBILITIES**

In the first half of 2016, the Bank adhered to its mission of “commitment to civic responsibility” to serve the local economy. The Bank has been promoting the innovation of financial products to satisfy the various financial needs of its customers. In addition, the Bank continued to improve its customer service and customers’ experience and strived to create four financial service brands of “integrated finance, inclusive finance, intelligence finance and safe finance”. During the Reporting Period, the Bank took full advantage of its strengths in the regime, mechanism and system, especially the advantage as a first-class legal entity, to provide comprehensive financial services, strengthen the contact with all levels of government, increase the penetration to the local economy and promote the substantial development of PPP (Public-Private-Partnership) model. The Bank continued to facilitate the establishment of pilot programs of inclusive financial system and had set up rural financial service system covering “Huinong sub-branch, Huinong Services Room, Huinong Card, Huinong Loan, Huinong Tong and Huinong Bao”. The Bank actively explored a microcredit model to provide comprehensive professional financial services to micro, small and medium enterprises. The Bank continued to propel traditional network intelligence improvements to develop a direct banking business and build a personal financial service platform. The Bank also strengthened its team building by promoting talent cultivation in different tiers, improving organizational structure and establishing a performance evaluation mechanism. It also actively promoted green credit to support low-carbon economy. The Bank formulated and implemented annual social and public welfare scheme and proactively conducted social and public welfare undertakings and charitable activities such as donations and scholarships with love and care, so as to earnestly fulfill its corporate social responsibilities.

## Chapter IV Changes in Share Capital and Particulars of Shareholders

### 4.1 CHANGES IN SHARES OF THE BANK DURING THE REPORTING PERIOD

	30 June 2016		Changes during the Reporting Period	31 December 2015	
	Number of Shares	Percentage (%)	Number of Shares	Number of Shares	Percentage (%)
Domestic Shares	7,887,319,283	71.38	0	7,887,319,283	71.38
Overseas listed foreign investment shares (H Shares)	3,162,500,000	28.62	0	3,162,500,000	28.62
<b>Total number of shares</b>	<b>11,049,819,283</b>	<b>100</b>	0	11,049,819,283	100

Notes:

- (1) As at the end of the Reporting Period, the Bank had a total of 18,211 shareholders, including 1,888 shareholders of H Shares and 16,323 shareholders of Domestic Shares.
- (2) Based on the public information available and as far as the directors are aware, as at 30 June 2016, the Bank's public float of H Shares was 24.12%, which was lower than the minimum requirement of 25% under Rule 8.08(1)(a) of the Hong Kong Listing Rules.

### 4.2 INFORMATION ON THE SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS

No.	Name of shareholder	Nature of shareholder	Shares held by the end of the period (share)	Percentage of total share capital %	Type of share	Increase/decrease of shares during the Reporting Period (share)	Number of shares pledged or frozen (share)
1	HKSCC Nominees Limited <sup>(1)</sup>	—	3,157,931,980	28.58	H Share	374,980	—
2	Anhui Guoyuan Holding (Group) Co., Ltd. <sup>(2)</sup>	State-owned legal person	794,476,206	7.19	Domestic Share	—	—
3	Anhui Province Energy Group Company Limited	State-owned legal person	766,694,381	6.94	Domestic Share	—	—
4	Anhui Credit Guarantee Group Company Ltd.	State-owned legal person	752,416,446	6.81	Domestic Share	—	376,208,200
5	Anhui Transportation Holding Group Co., Ltd.	State-owned legal person	469,032,613	4.24	Domestic Share	—	—
6	Zhongjing Sihai Company Ltd.	Domestic non-state owned legal person	444,696,160	4.02	Domestic Share	—	251,366,700
7	Hefei Xingtai Financial Holding (Group) Co., Ltd.	State-owned legal person	343,591,483	3.11	Domestic Share	—	—
8	Wuhu Construction Investment Co., Ltd.	State-owned legal person	267,284,394	2.42	Domestic Share	—	—
9	CCB Trust Co., Ltd.	State-owned legal person	225,548,176	2.04	Domestic Share	—	—
10	Zhongjing Xinhua Asset Investment Management Company Ltd.	Domestic non-state owned legal person	204,346,570	1.85	Domestic Share	—	—

Notes:

- (1) Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of H Shares of Huishang Bank trading on the transaction platform of HKSCC Nominees Limited.
- (2) The shareholding of Anhui Guoyuan Holding (Group) Co., Ltd. includes the Domestic Shares of the Bank held by its subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Company Ltd., Anhui Guoyuan Trust Company Ltd. and Guoyuan Securities Co., Ltd.



## Chapter IV Changes in Share Capital and Particulars of Shareholders

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

As at 30 June 2016, the following persons (other than the Directors, Supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

Name of Substantial Shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the relevant type of shares in issue (%)	Percentage of all issued shares (%)	Note
Anhui Guoyuan Holding (Group) Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	149,087,330	1.89	1.35	1
	Domestic Share	Long	Beneficial owner	645,388,876	8.18	5.84	
Anhui Province Energy Group Company Limited	H Share	Long	Interest of controlled corporation	289,902,000	9.17	2.62	2
	Domestic Share	Long	Beneficial owner	766,694,381	9.72	6.94	
Xing An Holdings Limited	H Share	Long	Beneficial owner	289,902,000	9.17	2.62	2
Anhui Credit Guarantee Group Company Ltd.	Domestic Share	Long	Beneficial owner	752,416,446	9.54	6.81	
Anhui Transportation Holding Group Co., Ltd.	H Share	Long	Interest of controlled corporation	4,327,000	0.14	0.04	3
	Domestic Share	Long	Beneficial owner	469,032,613	5.95	4.24	
Anhui Transportation Holding Group (H.K.) Limited	H Share	Long	Beneficial owner	4,327,000	0.14	0.04	3
Zhongjing Sihai Company Ltd.	Domestic Share	Long	Beneficial owner	444,696,160	5.64	4.02	4
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	883,986,000	27.95	8.00	5
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	511,140,000	16.16	4.63	5
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	372,846,000	11.79	3.37	5
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	543,722,000	17.19	4.92	6
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	543,722,000	17.19	4.92	6
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	497,414,000	15.73	4.50	8, 9
	Domestic Share	Long	Interest of controlled corporation	649,042,730	8.23	5.87	4, 7
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	497,414,000	15.73	4.50	8, 9
	Domestic Share	Long	Interest of controlled corporation	649,042,730	8.23	5.87	4, 7
Modern Innovation Holdings Limited	H Share	Long	Interest of controlled corporation	497,414,000	15.73	4.50	8, 9
	Domestic Share	Long	Interest of controlled corporation	649,042,730	8.23	5.87	4, 7
Jingan Shanghai Silver Investment Co., Ltd.	H Share	Long	Interest of controlled corporation	497,414,000	15.73	4.50	8, 9
	Domestic Share	Long	Interest of controlled corporation	649,042,730	8.23	5.87	4, 7
Zhongjing Xinhua Asset Investment Management Company Ltd.	H Share	Long	Interest of controlled corporation	497,414,000	15.73	4.50	8, 9
	Domestic Share	Long	Interest of controlled corporation	444,696,160	5.64	4.02	4
	Domestic Share	Long	Beneficial owner	204,346,570	2.59	1.85	7
Zhongjing Xinhua Asset Property Management (Hong Kong) Co., Limited	H Share	Long	Interest of controlled corporation	469,230,000	14.84	4.25	9
	H Share	Long	Beneficial owner	28,184,000	0.89	0.26	8
Wealth Honest Limited	H Share	Long	Beneficial owner	469,230,000	14.84	4.25	9
Zhu Mingliang	H Share	Long	Interest of controlled corporation	341,623,000	10.80	3.09	10
Zenith (H.K.) Holding Limited	H Share	Long	Interest of controlled corporation	341,623,000	10.80	3.09	10
Vasari Investment Holdings Limited	H Share	Long	Beneficial owner	341,623,000	10.80	3.09	10

## Chapter IV Changes in Share Capital and Particulars of Shareholders

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

Notes:

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

According to the latest disclosure of interests form of Anhui Energy Group Company Ltd. submitted pursuant to Part XV of the SFO, the company held 285,226,000 H Shares of the Bank through Xing An Holdings Limited. However, to the knowledge of the Bank and based on the confirmation of Anhui Energy Group Company Ltd., Xing An Holdings Limited acquired a total of 4,676,000 H shares during the period from 23 May to 7 June 2016, which was exempt from compliance with the disclosure of interest requirements under Part XV of the SFO. Therefore, no disclosure was made in the Hong Kong Stock Exchange. As such, as of 30 June 2016, Xing An Holdings Limited and its actual controllers ultimately held the interests in 289,902,000 H Shares (long position).

- (3) Anhui Transportation Holding Group (H.K.) Limited holds 4,327,000 H Shares (long position) of the Bank. Anhui Transportation Holding Group (H.K.) Limited is a wholly-owned subsidiary directly controlled by Anhui Transportation Holding Group Co., Ltd. As such, Anhui Transportation Holding Group Co., Ltd. is deemed to be interested in the shares held by Anhui Transportation Holding Group (H.K.) Limited in the Bank. Meanwhile, Anhui Transportation Holding Group Co., Ltd. holds 469,032,613 Domestic Shares of the Bank.
- (4) Zhongjing Sihai Company Ltd. holds 444,696,160 Domestic Shares of the Bank, and is controlled by Zhongjing Xinhua Asset Investment Management Company Ltd. Zhongjing Xinhua Asset Investment Management Company Ltd. is under the control of Jingan Shanghai Silver Investment Co., Ltd. Jingan Shanghai Silver Investment Co., Ltd. is a wholly-owned subsidiary of Modern Innovation Holdings Limited, which is in turn controlled by Zhongjing Industry (Group) Limited. Zhongjing Industry (Group) Limited is under the control of Shanghai Soong Ching Ling Foundation. As such, Shanghai Soong Ching Ling Foundation, Zhongjing Industry (Group) Limited, Modern Innovation Holdings Limited, Jingan Shanghai Silver Investment Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. are deemed to be interested in the shares of the Bank held by Zhongjing Sihai Company Ltd.
- (5) China Vanke Co., Ltd. is deemed to hold interests in a total of 883,986,000 H Shares (long position) of the Bank by virtue of its control over the following corporations which hold direct interests in the Bank:
  - 5.1 Wkland Finance Holding Company Limited holds 511,140,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
  - 5.2 Wkland Finance Holding II Company Limited holds 372,846,000 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- (6) Sunshine Life Insurance Corporation Limited holds 543,722,000 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. As such, Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.

## Chapter IV Changes in Share Capital and Particulars of Shareholders

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

Notes: (Continued)

- (7) Zhongjing Xinhua Asset Investment Management Company Ltd. holds 204,346,570 Domestic Shares of the Bank. Shanghai Soong Ching Ling Foundation, Zhongjing Industry (Group) Limited, Modern Innovation Holdings Limited and Jingan Shanghai Silver Investment Co., Ltd. are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Asset Investment Management Company Ltd.
- (8) Zhongjing Xinhua Property Management (Hong Kong) Co., Limited directly holds 28,184,000 H Shares (long position) of the Bank. Zhongjing Xinhua Property Management (Hong Kong) Co., Limited is a wholly-owned subsidiary of Zhongjing Xinhua Asset Investment Management Company Ltd. Zhongjing Xinhua Asset Investment Management Company Ltd. is controlled by Jingan Shanghai Silver Investment Co., Ltd., which is in turn a wholly-owned subsidiary of Modern Innovation Holdings Limited. Modern Innovation Holdings Limited is controlled by Zhongjing Industry (Group) Limited, which is in turn under the control of Shanghai Soong Ching Ling Foundation. As such, Shanghai Soong Ching Ling Foundation, Zhongjing Industry (Group) Limited, Modern Innovation Holdings Limited, Jingan Shanghai Silver Investment Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Property Management (Hong Kong) Co., Limited.
- (9) Wealth Honest Limited holds 469,230,000 H Shares (long position) of the Bank. Wealth Honest Limited is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua Property Management (Hong Kong) Co., Limited, which is in turn a wholly-owned subsidiary of Zhongjing Xinhua Asset Investment Management Company Ltd. Zhongjing Xinhua Asset Investment Management Company Ltd. is controlled by Jingan Shanghai Silver Investment Co., Ltd., which is in turn a wholly-owned subsidiary of Modern Innovation Holdings Limited. Modern Innovation Holdings Limited is controlled by Zhongjing Industry (Group) Limited, which is in turn under the control of Shanghai Soong Ching Ling Foundation. As such, Shanghai Soong Ching Ling Foundation, Zhongjing Industry (Group) Limited, Modern Innovation Holdings Limited, Jingan Shanghai Silver Investment Co., Ltd., Zhongjing Xinhua Asset Investment Management Company Ltd. and Zhongjing Xinhua Property Management (Hong Kong) Co., Limited are deemed to be interested in the shares of the Bank held by Wealth Honest Limited.

In addition, according to the disclosure of interests form submitted by Wealth Honest Limited to the Hong Kong Stock Exchange on 16 May 2016, the Bank became aware that Wealth Honest Limited acquired 400 million H Shares of the Bank through off-exchange trading on 12 May 2016. Subsequently on 8 July 2016, the Bank was officially informed that the proposed acquisition of the aforesaid 400 million H Shares of the Bank by Wealth Honest Limited had not completed yet; and according to the latest information received by the Bank, and considering that no update was noted by the Bank after reviewing the disclosure of interests forms on the Hong Kong Stock Exchange in respect of H Shares of the Bank on the latest practicable date (namely, 30 August 2016), the acquisition of such shares has not completed yet.

- (10) Vasari Investment Holdings Limited holds 332,569,000 H Shares (long position) of the Bank. Vasari Investment Holdings Limited is controlled by Zenith (H.K.) Holding Limited, which is in turn under the control of Zhu Mingliang. As such, Zhu Mingliang and Zenith (H.K.) Holding Limited are deemed to be interested in the shares held by Vasari Investment Holdings Limited in the Bank.

According to the latest disclosure of interests forms of the aforesaid companies and individuals under Part XV of the SFO, Vasari Investment Holdings Limited held 332,569,000 H Shares of the Bank. However, to the knowledge of the Bank and based on the confirmation of the aforesaid companies and individuals, Vasari Investment Holdings Limited acquired 9,054,000 H Shares of the Bank on 24 May 2016, which was exempt from compliance with the disclosure of interests requirements under Part XV of the SFO. Therefore, no disclosure was made in the Hong Kong Stock Exchange. As such, as of 30 June 2016, Vasari Investment Holdings Limited and its actual controllers ultimately held the interests in 341,623,000 H shares of the Bank.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) having any interests or short positions in the shares and underlying shares of the Bank as of 30 June 2016 as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

## Chapter V Directors, Supervisors, Senior Management, Employees and Institutions

### 5.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Gender	Position Held
Li Hongming	Male	Chairman, Executive Director
Xu Demei	Female	Vice Chairman, Executive Director
Wu Xuemin	Male	President, Executive Director
Ci Yaping	Male	Vice President, Executive Director
Zhang Feifei	Male	Non-Executive Director
Zhu Jiusheng	Male	Non-Executive Director
Qian Li	Male	Non-Executive Director
Lu Hui	Female	Non-Executive Director
Zhao Zongren	Male	Non-Executive Director
Qiao Chuanfu	Male	Non-Executive Director
Gao Yang	Male	Non-Executive Director
Dai Genyou	Male	Independent Non-Executive Director
Wang Shihao <sup>(1)</sup>	Male	Independent Non-Executive Director
Zhang Shenghuai	Male	Independent Non-Executive Director
Au Ngai, Daniel	Male	Independent Non-Executive Director
Fung Weichang <sup>(1)</sup>	Male	Independent Non-Executive Director
Zhu Hongjun <sup>(1)</sup>	Male	Independent Non-Executive Director
Zhang Renfu <sup>(2)</sup>	Male	Chairman of the Board of Supervisors, Employee Supervisor
Xu Chongding	Male	Chairman of Labor Union, Employee Supervisor
Zhou Tong	Female	General Manager of Compliance Department, Employee Supervisor
Cheng Rulin	Male	Shareholder Supervisor
Qian Xiaojun	Male	Shareholder Supervisor
Cheng Hong	Male	Shareholder Supervisor
Cheng Junpei	Female	External Supervisor
Fan Libo <sup>(3)</sup>	Male	External Supervisor
Pan Shujuan	Female	External Supervisor
Gao Guangcheng	Male	Vice President
Zhang Youqi	Male	Vice President
Sheng Hongqing	Male	Assistant President, Chief Investment Officer
Yi Feng	Male	Assistant President, Secretary to the Board of Directors
Yan Dongshun	Male	Assistant President, President of Nanjing Branch
Xia Min	Male	Assistant President, President of Hefei Branch
Chen Hao	Male	Chief Information Officer

Notes:

- (1) Mr. Wang Shihao, Mr. Zhu Hongjun and Mr. Fung Weichang tendered their resignations to the Bank on 16 December 2015, 7 April 2016 and 23 May 2016, respectively, as the independent non-executive Directors and their positions in various Board Committees. Their resignations will take effect on the date upon the formal appointment of the succeeding independent non-executive Directors.
- (2) Mr. Zhang Renfu tendered his resignation to the Board of Directors on 6 January 2016 as an executive Director and a member of the Strategic Development Committee of the Board of Directors with immediate effect due to position rearrangement in the Bank. Pursuant to the Terms of Reference of the Board of Supervisors and through employees' democratic procedures of the Bank, Mr. Zhang Renfu was elected as an employee supervisor of the Bank on 8 January 2016, and he was elected as the chairman of the third session of the Board of Supervisors of the Bank at the sixteenth meeting of the third session of the Board of Supervisors of the Bank on 15 January 2016.
- (3) Mr. Fan Libo, who considered that he would be unable to perform his duties of an external supervisor due to his desire to devote more time to his other business commitments, tendered his resignation on 9 November 2015 to resign his duties as an external supervisor. His resignation will take effect on the date upon the formal appointment of his succeeding external supervisor. Mr. Fan also ceased to be the chairman of the Supervision Committee of the Board of Supervisors with immediate effect.

## **Chapter V Directors, Supervisors, Senior Management, Employees and Institutions**

### **5.2 APPOINTMENT AND RESIGNATION DURING THE REPORTING PERIOD**

1. The Bank made an announcement on 5 January 2016, announcing that Mr. Zhang Zhen tendered his resignation on 5 January 2016 for his positions as the chairman of the Board of Supervisors, an employee supervisor, a member of the Nomination Committee of the Board of Supervisors and a member of the Supervisory Committee of the Board of Supervisors as he has reached the retirement age, with effect from 8 January 2016.
2. The Bank made announcements on 6 January, 8 January and 15 January 2016, respectively, announcing that Mr. Zhang Renfu had tendered his resignation to the Board of Directors on 6 January 2016 as an executive Director and a member of the Strategic Development Committee of the Board of Directors with immediate effect due to position rearrangement in the Bank. Pursuant to the Terms of Reference of the Board of Supervisors and through employees' democratic procedures of the Bank, Mr. Zhang Renfu has been elected as an employee supervisor of the Bank on 8 January 2016, and he has been elected as the chairman of the third session of the Board of Supervisors of the Bank at the sixteenth meeting of the third session of the Board of Supervisors of the Bank on 15 January 2016. The term of office of Mr. Zhang as an employee supervisor and the chairman of the Board of Supervisors is the same as the term of the third session of the Board of Supervisors. Mr. Zhang was elected as a member of the Nomination Committee and the Supervision Committee of the third session of the Board of Supervisors at the seventeenth meeting of the third session of the Board of Supervisors of the Bank on 24 March 2016.
3. The Bank made an announcement on 7 April 2016, announcing that Mr. Zhu Hongjun tendered his resignation on 7 April 2016 to resign his duties as an independent non-executive Director, member and chairman of the Audit Committee and member of the Related Party Transaction Control Committee of the Bank due to his desire to devote more time to his other business commitments. His resignation will take effect on the date upon the formal appointment of a succeeding independent non-executive Director.
4. The Bank made an announcement on 23 May 2016, announcing that Mr. Fung Weichang tendered his resignation to the Bank on 23 May 2016 to resign his duties as an independent non-executive Director, a member of the Strategic Development Committee and a member of Nomination and Remuneration Committee due to his desire to devote more time to his other business commitments. His resignation will take effect on the date upon the formal appointment of a succeeding independent non-executive Director.

### **5.3 CHANGE OF POSITIONS HELD BY DIRECTORS AND SUPERVISORS**

1. Qian Xiaojun ceased to be the vice chairman of Jiangsu Huijin Holding Group Co., Ltd. He currently acts as the vice chairman of Jiangsu Zhengyang Holding Group Co., Ltd.
2. Cheng Junpei ceased to be the General Manager of Sinopharm Holding Distribution Co., Ltd. She currently acts as the vice president of New Peak Group and Chief Executive Director of No.1 Pharmacy Mall.

## Chapter V Directors, Supervisors, Senior Management, Employees and Institutions

### 5.4 EMPLOYEE

#### 1. Size and Changes

As of 30 June 2016, the Bank had a total of 8,086 employees in service.

#### 2. Professional Structure

As of 30 June 2016, the professional structure of the Bank is as follows:

Categories	As at 30 June 2016	
	Number of employees	Percentage of the total
Management Personnel	1,643	20.32%
Marketing Personnel	4,717	58.34%
Supporting Personnel	1,726	21.34%
<b>Total</b>	<b>8,086</b>	<b>100.0%</b>

#### 3. Educational Structure

	As at 30 June 2016	
	Number of employees	Percentage of the total
Master's degrees or above	966	11.95%
Full-time bachelor's degrees	3,726	46.08%
Part-time bachelor's degrees	2,312	28.59%
Junior college degrees or below	1,082	13.38%
<b>Total</b>	<b>8,086</b>	<b>100.0%</b>

#### 4. Age Structure

	As at 30 June 2016	
	Number of employees	Percentage of the total
Aged below 31	4,055	50.15%
Aged 31-40	1,978	24.46%
Aged 41-50	1,755	21.70%
Aged above 50	298	3.69%
<b>Total</b>	<b>8,086</b>	<b>100.0%</b>

## **Chapter V Directors, Supervisors, Senior Management, Employees and Institutions**

### **5.4 EMPLOYEE (Continued)**

#### **Staff Remuneration Policy**

The Bank's remuneration policy aims to establish a sound, scientific, effective performance evaluation and rewarding system for realizing shareholders value, enhancing corporate efficiency, and maximizing employees' interest. The policy facilitates the stable operation and sustainable development of the Bank, which is therefore conducive to the implementation of strategic objectives, enhancement of competitiveness, cultivation of talents and control of risks. Following the principle of being "advanced, sustainable, compliant, timely, and operational" under the framework of uniform rules, the Bank will play a dynamic and creative role, and give priority to efficiency while giving consideration to fairness.

The Bank manages remuneration through the Board, head office and branches. The Board is responsible for the total amount of remuneration and senior management's remuneration. Under the Board's request, the head office allocates the total amount of remuneration and carries out policy-based management. All branches manage employees' salary under the framework of uniform rules.

#### **Staff training plan**

According to our development strategies and education and training development plans, the Bank will develop and implement the annual training plan to provide guarantees for our training and enhance staff professionalism and support their career development. During the Reporting Period, the Bank arranged operational line training curriculum system construction, constructed internal trainer team, arranged training sessions for management from each level as well as professional line training sessions, built Binhu training centre of Huishang Bank and put it into use, promoted phase II construction of web training platform, developed Zhiniao mobile learning platform and arranged position certification tests through the Bank. In the first half of 2016, the Bank conducted training for a total enrolment of 23,128 persons with a total of 209,089 hours.

## Chapter V Directors, Supervisors, Senior Management, Employees and Institutions

### 5.5 BRANCHES

As of 30 June 2016, the composition of branches is as follows:

Region	Name of the Institution	Business Address	Postal Code	Number of Institutions
Head Office	Head Office	Huishang Bank Building, No. 79, Anqing Road, Luyang District, Hefei, Anhui Province	230001	1
Anhui Province	Hefei Branch	No. 235, Anqing Road, Hefei	230001	65
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	33
	Ma'anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'anshan	243000	22
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	27
	Huaibei Branch	No. 282, Huaihai Road, Huaibei	235000	19
	Bengbu Branch	No. 1018, Huaihe Road, Bengbu	233000	28
	Lu'an Branch	Kaixuan International Square, Meishan Nan Road, Lu'an	237000	25
	Huainan Branch	No. 39, Shungeng Xi Road, Huainan	232000	19
	Tongling Branch	Plaza Yi'an, Yi'an Nan Road, Tongling	244000	15
	Fuyang Branch	No. 666, Yidaohe Road, Fuyang	236000	22
	Huangshan Branch	No. 2, Tunguang Road, Tunxi District, Huangshan	245000	13
	Chizhou Branch	No. 515, Changjiangzhong Road, Chizhou	247000	9
	Chuzhou Branch	No. 95, Longpan Road, Chuzhou	239000	12
	Suzhou Branch	No. 123, Yinhe Yi Road, Suzhou	234000	11
Jiangsu Province	Xuancheng Branch	No.1, West Aofeng Road, Xuancheng	242000	17
	Bozhou Branch	No. 277, Plaza Xiangzhang, West Shaohua Road, Bozhou	236000	10
	Nanjing Branch	No. 231, Zhongyang Road, Nanjing	210000	9
<b>Total</b>				<b>357</b>



## **Chapter VI Corporate Governance**

### **6.1 OVERVIEW OF CORPORATE GOVERNANCE**

The Bank is committed to maintaining high standard of corporate governance and endeavours to adhere to international and domestic corporate governance best practices so as to safeguard the interests of shareholders and enhance corporate value. The Bank established a relatively comprehensive corporate governance structure by clarifying the responsibilities of general meetings, the Board, the Board of Supervisors and senior management, and constantly improving the Bank's decision-making, execution and supervision mechanism to ensure the independent operation and an effective check and balance.

During the Reporting Period, the general meetings, the Board, the Board of Supervisors and the Committees of the Board and the Board of Supervisors played their corresponding roles and operated effectively so as to guarantee the compliant operation and the steady healthy development of the Bank. During the Reporting Period, the Bank convened a total of 24 meetings, among which, there were one annual general meeting, one class meeting for Domestic shareholders and one class meeting for H shareholders, three Board of Directors meetings, eight Board of Directors Committees meetings, four Board of Supervisors meetings, two meetings of Supervision Committee under the Board of Supervisors and four meetings of Nomination Committee under the Board of Supervisors.

### **6.2 GENERAL MEETINGS**

During the Reporting Period, the Bank held one annual general meeting, one class meeting for Domestic shareholders and one class meeting for H shareholders. On 20 June 2016, the Bank held the 2015 annual general meeting, the 2016 first class meeting for Domestic shareholders and the 2016 first class meeting for H shareholders in Hefei City, Anhui Province. The notification, convening, holding and voting procedures of the meetings are in compliance with the Company Law, the Articles of Association and the Hong Kong Listing Rules. For the details of resolutions for consideration, please see the announcement of poll results of the annual general meeting and class meetings dated 20 June 2016 which was published on the respective websites of the Hong Kong Stock Exchange and the Bank.

### **6.3 BOARD OF DIRECTORS AND BOARD OF DIRECTORS COMMITTEE MEETINGS**

During the Reporting Period, the Bank held three Board of Directors meetings, at which 37 resolutions were considered and approved. The Bank held eight Board of Directors committee meetings, (among which, there were one Nomination and Remuneration Committee meeting, one Strategy Development Committee meeting, one Risk Management Committee meeting, four Related Party Transaction Control Committee meetings and one Audit Committee meeting) at which 50 issues were studied and considered.

### **6.4 BOARD OF SUPERVISORS AND BOARD OF SUPERVISORS COMMITTEES MEETINGS**

During the Reporting Period, the Bank held four Board of Supervisors meetings, at which 19 resolutions were considered.

The Bank held two Board of Supervisors Committees meetings, at which eight resolutions were considered. The Bank held four Nomination Committee meetings, at which 10 resolutions were considered.

## Chapter VI Corporate Governance

### 6.5 SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND THE RELEVANT EMPLOYEES

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors and Supervisors of the Bank in respect of their dealings in the Bank’s securities.

Having made specific enquiries to all the Directors and Supervisors, the Bank confirmed that they had complied with the Model Code throughout the six months ended 30 June 2016.

### 6.6 INTERNAL CONTROL

Following the operation philosophy of compliant and steady development, according to the internal and external laws and regulations such as the Basic Norms of Internal Control for Enterprise and its relevant guidelines, the Guidelines for Internal Control of Commercial Banks, the Basic Norms of Internal Control for Huishang Bank as well as the relevant requirements of the Hong Kong Stock Exchange, the Bank has established an internal control system consisting of five elements, namely internal environment, risk assessment, control measures, information and communication and internal supervision. The Bank has clearly defined the objectives, principles and organizational system of internal control through internal control system; exerted full control over the whole process of various operation and management of the Bank, and in the course of carrying out internal control, continued to enhance our internal control system so as to ensure the compliant and steady development of the Bank.

Pursuant to the relevant national laws and regulations, the Bank established a standard corporate governance structure and rules of procedure; formed scientific and effective segregation of duties as well as check and balance mechanism. The Board of the Bank takes ultimate responsibility for the establishment of internal control system as well as the effectiveness of its implementation. The Board of Supervisors is in charge of overseeing the Board and senior management to establish and improve internal control system; and overseeing the Board and its directors, senior management and officers to perform their duty of internal control. Senior management is responsible for the execution of internal control system and policies approved by the Board. The operational management departments at all levels and sales networks form “the first-line defense of internal control” of the Bank, which take on the primary responsibility of developing and implementing internal control. The internal control management position in each functional department of the head office and branches and the compliance management departments at all levels comprise “the second-line defense of internal control”, providing guidance and supervision on development and implementation of internal control of the first-line defense as well as reporting to the management on the establishment and implementation of internal control system of the Bank. Being “the third-line defense of internal control”, the audit department monitors and checks the effectiveness of internal control.

During the Reporting Period, the Bank organized the activities including the “Credit Management Promotion Year”, annual case prevention work assessment for 2015, compliance risk identification and assessment for the first half of 2016, internal control operation assessment of Huishang agriculture branches, AML management system improvement and special inspection on the internal control so as to commence the construction of a comprehensive risk management system, further improve market risk, credit risk and operational risk management system. Therefore, the internal control system operated effectively. In addition, the Bank has conducted assessments of the internal control on all management departments and offices of the head office and branches, as well as sub-branches in 2015. After the inspection by the Board, no significant deficiencies regarding the integrity, rationality and effectiveness of the internal control were found.

### 6.7 STATEMENT OF COMPLIANCE WITH THE HONG KONG LISTING RULES

During the Reporting Period, the Bank applied the principles of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules, and complied with all the code provisions and recommended practices (if applicable).

## Chapter VII Significant Events

### 7.1 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

The Bank did not hold nor trade shares of other listed companies during the Reporting Period.

### 7.2 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

There was no purchase, sale or redemption by the Bank or any of its subsidiaries of the listed securities of the Bank during the Reporting Period.

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

As at 30 June 2016, the directors, supervisors and chief executives of the Bank and their associates had the following interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code:

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

Save as disclosed above, as at 30 June 2016, none of the directors, supervisors and chief executives of the Bank and their associates had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations.

### 7.4 PENALTY AND INVESTIGATION OF THE BANK, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

There were no investigation or significant penalty imposed on the Bank, directors, supervisors and senior management of the Bank during the Reporting Period.

## Chapter VII Significant Events

### 7.5 CONTINUING CONNECTED TRANSACTIONS

In the ordinary course of business, the Bank provides commercial banking services and products to the public in the PRC, including the Bank's directors, supervisors and/or their respective associates. During the Reporting Period, the connected transactions between the Bank and connected persons were conducted in compliance with the normal commercial terms that were not more favourable than those for non-connected transactions of the same types. The transaction terms were fair and reasonable and in line with the interests of the Bank and its shareholders as a whole. All these transactions were made on normal commercial terms and in the ordinary course of business, and were exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under the Hong Kong Listing Rules.

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

The Bank takes deposit from its connected persons (including directors, supervisors and/or their respective associates) in the ordinary course of business under normal deposits interest rate and normal commercial terms.

The Bank takes deposits from its connected persons in the ordinary course of business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties. These transactions will constitute exempt continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules, and thus will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

The Bank extends loans and credit facilities to its connected persons (including directors, supervisors and/or their respective associates) in the ordinary course of business and on normal commercial terms with reference to prevailing market rates.

The Bank offers loans and credit facilities to its connected persons in the ordinary course of business and on the normal commercial terms and comparable terms offered to independent third parties. Therefore, these transactions will constitute exempt continuing connected transactions under Rule 14A.87 of the Hong Kong Listing Rules, and thus will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

#### **Commercial banking services in the ordinary course of business – other banking services and products**

The Bank provides various commercial banking services and products (including credit/debit cards and wealth management products) to its connected persons (including directors, supervisors and/or their respective associates) in the ordinary course of business at normal prescription fees, service fees and charges and on normal commercial terms and conditions.

It is expected that none of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the total annual service and/or product fees paid to the Bank by a particular connected person and its associates will exceed 0.1%. Therefore, these transactions will constitute exempt continuing connected transactions pursuant to Rule 14A.76 of the Hong Kong Listing Rules, and thus will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **Chapter VII Significant Events**

### **7.6 MATERIAL LITIGATIONS AND ARBITRATIONS**

To the knowledge of the Bank, as of 30 June 2016, the Bank was involved in the following litigation cases in its ordinary course of business: there are 388 pending litigation and arbitration cases with a total principal amount of RMB2,619 million, including 18 cases (litigations and arbitrations) against the Bank where final judgment has not been obtained, with a total principal amount of RMB42.41 million. The Bank made full provision for allowances for doubtful accounts of loans involved in above cases according to expected losses in a prudent manner. It is expected that none of these cases will have any material adverse effect on the Bank's financial position and operating results.

### **7.7 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION**

During the Reporting Period, some assets of the Bank had been pledged to other banks and the Ministry of Finance as collaterals for sale of repurchase agreement and treasury deposits. Apart from that, the Bank has no other asset acquisition, disposal or reorganization outside the normal scope of business. Please refer to Note 40 to the Financial Statements for details of the asset pledge of the Bank.

### **7.8 APPLICATION FOR LISTING OF A SHARES**

The 2014 annual general meeting of the Bank was convened by the Bank on 29 May 2015, at which, among others, the proposal for initial public offering of A shares was considered and approved. The Bank proposed to issue no more than 1,228 million A shares. The matters in relation to the proposed issuance of A shares are set out in the circular dated 13 May 2015 and the announcement dated 29 May 2015 of the Bank.

As the valid period of the A Share Offering Plan and the authorizations granted to the Board to deal with specific matters related to the A Share Offering approved by the Shareholders of the Bank at the 2014 annual general meeting had respectively expired on 28 May 2016, the Bank obtained approval by its shareholders at the 2015 annual general meeting held on 20 June 2016 for such resolutions in relation to the extension of the valid periods of the A Share Offering Plan and the authorizations granted to the Board to deal with specific matters related to the A Share Offering for another twelve months (i.e., until 28 May 2017). In addition, in light of the new requirements released by the CSRC on 30 December 2015, the Bank proposed to amend the resolution with respect to the dilution of current returns and the remedial measures of the A Share Offering, and such amendment had been considered and approved at the 2015 annual general meeting of the Bank. Details of such resolutions were disclosed in the circular dated 11 April 2016 and the announcement dated 20 June 2016.

The Bank submitted application materials including the A Share Prospectus to the CSRC on 18 June 2015 and an acceptance was given by the CSRC. The A Share Prospectus was published on the CSRC website ([www.csrc.gov.cn](http://www.csrc.gov.cn)) on 3 July 2015 and on the HKEXnews website of Hong Kong Exchanges and Clearing Limited on the same day according to Rule 13.10B of the Hong Kong Listing Rules. The Bank submitted application materials including the supplemental A Share Prospectus, which set out the financial data for the twelve months ended 31 December 2015, to the CSRC on 31 March 2016.

## Chapter VII Significant Events

### 7.9 PRIVATE PLACEMENT OF H SHARES

On 31 December 2015, the Bank entered into an investment agreement with China Kingkong (Holdings) Group Limited (hereinafter the "China Kingkong"), pursuant to which the Bank shall issue 572,000,000 H Shares to China Kingkong at the subscription price of HK\$4.09 per share under the general mandate granted to the Board at the annual general meeting. As the conditions precedent under the investment agreement were not fully satisfied by 29 February 2016, and the Bank and China Kingkong were unable to reach a new agreement on continuous implementation of the transaction, the investment agreement was automatically terminated on 29 February 2016 in accordance with its terms. The subscription under the investment agreement did not proceed. The Board is of the view that the termination of the investment agreement and the subscription thereunder does not have any material adverse effect on the business operation and financial position of the Bank.

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

### 7.10 NON-PUBLIC OFFERING OF OFFSHORE PREFERENCE SHARES

The Bank held the 2015 annual general meeting, the 2016 first class meeting for Domestic shareholders, and the 2016 first class meeting for H shareholders on 20 June 2016, on which the proposal for the non-public offering of offshore preference shares was considered and approved. The Bank plans to conduct a non-public issuance of not more than 60 million offshore preference shares to raise fund not exceeding RMB6 billion or its equivalent to replenish the Bank's additional tier 1 capital.

The Bank has disclosed relevant matters on the proposal for offering of offshore preference shares in the circular dated 11 April 2016 and the announcement dated 20 June 2016.

Currently, the Bank is proceeding with the matters relating to non-public offering of offshore preference shares as planned.

### 7.11 INSUFFICIENT PUBLIC FLOAT OF H SHARES

On 5 May 2016, Shanghai Soong Ching Ling Foundation and the entities actually controlled by it, namely, Zhongjing Industry (Group) Co., Ltd., and its subsidiaries (hereinafter the "Zhongjing Shareholders") disclosed to Hong Kong Stock Exchange that Zhongjing Xinhua Asset Management (Hong Kong) Co., Ltd. (a company controlled by it) acquired 28.184 million H Shares of the Bank through on market purchase on 29 April 2016. Hence, the Zhongjing Shareholders hold in aggregate 10.37% of the shares of the Bank.

According to the Hong Kong Listing Rules, substantial shareholders who hold 10% or more of the shares of the issuer will not be regarded as "public" and the shares held by them will also not be regarded as "shares held by the public". According to the rules mentioned above, the Bank made an announcement on 11 May 2016, announcing that the public float of H shares of the Bank decreased to 24.12%.

## Chapter VII Significant Events

On 16 May 2016, the Zhongjing Shareholders made another disclosure of interest to Hong Kong Stock Exchange in relation to their controlled entity, Wealth Honest Limited's acquisition of 400 million H Shares of the Bank by way of off-exchange trading on 12 May 2016. Hence, the Zhongjing Shareholders hold 13.99% of the shares of the Bank in aggregate. The Bank made announcements on 19 May 2016 and 21 June 2016, respectively, announcing that the public float of H Shares of the Bank decreased to 20.5%.

On 8 July 2016, the Bank was officially informed by the Zhongjing Shareholders that the acquisition of 400 million H Shares of the Bank by way of off-exchange trading by Wealth Honest Limited on 12 May 2016 had not been settled; and according to the latest information received by the Bank, and considering that no update was noted through reviewing the disclosure of interests forms on Hong Kong Stock Exchange in respect of H Shares of the Bank on the latest practicable date (namely, 30 August 2016), the acquisition of such shares had not completed as at the latest practicable date. Shanghai Soong Ching Ling Foundation is not deemed to be interested in the 400 million H Shares of the Bank. Hence, the Bank's existing public float of shares should be adjusted to 24.12%, which is still lower than the minimum requirement of 25% under Rule 8.08(1)(a) of the Hong Kong Listing Rules.

The Bank is currently actively considering various options so as to restore its public float as soon as practicable, including (i) continuing to promote the initial public offering and the listing of A shares; (ii) contacting the substantial shareholders of the Bank and suggesting them to place down their shares in the Bank as soon as practicable; and (iii) seeking for opportunities to conduct the placing of H shares after considering the market conditions in full and with detailed planning. The Bank will also publish announcements periodically to update its shareholders and potential investors on the status of the public float of the Bank and measures that may be introduced by the Bank to restore its public float.

### 7.12 REVIEW ON INTERIM RESULTS

PricewaterhouseCoopers, being the external auditor of the Bank, has reviewed the interim financial report (unaudited) of the Bank as prepared in accordance with the International Accounting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of the Bank has also reviewed and approved the interim results and financial statements of the Bank for the six months ended 30 June 2016.

### 7.13 PUBLICATION OF INTERIM REPORT

The Bank has prepared its interim report under International Financial Reporting Standards and the Hong Kong Listing Rules in both Chinese and English versions, which are available on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Bank at [www.hsbank.com.cn](http://www.hsbank.com.cn).

In this Interim Report, financial data for the six months ended 30 June 2014, 2015 and 2016 have not been audited; and financial data for the year ended 31 December 2015 have been audited.

## Chapter VIII Interim Financial Report Report On Review Of Interim Financial Information



羅兵咸永道

**To the Board of Directors of Huishang Bank Corporation Limited**  
**(Incorporated in the People's Republic of China with limited liability)**

### INTRODUCTION

We have reviewed the interim financial information set out on pages 72 to 168, which comprises the interim condensed consolidated statement of financial position of Huishang Bank Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 30 August 2016

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## Unaudited Condensed Consolidated Statement of Comprehensive Income

For six months ended 30 June 2016

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

	Note	Six months ended 30 June	
		2016	2015
Interest income	6	15,964,161	13,453,806
Interest expense	6	(7,060,527)	(6,753,962)
<b>Net interest income</b>		<b>8,903,634</b>	6,699,844
Fee and commission income	7	1,311,873	945,767
Fee and commission expense	7	(54,274)	(43,711)
<b>Net fee and commission income</b>		<b>1,257,599</b>	902,056
Net trading losses	8	(11,616)	(2,237)
Net (losses)/gains on investment securities		(16,690)	59,435
Dividend income		–	440
Other operating income, net	9	33,740	47,308
<b>Operating income</b>		<b>10,166,667</b>	7,706,846
Operating expenses	10	(2,758,943)	(1,945,188)
Impairment losses on assets	12	(3,125,180)	(1,806,925)
<b>Operating profit</b>		<b>4,282,544</b>	3,954,733
Share of profits of associates		80,711	50,288
<b>Profit before income tax</b>		<b>4,363,255</b>	4,005,021
Income tax expense	13	(918,447)	(932,270)
<b>Profit for the period</b>		<b>3,444,808</b>	3,072,751
<b>Other comprehensive income</b>			
Fair value changes on available-for-sale financial assets	42	(87,596)	65,514
Less: related income tax impact	42	21,899	(16,378)
<b>Other comprehensive income for the period, net of tax</b>		<b>(65,697)</b>	49,136
<b>Comprehensive income for the period</b>		<b>3,379,111</b>	3,121,887
Net profit attributable to:			
Shareholders of the Bank		3,408,204	3,066,587
Non-controlling interests		36,604	6,164
		<b>3,444,808</b>	3,072,751
Total comprehensive income attributable to:			
Shareholders of the Bank		3,342,507	3,115,723
Non-controlling interests		36,604	6,164
		<b>3,379,111</b>	3,121,887
Earnings per share attributable to the shareholders of the Bank (express in RMB per share)			
<b>Basic/Diluted</b>	14	<b>0.31</b>	0.28

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

## Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2016

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

	Note	As at 30 June 2016	As at 31 December 2015
<b>Assets</b>			
Cash and balances with central bank	15	90,420,947	78,414,034
Deposits with banks and other financial institutions	16	5,397,096	10,283,249
Placements with banks and other financial institutions	17	24,147,606	20,990,412
Financial assets at fair value through profit or loss	18	4,300,955	2,730,120
Derivative financial assets	19	20,456	3,789
Financial assets held under resale agreements	20	5,109,369	42,919,944
Loans and advances to customers	21	248,258,871	237,428,103
Investment securities			
– Available-for-sale	22	106,716,308	96,271,648
– Held-to-maturity	22	47,661,475	42,257,244
– Debt instruments classified as receivables	22	138,895,436	89,134,252
Investment in associates	23	494,292	413,581
Property, plant and equipment	24	1,647,025	1,617,382
Deferred tax assets	34	1,830,017	1,274,063
Finance lease receivables	25	14,368,808	7,502,268
Other assets	26	5,402,539	4,890,532
<b>Total assets</b>		<b>694,671,200</b>	<b>636,130,621</b>
<b>Liabilities</b>			
Borrowing from central banks		5,000	–
Deposits from banks and other financial institutions	28	92,887,313	89,286,186
Placements from banks and other financial institutions	29	11,183,520	7,911,163
Derivative financial liabilities	19	18,419	19,997
Financial assets sold under repurchase agreements	30	14,348,586	45,431,767
Deposits from customers	31	432,064,517	359,224,554
Taxes payable	32	1,216,318	1,467,357
Debt securities issued	35	85,826,558	79,425,700
Other liabilities	33	13,153,370	11,018,636
<b>Total liabilities</b>		<b>650,703,601</b>	<b>593,785,360</b>
<b>Equity</b>			
Share capital	36	11,049,819	11,049,819
Capital reserve	36	6,751,041	6,751,041
Surplus reserve	37	5,861,656	5,249,966
General reserve	37	6,276,270	4,716,293
Investment revaluation reserve	42	204,939	270,636
Retained earnings		12,601,153	13,121,389
Equity attributable to shareholders of the Bank		42,744,878	41,159,144
Non-controlling interests		1,222,721	1,186,117
<b>Total equity</b>		<b>43,967,599</b>	<b>42,345,261</b>
<b>Total equity and liabilities</b>		<b>694,671,200</b>	<b>636,130,621</b>

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

Approved and authorized for issue by the Board of Directors on 30 August 2016.

**Li Hongming**

Chairman

**Wu Xuemin**

President

**Sheng Hongqing**

Assistant President

**Li Dawei**

Head of Finance Department

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

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

	Equity attributable to shareholders of the Bank							
	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Non-controlling interests	Total equity
	Note 36	Note 36	Note 37	Note 37	Note 42			
<b>As at 1 January 2016</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>5,249,966</b>	<b>4,716,293</b>	<b>270,636</b>	<b>13,121,389</b>	<b>1,186,117</b>	<b>42,345,261</b>
<b>(1) Comprehensive income</b>								
Profit for the period	-	-	-	-	-	3,408,204	36,604	3,444,808
Other comprehensive income, net of tax	-	-	-	-	(65,697)	-	-	(65,697)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65,697)</b>	<b>3,408,204</b>	<b>36,604</b>	<b>3,379,111</b>
<b>(2) Changes in share capital</b>								
Non-controlling interests	-	-	-	-	-	-	-	-
<b>(3) Profit distribution</b>								
Dividends	-	-	-	-	-	(1,756,773)	-	(1,756,773)
Appropriation to surplus reserve	-	-	611,690	-	-	(611,690)	-	-
Appropriation to general reserve	-	-	-	1,559,977	-	(1,559,977)	-	-
<b>As at 30 June 2016</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>5,861,656</b>	<b>6,276,270</b>	<b>204,939</b>	<b>12,601,153</b>	<b>1,222,721</b>	<b>43,967,599</b>
<b>As at 1 January 2015</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>4,071,254</b>	<b>3,743,460</b>	<b>(109,411)</b>	<b>10,868,057</b>	<b>178,704</b>	<b>36,552,924</b>
<b>(1) Comprehensive income</b>								
Profit for the period	-	-	-	-	-	3,066,587	6,164	3,072,751
Other comprehensive income, net of tax	-	-	-	-	49,136	-	-	49,136
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,136</b>	<b>3,066,587</b>	<b>6,164</b>	<b>3,121,887</b>
<b>(2) Changes in share capital</b>								
Non-controlling interests	-	-	-	-	-	-	980,000	980,000
<b>(3) Profit distribution</b>								
Dividends	-	-	-	-	-	(1,755,784)	-	(1,755,784)
Appropriation to surplus reserve	-	-	567,022	-	-	(567,022)	-	-
Appropriation to general reserve	-	-	-	972,833	-	(972,833)	-	-
<b>As at 30 June 2015</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>4,638,276</b>	<b>4,716,293</b>	<b>(60,275)</b>	<b>10,639,005</b>	<b>1,164,868</b>	<b>38,899,027</b>
<b>As at 1 January 2015</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>4,071,254</b>	<b>3,743,460</b>	<b>(109,411)</b>	<b>10,868,057</b>	<b>178,704</b>	<b>36,552,924</b>
<b>(1) Comprehensive income</b>								
Profit for the year	-	-	-	-	-	6,160,661	51,413	6,212,074
Other comprehensive income, net of tax	-	-	-	-	380,047	-	-	380,047
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>380,047</b>	<b>6,160,661</b>	<b>51,413</b>	<b>6,592,121</b>
<b>(2) Changes in share capital</b>								
Non-controlling interests	-	-	-	-	-	-	980,000	980,000
<b>(3) Profit distribution</b>								
Dividends	-	-	-	-	-	(1,755,784)	(24,000)	(1,779,784)
Appropriation to surplus reserve	-	-	1,178,712	-	-	(1,178,712)	-	-
Appropriation to general reserve	-	-	-	972,833	-	(972,833)	-	-
<b>As at 31 December 2015</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>5,249,966</b>	<b>4,716,293</b>	<b>270,636</b>	<b>13,121,389</b>	<b>1,186,117</b>	<b>42,345,261</b>

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

## Unaudited Condensed Consolidated Statement of Cash Flows

For the year ended 30 June 2016  
(All amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2016	2015
<b>Cash flows from operating activities:</b>		
Profit before income tax	4,363,255	4,005,021
Adjustments for:		
Impairment losses on assets	3,125,180	1,806,925
Recovery of written-off loans	22,467	24,221
Depreciation and amortization	182,459	154,517
Net losses on disposals of property, plant and equipment	43	58
Net losses/(gains) on de-recognition of investment securities	16,690	(59,435)
Fair value changes in financial assets at fair value through profit or loss and derivatives	9,116	16,460
Dividends received	-	(440)
Share of results of associates	(80,711)	(50,288)
Interest income arising from investment securities	(7,427,647)	(3,032,142)
Interest expense on debt securities issued	1,668,970	801,852
<b>Net changes in operating assets:</b>		
Net (increase)/decrease in balances with the central bank	(6,038,338)	4,204,866
Net decrease/(increase) in deposits and placements with banks and other financial institutions	2,506,964	(16,384,052)
Net increase in financial assets at fair value through profit or loss	(1,598,196)	(2,031,301)
Net decrease in financial assets held under resale agreements	37,810,575	11,636,656
Net increase in loans and advances to customers	(12,493,651)	(23,478,720)
Net increase in finance lease receivables	(6,866,540)	(2,881,325)
Net decrease/(increase) in other assets	8,035,529	(566,399)
<b>Net changes in operating liabilities:</b>		
Net increase in deposits and placements from banks and other financial institutions	6,873,484	40,927,923
Net decrease in financial assets sold under repurchase agreements	(31,083,181)	(13,835,096)
Net increase in deposits from customers	72,839,963	31,556,258
Net decrease in other liabilities	(8,273,110)	(1,425,566)
Income tax paid	(1,609,431)	(1,101,153)
<b>Net cash inflow from operating activities</b>	<b>61,983,890</b>	<b>30,288,840</b>

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

## Unaudited Condensed Consolidated Statement of Cash Flows

For the year ended 30 June 2016

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

	Six months ended 30 June	
	2016	2015
<b>Cash flows from investing activities:</b>		
Dividends received	–	440
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	<b>1,236</b>	78
Purchase of property, plant and equipment, intangible assets and other long-term assets	<b>(209,776)</b>	(214,860)
Cash received from investment securities interest income	<b>6,874,637</b>	2,533,277
Cash received from sale and redemption of investment securities	<b>89,089,037</b>	457,064,123
Purchase of investment securities	<b>(155,654,543)</b>	(528,443,188)
<b>Net cash outflow from investing activities</b>	<b>(59,899,409)</b>	(69,060,130)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt securities	<b>53,547,181</b>	50,361,708
Cash received from non-controlling interests in investing in subsidiaries	–	980,000
Dividends and interests paid on debt issued	<b>(650,312)</b>	(527,042)
Cash paid relating to debt repayment	<b>(48,260,000)</b>	(19,520,000)
<b>Net cash inflow from financing activities</b>	<b>4,636,869</b>	31,294,666
<b>Impact on cash and cash equivalents resulted from exchange rate changes</b>	<b>59,967</b>	(6,978)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,781,317</b>	(7,483,602)
<b>Cash and cash equivalents at beginning of period</b>	<b>42,304,555</b>	33,127,922
<b>Cash and cash equivalents at end of period (Note 44)</b>	<b>49,085,872</b>	25,644,320

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

# Notes to the Condensed Consolidated Financial Statements

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

## 1 GENERAL INFORMATION

Huishang Bank Corporation Limited (the “Bank”) is a joint stock commercial bank registered in Anhui Province, the People’s Republic of China (the “PRC”). The Bank was formerly known as Hefei City Cooperatives Bank, which was established on 4 April 1997 with the approval of the People’s Bank of China (“PBOC”), Anhui Branch and Anhui Economic Reform Committee and was renamed as Hefei Commercial Bank Co., Ltd. on 28 July 1998. The Bank was further renamed as Huishang Bank Corporation Limited on 30 November 2005 with approval of the general office of China Banking Regulatory Commission (“CBRC”) and CBRC Anhui Branch. Approved by CBRC Anhui Branch, the Bank acquired five former city commercial banks in Wuhu, Ma’ anshan, Anqing, Huaibei and Bengbu and seven city credit cooperatives in Lu’an, Huainan, Tongling and Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda on 28 December 2005. The Bank holds the financial institution license B0162H234010001 from CBRC Anhui Branch and the legal entity business license No. 340000000026144(1-1) from Anhui Provincial Administration of Industry and Commerce. The registered address of the Bank is Block A, Tianhui Building, No. 79, Anqing Road, Hefei, China. In November 2013, the Bank’s H-shares were listed on the Hong Kong Stock Exchange (Stock Code: 3698). As at 30 June 2016, the registered and paid-in capital of the Bank is RMB11.05 billion.

The principal activities of the Bank and its subsidiaries (collectively, the “Group”) include Renminbi (“RMB”) and foreign currency deposits, loans, clearing and settlement services, assets custody services, finance leasing services, and the provision services as approved by the respective regulators.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 30 August 2016.

The financial information relating to the year ended 31 December 2015 that is included in the condensed interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the Bank’s annual financial statements for that year but is derived from those financial statements.

## 2 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial information are set out as below. These policies have been consistently applied to relevant periods presented unless otherwise stated.

### 2.1 Basis of preparation and critical accounting policies

The unaudited condensed interim financial statement of the Bank has been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” and disclosure requirements of “the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited”, which should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

Except as described below, the Bank’s accounting policies applied in preparing these unaudited condensed financial statements are consistent with those policies applied in preparing the financial reports as at 31 December 2015.

# Notes to the Condensed Consolidated Financial Statements

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

## 2 BASIS OF PREPARATION (Continued)

### 2.1 Basis of preparation and critical accounting policies (Continued)

#### 2.1.1 New and revised IFRSs effective by 1 January 2016 applied by the Group

Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between an investor and its associate or joint venture
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception
Amendments to IAS 1	Disclosure initiative

#### 2.1.2 Standards and amendments that are not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
Amendments to IAS 7	Statement of cash flows	1 January 2017
Amendments to IAS 12	Income taxes	1 January 2017
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Lease	1 January 2019

The Group is considering the impact of IFRS 9, IFRS 16 and IAS 7 on the condensed consolidated financial statements.

Except the above mentioned impact of IFRS 9, IFRS 16 and IAS 7, the adoption of the above new IFRSs and amendments to IFRSs issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

# Notes to the Condensed Consolidated Financial Statements

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 3.1 Summary of significant accounting policies

#### 3.1.1 Accounting year

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

#### 3.1.2 Functional and presentation currency

The Group's functional and presentation currency is RMB.

#### 3.1.3 Subsidiaries

##### (a) Consolidation

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

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

##### (b) Separate financial report

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

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



# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.4 Associates

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

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

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

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

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

Gains or losses on dilution of equity interest in associates are recognized in the condensed consolidated statement of comprehensive income.

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.5 Foreign currency translation

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

#### 3.1.6 Cash and cash equivalents

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

#### 3.1.7 Financial instruments

##### (1) Classification

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

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

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.7 Financial instruments (Continued)

##### (1) Classification (Continued)

##### (b) Debt instruments classified as receivables

Debt instruments classified as receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### (c) Available-for-sale financial assets

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

##### (d) Held-to-maturity

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

##### (e) Other financial liabilities

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

##### (2) Recognition and measurement

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

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.7 Financial instruments (Continued)

##### (2) Recognition and measurement (Continued)

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

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

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

##### (3) Offsetting financial instruments

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

##### (4) Impairment of financial assets

###### (a) Assets carried at amortised cost

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

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.7 Financial instruments (Continued)

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

##### (a) Assets carried at amortised cost (Continued)

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

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

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.7 Financial instruments (Continued)

##### (5) Derecognition of financial instruments

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

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

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

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

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

##### (6) Fair value measurement

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.7 Financial instruments (Continued)

##### (6) Fair value measurement (Continued)

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

#### 3.1.8 Derivative financial instruments

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

#### 3.1.9 Asset securitizations

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

#### 3.1.10 Resale and repurchase agreements

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

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.11 Property, plant and equipment

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

##### (a) Cost

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

Subsequent costs, including the cost of replacing part of an item of property, plant and equipment, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of property, plant and equipment are recognised in profit or loss.

##### (b) Depreciation and impairment

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

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

	Estimated useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	3%	4.85%
Motor vehicles	5 years	3%	19.40%
Electronic and other equipment	5-10 years	3%	9.7%~19.40%

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

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



# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.11 Property, plant and equipment (Continued)

##### (c) Disposal

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

#### 3.1.12 Land use rights

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

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

#### 3.1.13 Intangible assets

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

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

#### 3.1.14 Allowances for impairment losses on non-financial assets

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

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.15 Employee benefits

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

##### (a) Defined contribution retirement schemes

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

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

##### (b) Housing fund and other social insurance

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

##### (c) Early retirement expenses

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.16 Revenue Recognition

##### (a) Interest income

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

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

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

##### (b) Fee and commission income

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

##### (c) Dividend income

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

#### 3.1.17 Current and deferred tax

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.17 Current and deferred tax (Continued)

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

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

#### 3.1.18 Provisions and contingent liabilities

A provision is recognised in the condensed consolidated statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

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

#### 3.1.19 Financial guarantee contracts

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.20 Fiduciary activities

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

#### 3.1.21 Lease

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

##### (a) As a lessee under operating leases

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

##### (b) As a lessor under finance leases

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

##### (c) As a lessor under operating lease

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.1 Summary of significant accounting policies (Continued)

#### 3.1.22 Operating segments

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

### 3.2 Critical accounting estimates and judgments

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

#### 3.2.1 Impairment allowances on loans and advances

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

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.2 Critical accounting estimates and judgments (Continued)

#### 3.2.2 Fair value of financial instruments

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

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

#### 3.2.3 Reclassification of held-to-maturity investments

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

#### 3.2.4 Impairment of other financial assets

For held-to-maturity investments and debt instruments classified as receivables, the determination of whether such an investment is impaired requires significant judgment. Objective evidence that a financial asset or group of financial assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence of impairment on expected future cash flows of the investment is taken into account.

For available-for-sale investments, the determination of whether such an investment is impaired requires significant judgment. In making this judgment, the Group considers the duration and extent to which the fair value of an investment is less than its cost; or whether other objective evidence of impairment exists based on the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

# Notes to the Condensed Consolidated Financial Statements

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

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

### 3.2 Critical accounting estimates and judgments (Continued)

#### 3.2.5 Income taxes

The Group is subject to income taxes and significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as deductibility of asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

#### 3.2.6 Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above

## 4 TAXATION

The principal taxes to which the Group is subject are listed below:

Category	Tax basis	Tax rate
Corporate income tax	Taxable profit	25%
Value-added tax ("VAT") <sup>(1)</sup>	Credit mechanism: VAT Payable = Output VAT at sales – Input VAT incurred at purchase	3%, 5%, 6%, 11%, 17%
Business tax <sup>(1)</sup>	Taxable operating income	5%
City construction and maintenance tax	Business tax and VAT	5%, 7%
Education surcharge	Business tax and VAT	3%

- (1) Pursuant to the relevant provisions set forth in the Notice Regarding Fully Promoting Value-added Tax Instead Of Business Tax (Cai Shui[2016] No.36) issued by the Ministry of Finance on 23 March, 2016, the business tax has been replaced by value-added tax("VAT") on a nationwide scale since 1 May, 2016. According to the notice, financial services taxpayers start to pay VAT instead of business tax with a main rate of 6%.



# Notes to the Condensed Consolidated Financial Statements

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

## 5 THE BANK'S CONDENSED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY

	As at 30 June 2016	As at 31 December 2015
<b>Assets</b>		
Cash and balances with central bank	90,199,067	78,096,599
Deposits with banks and other financial institutions	4,734,965	9,183,551
Placements with banks and other financial institutions	24,207,163	21,130,813
Financial assets at fair value through profit or loss	4,300,955	2,730,120
Derivative financial assets	20,456	3,789
Financial assets held under resale agreements	5,109,369	42,919,944
Loans and advances to customers	243,666,769	231,870,685
Investment securities		
– Available-for-sale	109,337,366	100,104,140
– Held-to-maturity	47,661,475	42,257,244
– Debt instruments classified as receivables	138,895,436	89,134,252
Investment in subsidiaries	1,122,313	1,122,313
Investment in associates	494,292	413,581
Property, plant and equipment	1,636,252	1,605,950
Deferred tax assets	1,823,873	1,268,450
Other assets	5,279,476	4,806,152
<b>Total assets</b>	<b>678,489,227</b>	<b>626,647,583</b>
<b>Liabilities</b>		
Deposits from banks and other financial institutions	93,035,497	89,604,290
Placements from banks and other financial institutions	533,520	3,071,163
Derivative financial liabilities	18,419	19,997
Financial assets sold under repurchase agreements	14,348,586	45,431,767
Deposits from customers	429,587,698	356,396,086
Taxes payable	1,196,863	1,437,278
Debt securities issued	85,826,558	79,425,700
Other liabilities	11,279,107	10,148,166
<b>Total liabilities</b>	<b>635,826,248</b>	<b>585,534,447</b>
<b>Equity</b>		
Share capital	11,049,819	11,049,819
Capital reserve	6,751,041	6,751,041
Surplus reserve	5,861,656	5,249,966
General reserve	6,276,270	4,716,293
Investment revaluation reserve	204,939	270,636
Retained earnings	12,519,254	13,075,381
<b>Total equity</b>	<b>42,662,979</b>	<b>41,113,136</b>
<b>Total equity and liabilities</b>	<b>678,489,227</b>	<b>626,647,583</b>

**Li Hongming**

Chairman

**Wu Xuemin**

President

**Sheng Hongqing**

Assistant President

**Li Dawei**

Head of Finance Department

## Notes to the Condensed Consolidated Financial Statements

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

### 5 THE BANK'S CONDENSED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (Continued)

	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Total equity
<b>As at 1 January 2016</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>5,249,966</b>	<b>4,716,293</b>	<b>270,636</b>	<b>13,075,381</b>	<b>41,113,136</b>
<b>(1) Comprehensive income</b>							
Profit for the year	-	-	-	-	-	3,372,313	3,372,313
Other comprehensive income, net of tax	-	-	-	-	(65,697)	-	(65,697)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65,697)</b>	<b>3,372,313</b>	<b>3,306,616</b>
<b>(2) Profit distribution</b>							
Dividends	-	-	-	-	-	(1,756,773)	(1,756,773)
Appropriation to surplus reserve	-	-	611,690	-	-	(611,690)	-
Appropriation to general reserve	-	-	-	1,559,977	-	(1,559,977)	-
<b>As at 30 June 2016</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>5,861,656</b>	<b>6,276,270</b>	<b>204,939</b>	<b>12,519,254</b>	<b>42,662,979</b>
<b>As at 1 January 2015</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>4,071,254</b>	<b>3,743,460</b>	<b>(109,411)</b>	<b>10,865,811</b>	<b>36,371,974</b>
<b>(1) Comprehensive income</b>							
Profit for the year	-	-	-	-	-	6,116,899	6,116,899
Other comprehensive income, net of tax	-	-	-	-	380,047	-	380,047
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>380,047</b>	<b>6,116,899</b>	<b>6,496,946</b>
<b>(2) Profit distribution</b>							
Dividends	-	-	-	-	-	(1,755,784)	(1,755,784)
Appropriation to surplus reserve	-	-	1,178,712	-	-	(1,178,712)	-
Appropriation to general reserve	-	-	-	972,833	-	(972,833)	-
<b>As at 31 December 2015</b>	<b>11,049,819</b>	<b>6,751,041</b>	<b>5,249,966</b>	<b>4,716,293</b>	<b>270,636</b>	<b>13,075,381</b>	<b>41,113,136</b>

## Notes to the Condensed Consolidated Financial Statements

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

### 6 NET INTEREST INCOME

	Six months ended 30 June	
	2016	2015
<b>Interest income</b>		
Balances with central bank	488,775	443,132
Deposits and placements with banks and other financial institutions	936,163	2,056,132
Loans and advances to customers	6,789,416	7,913,982
Investment securities	7,427,647	3,032,142
Finance lease	322,160	8,418
	<b>15,964,161</b>	<b>13,453,806</b>
Including: Interest income accrued on impaired loans to customers	43,608	34,152
<b>Interest expense</b>		
Borrowing from central bank	(8)	(1,471)
Deposits and placements from banks and other financial institutions	(2,350,023)	(2,562,770)
Deposits from customers	(3,041,526)	(3,387,869)
Debt securities issued	(1,668,970)	(801,852)
	<b>(7,060,527)</b>	<b>(6,753,962)</b>
<b>Net interest income</b>	<b>8,903,634</b>	<b>6,699,844</b>

### 7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2016	2015
<b>Fee and commission income</b>		
Custodian and other fiduciary service fees	732,344	561,683
Bank card fees	241,222	100,427
Consultancy and advisory fees	89,724	103,623
Settlement and clearing fees	76,607	55,031
Agency commissions	72,588	14,288
Guarantee and commitment fees	4,429	23,908
Syndicated loan fees	4,428	22,972
Domestic factoring fees	4,340	6,419
Arrangement fees for international trade financing	4,006	19,129
Others	82,185	38,287
	<b>1,311,873</b>	<b>945,767</b>
<b>Fee and commission expense</b>	<b>(54,274)</b>	<b>(43,711)</b>
<b>Net fee and commission income</b>	<b>1,257,599</b>	<b>902,056</b>

# Notes to the Condensed Consolidated Financial Statements

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

## 8 NET TRADING LOSSES

	Six months ended 30 June	
	2016	2015
Net gains from foreign exchange	15,745	14,300
Net losses from interest rate instruments	(27,361)	(16,537)
	<b>(11,616)</b>	(2,237)

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

## 9 OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2016	2015
Net gains on bills	3,755	16,747
Others	29,985	30,561
	<b>33,740</b>	47,308

## 10 OPERATING EXPENSES

	Six months ended 30 June	
	2016	2015
Staff cost (Note 11)	(1,344,424)	(693,565)
Business tax and surcharges	(607,703)	(602,497)
General operating and administrative expenses	(460,554)	(383,155)
Operating lease rental expenses	(125,697)	(106,453)
Depreciation (Note 24)	(124,893)	(103,298)
Amortization expenses for long-term prepaid expenses	(38,949)	(32,554)
Amortization expenses for intangible assets (Note 26(d))	(16,505)	(16,517)
Amortization expenses for land use rights (Note 26(c))	(2,112)	(2,148)
Others	(38,106)	(5,001)
	<b>(2,758,943)</b>	(1,945,188)

# Notes to the Condensed Consolidated Financial Statements

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

## 11 STAFF COST

	Six months ended 30 June	
	2016	2015
Salaries, bonuses, allowances and subsidies	(1,015,989)	(431,570)
Pension costs	(117,635)	(91,429)
Labor union fee and staff education fee	(22,677)	(14,773)
Other social insurance and welfare costs	(188,123)	(155,793)
	<b>(1,344,424)</b>	<b>(693,565)</b>

## 12 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2016	2015
Loans and advances to customers (Note 21(b))		
– Collectively assessed	(1,778,392)	(832,137)
– Individually assessed	(358,176)	(694,965)
Available-for-sale financial assets	(115,422)	(12,568)
Debt instruments classified as receivables (Note 22)	(749,668)	(238,240)
Finance lease receivables (Note 25)	(123,522)	(29,015)
	<b>(3,125,180)</b>	<b>(1,806,925)</b>

## 13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
Current income tax		
– PRC mainland income tax	(1,452,502)	(999,400)
Deferred tax (Note 34)	534,055	67,130
	<b>(918,447)</b>	<b>(932,270)</b>

The provision for China mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

# Notes to the Condensed Consolidated Financial Statements

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

## 13 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	Six months ended 30 June	
	2016	2015
Profit before tax	4,363,255	4,005,021
Tax calculated at applicable statutory tax rate of 25%	(1,090,814)	(1,001,255)
Tax effect of income not taxable for tax purpose <sup>(a)</sup>	201,222	125,145
Tax effect of items such as expenses not deductible for tax purposes <sup>(b)</sup>	(15,882)	(25,519)
Tax filing differences from previous year	(12,973)	(30,641)
Income tax expense	(918,447)	(932,270)

(a) Non-taxable income mainly represents interest income arising from PRC treasury bonds.

(b) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

## 14 EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share are calculated by dividing the profit for the period attributable to shareholders of the Bank by the weighted average ordinary shares in issue during the period.

	Six months ended 30 June	
	2016	2015
Net profit attributable to shareholders of the Bank (in RMB thousands)	3,408,204	3,066,587
Weighted average number of ordinary shares in issue (in thousands)	11,049,819	11,049,819
Basic earnings per share (in RMB Yuan)	0.31	0.28

### (b) Diluted earnings per share

For the six months ended 30 June 2016 and 2015, there were no potential dilutive ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

## Notes to the Condensed Consolidated Financial Statements

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

### 15 CASH AND BALANCES WITH THE CENTRAL BANK

	As at 30 June 2016	As at 31 December 2015
Cash	1,116,713	1,179,229
Balances with the central bank		
– Statutory reserves <sup>(a)</sup>	59,778,968	53,740,630
– Surplus reserves <sup>(b)</sup>	29,525,266	23,494,175
	<b>90,420,947</b>	<b>78,414,034</b>

- (a) The Group places statutory deposit reserves with the People's Bank of China ("PBOC"). The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates of the bank were as follows:

	As at 30 June 2016	As at 31 December 2015
Statutory reserve rate for RMB deposits	14.5%	14.0%
Statutory reserve rate for foreign currency deposits	5.0%	5.0%

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

### 16 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016	As at 31 December 2015
Banks in PRC mainland	5,045,416	9,935,087
Banks in PRC mainland non-bank financial institutions	47,389	70,764
Banks in other countries and regions	304,294	277,401
	<b>5,397,099</b>	<b>10,283,252</b>
Less: allowances for impairment losses		
– Individually assessed	(3)	(3)
	<b>5,397,096</b>	<b>10,283,249</b>

# Notes to the Condensed Consolidated Financial Statements

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

## 17 PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016	As at 31 December 2015
Banks in PRC mainland <sup>(a)</sup>	19,301,336	17,776,009
Other financial institutions in PRC mainland	4,846,270	3,214,403
	<b>24,147,606</b>	20,990,412

(a) Placement with banks and other financial institutions in PRC mainland are mainly rediscounted bills. The amount of rediscounted bills is RMB16,005 million by the end of 30 June 2016 and RMB16,497 million by the end of 31 December 2015 comparatively.

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2016	As at 31 December 2015
Government bonds		
– Listed outside Hong Kong	320,717	207,309
Other debt securities		
– Listed outside Hong Kong	2,322,179	2,522,811
Interbank certificates of deposit		
– Listed outside Hong Kong	1,658,059	–
	<b>4,300,955</b>	2,730,120

As at 30 June 2016 and 31 December 2015, there was no significant limitation on the ability of the Group and the Bank to dispose financial assets at fair value through profit or loss. Debt securities traded on the China Domestic Interbank Bond Market are included in the category "Listed outside Hong Kong".

Financial assets at fair value through profit or loss analyzed by categories of issuer are as follows:

	As at 30 June 2016	As at 31 December 2015
Debt securities		
Issuers in PRC mainland		
– Government	320,717	207,309
– Banks and other financial institutions	3,671,718	2,167,558
– Legal entities	308,520	355,253
	<b>4,300,955</b>	2,730,120



## Notes to the Condensed Consolidated Financial Statements

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

### 19 DERIVATIVE FINANCIAL INSTRUMENTS

	Notional Amount	As at 30 June 2016	
		Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	83,487	1,624	(815)
– Currency swaps	6,754,474	16,256	(9,291)
– Interest rate swaps	3,400,000	2,576	(8,313)
	<b>10,237,961</b>	<b>20,456</b>	<b>(18,419)</b>

	Notional Amount	As at 31 December 2015	
		Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	684,392	3,782	(2,872)
– Currency swaps	724,239	7	(1,770)
– Interest rate swaps	1,930,000	–	(15,355)
	<b>3,338,631</b>	<b>3,789</b>	<b>(19,997)</b>

### 20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2016	As at 31 December 2015
Securities held under resale	4,062,500	2,281,948
Bills held under resale	1,046,869	40,637,996
	<b>5,109,369</b>	<b>42,919,944</b>

# Notes to the Condensed Consolidated Financial Statements

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

## 21 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 30 June 2016	As at 31 December 2015
Corporate loans and advances		
– Corporate loans	165,038,455	157,429,870
– Discounted bills	18,413,994	21,610,553
Subtotal	183,452,449	179,040,423
Personal loans and advances		
– Mortgage loans	51,472,486	44,627,089
– Revolving loans for individual business	9,432,803	10,316,157
– Others	10,862,175	9,450,523
Subtotal	71,767,464	64,393,769
Total	255,219,913	243,434,192
Less: Allowance for impairment losses		
– Collectively assessed	(6,442,018)	(5,314,731)
– Individually assessed	(519,024)	(691,358)
Total allowance for impairment losses	(6,961,042)	(6,006,089)
Loans and advances to customers, net	248,258,871	237,428,103

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

	As at 30 June 2016		As at 31 December 2015	
	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance
Balance at beginning of the period/year	5,314,731	691,358	4,235,487	426,936
Impairment allowance charged (Note 12)	1,778,392	358,176	1,769,360	916,682
Unwinding of discount on allowance	(13,259)	(30,349)	(42,897)	(22,354)
Recoveries	3,746	18,721	18,385	48,048
Written-offs	(641,592)	(518,882)	(665,604)	(677,954)
Balance at end of the period/year	6,442,018	519,024	5,314,731	691,358

## Notes to the Condensed Consolidated Financial Statements

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

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 30 June 2016		As at 31 December 2015	
	Corporate loans	Individual loans	Corporate loans	Individual loans
Balance at beginning of the period/year	4,658,802	1,347,287	3,931,138	731,285
Impairment allowance charged (Note 12)	1,463,698	672,870	2,020,431	665,611
Unwinding of discount on allowance	(33,398)	(10,210)	(62,717)	(2,534)
Recoveries	22,306	161	48,048	18,385
Written-offs	(894,284)	(266,190)	(1,278,098)	(65,460)
Balance at end of the period/year	5,217,124	1,743,918	4,658,802	1,347,287

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

As at 30 June 2016	Identified impaired loans and advances			Subtotal	Total
	Loans and advances for which allowance is collectively assessed	for which allowance is collectively assessed	for which allowance is individually assessed		
Total loans and advances					
– Corporate loans	181,492,723	561,598	1,398,128	1,959,726	183,452,449
– Personal loans and advances	71,124,905	642,559	–	642,559	71,767,464
Allowance for impairment losses	(5,814,586)	(627,432)	(519,024)	(1,146,456)	(6,961,042)
Loans and advances to customers, net	246,803,042	576,725	879,104	1,455,829	248,258,871

As at 31 December 2015	Identified impaired loans and advances			Subtotal	Total
	Loans and advances for which allowance is collectively assessed	for which allowance is collectively assessed	for which allowance is individually assessed		
Total loans and advances					
– Corporate loans	177,176,562	405,505	1,458,356	1,863,861	179,040,423
– Personal loans and advances	63,859,892	533,877	–	533,877	64,393,769
Allowance for impairment losses	(4,882,393)	(432,338)	(691,358)	(1,123,696)	(6,006,089)
Loans and advances to customers, net	236,154,061	507,044	766,998	1,274,042	237,428,103

# Notes to the Condensed Consolidated Financial Statements

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

## 22 INVESTMENT SECURITIES

	As at 30 June 2016	As at 31 December 2015
<b>Available-for-sale financial assets</b>		
Listed outside Hong Kong		
– Debt securities	<b>25,835,033</b>	23,920,037
Unlisted		
– Beneficial rights in trust and asset management plans <sup>(1)</sup>	<b>71,733,736</b>	68,075,176
– Non-guaranteed wealth management products managed by other banks	<b>6,325,000</b>	4,500,000
– Interbank certificates of deposit	<b>3,390,717</b>	229,191
– Equity securities	<b>9,500</b>	9,560
Subtotal	<b>107,293,986</b>	96,733,964
Allowance for impairment losses	<b>(577,678)</b>	(462,316)
Available-for-sale financial assets, net	<b>106,716,308</b>	96,271,648
<b>Held-to-maturity investments</b>		
Listed outside Hong Kong		
– Debt securities	<b>47,661,475</b>	42,257,244
Subtotal	<b>47,661,475</b>	42,257,244
<b>Debt instruments classified as receivables</b>		
Unlisted		
– Beneficial rights in trust and asset management plans <sup>(1)</sup>	<b>136,380,655</b>	83,846,659
– Guaranteed wealth management products managed by other banks	<b>3,800,000</b>	5,800,000
– Debt securities	<b>96,375</b>	119,519
Subtotal	<b>140,277,030</b>	89,766,178
Total		
Allowance for impairment losses	<b>(1,381,594)</b>	(631,926)
Debt instruments classified as receivables, net	<b>138,895,436</b>	89,134,252

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

# Notes to the Condensed Consolidated Financial Statements

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

## 22 INVESTMENT SECURITIES (Continued)

- (1) Beneficial rights in trust and asset management plans invested by the Group are the usufruct in trusts or asset management plans organized by security companies. The investment decisions of these products are made by the third-party asset managers or custodians. They mainly invest in collective investment products including: (a) liquid assets: deposits, repurchase agreements, money market funds and other cash management products, bond funds; bonds traded in exchange and inter-bank market, convertible bonds, ABS and ABN, or other qualified highly-liquid assets.(b) Financing assets to financing entities with good credit qualities and default history. The entities have adequate cash flow to repay the loans. Risk mitigation are adequate and the risks are relatively low; the financing forms including entrusted loans, loan assets bought from other financial institutions, specific asset usufruct and etc. (c) Products issued by other financial institutions mainly including non-cash management fixed return products issued by investment funds, trusts, insurance companies, securities companies, commercial banks and etc. The detail of unconsolidated structured entities invested by the Group is in Note 43.

Beneficial rights in trust and asset management plans are analysed by category of underlying assets as follows:

	As at 30 June 2016	As at 31 December 2015
<b>Available-for-sale financial assets</b>		
Liquid assets	<b>58,451,686</b>	48,526,476
Financing assets	<b>13,282,050</b>	19,548,700
<b>Total</b>	<b>71,733,736</b>	68,075,176
<b>Debt instrument classified as receivables</b>		
Liquid assets	<b>17,511,705</b>	25,316,873
Financing assets	<b>115,815,669</b>	43,837,197
Products issued by financial institutions	<b>3,053,281</b>	14,692,589
<b>Total</b>	<b>136,380,655</b>	83,846,659

# Notes to the Condensed Consolidated Financial Statements

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

## 22 INVESTMENT SECURITIES (Continued)

Investment securities analyzed by issuer as follows:

	As at 30 June 2016	As at 31 December 2015
<b>Available-for-sale financial assets</b>		
Issuers in PRC mainland		
– Government	11,567,787	9,108,252
– Banks and other financial institutions	92,222,511	82,941,210
– Legal entities	3,494,188	4,674,942
Subtotal	107,284,486	96,724,404
Equity securities	9,500	9,560
Total	107,293,986	96,733,964
Allowance for impairment losses	(577,678)	(462,316)
Available-for-sale financial assets, net	106,716,308	96,271,648
<b>Held-to-maturity investments</b>		
Issuers in PRC mainland		
– Government	33,427,230	28,019,977
– Banks and other financial institutions	10,040,392	10,038,924
– Legal entities	4,193,853	4,198,343
Held-to-maturity investments, net	47,661,475	42,257,244
<b>Debt instrument classified as receivables</b>		
Issuers in PRC mainland		
– Government	96,375	119,519
– Banks and other financial institutions	140,180,655	89,646,659
Total	140,277,030	89,766,178
Allowance for impairment losses	(1,381,594)	(631,926)
Debt instrument classified as receivables, net	138,895,436	89,134,252

## Notes to the Condensed Consolidated Financial Statements

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

### 23 INVESTMENT IN ASSOCIATES

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

#### As at 30 June 2016

Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of share
Chery Huiyin Motor Finance Service Co., Ltd.	PRC	19,624,286	17,152,824	768,469	403,555	20%

#### As at 31 December 2015

Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of share
Chery Huiyin Motor Finance Service Co., Ltd.	PRC	19,963,026	17,837,427	1,193,676	439,881	20%

	Six months ended 30 June 2016	Year ended 31 December 2015
Balance at beginning of the period/year	413,581	325,605
Share of results, net of tax	80,711	87,976
Balance at end of the period/year	494,292	413,581

Chery Motor Finance Service Co., Ltd. was established in 2009, with registered capital of RMB500 million, among which the Group accounted for RMB100 million or 20%. With the approval of CBRC Anhui Branch on 24 December 2012, the registered capital of Chery Motor Finance Service Co., Ltd. was authorized to increase to RMB1 billion. In 2014, the company has completed its shareholding reform, and renamed as Chery Huiyin Motor Finance Service Co., Ltd.

## Notes to the Condensed Consolidated Financial Statements

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

### 24 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
<b>As at 1 January 2016</b>	<b>1,506,184</b>	<b>67,590</b>	<b>1,126,262</b>	<b>162,697</b>	<b>2,862,733</b>
Additions	–	3,100	56,462	98,144	157,706
Transfers in/(out)	–	–	5,226	(5,226)	–
Disposals	–	(1,758)	(2,478)	–	(4,236)
Other transfers out	–	–	–	(3,042)	(3,042)
<b>As at 30 June 2016</b>	<b>1,506,184</b>	<b>68,932</b>	<b>1,185,472</b>	<b>252,573</b>	<b>3,013,161</b>
Accumulated depreciation					
<b>As at 1 January 2016</b>	<b>(548,762)</b>	<b>(45,389)</b>	<b>(651,200)</b>	–	<b>(1,245,351)</b>
Depreciation charge	(34,121)	(4,692)	(86,080)	–	(124,893)
Disposals	–	1,713	2,395	–	4,108
<b>As at 30 June 2016</b>	<b>(582,883)</b>	<b>(48,368)</b>	<b>(734,885)</b>	–	<b>(1,366,136)</b>
Net book value					
<b>As at 30 June 2016</b>	<b>923,301</b>	<b>20,564</b>	<b>450,587</b>	<b>252,573</b>	<b>1,647,025</b>

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
<b>As at 1 January 2015</b>	<b>1,207,827</b>	<b>65,654</b>	<b>1,061,625</b>	<b>158,692</b>	<b>2,493,798</b>
Additions	142,283	2,183	113,386	177,209	435,061
Transfers in/(out)	156,074	–	–	(156,074)	–
Disposals	–	(247)	(48,749)	–	(48,996)
Other transfers out	–	–	–	(17,130)	(17,130)
<b>As at 31 December 2015</b>	<b>1,506,184</b>	<b>67,590</b>	<b>1,126,262</b>	<b>162,697</b>	<b>2,862,733</b>
Accumulated depreciation					
<b>As at 1 January 2015</b>	<b>(486,283)</b>	<b>(36,321)</b>	<b>(556,160)</b>	–	<b>(1,078,764)</b>
Depreciation charge	(62,479)	(9,095)	(142,841)	–	(214,415)
Disposals	–	27	47,801	–	47,828
<b>As at 31 December 2015</b>	<b>(548,762)</b>	<b>(45,389)</b>	<b>(651,200)</b>	–	<b>(1,245,351)</b>
Net book value					
<b>As at 31 December 2015</b>	<b>957,422</b>	<b>22,201</b>	<b>475,062</b>	<b>162,697</b>	<b>1,617,382</b>

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



## Notes to the Condensed Consolidated Financial Statements

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

### 25 FINANCE LEASE RECEIVABLES

As at 30 June 2016	Within 1 year	1-3 years	Over 3 years	Total
Finance lease receivables	4,170,385	7,614,741	4,834,571	16,619,697
Unrealized revenue	(764,724)	(962,499)	(304,871)	(2,032,094)
Allowance	(51,067)	(99,783)	(67,945)	(218,795)
Net	3,354,594	6,552,459	4,461,755	14,368,808

  

As at 31 December 2015	Within 1 year	1-3 years	Over 3 years	Total
Finance lease receivables	1,999,133	3,894,001	2,753,726	8,646,860
Unrealized revenue	(405,437)	(493,636)	(150,246)	(1,049,319)
Allowance	(19,945)	(42,565)	(32,763)	(95,273)
Net	1,573,751	3,357,800	2,570,717	7,502,268

The Group's finance lease receivables are all managed by its subsidiary Huishang Bank Financial Leasing Co., Ltd.

### 26 OTHER ASSETS

	As at 30 June 2016	As at 31 December 2015
Interest receivable <sup>(a)</sup>	3,731,492	3,477,637
Other receivables <sup>(b)</sup>	605,829	662,308
Less: impairment allowance	(29,122)	(29,109)
Funds to be settled	432,771	105,798
Long-term prepaid expenses	222,067	212,555
Land use rights <sup>(c)</sup>	162,595	164,707
Foreclosed assets	85,335	85,335
Intangible assets <sup>(d)</sup>	82,056	91,448
Others	109,516	119,853
	5,402,539	4,890,532

## Notes to the Condensed Consolidated Financial Statements

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

### 26 OTHER ASSETS (Continued)

#### (a) Interest receivable

	As at 30 June 2016	As at 31 December 2015
Investment securities and financial assets at fair value through profit or loss	2,997,196	2,440,833
Loans and advances to customers	560,590	659,178
Placements with and loans and advances to banks, other financial institutions, and the central bank	90,938	332,350
Finance lease	82,768	45,276
	<b>3,731,492</b>	<b>3,477,637</b>

#### (b) Other receivable

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

As at 30 June 2016	Within 1 year	1-3 years	Over 3 years	Total
Other receivable	515,259	83,100	7,470	605,829
Bad debt allowance	(16,568)	(9,624)	(2,930)	(29,122)
Net	<b>498,691</b>	<b>73,476</b>	<b>4,540</b>	<b>576,707</b>

  

As at 31 December 2015	Within 1 year	1-3 years	Over 3 years	Total
Other receivable	620,140	35,462	6,706	662,308
Bad debt allowance	(14,187)	(11,494)	(3,428)	(29,109)
Net	605,953	23,968	3,278	633,199

#### (c) Land use rights

	Six months ended 30 June 2016	Year ended 31 December 2015
Cost		
Balance at beginning of the period/year	171,835	171,835
Additions	-	-
Balance at end of the period/year	<b>171,835</b>	<b>171,835</b>
Accumulated amortization		
Balance at beginning of the period/year	(7,128)	(2,902)
Additions	(2,112)	(4,226)
Balance at end of the period/year	<b>(9,240)</b>	<b>(7,128)</b>
Net book value		
At end of the period/year	<b>162,595</b>	<b>164,707</b>

## Notes to the Condensed Consolidated Financial Statements

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

### 26 OTHER ASSETS (Continued)

#### (d) Intangible assets

Intangible assets of the Group mainly are computer software.

	Six months ended 30 June 2016	Year ended 31 December 2015
Cost		
Balance at beginning of the period/year	235,110	208,808
Additions	7,113	26,302
Balance at end of the period/year	242,223	235,110
Accumulated amortization		
Balance at beginning of the period/year	(143,662)	(110,767)
Additions	(16,505)	(32,895)
Balance at end of the period/year	(160,167)	(143,662)
Net book value		
At end of the period/year	82,056	91,448

### 27 IMPAIRMENT ALLOWANCE

	As at 1 January 2016	Additions	Recovery	Reversal	Write-off	As at 30 June 2016
Loans and advances	(6,006,089)	(2,136,568)	(22,467)	43,608	1,160,474	(6,961,042)
Deposits with banks and other financial institutions	(3)	-	-	-	-	(3)
Foreclosed assets	(38)	-	-	-	-	(38)
Financial assets available-for-sale	(462,316)	(115,422)	-	-	60	(577,678)
Financial assets Debt instrument classified as receivables	(631,926)	(749,668)	-	-	-	(1,381,594)
Finance lease receivables	(95,273)	(123,522)	-	-	-	(218,795)
Other receivables	(29,109)	-	(13)	-	-	(29,122)
	(7,224,754)	(3,125,180)	(22,480)	43,608	1,160,534	(9,168,272)

## Notes to the Condensed Consolidated Financial Statements

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

### 27 IMPAIRMENT ALLOWANCE (Continued)

	As at 1 January 2015	Additions	Recovery	Reversal	Write-off	As at 31 December 2015
Loans and advances	(4,662,423)	(2,686,042)	(66,433)	65,251	1,343,558	(6,006,089)
Deposits with banks and other financial institutions	(3)	-	-	-	-	(3)
Foreclosed assets	(38)	-	-	-	-	(38)
Financial assets available-for-sale	(218,721)	(243,595)	-	-	-	(462,316)
Financial assets Debt instrument classified as receivables	-	(631,926)	-	-	-	(631,926)
Finance lease receivables	-	(95,273)	-	-	-	(95,273)
Other receivables	(29,265)	-	(552)	-	708	(29,109)
	(4,910,450)	(3,656,836)	(66,985)	65,251	1,344,266	(7,224,754)

### 28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016	As at 31 December 2015
Banks in PRC mainland	51,966,501	48,403,505
Other financial institutions in PRC mainland	40,831,195	40,792,446
Banks outside PRC mainland	89,617	90,235
	92,887,313	89,286,186

### 29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016	As at 31 December 2015
Banks in PRC mainland	11,183,520	7,911,163

### 30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2016	As at 31 December 2015
Securities sold under repurchase agreements	11,923,000	24,590,312
Bills sold under repurchase agreements	2,425,586	20,841,455
	14,348,586	45,431,767

## Notes to the Condensed Consolidated Financial Statements

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

### 31 DEPOSITS FROM CUSTOMERS

	As at 30 June 2016	As at 31 December 2015
Corporate demand deposits	177,429,170	139,969,744
Corporate time deposits	123,863,203	103,212,991
Retail demand deposits	41,657,236	33,410,168
Retail time deposits	61,430,673	53,360,372
Other deposits	27,684,235	29,271,279
	<b>432,064,517</b>	359,224,554
Including:		
Pledged deposits held as collateral	26,945,376	28,751,563

### 32 TAX PAYABLE

	As at 30 June 2016	As at 31 December 2015
Corporate income tax	879,485	1,036,414
Value-added tax	274,999	–
Business tax and surcharges	25,543	402,313
Others	36,291	28,630
	<b>1,216,318</b>	1,467,357

### 33 OTHER LIABILITIES

	As at 30 June 2016	As at 31 December 2015
Interest payable <sup>(a)</sup>	6,215,078	5,988,926
Dividends payable <sup>(b)</sup>	1,900,665	209,536
Unearned rent and deposits under lease arrangements <sup>(c)</sup>	1,562,957	809,801
Funds to be settled	1,409,297	2,169,100
Salary and welfare payable <sup>(d)</sup>	1,335,852	1,323,732
Bank acceptance	174,500	–
Entrusted services	127,769	106,917
Suspense account	39,509	38,246
Project funds payable	19,685	19,139
Others	368,058	353,239
	<b>13,153,370</b>	11,018,636

# Notes to the Condensed Consolidated Financial Statements

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

## 33 OTHER LIABILITIES (Continued)

### (a) Interest payable

	As at 30 June 2016	As at 31 December 2015
Deposits from customers	4,441,856	4,126,340
Deposits and placement from banks and other financial institutions	1,062,557	1,254,164
Debt securities issued	710,665	608,422
	<b>6,215,078</b>	5,988,926

### (b) Dividends payable

As at 20 June 2016, the General Meetings of Shareholders was held and decided to distribute cash dividends to all shareholders. Details are listed in note 38.

### (c) Unearned rent and deposits under lease arrangements

As at 30 June 2016 and 31 December 2015, the Group's unearned rent and deposits under lease arrangements are all contributed by its subsidiary Huishang Bank Financial Leasing Co.,LTD., which include the deposits and deferred income of finance lease.

### (d) Salary and welfare payable

	As at 30 June 2016	As at 31 December 2015
Short-term employee benefits	1,202,634	1,212,429
Termination benefits	97,040	82,079
Defined contribution plans	36,178	29,224
	<b>1,335,852</b>	1,323,732

## Notes to the Condensed Consolidated Financial Statements

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

### 33 OTHER LIABILITIES (Continued)

#### (d) Salary and welfare payable (Continued)

Short-term employee benefits

	As at 1 January 2016	Increase in current period	Decrease in current period	As at 30 June 2016
Wages, bonuses, allowances and subsidies	882,918	1,015,309	(1,027,388)	870,839
Employee benefits	187	54,370	(54,386)	171
Social insurance	886	31,749	(31,914)	721
Including:				
Medical Insurance	822	28,119	(28,266)	675
Occupational Injury Insurance	32	948	(949)	31
Maternity Insurance	32	2,682	(2,699)	15
Housing fund	906	75,014	(73,628)	2,292
Labour union fee and staff education fee	13,719	22,677	(21,599)	14,797
Other short-term employee benefits	313,813	20,671	(20,670)	313,814
	<b>1,212,429</b>	<b>1,219,790</b>	<b>(1,229,585)</b>	<b>1,202,634</b>

	As at 1 January 2015	Increase in current year	Decrease in current year	As at 31 December 2015
Wages, bonuses, allowances and subsidies	728,162	1,593,490	(1,438,734)	882,918
Employee benefits	702	382	(897)	187
Social insurance	1,074	62,782	(62,970)	886
Including:				
Medical Insurance	1,037	54,148	(54,363)	822
Occupational Injury Insurance	25	3,246	(3,239)	32
Maternity Insurance	12	5,388	(5,368)	32
Housing fund	535	140,538	(140,167)	906
Labour union fee and staff education fee	12,549	54,299	(53,129)	13,719
Other short-term employee benefits	313,813	571	(571)	313,813
	<b>1,056,835</b>	<b>1,852,062</b>	<b>(1,696,468)</b>	<b>1,212,429</b>

## Notes to the Condensed Consolidated Financial Statements

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

### 33 OTHER LIABILITIES (Continued)

#### (d) Salary and welfare payable (Continued)

Defined contribution plans

	As at 1 January 2016	Increase in current period	Decrease in current period	As at 30 June 2016
Basic pension insurance	5,395	62,623	(62,487)	5,531
Unemployment Insurance	226	5,453	(5,449)	230
Annuity scheme	23,603	55,942	(49,128)	30,417
	<b>29,224</b>	<b>124,018</b>	<b>(117,064)</b>	<b>36,178</b>

Defined contribution plans

	As at 1 January 2015	Increase in current year	Decrease in current year	As at 31 December 2015
Basic pension insurance	5,933	115,729	(116,267)	5,395
Unemployment Insurance	239	10,210	(10,223)	226
Annuity scheme	41,870	98,295	(116,562)	23,603
	<b>48,042</b>	<b>224,234</b>	<b>(243,052)</b>	<b>29,224</b>

Termination benefits

	As at 30 June 2016	As at 31 December 2015
Early retirement benefits	<b>97,040</b>	82,079



## Notes to the Condensed Consolidated Financial Statements

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

### 34 DEFERRED INCOME TAXES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority. The movement in the deferred income tax account is as follows:

	Six months ended 30 June 2016	Year ended 31 December 2015
Balance at beginning of the period/year	1,274,063	955,787
Charged to condensed consolidated comprehensive income statement	534,055	444,958
Credited to shareholders' equity	21,899	(126,682)
Balance at end of the period/year	1,830,017	1,274,063

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

	As at 30 June 2016	As at 31 December 2015
Deferred tax assets		
Impairment allowance for assets	1,608,748	1,078,891
Salary and welfare payable	245,988	258,748
Changes in fair value	-	4,052
Others	47,495	32,817
	1,902,231	1,374,508
Deferred income tax liabilities		
Changes in fair value	(72,214)	(100,445)
Deferred tax assets, net	1,830,017	1,274,063

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

	Six months ended 30 June	
	2016	2015
Impairment allowance for assets	529,326	154,442
Salary and welfare payable	(12,760)	(96,446)
Changes in fair value	2,811	4,115
Others	14,678	5,019
	534,055	67,130

# Notes to the Condensed Consolidated Financial Statements

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

## 35 DEBT SECURITIES ISSUED

	As at 30 June 2016	As at 31 December 2015
Subordinated debts with fixed rate – 2026 <sup>(a)</sup>	<b>3,991,607</b>	3,991,375
Financial bonds for SMEs – 2016 <sup>(b)</sup>	–	2,798,426
Financial bonds for SMEs – 2018 <sup>(c)</sup>	<b>2,199,512</b>	2,198,002
Financial bonds 01 <sup>(d)</sup>	<b>3,498,041</b>	3,497,583
Financial bonds 02 <sup>(e)</sup>	<b>499,668</b>	499,631
Tier 2 capital bonds <sup>(f)</sup>	<b>7,986,928</b>	7,986,356
Financial bonds 03 <sup>(g)</sup>	<b>3,497,898</b>	3,497,444
Financial bonds 04 <sup>(h)</sup>	<b>499,657</b>	499,620
Interbank certificates of deposit issued <sup>(i)</sup>	<b>63,653,247</b>	54,457,263
	<b>85,826,558</b>	79,425,700

- (a) The Group issued RMB4 billion of subordinated debts on 2 April 2011 in China's inter-bank bond market, with a maturity of 15 years and a fixed coupon rate of 6.55%, paid annually. The Group has an option to redeem these debts at face value on 2 April 2021.

Claims on subordinated debts are posterior to other liabilities but prior to the Group's share capital. From 1 January 2013, they are qualified for inclusion as Tier 2 capital in the calculation of capital adequacy ratio in accordance with "The Trial Measures for Capital Management of Commercial Banks" promulgated by the CBRC.

- (b) The Group issued RMB2.8 billion of financial bonds designated for lending to small and medium size enterprises ("SMEs") on 19 March 2013 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.30%, paid annually. The bonds are due before 30 June 2016.
- (c) The Group issued RMB2.2 billion of financial bonds designated for SMEs lending on 19 March 2013 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.50%, paid annually.
- (d) The Group issued RMB3.5 billion of financial bonds on 30 July 2015 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.15%, paid annually.
- (e) The Group issued RMB0.5 billion of financial bonds on 30 July 2015 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.35%, paid annually.
- (f) The Group issued RMB8.0 billion of tier 2 capital bonds on 11 September 2015 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.69%, paid annually. The Group has an option to redeem part or all of the bonds at face value on 11 September 2020, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.

## Notes to the Condensed Consolidated Financial Statements

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

### 35 DEBT SECURITIES ISSUED (Continued)

- (g) The Group issued RMB3.5 billion of financial bonds on 24 September 2015 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 3.90%, paid annually.
- (h) The Group issued RMB0.5 billion of financial bonds on 24 September 2015 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.10%, paid annually.
- (i) The Group issued 63 interbank certificates of deposit at discounts with total face value of RMB52.84 billion with the maturity ranging from one month to one year, and 5 interbank certificates of deposit with floating rate with total face value of RMB2.9 billion with the maturity ranging from one year to two year in 2016. As at 30 June 2016, the face value of the undue interbank certificates of deposit issued is 64.34 billion.

As at 30 June 2016, there are no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

### 36 SHARE CAPITAL AND CAPITAL RESERVE

The Bank's share capital is comprised of fully paid common shares in issue, with par value of RMB1 per share. The number of shares is as follows:

	As at 30 June 2016	As at 31 December 2015
Number of authorized shares fully paid in issue (in thousands)	<b>11,049,819</b>	11,049,819

Transactions of the following natures are recorded in the capital reserve:

- (i) share premium arising from the issuance of shares at prices in excess of their par value;
- (ii) donations received from shareholders; and
- (iii) any other items required by the PRC regulations.

Capital surplus can be utilized for the issuance of stock dividends or for increasing paid-up capital as approved by the shareholders.

The Group's capital surplus is as follows:

	As at 30 June 2016	As at 31 December 2015
Share premium	<b>6,751,041</b>	6,751,041

# Notes to the Condensed Consolidated Financial Statements

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

## 37 OTHER RESERVE

	Surplus reserve (a)	General reserve (b)
As at 1 January 2015	4,071,254	3,743,460
Appropriation to surplus reserve	1,178,712	–
Appropriation to general reserve	–	972,833
As at 31 December 2015	5,249,966	4,716,293
Appropriation to surplus reserve	611,690	–
Appropriation to general reserve	–	1,559,977
As at 30 June 2016	<b>5,861,656</b>	<b>6,276,270</b>

### (a) Surplus reserve

Pursuant to the “Company Law of the PRC” and the Group’s Articles of Association, the Group is required to appropriate 10% of its net profit in statutory condensed consolidated financial statements to a non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. The Bank can appropriate to the discretionary surplus reserve after statutory surplus reserve has been made.

As at 30 June 2016 and 31 December 2015, the Bank’s statutory surplus reserve balances were RMB3,140.16 million and RMB3,140.16 million respectively. The others were discretionary surplus reserve.

### (b) General reserve

Pursuant to Cai Jin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions”(the “Requirements”) issued by Ministry of Finance on 30 March 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. The Requirements were effective from 1 July 2012.

## Notes to the Condensed Consolidated Financial Statements

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

### 38 DIVIDENDS

	Six months ended 30 June 2016	The year ended 31 December 2015
Dividends declared for the period	1,756,773	1,755,784
Dividends per ordinary share (in RMB Yuan)	0.159	0.159
Dividends paid during the period	65,644	1,679,987

The final dividend of RMB0.159 per share in respect of the year ended 31 December 2015 amounting to RMB1,756.77 million in total has been proposed by the directors and has been approved by the shareholders in the general meeting.

Under the "Company Law of the PRC" and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory condensed consolidated financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up cumulative losses from prior years, if any;
- (ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank;
- (iii) Allocations to the discretionary reserve with approval from the General Meetings of Shareholders. These funds form part of the shareholders' equity.

In accordance with the relevant regulations, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with PRC Generally Accepted Accounting Principles and (ii) the retained profits determined in accordance with IFRS.

### 39 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Financial guarantees and credit commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit commitments:

	As at 30 June 2016	As at 31 December 2015
Bank acceptance	44,030,941	45,275,957
Letters of credit issued	4,533,553	1,833,356
Letters of guarantee issued	8,802,222	4,249,333
Loan commitments	3,141,845	8,513,436
Unused credit card lines	6,616,451	6,293,828
	<b>67,125,012</b>	<b>66,165,910</b>

# Notes to the Condensed Consolidated Financial Statements

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

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

### (b) Capital commitments

	As at 30 June 2016	As at 31 December 2015
Contracted but not provided for	445,381	762,889

### (c) Operating lease commitments

Where the Group is the lessee, the future minimum lease payments on buildings under non-cancellable operating leases are as follows:

	As at 30 June 2016	As at 31 December 2015
Within 1 year	212,134	224,169
Between 1 year to 5 years	592,885	629,040
Later than 5 years	384,442	253,332
	1,189,461	1,106,541

### (d) Treasury bond redemption commitments

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 30 June 2016 and 31 December 2015, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity were RMB1.69 billion and RMB1.78 billion respectively.

### (e) Legal proceedings

During the reporting period, the Group is involved as defendants in certain lawsuits arising from its normal business operations. At 30 June 2016, provision for litigation losses as advised by in-house or external legal professionals was 34.18 million (31 December 2015: RMB65.60 million). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

# Notes to the Condensed Consolidated Financial Statements

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

## 40 COLLATERAL

### (a) Pledged assets

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

	As at 30 June 2016	As at 31 December 2015
Available-for-sale financial assets	5,125,887	7,834,272
Held-to-maturity investments	7,587,333	12,387,051
Bills held under resale agreements	–	18,305,170
Discounted bills	2,434,850	2,577,160
<b>Total</b>	<b>15,148,070</b>	<b>41,103,653</b>

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2016 was RMB14,349 million (as at 31 December 2015 RMB45,432 million) as set out in Note 32. Repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. The debt securities with title transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group did not derecognize amounted to zero as at 30 June 2016 (as at 31 December 2015: RMB4,539.46 million).

In addition, the Group has no debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions.

### (b) Collateral accepted

The Group accepted debt securities, bills and other assets as collateral in connection with the purchase of assets under resale agreements. Certain of these collaterals can be resold or re-pledged. The Group has accepted collateral that can be resold or re-pledged with a carrying amount of RMB1,047 million as at 30 June 2016 (31 December 2015: RMB24,615 million). The Group has accepted collateral that can be re-pledged and the Group has the right to return with a carrying amount of zero as at 30 June 2016 (31 December 2015: RMB18,305 million).

## 41 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 30 June 2016	As at 31 December 2015
Financial guarantees and credit related commitments	24,059,761	25,300,430

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

# Notes to the Condensed Consolidated Financial Statements

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

## 42 INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2016		
	Pre-tax amount	Tax charge	Net-of-tax amount
<b>Balance at 1 January 2016</b>	<b>360,848</b>	<b>(90,212)</b>	<b>270,636</b>
Fair value changes in available-for-sale financial assets	(49,630)	12,407	(37,223)
Deduct: Included in the current profit and loss	(37,966)	9,492	(28,474)
<b>Balance at 30 June 2016</b>	<b>273,252</b>	<b>(68,313)</b>	<b>204,939</b>

  

	Year ended 31 December 2015		
	Pre-tax amount	Tax charge	Net-of-tax amount
<b>Balance at 1 January 2015</b>	(145,881)	36,470	(109,411)
Fair value changes in available-for-sale financial assets	525,536	(131,384)	394,152
Deduct: Included in the current profit and loss	(18,807)	4,702	(14,105)
<b>Balance at 31 December 2015</b>	<b>360,848</b>	<b>(90,212)</b>	<b>270,636</b>

## 43 STRUCTURED ENTITIES

### (a) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products ("WMP") issued and managed by the Bank acting as an agent, which are not subject to any guarantee by the group of the principal invested or interest to be paid. Wealth management products were mainly invested in money market instruments, bonds and loan assets, etc. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Gains would be allocated to investors after the Group gained from investment. The Group receives commission income as the manager of these wealth management products. As at 30 June 2016 and 31 December 2015, total wealth commission income the Group received are 122.33 million and 67.30 million respectively. The Group considered its variable returns from the structured entities are insignificant and hence they are not consolidated.

As at 30 June 2016, the carrying value of the off-balance sheet wealth management the Group issued and managed is RMB46,545 million (31 December 2015: RMB36,725 million). As at 30 June 2016, the Group's maximum exposure to these unconsolidated structured entities is zero (31 December 2015 is zero).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk or reduce its interest in WMP vehicles disclosed above. The Group is not required to absorb any losses incurred by WMPs before other parties. In the first half of 2016, no loss was incurred by the WMP vehicles relating to the Group's interests in the WMP vehicles, and the WMP vehicles did not experience difficulty in financing their activities.



## Notes to the Condensed Consolidated Financial Statements

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

### 43 STRUCTURED ENTITIES (Continued)

#### (b) Unconsolidated structured entities invested by the Group

To maximize the usage of capital, the Group enters into transactions with unconsolidated structured entities which include wealth management products, the trust fund and asset management plan schemes issued and managed by other independent third parties during the period ended 30 June 2016 and 31 December 2015. The Group classifies these assets into “debt instruments classified as receivables” or “available-for-sale financial assets” based on their nature. As the investor of these entities, the Group earns interest from these transactions. The Group has not provided any liquidity support to these unconsolidated structured entities during the period ended 30 June 2016.

The table below shows the carrying value and scale of unconsolidated structured entities invested by the Group, as well as its maximum exposure to loss in relation to those interests.

At 30 June 2016	Carrying Value	Maximum Exposure to Loss
<b>Debt instruments classified as receivables</b>		
– Guaranteed wealth management products	3,800,000	3,800,000
– Trust fund and asset management plan	134,999,061	134,999,061
<b>Available-for-sale financial assets</b>		
– Non-guaranteed wealth management products	6,325,000	6,325,000
– Trust fund and asset management plan	71,156,058	71,156,058
<hr/>		
At 31 December 2015	Carrying Value	Maximum Exposure to Loss
<b>Debt instruments classified as receivables</b>		
– Guaranteed wealth management products	5,800,000	5,800,000
– Beneficial rights in trust and asset management plans	83,214,733	83,214,733
<b>Available-for-sale financial assets</b>		
– Non-guaranteed wealth management products	4,500,000	4,500,000
– Beneficial rights in trust and asset management plans	67,612,920	67,612,920

The information of total size of the unconsolidated structured entities listed above is not readily available from the public.

#### (c) Consolidated structured entities

Consolidated structured entities include guaranteed wealth management products established and managed by the Group and the beneficial rights in trust and asset management plans which the Group made the investment decision.

The Group did not provide liquidity support to these consolidated structured entities during the period ended 30 June 2016, and the year ended 31 December 2015.

# Notes to the Condensed Consolidated Financial Statements

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

## 44 NOTES TO THE STATEMENT OF CASH FLOWS

For the purpose of the condensed consolidated statement of cash flow, cash and cash equivalents comprises the following balances with an original maturity of less than three months and are used for the purpose of meeting short-term cash commitments:

	As at 30 June 2016	As at 31 December 2015
Cash	1,116,713	1,179,229
Surplus reserve with central bank	29,525,266	23,494,175
Deposits with banks and other financial institutions	18,443,893	17,631,151
	<b>49,085,872</b>	42,304,555

## 45 CREDIT ASSETS SECURITIZATION TRANSACTIONS

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains 5% interests in each tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the condensed consolidated statement of financial positions to the extent of the Group's continuing involvement.

As at 30 June 2016, loans with an original carrying amount of RMB507 million (2015: RMB3,087 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2016, the carrying amount of assets that the Group continued to recognise was RMB16 million (2015: RMB38 million), and was recognized as available-for-sale financial assets.

## 46 RELATED PARTY TRANSACTIONS

### (1) Related parties

The table below listed major related legal entities of the Group:

Major related legal entities with the Group	Relationship with the Group	Share percentage (%)
Shanghai Soong Ching Ling Foundation	Major shareholder	10.37%
Anhui Province Energy Group Co.	Major shareholder	9.56%
China Vanke Co., Ltd.	Major shareholder	8.00%
Anhui Guoyuan Holding (Group) Co.	Major shareholder	7.19%
Anhui Credit Guaranty Group Co.	Major shareholder	6.81%

## Notes to the Condensed Consolidated Financial Statements

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

### 46 RELATED PARTY TRANSACTIONS (Continued)

#### (2) Related party transactions and balances

Related-party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

##### (a) Transactions with major shareholders and balances

As at balance sheet dates stated below, the balances and interest rate ranges of transactions with major shareholders of the Group are as follows:

	As at 30 June 2016	As at 31 December 2015
Loans and advances to customers	129,000	49,000
Placements from banks and other financial institutions	455,083	28,980
Deposits from customers	1,019,355	785,557
Bank acceptance	5,246	–
	<b>1,608,684</b>	863,537

	As at 30 June 2016	As at 31 December 2015
Loans and advances to customers	5.22%–5.70%	6.60%
Placements from banks and other financial institutions	0.30%–3.10%	0.72%–2.50%
Deposits from customers	0.30%–2.10%	0.35%–1.50%

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

	Six months ended 30 June	
	2016	2015
Interest income	3,229	3,120
Interest expense	1,740	7,213

# Notes to the Condensed Consolidated Financial Statements

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

## 46 RELATED PARTY TRANSACTIONS (Continued)

### (2) Related party transactions and balances (Continued)

#### (b) Transactions with other related parties

As at the balance sheet date stated below, the balances and interest rate ranges of transactions with other related parties of the Group are as follows:

	As at 30 June 2016	As at 31 December 2015
Placements with banks and other financial institutions	400,000	–
Loans and advances to customers	3,353	1,271
Placements from banks and other financial institutions	35,341	101,681
Deposits from customers	212,207	29,249
Bank acceptance	50,000	–
	<b>700,901</b>	132,201

	As at 30 June 2016	As at 31 December 2015
Placements with banks and other financial institutions	4.00%	–
Loans and advances to customers	3.43%–12.00%	4.31%–5.00%
Placements from banks and other financial institutions	0.72%–1.26%	0.30%–1.08%
Deposits from customers	0.30%–1.30%	0.35%–1.30%

As for the periods stated below, the interest income and expense of loans and deposits with respect to other related parties are as follows:

	Six months ended 30 June	
	2016	2015
Interest income	55	12,197
Interest expense	554	43

#### (c) Emoluments for directors, supervisors and senior management

	Six months ended 30 June	
	2016	2015
Emoluments for directors, supervisors and senior management	6,406	24,008

# Notes to the Condensed Consolidated Financial Statements

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

## 47 SEGMENT ANALYSIS

The Group manages the business from both business and geographic perspectives. From the business perspective, the Group provides services through four main business segments listed below:

### Corporate banking

Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

### Retail banking

Services to retail customers including savings deposits, personal loans and advances, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

### Treasury

Treasury segment conducts securities investment, money market and repurchase transactions. The results of this segment include the intersegment funding income and expenses, resulting from interest bearing assets and liabilities and foreign currency translation gains and losses.

### Others

Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

Geographically, the Group mainly conducts its business in Anhui Province and the Yangtze River Delta area of the PRC. All information disclosed is based on the locations of bank branches.

## Notes to the Condensed Consolidated Financial Statements

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

### 47 SEGMENT ANALYSIS (Continued)

	Six months ended 30 June 2016				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	5,059,662	1,557,686	8,958,444	388,369	15,964,161
Net interest expense to external customers	(2,262,080)	(755,960)	(3,855,075)	(187,412)	(7,060,527)
Intersegment net interest income/(expense)	1,310,626	798,156	(2,108,782)	-	-
<b>Net interest income</b>	<b>4,108,208</b>	<b>1,599,882</b>	<b>2,994,587</b>	<b>200,957</b>	<b>8,903,634</b>
<b>Net fee and commission income</b>	<b>889,003</b>	<b>259,236</b>	<b>30,210</b>	<b>79,150</b>	<b>1,257,599</b>
Net trading gains	-	-	(11,616)	-	(11,616)
Net gains from investment securities	-	-	(16,690)	-	(16,690)
Dividends	-	-	-	-	-
Other operating income	-	-	7,966	25,774	33,740
Operating expenses	(1,223,915)	(782,835)	(668,875)	(83,318)	(2,758,943)
– Depreciation and amortization	(94,013)	(81,906)	(3,079)	(3,461)	(182,459)
Impairment losses on assets	(1,358,517)	(665,941)	(967,444)	(133,278)	(3,125,180)
Share of profits of associates	-	-	-	80,711	80,711
<b>Profit before income tax</b>	<b>2,414,779</b>	<b>410,342</b>	<b>1,368,138</b>	<b>169,996</b>	<b>4,363,255</b>
<b>Capital expenditure</b>	<b>85,691</b>	<b>74,656</b>	<b>2,806</b>	<b>1,666</b>	<b>164,819</b>

	As at 30 June 2016				
	Corporate banking	Retail banking	Treasury	Others	Total
<b>Segment assets</b>	<b>183,112,265</b>	<b>71,414,371</b>	<b>419,124,929</b>	<b>19,189,618</b>	<b>692,841,183</b>
<i>Including: investment in associates</i>	-	-	-	494,292	494,292
<b>Deferred tax assets</b>					<b>1,830,017</b>
<b>Total assets</b>					<b>694,671,200</b>
<b>Segment liabilities</b>	<b>(332,004,245)</b>	<b>(103,946,882)</b>	<b>(195,898,250)</b>	<b>(18,854,224)</b>	<b>(650,703,601)</b>
<b>Off-balance sheet credit commitments</b>	<b>60,346,213</b>	<b>6,616,451</b>	-	<b>103,848</b>	<b>67,066,512</b>

## Notes to the Condensed Consolidated Financial Statements

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

### 47 SEGMENT ANALYSIS (Continued)

	Six months ended 30 June 2015				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	5,946,621	1,756,786	5,659,831	90,568	13,453,806
Net interest expense to external customers	(2,641,437)	(721,825)	(3,363,169)	(27,531)	(6,753,962)
Intersegment net interest income/(expense)	531,803	96,482	(628,285)	–	–
<b>Net interest income</b>	<b>3,836,987</b>	<b>1,131,443</b>	<b>1,668,377</b>	<b>63,037</b>	<b>6,699,844</b>
<b>Net fee and commission income</b>	<b>467,194</b>	<b>165,131</b>	<b>269,605</b>	<b>126</b>	<b>902,056</b>
Net trading gains	–	–	(2,237)	–	(2,237)
Net gains from investment securities	–	–	59,435	–	59,435
Dividends	–	–	440	–	440
Other operating income	–	–	–	47,308	47,308
Operating expenses	(1,209,296)	(520,061)	(180,330)	(35,501)	(1,945,188)
– Depreciation and amortization	(80,211)	(69,884)	(2,627)	(1,795)	(154,517)
Impairment losses on assets	(732,431)	(694,965)	(346,500)	(33,029)	(1,806,925)
Share of profits of associates	–	–	–	50,288	50,288
<b>Profit before income tax</b>	<b>2,362,454</b>	<b>81,548</b>	<b>1,468,790</b>	<b>92,229</b>	<b>4,005,021</b>
<b>Capital expenditure</b>	<b>98,690</b>	<b>85,981</b>	<b>3,232</b>	<b>4,626</b>	<b>192,529</b>

	As at 31 December 2015				
	Corporate banking	Retail banking	Treasury	Others	Total
<b>Segment assets</b>	<b>177,712,176</b>	<b>64,654,305</b>	<b>380,348,622</b>	<b>12,141,455</b>	<b>634,856,558</b>
<i>Including: investment in associates</i>	–	–	–	413,581	413,581
<b>Deferred tax assets</b>					<b>1,274,063</b>
<b>Total assets</b>					<b>636,130,621</b>
<b>Segment liabilities</b>	<b>(275,098,197)</b>	<b>(87,680,828)</b>	<b>(219,531,100)</b>	<b>(11,475,235)</b>	<b>(593,785,360)</b>
<b>Off-balance sheet credit commitments</b>	<b>59,445,023</b>	<b>6,293,828</b>	–	<b>427,059</b>	<b>66,165,910</b>

## Notes to the Condensed Consolidated Financial Statements

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

### 47 SEGMENT ANALYSIS (Continued)

	Six months ended 30 June 2016				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	6,036,322	1,145,320	8,782,519	-	15,964,161
Net interest expense to external customers	(3,235,835)	(771,375)	(3,053,317)	-	(7,060,527)
Intersegment net interest income/(expense)	2,725,095	113,546	(2,838,641)	-	-
<b>Net interest income</b>	<b>5,525,582</b>	<b>487,491</b>	<b>2,890,561</b>	<b>-</b>	<b>8,903,634</b>
<b>Net fee and commission income</b>	<b>537,087</b>	<b>21,098</b>	<b>699,414</b>	<b>-</b>	<b>1,257,599</b>
Net trading gains	5,824	288	(17,728)	-	(11,616)
Net gains from investment securities	-	-	(16,690)	-	(16,690)
Dividends	-	-	-	-	-
Other operating income	14,736	-	19,004	-	33,740
Operating expenses	(1,128,784)	(87,290)	(1,542,869)	-	(2,758,943)
– Depreciation and amortization	(115,405)	(7,692)	(59,362)	-	(182,459)
Impairment losses on assets	(2,107,057)	(166,979)	(851,144)	-	(3,125,180)
Share of profits of associates	-	-	80,711	-	80,711
<b>Profit before income tax</b>	<b>2,847,388</b>	<b>254,608</b>	<b>1,261,259</b>	<b>-</b>	<b>4,363,255</b>
<b>Capital expenditure</b>	<b>143,585</b>	<b>255</b>	<b>20,979</b>	<b>-</b>	<b>164,819</b>

	As at 30 June 2016				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
<b>Segment assets</b>	<b>416,819,378</b>	<b>54,461,405</b>	<b>393,930,041</b>	<b>(172,369,641)</b>	<b>692,841,183</b>
<i>Including: investment in associates</i>	-	-	494,292	-	494,292
<b>Deferred tax assets</b>					<b>1,830,017</b>
<b>Total assets</b>					<b>694,671,200</b>
<b>Segment liabilities</b>	<b>(247,833,988)</b>	<b>(47,087,304)</b>	<b>(528,151,900)</b>	<b>172,369,591</b>	<b>(650,703,601)</b>
<b>Off-balance sheet credit commitments</b>	<b>41,282,028</b>	<b>8,216,614</b>	<b>17,567,870</b>	<b>-</b>	<b>67,066,512</b>



## Notes to the Condensed Consolidated Financial Statements

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

### 47 SEGMENT ANALYSIS (Continued)

	Six months ended 30 June 2015				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	10,410,255	542,468	2,501,083	–	13,453,806
Net interest expense to external customers	(3,464,972)	(303,015)	(2,985,975)	–	(6,753,962)
Intersegment net interest income/(expense)	22,621	(405)	(22,216)	–	–
<b>Net interest income</b>	<b>6,967,904</b>	<b>239,048</b>	<b>(507,108)</b>	<b>–</b>	<b>6,699,844</b>
<b>Net fee and commission income</b>	<b>356,107</b>	<b>56,079</b>	<b>489,870</b>	<b>–</b>	<b>902,056</b>
Net trading gains	11,220	231	(13,688)	–	(2,237)
Net gains from investment securities	–	97,438	(38,003)	–	59,435
Dividends	–	–	440	–	440
Other operating income	22,068	–	25,240	–	47,308
Operating expenses	(1,306,445)	(88,163)	(550,580)	–	(1,945,188)
– Depreciation and amortization	(96,046)	(7,800)	(50,671)	–	(154,517)
Impairment losses on assets	(1,349,088)	(111,337)	(346,500)	–	(1,806,925)
Share of profits of associates	–	–	50,288	–	50,288
<b>Profit before income tax</b>	<b>4,701,766</b>	<b>193,296</b>	<b>(890,041)</b>	<b>–</b>	<b>4,005,021</b>
<b>Capital expenditure</b>	<b>143,012</b>	<b>274</b>	<b>49,243</b>	<b>–</b>	<b>192,529</b>

	As at 31 December 2015				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
<b>Segment assets</b>	<b>335,142,188</b>	<b>56,924,328</b>	<b>415,008,734</b>	<b>(172,218,692)</b>	<b>634,856,558</b>
<i>Including: investment in associates</i>	–	–	413,581	–	413,581
<b>Deferred tax assets</b>					<b>1,274,063</b>
<b>Total assets</b>					<b>636,130,621</b>
<b>Segment liabilities</b>	<b>(219,484,231)</b>	<b>(67,024,237)</b>	<b>(479,495,534)</b>	<b>172,218,642</b>	<b>(593,785,360)</b>
<b>Off-balance sheet credit commitments</b>	<b>41,204,349</b>	<b>14,504,700</b>	<b>10,456,861</b>	<b>–</b>	<b>66,165,910</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT

### Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The most important types of risks are credit risk, liquidity risk and market risk which also includes currency risk and interest rate risk.

The Board of Directors is responsible for establishing the overall risk appetite of the Group. Management establishes corresponding risk management policies and procedures covering areas of credit risk, market risk and liquidity risk under the risk appetite approved by the Board of Directors.

### 48.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally in loans and advances to banks, customers and securities. There is also credit risk in off-balance sheet financial arrangements: such as loan commitments. The Group mainly conducts its business in Anhui Province of the PRC, indicating a concentration risk in the Group's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The credit risk management and control are centralized in the Risk Management Department of Head Office and reported to management regularly.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.1 Credit risk measurement

(i) *Loans and advances and off-balance sheet commitments*

The Group measures and manages the credit quality of its credit assets through five-category system based on the "Guideline for Loan Credit Risk Classification" (the "Guideline") issued by the CBRC. The Guideline requires commercial banks to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss categories, among which loan classified in sub-standard, doubtful and loss categories are regarded as non-performing loans.

The five categories are defined by the Guideline as follows:

Pass: loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special-mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Substandard: loans for which borrowers' ability to service the loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: loans for which borrowers cannot pay back principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.

Loss: principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

(ii) *Debt securities and other bills*

The Group manages the credit risk through restriction on the types of and management of issuers of debt securities and other bills invested. So far, the Group holds no foreign currency bonds.

(iii) *Deposits with banks and other financial institutions, Placements with banks and other financial institutions and financial assets held under resale agreements*

The Group's Head Office executes regular review and management of credit risk related to individual financial institutions, and sets credit lines for individual banks and other financial institutions that it conducts business with.

(iv) *Other financial assets classified as loans, receivables and available-for-sale financial assets*

Other financial assets classified as loans, receivables, and available-for-sale financial assets, include wealth management products issued and managed by other banks, trust plans and asset management plans. The Group set up credit limit for parties repurchasing trust beneficial rights, issuers of wealth management products, ultimate borrowers of asset management schemes, and performs ongoing post-lending monitoring on timely basis.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.2 Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and regions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The Group grants branches and business departments operational authority from Head Office. Based on the status of geographical economy, management level of branches, types of credit products, types of credit rating, collateral type, and scale of customers, Head Office gives dynamic authority to its branches with respect to credit business. Such authorities are monitored on a revolving basis and subject to a regular review to make sure operations of the branches are within limits of authority granted.

#### (i) Credit risk mitigation policies

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent of these is taken by the Group include the taking of physical or cash collaterals, cash deposit and corporate or individual guarantees.

The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types are:

- Property and land use rights
- General movable assets
- Time deposit certificates, debt securities and commodity warehouse receipts etc.

The fair value of collaterals should be assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collaterals. The principal collateral types and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collateral	Maximum loan-to-value ratio
Residential property, commercial property, and construction land use rights	70%
Office buildings	60%
General movable assets	50%
RMB deposit receipts, bank notes, government bonds	90%
Debt securities issued by financial institutions	80%
Commodity warehouse receipt	60%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.2 Risk limit control and mitigation policies (Continued)

##### (ii) Credit-related off-balance sheet commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees are irrevocable commitments made by the Group for which the Group must make payments to the third party when its customers fail to satisfy this obligation. Hence, the group carries the same credit risks as loans. The Group usually takes cash collateral to mitigate such credit risk. The Group's maximum exposure to credit risk equals the total amount of credit-related off-balance sheet commitments.

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

	As at 30 June 2016	As at 31 December 2015
<b>Credit risk exposures relating to on-balance sheet financial assets are as follows:</b>		
Balances with the central bank	<b>89,304,234</b>	77,234,805
Deposits with banks and other financial institutions	<b>5,397,096</b>	10,283,249
Placement with banks and other financial institutions	<b>24,147,606</b>	20,990,412
Financial assets at fair value through profit or loss	<b>4,300,955</b>	2,730,120
Derivative financial assets	<b>20,456</b>	3,789
Financial assets held under resale agreements	<b>5,109,369</b>	42,919,944
Loans and advances to customers	<b>248,258,871</b>	237,428,103
Investment securities – available-for-sale	<b>106,706,808</b>	96,262,148
Investment securities – held-to-maturity	<b>47,661,475</b>	42,257,244
Investment securities – Debt instruments classified as receivables	<b>138,895,436</b>	89,134,252
Finance lease receivables	<b>14,368,808</b>	7,502,268
Other financial assets	<b>4,740,970</b>	4,216,634
	<b>688,912,084</b>	630,962,968
<b>Credit risk exposures relation to off-balance sheet items are as follows:</b>		
Bank acceptance	<b>44,030,941</b>	45,275,957
Letters of credit	<b>4,533,553</b>	1,833,356
Letters of guarantee	<b>8,802,222</b>	4,249,333
Loan commitments	<b>3,141,845</b>	8,513,436
Unused credit card lines	<b>6,616,451</b>	6,293,828
	<b>67,125,012</b>	66,165,910

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

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

The above table represents the worst-case scenario of credit risk exposure to the Group at 30 June 2016 and 31 December 2015, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the condensed consolidated statement of financial position.

As mentioned above, 36.04% of on-balance-sheet exposure is attributable to loans and advances to customers (2015: 37.63%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loans and advances portfolio based on the following:

- 95.53% of the loans and advances portfolio is categorized as Pass of the five-category system (2015: 95.72%);
- Collateralized loans and mortgage loans, which represents the biggest group in the corporate and retail portfolio respectively, are backed by collateral;
- 96.57% of the loans and advances portfolio are considered to be neither past due nor impaired (2015: 97.24%).

#### 48.1.4 Deposits with banks and other financial institutions, placement with and loans to banks and other financial institutions and financial assets held under resale agreements

Placements with banks and other financial institutions and financial assets hold under resale agreements are neither overdue nor impaired. Their credit risk can be evaluated by the credibility of the counterparties. The Group has accrued sufficient allowance against the impaired deposits with banks and other financial institutions at 30 June 2016 and 31 December 2015.

	As at 30 June 2016	As at 31 December 2015
Commercial banks in PRC mainland	29,456,118	70,135,105
Other financial institutions in PRC mainland	4,893,659	3,781,099
Commercial banks outside PRC mainland	304,294	277,401
	<b>34,654,071</b>	<b>74,193,605</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.5 Loans and advances to customers

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

Concentrations of credit risk of loans and advances to customers by industry are analysed as follow:

	As at 30 June 2016		As at 31 December 2015	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	<b>52,987,880</b>	<b>21</b>	52,103,324	21
Manufacturing	<b>42,629,473</b>	<b>17</b>	37,420,059	15
Public utilities	<b>28,717,617</b>	<b>11</b>	26,878,790	11
Construction	<b>12,787,277</b>	<b>5</b>	12,899,268	5
Real estate	<b>11,159,896</b>	<b>4</b>	13,400,133	6
Transportation	<b>5,472,474</b>	<b>2</b>	5,432,828	2
Energy and chemistry	<b>4,500,154</b>	<b>2</b>	3,259,571	1
Education and media	<b>2,118,539</b>	<b>1</b>	1,975,712	1
Catering and travelling	<b>1,916,058</b>	<b>1</b>	1,707,544	1
Financial services	<b>926,360</b>	<b>–</b>	210,086	–
Others	<b>1,822,727</b>	<b>1</b>	2,142,555	1
Discounted bills	<b>18,413,994</b>	<b>7</b>	21,610,553	9
<b>Subtotal</b>	<b>183,452,449</b>	<b>72</b>	179,040,423	73
Personal loans and advances				
Mortgages	<b>51,472,486</b>	<b>20</b>	44,627,089	19
Revolving loans for private business	<b>9,432,803</b>	<b>4</b>	10,316,157	4
Others	<b>10,862,175</b>	<b>4</b>	9,450,523	4
<b>Subtotal</b>	<b>71,767,464</b>	<b>28</b>	64,393,769	27
Total loans and advances to customers, before impairment allowance	<b>255,219,913</b>	<b>100</b>	243,434,192	100

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.5 Loans and advances to customers (Continued)

(b) Analysis of loans and advances to customers by collateral type

The contractual amounts of loans and advances to customers are analyzed by security type:

	As at 30 June 2016	As at 31 December 2015
Unsecured	18,751,104	16,697,788
Guaranteed	70,267,349	67,944,273
Collateralized	135,501,108	128,914,339
Pledged	30,700,352	29,877,792
<b>Total loans and advances to customers</b>	<b>255,219,913</b>	<b>243,434,192</b>

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

	As at 30 June 2016			As at 31 December 2015		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	234,892,024	92.04%	0.89%	222,171,550	91.27%	0.97%
Pan Yangtze River Delta	20,327,889	7.96%	2.53%	21,262,642	8.73%	1.11%
<b>Total loans and advances to customers</b>	<b>255,219,913</b>	<b>100.00%</b>	<b>1.02%</b>	<b>243,434,192</b>	<b>100.00%</b>	<b>0.98%</b>

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

	As at 30 June 2016		As at 31 December 2015	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired (e)	176,302,439	70,176,121	174,946,447	63,451,201
Overdue but not impaired (f)	5,190,284	948,784	2,230,115	408,691
Impaired (g)	1,959,726	642,559	1,863,861	533,877
<b>Total</b>	<b>183,452,449</b>	<b>71,767,464</b>	<b>179,040,423</b>	<b>64,393,769</b>
Less: collectively assessed impairment allowance	(4,698,100)	(1,743,918)	(3,967,444)	(1,347,287)
Individually assessed impairment allowance	(519,024)	-	(691,358)	-
<b>Total impairment allowance</b>	<b>(5,217,124)</b>	<b>(1,743,918)</b>	<b>(4,658,802)</b>	<b>(1,347,287)</b>
<b>Net</b>	<b>178,235,325</b>	<b>70,023,546</b>	<b>174,381,621</b>	<b>63,046,482</b>

(e) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired of single corporate customer can be assessed by reference to the five-category system adopted by the Group.



# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.5 Loans and advances to customers (Continued)

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

As at 30 June 2016

Neither overdue nor impaired	Five-category classification		Total
	Pass	Special-mention	
Corporate loans			
– Commercial loans	153,342,268	4,546,177	157,888,445
– Discounted bills	18,413,994	–	18,413,994
Subtotal	171,756,262	4,546,177	176,302,439
Personal loans and advances	70,118,867	57,254	70,176,121
Total	241,875,129	4,603,431	246,478,560

As at 31 December 2015

Neither overdue nor impaired	Five-category classification		Total
	Pass	Special-mention	
Corporate loans			
– Commercial loans	148,532,578	4,803,316	153,335,894
– Discounted bills	21,610,553	–	21,610,553
Subtotal	170,143,131	4,803,316	174,946,447
Personal loans and advances	62,951,756	499,445	63,451,201
Total	233,094,887	5,302,761	238,397,648

(f) Loans and advances overdue but not impaired

Analysis of loans and advances overdue but not impaired by overdue days:

As at 30 June 2016	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
Corporate loans	855,347	461,675	584,509	3,288,753	5,190,284
Personal loans and advances	437,603	173,860	135,481	201,840	948,784
Total	1,292,950	635,535	719,990	3,490,593	6,139,068

  

As at 31 December 2015	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
Corporate loans	45,324	1,000	–	2,183,791	2,230,115
Personal loans and advances	64,653	72,378	36,845	234,815	408,691
Total	109,977	73,378	36,845	2,418,606	2,638,806

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.5 Loans and advances to customers (Continued)

##### (f) Loans and advances overdue but not impaired (Continued)

The Group is of the view that these past due loans can be recovered from the operation income of borrowers, the payment from guarantors or disposal of collateral, are therefore not impaired.

As at 30 June 2016, the fair value of collateral for corporate loans that were past due but not impaired amounted to RMB8,532.87 million (31 December 2015: RMB1,828.08 million). The fair value of collateral for retail loans that were past due but not impaired amounted to RMB1,015.91 million (31 December 2015: RMB511.50 million).

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

##### (g) Impaired loans and advances

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	As at 30 June 2016	As at 31 December 2015
Corporate loans	1,959,726	1,863,861
Personal loans and advances	642,559	533,877
<b>Total</b>	<b>2,602,285</b>	<b>2,397,738</b>
Fair value of collateral		
Corporate loans	1,562,829	1,615,322
Personal loans and advances	596,345	531,667
<b>Total</b>	<b>2,159,174</b>	<b>2,146,989</b>

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

##### (h) Renegotiated loans and advances

Renegotiated loans represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 30 June 2016, carrying value of the renegotiated loans held by the Group amounted to RMB460.14 million (31 December 2015: RMB438.14 million).

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.5 Loans and advances to customers (Continued)

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

	As at 30 June 2016				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	113,936	98,668	13,907	–	226,511
Guaranteed	782,481	1,318,508	465,263	2,489	2,568,741
Collateralized	1,750,757	2,506,525	1,149,052	17,327	5,423,661
Pledged	13,030	244,330	30,453	–	287,813
	<b>2,660,204</b>	<b>4,168,031</b>	<b>1,658,675</b>	<b>19,816</b>	<b>8,506,726</b>

	As at 31 December 2015				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	76	205,137	25,794	190	231,197
Guaranteed	46,091	1,291,592	171,779	84	1,509,546
Collateralized	265,579	2,231,486	520,534	12,916	3,030,515
Pledged	2,560	90,295	79,118	–	171,973
	<b>314,306</b>	<b>3,818,510</b>	<b>797,225</b>	<b>13,190</b>	<b>4,943,231</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.6 Debt securities

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

As at 30 June 2016	Held-for-trading <sup>(a)</sup>	Available-for-sale <sup>(b)</sup>	Held-to-maturity <sup>(a)</sup>	Debt instruments classified as receivables <sup>(c)</sup>	Total
RMB securities					
AAA	50,327	2,714,639	21,028,107	–	23,793,073
AA- to AA+	118,321	1,931,812	1,584,944	–	3,635,077
A- to A+	–	20,588	–	–	20,588
Unrated	4,132,307	102,617,447	25,048,424	140,277,030	272,075,208
<b>Total</b>	<b>4,300,955</b>	<b>107,284,486</b>	<b>47,661,475</b>	<b>140,277,030</b>	<b>299,523,946</b>
Allowance for impairment losses	–	(577,678)	–	(1,381,594)	(1,959,272)
<b>Net balance</b>	<b>4,300,955</b>	<b>106,706,808</b>	<b>47,661,475</b>	<b>138,895,436</b>	<b>297,564,674</b>

As at 31 December 2015	Held-for-trading <sup>(a)</sup>	Available-for-sale <sup>(b)</sup>	Held-to-maturity <sup>(a)</sup>	Debt instruments classified as receivables <sup>(c)</sup>	Total
RMB securities					
AAA	–	686,918	4,281,734	–	4,968,652
AA- to AA+	337,406	3,870,037	2,605,335	–	6,812,778
A- to A+	–	160,867	–	–	160,867
Unrated	2,392,714	92,006,582	35,370,175	89,766,178	219,535,649
<b>Total</b>	<b>2,730,120</b>	<b>96,724,404</b>	<b>42,257,244</b>	<b>89,766,178</b>	<b>231,477,946</b>
Allowance for impairment losses	–	(462,256)	–	(631,926)	(1,094,182)
<b>Net balance</b>	<b>2,730,120</b>	<b>96,262,148</b>	<b>42,257,244</b>	<b>89,134,252</b>	<b>230,383,764</b>

- (a) The unrated debt securities (held-for-trading and held-to-maturity) held by the Group mainly represent investments and trading securities issued by Ministry of Finance of the PRC (“MOF”), the PBOC and policy banks which are creditworthy issuers in the market, but are not rated by independent rating agencies.
- (b) The unrated available-for-sale held by the Group mainly represent investments and trading securities issued by MOF, policy banks, other financial institutions, asset management schemes by securities firms or trust companies and other investment funds raised from issuing the principal-guaranteed wealth management products. The principle and income of asset management schemes and other investment funds are mainly guaranteed by financial institutions or third party companies, or secured by collateral. The Bank sets credit risk limit to the counter party banks and third party companies to mitigate the risk associated therewith.
- (c) Debt instruments classified as receivables mainly include the principal-guaranteed wealth management products issued by other banks and other fixed-income financial instruments.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

#### 48.1.7 Foreclosed collateral

	As at 30 June 2016	As at 31 December 2015
Property and land use rights	82,773	82,773
Others	2,600	2,600
Total	85,373	85,373
Allowance for impairment losses (Note 27)	(38)	(38)
Net balance	85,335	85,335

Foreclosed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed property cannot be used for operating activities. Foreclosed property is classified in the balance sheet within other assets.

#### 48.1.8 Concentration of risks of financial assets with credit risk exposure

##### Geographical sectors

As at 30 June 2016	PRC mainland	Hong Kong	Others	Total
<b>Financial assets</b>				
Balances with the central bank	89,304,234	-	-	89,304,234
Deposits with banks and other financial institutions	5,092,802	141,851	162,443	5,397,096
Placements with banks and other financial institutions	24,147,606	-	-	24,147,606
Financial assets at fair value through profit or loss	4,300,955	-	-	4,300,955
Derivative financial assets	20,456	-	-	20,456
Financial assets held under resale agreements	5,109,369	-	-	5,109,369
Loans and advances to customers	248,258,871	-	-	248,258,871
Investment securities – available-for-sale	106,706,808	-	-	106,706,808
Investment securities – held-to-maturity	47,661,475	-	-	47,661,475
Investment securities – debt instruments classified as receivables	138,895,436	-	-	138,895,436
Finance lease receivables	14,368,808	-	-	14,368,808
Other financial assets	4,740,970	-	-	4,740,970
	688,607,790	141,851	162,443	688,912,084
<b>Off-balance sheet assets</b>				
Bank acceptance	44,030,941	-	-	44,030,941
Letters of credit	4,533,553	-	-	4,533,553
Letters of guarantee	8,802,222	-	-	8,802,222
Loan commitments	3,141,845	-	-	3,141,845
Unused credit card lines	6,616,451	-	-	6,616,451
	67,125,012	-	-	67,125,012

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.1 Credit risk (Continued)

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

Geographical sectors (Continued)

As at 31 December 2015	PRC mainland	Hong Kong	Others	Total
<b>Financial assets</b>				
Balances with the central bank	77,234,805	–	–	77,234,805
Deposits with banks and other financial institutions	10,005,848	90,091	187,310	10,283,249
Placements with banks and other financial institutions	20,990,412	–	–	20,990,412
Financial assets at fair value through profit or loss	2,730,120	–	–	2,730,120
Derivative financial assets	3,789	–	–	3,789
Financial assets held under resale agreements	42,919,944	–	–	42,919,944
Loans and advances to customers	237,428,103	–	–	237,428,103
Investment securities – available-for-sale	96,262,148	–	–	96,262,148
Investment securities – held-to-maturity	42,257,244	–	–	42,257,244
Investment securities – debt instruments classified as receivables	89,134,252	–	–	89,134,252
Finance lease receivables	7,502,268	–	–	7,502,268
Other financial assets	4,216,634	–	–	4,216,634
	630,685,567	90,091	187,310	630,962,968
<b>Off-balance sheet assets</b>				
Bank acceptance	45,275,957	–	–	45,275,957
Letters of credit	1,833,356	–	–	1,833,356
Letters of guarantee	4,249,333	–	–	4,249,333
Loan commitments	8,513,436	–	–	8,513,436
Unused credit card lines	6,293,828	–	–	6,293,828
	66,165,910	–	–	66,165,910

### 48.2 Market risk

#### 48.2.1 Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

The Groups' market risk mainly includes trading risks arising from trading portfolio and interest rate and foreign exchange rate risks for non-trading portfolio resulted from changes in interest rates, foreign exchange rates and term structures.

The market risks arising from trading and non-trading activities are monitored by the Bank's Risk Management Department. Market risks arising from non-trading activities at the Bank level are monitored and controlled by Financial Planning Department while market risks resulting from trading activities at Bank level and non-trading activities of Financial Market Department are monitored and controlled by Financial Market Department. The Group also establishes daily, monthly and quarterly reporting mechanism in relation to market risk in which Financial Planning Department and Financial Market Department monitor and analyze market risk changes and quota execution before reporting to Risk Management Department and management on a regular basis.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.2 Market risk (Continued)

#### 48.2.2 Market risk measurement techniques

The Group mainly measures and controls market risk by conducting sensitivity analysis, foreign exchange exposure analysis, gap analysis, duration analysis, stress testing and the VaR (value at risk). The Group establishes strict authorization and exposure limits based on its overall ability to afford market risk, the types of products and the Group's business strategy. The Group sets different exposure limits and takes different quantitative measurements to manage different types of market risk of trading book and banking book. The Group also improves its funding risk management system, adjusts the related risk parameter and refines the risk measurement model in accordance with regulatory requirements.

#### 48.2.3 Interest rate risk

The interest rate risk refers to the risk the adverse fluctuation of which has negative impact on the Group's financial performance. The Group's interest rate risk mainly arises from the mismatches between repricing dates of both on- and off-balance sheet assets and liabilities. Mismatches between repricing dates or contractual maturities may lead to the impact resulting from the fluctuation of the current interest rate on the net interest income. The Group is primarily exposed to interest rate risk through its lending, deposits and funding activities.

The Group performs business in PRC mainland in accordance with interest rate system set by the PBOC. According to previous experience, the PBOC will adjust benchmark rates for interest bearing loans and deposits in the same direction but not in parallel.

The PBOC established RMB benchmark interest rates whereby financial institutions are in a position to price their loans and deposits based on commercial and market factors. Meanwhile, the discount rate for RMB bills is market-oriented as well.

The table below summarizes the Group's exposure to interest rate risks. It includes the Group's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.2 Market risk (Continued)

#### 48.2.3 Interest rate risk (Continued)

As at 30 June 2016	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>							
Cash and balances with the central bank	89,304,234	-	-	-	-	1,116,713	90,420,947
Deposits with banks and other financial institutions	3,782,246	1,609,850	5,000	-	-	-	5,397,096
Placements with banks and other financial institutions	8,705,940	4,493,953	9,874,546	1,073,167	-	-	24,147,606
Financial assets at fair value through profit or loss	99,645	99,483	2,030,340	1,040,916	1,030,571	-	4,300,955
Derivatives financial assets	-	-	-	-	-	20,456	20,456
Financial assets held under resale agreements	5,109,369	-	-	-	-	-	5,109,369
Loans and advances to customers	67,946,766	20,808,078	102,456,970	44,836,213	12,210,844	-	248,258,871
Investment securities							
– available-for-sale	9,009,740	16,504,090	46,255,829	30,958,877	3,978,272	9,500	106,716,308
– held-to-maturity	819,962	1,255,597	4,127,012	22,318,671	19,140,233	-	47,661,475
– debt instruments classified as receivables	11,170,511	12,447,607	13,372,624	95,824,676	6,080,018	-	138,895,436
Finance lease receivables	198,985	559,935	2,595,674	10,820,990	193,224	-	14,368,808
Other financial assets	-	-	-	-	-	4,740,970	4,740,970
<b>Total assets</b>	<b>196,147,398</b>	<b>57,778,593</b>	<b>180,717,995</b>	<b>206,873,510</b>	<b>42,633,162</b>	<b>5,887,639</b>	<b>690,038,297</b>
<b>Liabilities</b>							
Borrowing from central banks	-	-	(5,000)	-	-	-	(5,000)
Deposits from banks and other financial institutions	(53,131,962)	(16,486,366)	(22,770,660)	(490,177)	(8,148)	-	(92,887,313)
Placements from banks and other financial institutions	(2,772,990)	(4,497,370)	(3,913,160)	-	-	-	(11,183,520)
Derivatives financial liabilities	-	-	-	-	-	(18,419)	(18,419)
Financial assets sold under repurchase agreements	(12,511,114)	(898,073)	(939,399)	-	-	-	(14,348,586)
Deposits from customers	(257,426,015)	(31,688,208)	(74,694,397)	(64,598,226)	(3,657,671)	-	(432,064,517)
Debt securities issued	(8,205,276)	(15,441,341)	(38,804,440)	(11,396,965)	(11,978,536)	-	(85,826,558)
Other financial liabilities	-	-	-	-	-	(11,321,691)	(11,321,691)
<b>Total liabilities</b>	<b>(334,047,357)</b>	<b>(69,011,358)</b>	<b>(141,127,056)</b>	<b>(76,485,368)</b>	<b>(15,644,355)</b>	<b>(11,340,110)</b>	<b>(647,655,604)</b>
<b>Total interest rate sensitivity gap</b>	<b>(137,899,959)</b>	<b>(11,232,765)</b>	<b>39,590,939</b>	<b>130,388,142</b>	<b>26,988,807</b>	<b>(5,452,471)</b>	<b>42,382,693</b>



# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.2 Market risk (Continued)

#### 48.2.3 Interest rate risk (Continued)

As at 31 December 2015	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>							
Cash and balances with the central bank	77,234,805	-	-	-	-	1,179,229	78,414,034
Deposits with banks and other financial institutions	4,389,949	3,506,300	2,387,000	-	-	-	10,283,249
Placements with banks and other financial institutions	5,484,051	3,303,284	11,151,673	979,167	-	72,237	20,990,412
Financial assets at fair value through profit or loss	89,326	320,013	493,116	1,433,785	393,880	-	2,730,120
Derivatives financial assets	-	-	-	-	-	3,789	3,789
Financial assets held under resale agreements	32,703,664	9,820,362	395,918	-	-	-	42,919,944
Loans and advances to customers	61,801,631	18,360,187	95,445,872	52,303,116	9,517,297	-	237,428,103
Investment securities							
- available-for-sale	7,299,909	11,199,705	36,681,480	37,180,234	3,900,820	9,500	96,271,648
- held-to-maturity	575,647	585,622	3,795,800	19,756,301	17,543,874	-	42,257,244
- debt instruments classified as receivables	2,417,728	10,746,603	29,199,171	45,190,788	1,579,962	-	89,134,252
Finance lease receivables	42,540	276,591	1,249,280	5,877,367	56,490	-	7,502,268
Other financial assets	-	-	-	-	-	4,216,634	4,216,634
<b>Total assets</b>	<b>192,039,250</b>	<b>58,118,667</b>	<b>180,799,310</b>	<b>162,720,758</b>	<b>32,992,323</b>	<b>5,481,389</b>	<b>632,151,697</b>
<b>Liabilities</b>							
Deposits from banks and other financial institutions	(16,390,858)	(24,869,564)	(40,725,046)	(7,285,677)	(15,041)	-	(89,286,186)
Placements from banks and other financial institutions	(3,071,163)	-	(4,840,000)	-	-	-	(7,911,163)
Derivatives financial liabilities	-	-	-	-	-	(19,997)	(19,997)
Financial assets sold under repurchase agreements	(39,448,698)	(4,791,531)	(1,191,538)	-	-	-	(45,431,767)
Deposits from customers	(204,565,079)	(38,138,098)	(74,524,587)	(40,336,197)	(1,660,593)	-	(359,224,554)
Debt securities issued	(3,194,183)	(12,634,853)	(39,976,654)	(11,642,279)	(11,977,731)	-	(79,425,700)
Other financial liabilities	-	-	-	-	-	(9,234,748)	(9,234,748)
<b>Total liabilities</b>	<b>(266,669,981)</b>	<b>(80,434,046)</b>	<b>(161,257,825)</b>	<b>(59,264,153)</b>	<b>(13,653,365)</b>	<b>(9,254,745)</b>	<b>(590,534,115)</b>
<b>Total interest rate sensitivity gap</b>	<b>(74,630,731)</b>	<b>(22,315,379)</b>	<b>19,541,485</b>	<b>103,456,605</b>	<b>19,338,958</b>	<b>(3,773,356)</b>	<b>41,617,582</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.2 Market risk (Continued)

#### 48.2.3 Interest rate risk (Continued)

The Group mainly narrows its interest rate sensitivity gap between assets and liabilities through shorter durations for investments and resetting loan price.

The currency for the Group's majority of interest-bearing assets and liabilities is RMB. The potential impact on net interest income as at the balance sheet dates stated below with 100 bps changes along the yield curve is as follows:

	Estimated changes in net interest income	
	As at 30 June 2016	As at 31 December 2015
100 bps up along the yield curve	832,896	833,665
100 bps down along the yield curve	(832,696)	(833,665)

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as available-for-sale financial assets held, whose fair value changes are recorded as an element of other comprehensive income. The potential impact is as follows:

	As at 30 June 2016	As at 31 December 2015
100 bps up	(575,939)	(539,062)
100 bps down	607,678	565,092

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- Demand deposits will not be re-priced;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- No consideration of impact on customers' behaviour resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.2 Market risk (Continued)

#### 48.2.4 Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle for control over currency risk of the Group is to match assets and liabilities in different currencies and to keep currency risk within limits. Based on the guidelines provided by Risk Management Committee, relevant laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and traders' limits of authority.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

	RMB	USD	EUR	Others	Total
<b>As at 30 June 2016</b>					
<b>Assets</b>					
Cash and balances with the central bank	90,198,001	220,633	134	2,179	90,420,947
Deposits with banks and other financial institutions	4,743,191	452,856	62,346	138,703	5,397,096
Placements with banks and other financial institutions	20,850,774	3,289,500	7,332	-	24,147,606
Financial assets at fair value through profit or loss	4,300,955	-	-	-	4,300,955
Derivative financial assets	2,577	17,844	-	35	20,456
Financial assets held under resale agreements	5,109,369	-	-	-	5,109,369
Loans and advances to customers	246,941,335	1,289,448	26,887	1,201	248,258,871
Investment securities					
- available-for-sale	106,716,308	-	-	-	106,716,308
- held-to-maturity	47,661,475	-	-	-	47,661,475
- debt instruments classified as receivables	138,895,436	-	-	-	138,895,436
Finance lease receivables	14,368,808	-	-	-	14,368,808
Other financial assets	4,734,733	6,210	27	-	4,740,970
<b>Total assets</b>	<b>684,522,962</b>	<b>5,276,491</b>	<b>96,726</b>	<b>142,118</b>	<b>690,038,297</b>
<b>Liabilities</b>					
Borrowing from central banks	(5,000)	-	-	-	(5,000)
Deposits from banks and other financial institutions	(86,741,066)	(6,056,630)	(89,617)	-	(92,887,313)
Placements from banks and other financial institutions	(10,657,200)	(526,320)	-	-	(11,183,520)
Derivative financial liabilities	(9,128)	(9,291)	-	-	(18,419)
Financial assets sold under repurchase agreements	(14,348,586)	-	-	-	(14,348,586)
Deposits from customers	(426,844,498)	(5,178,519)	(6,221)	(35,279)	(432,064,517)
Debt securities issued	(85,826,558)	-	-	-	(85,826,558)
Other financial liabilities	(11,292,094)	(29,576)	(3)	(18)	(11,321,691)
<b>Total liabilities</b>	<b>(635,724,130)</b>	<b>(11,800,336)</b>	<b>(95,841)</b>	<b>(35,297)</b>	<b>(647,655,604)</b>
<b>Net on-balance sheet financial position</b>	<b>48,798,832</b>	<b>(6,523,845)</b>	<b>885</b>	<b>106,821</b>	<b>42,382,693</b>
Financial guarantees and credit commitments	58,245,920	8,765,911	94,450	18,731	67,125,012

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.2 Market risk (Continued)

#### 48.2.4 Currency risk (Continued)

	RMB	USD	EUR	Others	Total
<b>As at 31 December 2015</b>					
<b>Assets</b>					
Cash and balances with the central bank	78,266,183	145,385	162	2,304	78,414,034
Deposits with banks and other financial institutions	9,826,702	248,227	95,337	112,983	10,283,249
Placements with banks and other financial institutions	19,711,172	1,279,240	-	-	20,990,412
Financial assets at fair value through profit or loss	2,730,120	-	-	-	2,730,120
Derivative financial assets	3,789	-	-	-	3,789
Financial assets held under resale agreements	42,919,944	-	-	-	42,919,944
Loans and advances to customers	236,345,202	1,082,901	-	-	237,428,103
Investment securities					
- available-for-sale	96,271,648	-	-	-	96,271,648
- held-to-maturity	42,257,244	-	-	-	42,257,244
- debt instruments classified as receivables	89,134,252	-	-	-	89,134,252
Finance lease receivables	7,502,268	-	-	-	7,502,268
Other financial assets	4,215,959	675	-	-	4,216,634
<b>Total assets</b>	<b>629,184,483</b>	<b>2,756,428</b>	<b>95,499</b>	<b>115,287</b>	<b>632,151,697</b>
<b>Liabilities</b>					
Deposits from banks and other financial institutions	(88,899,818)	(386,368)	-	-	(89,286,186)
Placements from banks and other financial institutions	(7,756,966)	(63,962)	(90,235)	-	(7,911,163)
Derivative financial liabilities	(19,997)	-	-	-	(19,997)
Financial assets sold under repurchase agreements	(45,431,767)	-	-	-	(45,431,767)
Deposits from customers	(356,294,418)	(2,905,565)	(7,428)	(17,143)	(359,224,554)
Debt securities issued	(79,425,700)	-	-	-	(79,425,700)
Other financial liabilities	(9,232,104)	(2,609)	(1)	(34)	(9,234,748)
<b>Total liabilities</b>	<b>(587,060,770)</b>	<b>(3,358,504)</b>	<b>(97,664)</b>	<b>(17,177)</b>	<b>(590,534,115)</b>
<b>Net on-balance sheet financial position</b>	<b>42,123,713</b>	<b>(602,076)</b>	<b>(2,165)</b>	<b>98,110</b>	<b>41,617,582</b>
Financial guarantees and credit commitments	63,487,358	2,658,815	8,950	10,787	66,165,910

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.2 Market risk (Continued)

#### 48.2.4 Currency risk (Continued)

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact on net profits resulted from foreign currency translation gain or loss with 1% fluctuation of foreign currency against RMB is as follows:

	Estimated change in net profit/(loss)	
	As at 30 June 2016	As at 31 December 2015
1% of appreciation of FX against RMB	(48,121)	(3,796)
1% of depreciation of FX against RMB	48,121	3,796

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index, regardless of:

- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behaviour resulted from interest rate changes;
- No consideration of impact on market price resulted from interest rate changes;
- No consideration of actions taken by the Group.

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

### 48.3 Liquidity risk

#### 48.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatch is of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are both key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and other calls on cash settled derivatives. According to previous experience, a large portion of matured deposits is not withdrawn on the maturity date. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.3 Liquidity risk (Continued)

#### 48.3.2 Cash flow of non-derivatives

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 30 June 2016	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Liabilities</b>						
Borrowing from central banks	-	(5,000)	-	-	-	(5,000)
Deposits from banks and other financial institutions	(53,153,763)	(16,583,019)	(23,145,432)	(515,496)	(8,148)	(93,405,858)
Placements from banks and other financial institutions	(2,816,435)	(3,760,449)	(4,826,163)	-	-	(11,403,047)
Financial assets sold under repurchase agreements	(12,516,240)	(902,820)	(948,312)	-	-	(14,367,372)
Deposits from customers	(257,396,177)	(31,801,536)	(75,387,113)	(71,712,948)	(4,357,518)	(440,655,292)
Debt securities in issued	(8,367,000)	(15,042,200)	(34,749,611)	(24,152,854)	(15,448,000)	(97,759,665)
Other financial liabilities	(5,106,613)	-	-	-	-	(5,106,613)
<b>Total liabilities (contractual maturity)</b>	<b>(339,356,228)</b>	<b>(68,095,024)</b>	<b>(139,056,631)</b>	<b>(96,381,298)</b>	<b>(19,813,666)</b>	<b>(662,702,847)</b>
<b>Assets</b>						
Cash and balances with the central bank	90,420,947	-	-	-	-	90,420,947
Deposits with banks and other financial institutions	4,230,721	1,543,810	-	-	-	5,774,531
Placements with banks and other financial institutions	8,722,653	4,675,596	10,074,637	1,111,751	-	24,584,637
Financial assets at fair value through profit or loss	110,428	106,498	2,162,855	1,264,052	1,148,930	4,792,763
Financial assets held under resale agreements	5,109,599	-	-	-	-	5,109,599
Loans and advances to customers	16,007,278	24,277,351	112,808,919	72,042,871	58,048,407	283,184,826
Investment securities						
- available-for-sale	9,146,027	16,933,745	48,676,917	35,322,396	4,147,636	114,226,721
- held-to-maturity	948,745	1,734,972	5,294,383	27,551,268	20,934,799	56,464,167
- debt instruments classified as receivables	11,187,399	12,538,611	13,739,030	122,228,224	8,230,924	167,924,188
Finance lease receivables	202,015	568,462	2,635,202	10,985,776	196,167	14,587,622
Other financial assets	1,009,478	-	-	-	-	1,009,478
<b>Financial assets held for managing liquidity risk (contractual maturity)</b>	<b>147,095,290</b>	<b>62,379,045</b>	<b>195,391,943</b>	<b>270,506,338</b>	<b>92,706,863</b>	<b>768,079,479</b>
<b>Net liquidity</b>	<b>(192,260,938)</b>	<b>(5,715,979)</b>	<b>56,335,312</b>	<b>174,125,040</b>	<b>72,893,197</b>	<b>105,376,632</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.3 Liquidity risk (Continued)

#### 48.3.2 Cash flow of non-derivatives (Continued)

As at 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Liabilities</b>						
Deposits from banks and other financial institutions	(16,425,456)	(25,041,756)	(41,560,002)	(7,929,872)	(15,041)	(90,972,127)
Placements from banks and other financial institutions	(3,072,855)	-	(4,855,375)	-	-	(7,928,230)
Financial assets sold under repurchase agreements	(39,470,453)	(4,816,294)	(1,200,701)	-	-	(45,487,448)
Deposits from customers	(204,986,743)	(38,048,454)	(76,422,860)	(44,562,214)	(1,818,991)	(365,839,262)
Debt securities in issued	(3,211,777)	(12,843,774)	(41,942,100)	(15,149,402)	(15,448,000)	(88,595,053)
Other financial liabilities	(3,245,822)	-	-	-	-	(3,245,822)
<b>Total liabilities (contractual maturity)</b>	<b>(270,413,106)</b>	<b>(80,750,278)</b>	<b>(165,981,038)</b>	<b>(67,641,488)</b>	<b>(17,282,032)</b>	<b>(602,067,942)</b>
<b>Assets</b>						
Cash and balances with the central bank	78,414,034	-	-	-	-	78,414,034
Deposits with banks and other financial institutions	4,395,659	3,541,969	2,452,166	-	-	10,389,794
Placements with banks and other financial institutions	5,567,914	3,354,132	11,377,977	1,038,719	-	21,338,742
Financial assets at fair value through profit or loss	103,257	341,307	556,864	1,595,827	408,920	3,006,175
Financial assets held under resale agreements	32,729,325	9,860,168	399,700	-	-	42,989,193
Loans and advances to customers	16,346,417	22,096,254	106,333,424	80,651,053	52,155,606	277,582,754
Investment securities	7,268,264	11,705,419	39,610,955	45,131,485	4,121,841	107,837,964
- available-for-sale	689,092	791,526	5,111,442	24,602,435	19,256,430	50,450,925
- held-to-maturity	2,626,159	11,343,723	30,877,238	59,213,801	-	104,060,921
- debt instruments classified as receivables	92,525	350,761	1,550,506	6,593,857	59,198	8,646,847
Other financial assets	738,997	-	-	-	-	738,997
<b>Financial assets held for managing liquidity risk (contractual maturity)</b>	<b>148,971,643</b>	<b>63,385,259</b>	<b>198,270,272</b>	<b>218,827,177</b>	<b>76,001,995</b>	<b>705,456,346</b>
<b>Net liquidity</b>	<b>(121,441,463)</b>	<b>(17,365,019)</b>	<b>32,289,234</b>	<b>151,185,689</b>	<b>58,719,963</b>	<b>103,388,404</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.3 Liquidity risk (Continued)

#### 48.3.3 Derivative financial instruments cash flow

*Derivatives settled on a gross basis*

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet of 30 June 2016 and 31 December 2015 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
<b>As at 30 June 2016</b>						
Foreign exchange derivatives						
– Outflow	(404,765)	(781,485)	(5,649,469)	–	–	(6,835,719)
– Inflow	412,455	799,705	5,796,073	–	–	7,008,233
	7,690	18,220	146,604	–	–	172,514

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
<b>As at 31 December 2015</b>						
Foreign exchange derivatives						
– Outflow	(95,582)	(492,505)	(820,999)	–	–	(1,409,086)
– Inflow	95,797	492,564	835,978	–	–	1,424,339
	215	59	14,979	–	–	15,253



# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.3 Liquidity risk (Continued)

#### 48.3.4 Maturity analysis

The table below analyzes the Group's net assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

As at 30 June 2016	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with the central bank	90,420,947	-	-	-	-	-	-	-	90,420,947
Deposits with banks and other financial institutions	2,992,784	789,462	1,609,850	5,000	-	-	-	-	5,397,096
Placements with banks and other financial institutions	-	8,705,940	4,493,953	9,874,546	1,073,167	-	-	-	24,147,606
Financial assets at fair value through profit or loss	-	49,999	99,483	2,020,450	1,100,452	1,030,571	-	-	4,300,955
Derivative financial assets	-	35	-	17,862	2,559	-	-	-	20,456
Financial assets held under resale agreements	-	5,109,369	-	-	-	-	-	-	5,109,369
Loans and advances to customers	-	15,073,527	20,882,433	103,024,133	48,510,532	54,652,520	6,115,726	-	248,258,871
Investment securities									
- available-for-sale	-	10,023,518	21,554,847	54,886,641	20,241,802	-	-	9,500	106,716,308
- held-to-maturity	-	242,623	1,019,549	3,964,925	22,604,070	19,830,308	-	-	47,661,475
- debt instruments classified as receivables	-	11,170,511	12,447,607	13,372,624	95,824,676	6,080,018	-	-	138,895,436
Finance lease receivables	-	198,985	559,935	2,595,674	10,820,990	193,224	-	-	14,368,808
Interest receivable	111,880	466,474	1,107,870	1,242,120	539,914	128,838	131,194	3,202	3,731,492
Other financial assets	432,771	-	-	96,465	480,242	-	-	-	1,009,478
<b>Total assets</b>	<b>93,958,382</b>	<b>51,830,443</b>	<b>63,775,527</b>	<b>191,100,440</b>	<b>201,198,404</b>	<b>81,915,479</b>	<b>6,246,920</b>	<b>12,702</b>	<b>690,038,297</b>
Borrowing from central banks	-	-	-	(5,000)	-	-	-	-	(5,000)
Deposits from banks and other financial institutions	(36,124,210)	(17,007,752)	(16,486,366)	(22,770,660)	(490,177)	(8,148)	-	-	(92,887,313)
Placements from banks and other financial institutions	-	(2,772,990)	(4,497,370)	(3,913,160)	-	-	-	-	(11,183,520)
Derivative financial liabilities	-	(527)	(2,290)	(12,209)	(3,393)	-	-	-	(18,419)
Financial assets sold under repurchase agreements	-	(12,511,114)	(898,073)	(939,399)	-	-	-	-	(14,348,586)
Deposits from customers	(239,682,147)	(17,743,868)	(31,688,208)	(74,694,397)	(64,598,226)	(3,657,671)	-	-	(432,064,517)
Debt securities in issued	-	(8,205,276)	(15,441,341)	(38,804,440)	(11,396,965)	(11,978,536)	-	-	(85,826,558)
Interest payable	(230,060)	(775,500)	(1,298,681)	(2,222,406)	(1,585,034)	(103,397)	-	-	(6,215,078)
Other financial liabilities	(5,106,613)	-	-	-	-	-	-	-	(5,106,613)
<b>Total liabilities</b>	<b>(281,143,030)</b>	<b>(59,017,027)</b>	<b>(70,312,329)</b>	<b>(143,361,671)</b>	<b>(78,073,795)</b>	<b>(15,747,752)</b>	<b>-</b>	<b>-</b>	<b>(647,655,604)</b>
<b>Net liquidity gap</b>	<b>(187,184,648)</b>	<b>(7,186,584)</b>	<b>(6,536,802)</b>	<b>467,738,769</b>	<b>123,124,609</b>	<b>66,167,727</b>	<b>6,246,920</b>	<b>12,702</b>	<b>42,382,693</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.3 Liquidity risk (Continued)

#### 48.3.4 Maturity analysis (Continued)

As at 31 December 2015	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with the central bank	78,414,034	-	-	-	-	-	-	-	78,414,034
Deposits with banks and other financial institutions	1,572,933	2,817,016	3,506,300	2,387,000	-	-	-	-	10,283,249
Placements with banks and other financial institutions	72,237	5,484,051	3,303,284	11,151,673	979,167	-	-	-	20,990,412
Financial assets at fair value through profit or loss	-	-	300,054	553,355	1,482,831	393,880	-	-	2,730,120
Derivative financial assets	-	687	1,467	1,635	-	-	-	-	3,789
Financial assets held under resale agreements	-	32,703,664	9,820,362	395,918	-	-	-	-	42,919,944
Loans and advances to customers	-	15,423,366	18,474,089	95,921,880	55,779,230	47,841,541	3,987,997	-	237,428,103
Investment securities									
- available-for-sale	-	8,022,210	14,844,377	46,735,687	26,659,874	-	-	9,500	96,271,648
- held-to-maturity	-	-	370,047	2,978,469	21,364,854	17,543,874	-	-	42,257,244
- debt instruments classified as receivables	-	2,417,728	10,746,603	29,199,171	45,190,788	1,579,962	-	-	89,134,252
Finance lease receivables	-	42,540	276,591	1,249,280	5,877,367	56,490	-	-	7,502,268
Other financial assets	84,057	483,693	1,943,797	1,121,259	1,772,214	1,371,275	145,200	1,274,063	8,195,558
<b>Total assets</b>	<b>80,143,261</b>	<b>67,394,955</b>	<b>63,586,971</b>	<b>191,695,327</b>	<b>159,106,325</b>	<b>68,787,022</b>	<b>4,133,197</b>	<b>1,283,563</b>	<b>636,130,621</b>
Borrowing from central banks	-	-	-	-	-	-	-	-	-
Deposits from banks and other financial institutions	(1,051,967)	(15,338,892)	(24,869,563)	(40,725,046)	(7,285,677)	(15,041)	-	-	(89,286,186)
Placements from banks and other financial institutions	-	(3,071,163)	-	(4,840,000)	-	-	-	-	(7,911,163)
Derivative financial liabilities	-	(531)	(1,401)	(8,475)	(9,590)	-	-	-	(19,997)
Financial assets sold under repurchase agreements	-	(39,448,698)	(4,791,531)	(1,191,538)	-	-	-	-	(45,431,767)
Deposits from customers	(182,723,865)	(22,241,362)	(37,924,614)	(75,346,137)	(39,487,659)	(1,500,917)	-	-	(359,224,554)
Debt securities issued	-	(3,194,183)	(12,634,853)	(39,976,654)	(11,642,279)	(11,977,731)	-	-	(79,425,700)
Other financial liabilities	(5,122,537)	(581,740)	(1,246,562)	(2,701,508)	(1,316,905)	(49,384)	-	(1,467,357)	(12,485,993)
<b>Total liabilities</b>	<b>(188,898,369)</b>	<b>(83,876,569)</b>	<b>(81,468,524)</b>	<b>(164,789,358)</b>	<b>(59,742,110)</b>	<b>(13,543,073)</b>	<b>-</b>	<b>(1,467,357)</b>	<b>(593,785,360)</b>
<b>Net liquidity gap</b>	<b>(108,755,108)</b>	<b>(16,481,614)</b>	<b>(17,881,553)</b>	<b>26,905,969</b>	<b>99,364,215</b>	<b>55,243,949</b>	<b>4,133,197</b>	<b>(183,794)</b>	<b>42,345,261</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.3 Liquidity risk (Continued)

#### 48.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amount of cash collaterals. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, funds required for guarantees and letters of credit are not so much as required for other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amount for credit commitment cannot represent the actual funds required.

As at 30 June 2016	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptance	44,030,941	–	–	44,030,941
Letters of credit	4,533,553	–	–	4,533,553
Letters of guarantee	5,170,452	3,612,920	18,850	8,802,222
Loan commitments	2,981,845	160,000	–	3,141,845
Unused credit card lines	1,127,867	5,397,739	90,845	6,616,451
	57,844,658	9,170,659	109,695	67,125,012

As at 31 December 2015	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptance	45,275,957	–	–	45,275,957
Letters of credit	1,831,541	1,815	–	1,833,356
Letters of guarantee	1,823,498	2,423,485	2,350	4,249,333
Loan commitments	8,378,436	135,000	–	8,513,436
Unused credit card lines	1,168,196	4,831,950	293,682	6,293,828
	58,477,628	7,392,250	296,032	66,165,910

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.4 Fair value of financial assets and liabilities

#### (a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Thomson Reuters, Bloomberg and China Bond.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt investments with significant unobservable inputs.

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

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair value of all kinds of financial instruments is based on the following methods and assumptions:

- (i) *Balances with central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets and other liabilities*

Since these financial instruments are in short-term or under floating interest rate linked to market interest rate, their carrying value is approximate to the fair value.

- (ii) *Loans and advances to customers*

Since most loans and advances to customers are repriced at least annually according to market interest rate, their carrying value is approximate to the fair value.

- (iii) *Deposits from customers*

The fair value of a checking account, a savings account and a short-term money market deposit shall be the amount currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers is approximate to the fair value.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.4 Fair value of financial assets and liabilities (Continued)

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

##### (iv) Finance lease receivables

The balance of finance lease receivables is calculated based on effective interest rate method. Since the actual interest rate of a financial leasing is linked and timely adjusted to the interest rates that PBOC stipulates, the carrying value is approximate to fair value.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet, including investment securities classified as held-to-maturity, investment securities classified as loans and receivables and debt securities in issued.

	Carrying value	As at 30 June 2016			Total
		Fair value			
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Investment securities – Held-to-maturity	47,661,475	-	48,718,990	-	48,718,990
Investment securities – Debt instruments classified as receivables (i)	138,895,436	-	90,349	138,799,061	138,889,410
<b>Financial Liabilities</b>					
Debt securities issued (ii)	85,826,558	-	85,855,120	-	85,855,120

	Carrying value	As at 31 December 2015			Total
		Fair value			
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Investment securities – Held-to-maturity	42,257,244	-	43,456,228	-	43,456,228
Investment securities – Debt instruments classified as receivables (i)	89,134,252	-	111,613	89,014,734	89,126,347
<b>Financial Liabilities</b>					
Debt securities issued (ii)	(79,425,700)	-	(79,456,804)	-	(79,456,804)

##### (i) Debt instruments classified as receivables and held-to-maturity investments

Investment securities classified as held-to-maturity whose fair value is based on quoted market prices are included in level 1. When such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics are used where applicable, the fair value measurement will be included in level 2 or level 3.

##### (ii) Debt securities in issued

If the fair value is based on quoted market prices, the fair value measurement will be included in level 1. When the fair value of debt securities issued is determined by valuation techniques and all significant inputs required to fair value are observable, it is included in level 2.

The other financial instruments not measured at fair value in the condensed consolidated financial statements are calculated as the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets are not significant.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.4 Fair value of financial assets and liabilities (Continued)

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

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,642,896	–	2,642,896
– Interbank certificates of deposit	–	1,658,059	–	1,658,059
Derivative financial assets	–	20,456	–	20,456
Available-for-sale				
– Debt securities	–	25,835,033	–	25,835,033
– Interbank certificates of deposit	–	3,390,717	–	3,390,717
– Equity securities	–	–	9,500	9,500
– Asset management schemes by securities firms or trust companies	–	–	71,156,058	71,156,058
– Wealth management products	–	–	6,325,000	6,325,000
<b>Total assets</b>	–	<b>33,547,161</b>	<b>77,490,558</b>	<b>111,037,719</b>
Derivative financial liabilities	–	(18,419)	–	(18,419)
<b>Total liabilities</b>	–	<b>(18,419)</b>	–	<b>(18,419)</b>
As at 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,730,120	–	2,730,120
Derivative financial assets	–	3,789	–	3,789
Available-for-sale				
– Debt securities	–	23,920,037	–	23,920,037
– Interbank certificates of deposit	–	229,191	–	229,191
– Equity securities	–	–	9,500	9,500
– Asset management schemes by securities firms or trust companies	–	–	67,612,920	67,612,920
– Wealth management products	–	–	4,500,000	4,500,000
<b>Total assets</b>	–	<b>26,883,137</b>	<b>72,122,420</b>	<b>99,005,557</b>
Derivative financial liabilities	–	(19,997)	–	(19,997)
<b>Total liabilities</b>	–	<b>(19,997)</b>	–	<b>(19,997)</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.4 Fair value of financial assets and liabilities (Continued)

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

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

Financial assets classified into level 2 includes bonds investment, foreign exchange forward contracts, currency swap contracts, and interest rate swap contracts, etc. The fair values of RMB bonds are determined based on the yield curve provided by China Central Depository and Clearing Co., Ltd. The fair values of foreign exchange forward contracts, currency swap contracts, and interest rate swap contracts are calculated by discounted cash flow and Black-Scholes Model, etc. All significant valuation inputs are observable market data.

The nature of the assets classified within Level 3 of the fair value measurement hierarchy is primarily investment products issued by domestic trust companies or other financial institutions, underlying assets of which include credit assets, deposits with financial institutions and debt securities. The significant unobservable inputs related to the credit assets are those around credit risk and liquidity risk. This largely relates to the lack of historical default and liquidity information through one or more economic cycles, which Mainland China has not experienced. Management has made assumptions, based on observed indicators of impairment or significant changes in yield, but the actual value realized from these underlying assets in a current arm's length sale could differ from those disclosed.

The following table presents the changes in level 3 instruments:

	Available-for-sale
Balance at 1 January 2016	72,122,420
– Additions	46,984,425
– Disposals	(41,616,287)
Balance at 30 June 2016	77,490,558
Total gains for the period included in profit or loss for assets held at 30 June 2016	–
	Available-for-sale
Balance at 1 January 2015	38,518,665
– Additions	58,089,000
– Disposals	(24,485,245)
Balance at 31 December 2015	72,122,420
Total gains for the year included in profit or loss for assets/liabilities held at 31 December 2015	440

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management also aims to stimulate expansion of capital scale and to improve risk management.

The Group prudently set the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions, like limit management to ensure the realization of the objectives and proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes modification of dividend distribution plan, raising new capital and issuance of new bonds.

From 1 January 2013 onward, the Group started to implement "The Trial Measures for Capital Management of Commercial Banks" promulgated by the CBRC on 7 June 2012.

The table below summarizes the Capital Adequacy Ratios of the Group as at 30 June 2016:

		As at 30 June 2016	As at 31 December 2015
Common Equity Tier-one Capital Adequacy Ratio	(a)	<b>8.89%</b>	9.80%
Tier-one Capital Adequacy Ratio	(a)	<b>8.91%</b>	9.81%
Capital Adequacy Ratio	(a)	<b>11.97%</b>	13.25%
Common Equity Tier-one Capital	(b)	<b>43,358,781</b>	41,542,138
Deductible Items from Common Equity Tier-one Capital	(c)	<b>(82,057)</b>	(91,448)
Net Common Equity Tier-one Capital		<b>43,276,724</b>	41,450,690
Additional Tier-one Capital	(d)	<b>76,865</b>	41,411
Net Tier-one Capital		<b>43,353,589</b>	41,492,101
Tier-two capital	(e)	<b>14,896,420</b>	14,539,229
Net Capital		<b>58,250,009</b>	56,031,330
Risk-weighted Assets		<b>486,708,476</b>	422,932,598



# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 48 FINANCIAL RISK MANAGEMENT (Continued)

### 48.5 Capital management (Continued)

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”:

- (a) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Institutions and affiliated financial subsidiaries specified in the Regulation. The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.
- (b) The Group’s Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings and, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation).
- (c) The Group’s Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.
- (d) The Group’s Additional Tier-one Capital includes non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (e) The Group’s Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).
- (f) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

### 48.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the condensed consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the condensed consolidated financial statements either.

	As at 30 June 2016	As at 31 December 2015
Entrusted loans	110,573,605	91,666,204
Off-balance sheet wealth management products	46,545,020	36,725,100

## 49 SUBSEQUENT EVENT

The Group has no significant events after balance sheet date to disclosure.

## Appendix I – Unaudited Supplementary Financial Information

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

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

### 1 LIQUIDITY RATIOS

	As at 30 June 2016	As at 31 December 2015
RMB current assets to RMB current liabilities	45.42%	39.15%
Foreign currency current assets to foreign currency current liabilities	23.95%	63.68%

### 2 CURRENCY CONCENTRATIONS

	USD	EUR	Other	Total
<b>As at 30 June 2016</b>				
Spot assets	5,276,491	96,726	142,118	5,515,335
Spot liabilities	(11,800,336)	(95,841)	(35,297)	(11,931,474)
Forward purchases	7,047,062	–	–	7,047,062
Forward sales	(40,666)	–	(12,475)	(53,141)
Net long position	482,551	885	94,346	577,782
<b>As at 31 December 2015</b>				
Spot assets	2,756,428	95,499	115,287	2,967,214
Spot liabilities	(3,358,504)	(97,664)	(17,177)	(3,473,345)
Forward purchases	1,082,173	–	–	1,082,173
Forward sales	(343,683)	–	(12,950)	(356,633)
Net long/(short) position	136,414	(2,165)	85,160	219,409

## Appendix I – Unaudited Supplementary Financial Information

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

### 3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private institutions	Total
<b>As at 30 June 2016</b>			
Asia Pacific	4,021,525	1,317,536	5,339,061
– China mainland	141,851	–	141,851
Europe	6,699	–	6,699
North and South America	145,459	–	145,459
<b>Subtotal</b>	<b>4,173,683</b>	<b>1,317,536</b>	<b>5,491,219</b>
<b>As at 31 December 2015</b>			
Asia Pacific excluding China mainland	1,710,055	1,082,901	2,792,956
– Hong Kong	90,091	–	90,091
Europe	92,281	–	92,281
North and South America	81,341	–	81,341
<b>Subtotal</b>	<b>1,883,677</b>	<b>1,082,901</b>	<b>2,966,578</b>

## Appendix I – Unaudited Supplementary Financial Information

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

### 4 LOANS AND ADVANCES TO CUSTOMERS

#### 4.1 Overdue loans and advances to customers

**Total amount of overdue loans and advances to customers:**

	As at 30 June 2016	As at 31 December 2015
Total loans and advances to customers which have been overdue for		
– within 3 months	2,660,204	314,306
– between 3 to 6 months	1,544,017	1,951,769
– between 6 to 12 months	2,624,014	1,866,740
– over 12 months	1,678,491	810,416
<b>Total</b>	<b>8,506,726</b>	<b>4,943,231</b>
Percentage		
– within 3 months	31.27%	6.36%
– between 3 to 6 months	18.15%	39.48%
– between 6 to 12 months	30.85%	37.76%
– over 12 months	19.73%	16.39%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

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

	Anhui Province	Jiangsu Province	Total
<b>As at 30 June 2016</b>			
Overdue loans and advances to customers	7,919,147	587,579	8,506,726
– Individually assessed	433,316	64,762	498,078
– Collectively assessed	1,394,587	138,938	1,533,525
<b>As at 31 December 2015</b>			
Overdue loans and advances to customers	3,963,415	979,816	4,943,231
– Individually assessed	(609,774)	(60,161)	(669,935)
– Collectively assessed	(609,219)	(62,604)	(671,823)

**Fair value of collaterals against overdue loans and advances to customers:**

	As at 30 June 2016	As at 31 December 2015
Fair value of collaterals		
– Corporate loans	10,095,700	3,443,404
– Personal loans and advances	1,612,250	1,043,167
<b>Total</b>	<b>11,707,950</b>	<b>4,486,571</b>

## Appendix I – Unaudited Supplementary Financial Information

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

### 4 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### 4.2 Identified impaired loans and advances

	Anhui Province	Jiangsu Province	Total
<b>As at 30 June 2016</b>			
Identified impaired loans and advances for which allowance is			
– Individually assessed	2,088,440	513,845	2,602,285
– Collectively assessed	454,262	64,762	519,024
	459,737	146,118	605,855
<b>As at 31 December 2015</b>			
Identified impaired loans and advances for which allowance is			
– Individually assessed	2,162,676	235,062	2,397,738
– Collectively assessed	(631,198)	(60,161)	(691,359)
	(382,343)	(45,958)	(428,301)



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