

CSR 2017

Social Responsibility Report

Huishang Bank Corporation Limited



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1. Information about This Report

About this report

The Huishang Bank Corporation Limited (the “Huishang Bank” or “the Bank”) (Stock code: 3698) hereby issues the Bank’s Environmental, Social and Governance Report for the purposes of assisting all its stakeholders in understanding its concept and practices of sustainable development in 2017.

Reporting scope

The Bank’s principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business, which encompass money market activities, investment and trading activities and transactions on behalf of customers. This Report includes the Huishang Bank Corporation Limited, its branches and sub-branches covering the period from 1 January to 31 December 2017. All monetary amounts quoted in this report are shown in Renminbi (“RMB”).

References

This report is written in accordance with the China Banking Regulatory Commission’s “Opinions on Promoting the Social Responsibility of Financial Institutions”, the China Banking Association’s “Social Responsibility Guidelines for Financial Institutions in China’s Banking Sector”, the “Environmental, Social and Governance Reporting Guide” in Appendix 27 to the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited”, and the “Sustainability Reporting Guidelines” of the Global Reporting Initiative (“GRI”).

Report availability

This report is available in both hard and electronic copies. The electronic copies can be viewed on the bank’s official website at <http://www.hsbank.com.cn/> and the HKEx website <http://www.hkexnews.hk>.

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2. Leaders' Message

Nothing is impossible to a willing heart. The year of 2017 was very important for the implementation of 13th Five-Year Plan. It witnessed the deepening of structural reform on the supply side as well as Huishang Bank's return to roots, focusing on its principal businesses and serving local economic development in an all-around manner to achieve prosperity. Encountered with complex and volatile economic and financial situations at home and abroad in 2017, we stepped onto the arduous journey and wrote a new chapter for fulfilling the social responsibility while remaining true to our original aspiration and moving forward. By giving priority to stability, we realized stable profit growth, stable asset quality and stable risk control. In the process of surmounting difficulties, we achieved a business performance beyond expectation, delivered positive energy to the market and set a good example. Led by the principle of moving forward, we achieved new progress and new results while fulfilling the Bank's responsibility and practising social responsibility. As such, we built a responsible and honoured local bank image.

In this year, by grasping the overall situation and focusing on the source, we innovated and improved our financial services. We further promoted the four strategies of comprehensive finance, inclusive finance, intelligent finance and safe finance and actively built a new type of bank-government and bank-enterprise relationship, supporting the structural reform on the supply side and invigorating the real economy. We actively adhered to the five action plans for development and supported the development of strategic emerging industries and transformation and upgrading of traditional industries, with sparking highlights in PPP, adjustment, transformation and upgrading of industrial fund, market-oriented debt-to-equity swap and asset securitization. We promoted financial services for small and micro enterprises as fundamental and strategic services. Based on the online standardization and offline professionalism, we strived to create a new mode of financial service for small and micro enterprises and successfully achieved the targets of "in excess of three indicators". We never withdrew or postponed loan granting for enterprises undergoing temporary difficulties. Instead, we assisted them in overcoming problems and difficulties both in the short term and long term. We carried out targeted poverty relief and set up a development fund for targeted poverty relief in an innovative manner, with an aggregate of RMB3.8 billion approved and granted throughout the year. Believing in the "customer-centered" principle, we focused on important tasks, addressed pain points and leveraged highlights and implemented the service improvement and optimization in an overall manner, striving to create a bank satisfactory to customers with high efficiency, extraordinary experience and good reputation. The Bank implemented financial accurate poverty alleviation and innovated Poverty Alleviation Fund to invest RMB 4.9 billion in five funds in places such as Jinzhai, Dangshan and Linquan, and distributed RMB 5.4 billion in precision poverty alleviation microloans, benefiting 13,600 poor households with strapping cards. The Bank adheres to customer focus, solves pain points, activates bright spots, coordinates the implementation of service improvement and upgrade, and becomes a customer-satisfying bank with high efficiency, good using experience and a good reputation.

Aiming to benefit people both at present and in the future, we endeavored to develop a "lightening bank" and "smart bank" in the year 2017, creating a new area for development. We

spent great efforts to advocate the concept of green finance, guided study on environmental risk qualification and set the smart bank as one of the bank-wide development strategy. We built an omni-directional green finance service system by referring to green finance service standard, developing innovative green finance products and launching green bond underwriting. We optimized the credit policies across the industry, assisted with energy saving and emission reduction as well as environmental industry development, and actively carried out green office practice, so as to achieve sustainable ecological operation. We earnestly planned the in-depth integration of technology and finance. Guided by the internet-based and intelligence-oriented service and focusing on the platform-based and scenario-based ecological service, we realized better connection among numerous sectors of industry and commerce to benefit hundreds of thousands of households and serve national economy and people's livelihood.

In the year 2017, we strengthened foundation and deepened the culture, working together and remaining of one mind via cultural identity and flourishing the tree of social responsibility based on cultural nutrition. Based on the concept of corporate culture management and risk profile, we further carried out the special governance activities of "implementing three fundamental tasks in place in four aspects", aiming to lead the whole industry to address both symptoms and root causes, fight against the tenacious battle of credit asset quality, defend the all-around risk management and control, hold onto the bottom line and ensure a safe business environment. While improving the compensation incentive program, we attached great importance to unit people by thought and culture, actively created a favorable environment of caring for staff and retaining them. We reserved a stage for people who prefer meaning things and cherish entrepreneurship spirit and enabled the talents to feel proud to realize value, feel fulfilled for devoting to Huishang Bank and feel honoured to possess pride. We adhered to the public welfare principle, created a bank full of love and launched an innovative public welfare mode of "Ai Sa Jiang Huai", which saw footprints of our young volunteers all over Yangtze-Huai river region.

The east wind comes with the spring. The year of 2018 marks the starting point of implementing the principles and policies carried out during the 19th National Congress of the Communist Party of China, and the fifth year since the share structure reform and listing of the Bank. In an era featuring new times, new responsibilities and new missions, guided by the thoughts of socialism with Chinese characteristics in the new era of Xi Jinping, the Bank will carry out new development in an all-around manner, bear wider vision and aspirations, embrace highly-spirited attitude, and shoulder more responsibilities in its march towards sustainable development of economy, society, environment and the Bank.

The Secretary of Party Committee,
and the Chairman of the Board of the Huishang Bank,
Mr. Wu Xuemin

3. Key Performance

Areas	KPIs	Unit	2017	2016	2015
Economic Performance	Total assets	In RMB 100 million	9,081.89	7,547.74	6,361.31
	Business net revenue	In RMB 100 million	225.08	209.18	169.77
	Net loans and advances	In RMB 100 million	3,052.09	2,693.36	2,374.28
	Shareholders' equity	In RMB 100 million	592.12	531.83	423.45
	Profit after tax	In RMB 100 million	78.12	69.96	62.12
	Return on average assets	%	0.94	1.01	1.11
	Non-performing loan ratio	%	1.05	1.07	0.98
	Provision coverage ratio of non-performing loan	%	287.45	270.77	250.49
	Capital adequacy ratio	%	12.19	12.99	13.25
Social Performance	Small and micro-enterprise loans	In RMB 100 million	1,468.1	1,293.44	1,118.63
	Balance of agro-related loans	In RMB 100 million	636.6	466.6	376.67
	Satisfaction with complaints handling	%	98.36	90.08	89.01
	Total number of employees	/	9,520	8,957	7,647
	Ratio of female employees	%	52.38	52.67	53.25
	Training expenses per employee	Yuan	4,540	4,062	3,989
	Assistance funds to troubled employees	In RMB 10 thousand	22.0	22.3	14.1
	Total number of outlets	/	417	392	338
	Total number of county outlets	/	164	142	62
	Automatic services machines	/	2,532	2,235	1,848
	Number of corporate online banking customers	In 10 thousand	14.76	11.58	9.27
	Number of phone banking customers	In 10 thousand	205	173.6	138.37
	Number of mobile banking customers	In 10 thousand	221	131.3	66.4
	Number of personal online banking customers	In 10 thousand	293.86	219.49	161.69
Environmental Performance	Headquarter water use	In 10,000 tons	5.8	7.15	4.1
	Headquarter electricity use	In 10,000 KWh	552.2	597.1	597.1
	Headquarter gas use	In 10,000 m ³	29.2	29.4	32.6
	Number of Bank-wide video conference	/	248	177	228

4. Company Profile

4.1. Brief introduction

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, as well as the sole provincial bank in Anhui. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, the Bank was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698), among the nation's first batch of city commercial banks issuing H shares.



The Huishang Bank building

As at the end of December 2017, the Bank had a registered capital of RMB11.05 billion and 9,520 employees; besides headquarters, it had 17 branches, 417 operations (including 3 branch sales departments and 414 sub-branches), and 680 self-service zones. The Bank also had 3 subsidiaries, namely, Huiyin Financial Leasing Co., Ltd, Jinzhai Huiyin Rural Bank Co., Ltd and Wuwei Huiyin Rural Bank Co., Ltd. and owns equity interest in Chery Huiyin Motor Finance Service Co., Ltd. In 2017, the Bank paid special attention to economic and financial situation, and implemented national guidelines and policies in an earnest manner. It enjoyed an impressive leap in its business, a remarkable increase in comprehensive strength, and enhancement in its ability to sustain development. As of the end of 2017, the total assets of the Bank reached RMB 908.1 billion at a growth rate of 20.31% compared to that of the beginning of the year; its net profit grew to RMB 7.812 billion by 11.66% year-on-year. The Bank's non-performing loan ratio, capital adequacy ratio and provision



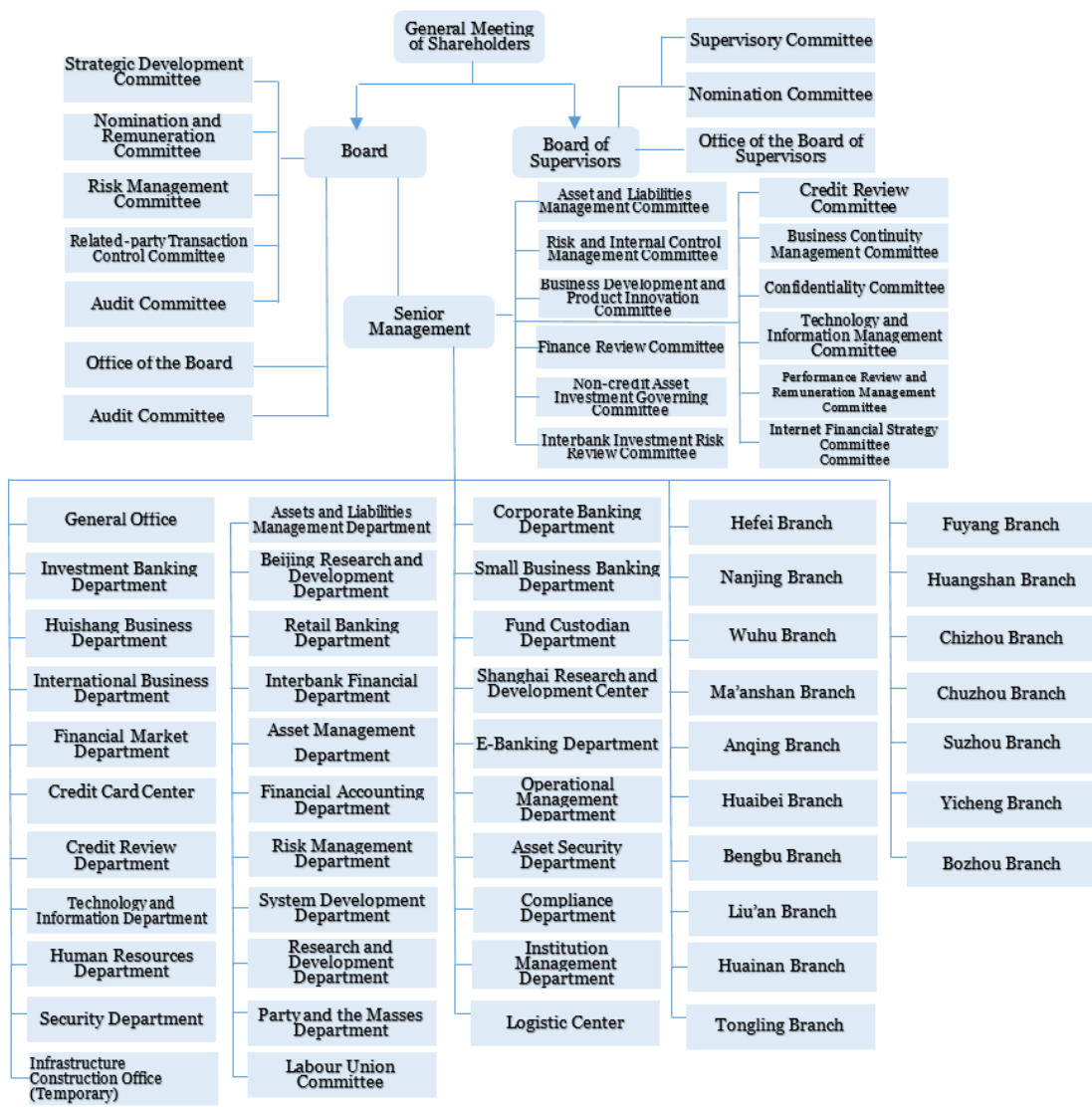
coverage ratio were 1.05%, 12.19% and 287.45% respectively and it maintained strong risk prevention ability.

Since inception, by maintaining its market position as a bank “serving the local economy, serving small and medium enterprises (“SMEs”) and serving the general public”, the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency, thus building up a good social image of the “local bank”, the “people’s bank” and the “SME bank”, and becoming a regional commercial bank that is more well-known and has considerable influence in Anhui Province and even in the banking industry across China. It has gained recognition of the Provincial Party Committee, provincial government and banking regulators, and universal praise from the society for its efforts in facilitating local economic development.

4.2. Corporate governance

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

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



The Group highly valued the shareholders' equity and investor relations. In accordance with



the resolutions passed at the 2016 General Meeting of Shareholders held on 22 June 2017, the Bank paid an annual cash dividends for 2016 of RMB0.061 per share (including tax) in an aggregate amount of RMB 675 million (including tax), to all of its shareholders whose names appeared on the register of members on 4 July 2017. In 2017, the Bank held 2016 annual results announcement, 2017 interim results announcement and analysts/investors promotion conferences, where investors, analysts and the media exchanged ideas. It also kept in touch with foreign and domestic

investors, analysts and small-and-medium investors via phone, E-mail, reception, investor relation module on company's website, to name but a few, so as to promote investor relation management. In order to disclose information in strict compliance with requirements of China Securities Regulatory Commission, Securities and Futures Commission of Hong Kong and Hong Kong Exchanges and Clearing Limited, the Bank formulated and revised policies concerning information disclosure including the Internal Information and Insider Management Policy and Major Information Misrepresentation Accountability Measures, with a view to further optimizing information disclosure regime and continuously improving the preparation and publication of regular reports and special reports. In 2017, it published more than 30 announcements including 2016 annual results announcement, 2017 interim report and circular of the general meeting of shareholders.

Areas	Milestone
General Meetings of Shareholders	In 2017, the Bank held the 2016 General Meeting of Shareholders, the General Meeting of Domestic Shareholders, and the General Meeting of Holders of H Shares, which adopted 20 proposals including work reports of the Board of Directors and the Board of Supervisors, final accounts, profit distribution plan, financial budgets, and non-public offering of preferred shares outside the Chinese mainland, etc., contributing to the stable and robust development of the Bank's businesses.
Board of Directors	In 2017, the Bank held 7 Board meetings and discussed 49 proposals and reports such as Huishang Bank 2016 Annual Financial Report, which fully leveraged the strategic decision-making and core leading role of the Board. On top of that, the board special committees gave full scope to their role of expediting decision-making by convening 19 meetings when major resolutions were discussed such as internal audit reports and material related party transactions.

Board of Supervisors	In 2017, the Bank held 8 meetings of Supervisors where 36 proposals were reviewed and adopted including Annual Work Report of Board of Supervisors in 2016. On top of that, the special committees of the Board of Supervisors performed their duties by holding 11 meetings when major items were discussed including 2016 annual audit report, 2016 annual internal control self-evaluation report, and 2016 annual report on the implementation of crime prevention, etc.
Senior Management	The Bank's senior management consists of the Bank President and other senior managers who exercise functions and authorities in operation management according to laws, regulations and corporate charter and as authorized by the general meeting of shareholders and board of directors.

4.3. Risk management

In the year 2017, the banking industry was faced with more complicated risk challenges due to the interweaving and overlapping of different types of risks under the complex and volatile domestic and international economic environments. The Bank continued to implement its “prudent, rational and stable” risk appetite, improve its overall risk management system and adhere to prudent operating philosophy so as to ensure the prudent business development and the objective classification of assets and maintain sufficient risk allowances and capital adequacy. The Bank upheld rational management philosophy and controlled major risks in a scientific and effective way under the mutual constraint of external regulation and internal standards, while sticking to the theory of “two wheels-driven growth”, namely business development and financial innovation. It adhered to stable operating philosophy, built an overall risk management system that covers all employees and the entire procedure and strived to realize a balanced and coordinated development of scale, quality and efficiency on the presumption that risks are under control, so as to achieve the value of overall risk management and the strategic goal of transformation and upgrading of the Bank.

4.3.1 Credit risk management

In the year 2017, guided by overall risk management, the Bank focused on effectiveness and improved credit risk management. The Bank refined the layered risk policy system, formulated overall risk management measures, risk appetite, risk limits, impairment provision evaluation and other systems in order to form a transmission mechanism and implement the evaluation. It strictly controlled customer access, enhanced rating management, standardized credit rating, drew up the annual centralized rating plan, clarified work progress and put more efforts on random inspection. 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. The Bank also strengthened its risk control over key fields, including real estate, overcapacity and emerging businesses, 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. While focusing

on maintaining asset quality, the Bank promoted the implementation of risk management and control policies through comprehensive risk examination and on-site inspection and supervision. 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 including collection, write-off, restructuring and transfer of loans with potential risks on a “one-customer-one-policy” basis, with an aim to dispose of non-performing assets through different channels and ways and enhance the liquidity of inventory assets.

4.3.2 Market risk management

To cope with complexed external environment, the Bank endeavored to improve market risk management methods and optimize market risk management processes to push ahead routine market risk management. The Bank restructured and upgraded the market risk management system, optimized yield curve and derivative data and improved the efficiency in market risk indicator analysis and effectiveness of data. In addition, the Bank made integrated use of various tools and methods including cash flow analysis, sensitivity analysis and scenario analysis to conduct quantitative analysis on the capital business. The Bank imposed stringent market risk limits, performed thorough interest rate stress tests on trading accounts, further elevated market risk measurement and control abilities, thus effectively avoiding market risks. The Bank persisted in the strategy of optimizing process and innovating technique methods in the meantime, in order to fully identify, precisely measure and continuously monitor market risks in various businesses under the risk management framework. As a result, the Bank is able to control its market risk to an acceptable and reasonable level.

4.3.3 Operational risk management

With respect to operational risk management, the Bank continued to refine the operational risk management system and further strengthened its operational risk management. The Bank continued to promote the establishment of an operational risk management system, strengthened the construction of three major instruments for operational risk management, improved the key risk indicators of operational risk, and built an information system for operational risk management so as to enhance the informatization of operational risk management. The Bank also conducted a multi-dimensional risk assessment on institutions, business and customers in order to achieve the normalization of monitoring operational risk in credit business and other key areas. It sorted out a list of risk clients involving potential risks in other financial institutions by making greater use of external data such as the credit information of the PBOC and carried out risk examination and follow-up solutions so as to avoid risk contagion. The Bank collected major operational risk cases triggered by presidents of sub-branches in and outside the Bank regularly and gathered the data of operational risk losses in order to extract key risk indicators and incorporate into the monitoring system. The Bank also strengthened information technology risk management and focused on the implementation of drilling performance on significant IT systems fault and business continuity management so as to make the second-line defense of information technology risk function.

4.3.4 Liquidity risk management and control

The Bank's liquidity risk management adhered 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 adopted 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 developed liquidity stress scenarios to ensure that there was 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 took effective emergency measures to control risk spreading in liquidity crisis scenarios.

By closely monitoring macro-economic policies and capital market conditions, the Bank dynamically adjusted 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.

4.3.5 Interest rate risk management

The currency for the Bank's majority of assets and liabilities is RMB. The Bank conducts deposits and loans activities according to the benchmark interest rates on loans or deposits set by the People's Bank of China ("PBOC"). In 2017, the Bank forged ahead with strategic transformation, coped with market-driven interest rates, and adjusted asset-to-liability ratio and customer structure. Efforts have been made to: a) upgrade and adjust loan structure and accelerate the development of retailers and small and micro enterprises; b) reinforce management of loan pricing and elevate risk pricing level and loan proceeds; c) further propel the development of intermediate businesses, improve revenue structure, and reduce dependence on interest rate spread; d) leverage management accounting results, strengthen customer comprehensive contribution analysis, and promote pricing management level.

4.3.6 Exchange rate risk management

In measuring exchange rate risks, the Bank employs combined approaches of qualitative and quantitative analysis, including gap analysis, duration analysis, exposure analysis, sensitivity analysis, scenario analysis, value-at-risk ("VAR") analysis, stress test and post testing. The Bank strictly applies authorization limits, including trading limits, risk limits, exchange rate exposure limits and stop-loss limits, thus keeping exchange rate risks within acceptable levels of the Bank. The Bank's foreign exchange spot transactions and forward foreign exchange transactions are primarily transactions on behalf of customers. It executes back-to-back transactions to avoid exchange rate risks. Under the new normal two-way fluctuation of the Chinese currency Renminbi exchange rate, the Bank maintains proper securities dealing exposure subject to its limit management requirements within the comprehensive open position limits ratified by the State Administration of Foreign Exchange. Besides, it makes full use of derivative instruments to avoid exchange rate fluctuation risks.

4.3.7 Reputation risk management

In 2017, the Bank effectively managed reputational risks, with no reputational risk event occurred in this year. The relationship with the media was relatively harmonious and the media evaluation was good overall.

In the prevention and control of reputational risks, the Bank attached importance to the role of positive news propaganda and strengthened reputational risk management internally. For the information that is easily misunderstood or leads to guessing, the Bank tackles it with quick response, active communication, respect for facts, respect for freedom of media collection and editing, and the establishment of a benign interaction with the media, which effectively avoids possible reputational risks.

In the future, the Bank will focus on improving external public opinion guidance skills, integrate media resources of the Bank, cultivate a unified culture of reputational risks, and conduct a high-level public-relation planning in order to continuously increase the Bank's branding awareness and reputation.

4.3.8 Compliance risk management

During the reporting period, to actualize its operational development strategy, the Bank gave priority to internal control, set up the concept of leveraging compliance to promote development, and committed itself to more forward-looking and targeted compliance management. It also implemented external regulatory requirements, cemented its internal control system, and maintained effective compliance risk management mechanism, which were rewarded with positive comments from external regulators. The Bank carried out special activities such as the "Two reinforces and two deters", internal audit control rectification, a series of regulatory policy activities and "Safe Finance" to push ahead the compliance culture building, continuously optimize internal rules and regulations, upgrade compliance risk identification and assessment processes, intensify non-compliance punishment, strengthen law compliance review and provide further support to product innovation, thus laying foundation for the Bank's lawful operation.

4.3.9 Anti-money laundering management

During the Reporting Period, based on the changes of 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 and 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 its 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 its branches, the Bank strengthened its capability 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 its staff's sense of duty on anti-money laundering, and nurture an anti-money

laundering compliance environment. The Bank has been awarded A-level for six consecutive years in the anti-money laundering supervision held the People's Bank of China.

4.3.10 Implementation of Basel Accord

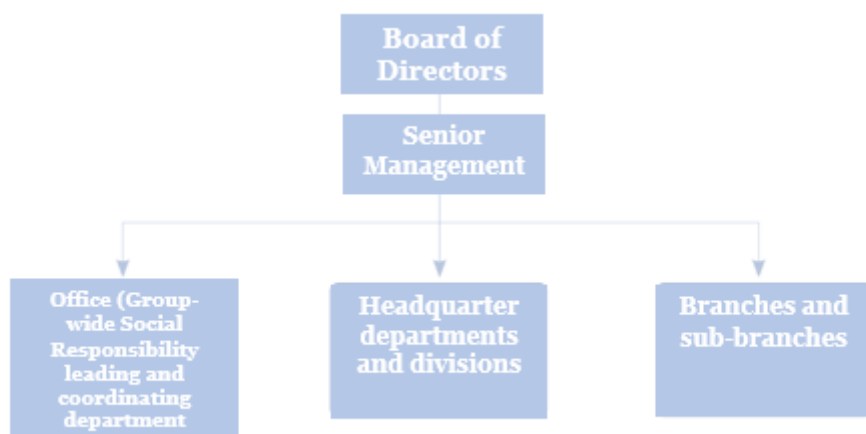
The Bank is one of the first city commercial banks of China committed to the actualization of the Basel New Capital Accord. The Bank follows requirements laid down in regulatory policies such as the “Administrative Measures for the Capital of Commercial Banks (Trial)”, and pushes ahead the construction and implementation of advanced capital measurement methods with focus on the first pillar of the three risk measurement. Currently, the Bank has established non-retail and retail credit risk internal grading systems for customers and officially launched them successively. The non-retail credit risk internal grading system for debts has been completed for implementation and is being promoted across the Bank. Having completed the preliminary business consultation for the standards of operational risk management, the Bank is currently conducting the systematic implementation of such standards. The market risk internal modelling is in the argumentation and approval preparation stage.

4.4. Responsibility management

4.4.1. Social responsibility management framework

The Bank has been continuously improving its social responsibility regime, where the Board of Directors, senior management, the office and all departments/branches/sub-branches work in conjunction playing the role of leading, overseeing, coordinating, implementing respectively to guarantee efficient and well-organized execution of environmental, social and governance related work.

The Board of Directors of Huishang Bank showed support for the Bank’s commitment to fulfilling its corporate social responsibilities and assumed all liabilities for the Bank’s environmental, social and government strategies and reporting. The Board of Directors is responsible for assessing and identifying any environmental, social and governance risks of the Bank and ensures that the Banks has established an appropriate and effective environment, social and government risk management and internal control system. Senior management of the Bank shall submit a confirmation to the Board of Directors, stating whether the ESG system is effective.



Social responsibility management framework

4.4.2. Stakeholder communications

Stakeholders	Communication mechanism	Stakeholders' expectations	The Bank's response
Government	<ul style="list-style-type: none"> • Regulatory documents • Work report • On-site inspection • Off-site inspection 	<ul style="list-style-type: none"> • Implement national economic policies • Support real economy • Serve small and micro enterprises • Increase job opportunities • Ongoing tax revenue 	<ul style="list-style-type: none"> • Implement national economic policies and propel economic transition • Step up efforts in leveraging finance to serve real economy • Achieve “3 no lowers” in small and micro enterprise loans • Create job opportunities • Create good business performance and pay more tax
Regulators	<ul style="list-style-type: none"> • Regulatory documents • Work report • On-site inspection • Off-site inspection 	<ul style="list-style-type: none"> • Prudent and legal day-to-day operation • Effective risk prevention • Stable and orderly financial system 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Strengthen risk management • Maintain financial order and reinforce compliance and disciplines
Shareholders	<ul style="list-style-type: none"> • Shareholders' general meeting • Board of directors • Roadshow • Result announcement 	<ul style="list-style-type: none"> • Continuous and reasonable Return on Investment • Thorough, timely and accurate information disclosure 	<ul style="list-style-type: none"> • Achieve good business • Disclose information in a thorough, timely and accurate manner • Promote corporate governance

	<ul style="list-style-type: none"> • Daily communication 	<ul style="list-style-type: none"> • Good corporate governance 	
Customers	<ul style="list-style-type: none"> • Product promotion and introduction • 4008896588 customer service center 	<ul style="list-style-type: none"> • Diversified products • Diverse service channels • Continuously improved service quality • Effective protection of consumers' rights and interests 	<ul style="list-style-type: none"> • Create diverse financial products • Promote the establishment of service channels • Improve civilized and regulated services • Protect financial consumers' rights and interests
Employees	<ul style="list-style-type: none"> • Staff communication • Labour union • Workers' Congress • Bank affairs disclosure • Corporate cultural activities 	<ul style="list-style-type: none"> • Reasonable compensation and benefits • Satisfying work environment • Good professional development 	<ul style="list-style-type: none"> • Endure staff's lawful rights and interests • Enrich corporate culture • Expand professional development channels
Suppliers and partners	<ul style="list-style-type: none"> • Centralized procurement, bid & tender center • Business communication cooperation 	<ul style="list-style-type: none"> • Fair cooperation opportunities • Honest contract fulfillment • Stable win-win situation 	<ul style="list-style-type: none"> • Stick to responsible purchase • Strengthen strategic cooperation
Public and communities	<ul style="list-style-type: none"> • Financial community services • Financial knowledge dissemination • Community public welfare activities 	<ul style="list-style-type: none"> • Harmonious social relations • Comprehensive and effective corporate citizen responsibility fulfillment 	<ul style="list-style-type: none"> • Create diverse financial products • Disseminate financial knowledge • Establish harmonious community environment • Charity and public welfare activities
Media	<ul style="list-style-type: none"> • Media information disclosure 	<ul style="list-style-type: none"> • Open and transparent information disclosure 	<ul style="list-style-type: none"> • Enhance media communication • Disclose information in a comprehensive, timely and accurate manner
Environment	<ul style="list-style-type: none"> • Business activities 	<ul style="list-style-type: none"> • Green financial services 	<ul style="list-style-type: none"> • Develop green finance • Improve green services

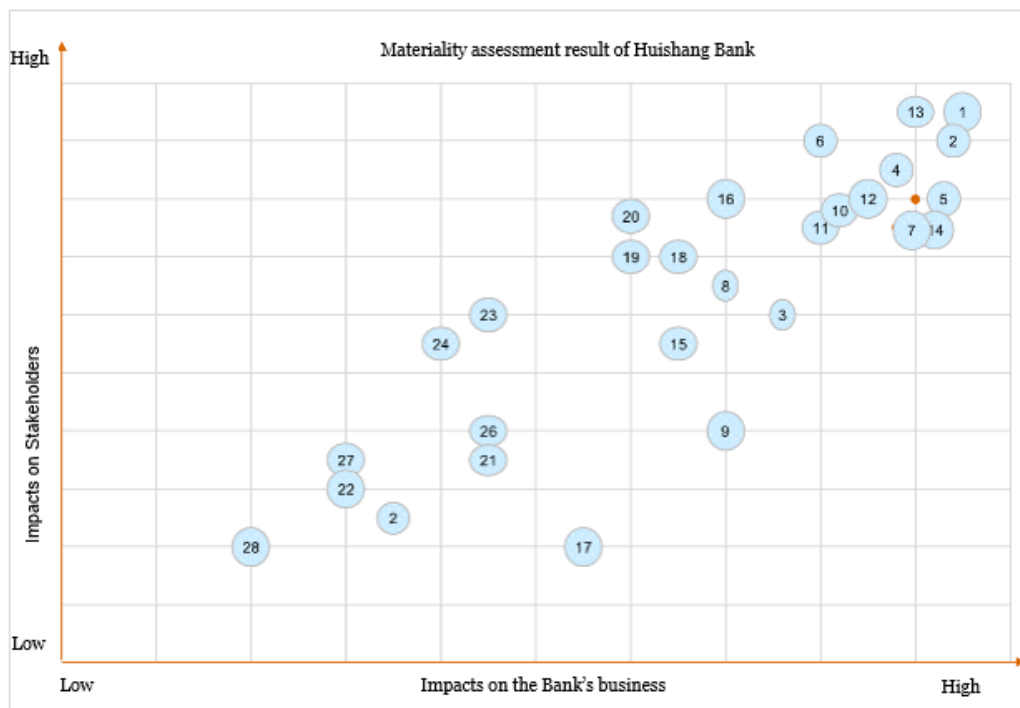
	<ul style="list-style-type: none"> • Environmental activities • Policy information disclosure 	<ul style="list-style-type: none"> • Continuous reduction of energy consumption and carbon emission • Active environmental protection 	<ul style="list-style-type: none"> • Promote green operation • Involve in green public welfare undertakings
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4.4.3. Materiality assessment

In accordance with the “ESG Reporting Guide”, the Bank constructed the ESG materiality analysis model, where it determines significant material issues through identification, assessment and selection of relevant issues, discloses them in this report and give response.

No.	Issue	Level	No.	Issue	Level
1	Improve business performance	Product responsibility	15	Favorable employment environment	Hiring/Labour standards
2	Propel economic development	Product responsibility	16	Guarantee safe card use	Product responsibility
3	Focus on mobile finance	Product responsibility	17	Health and safety	Safety and health
4	Compliance with the legal and supervisory requirements	Product responsibility	18	Practice targeted poverty relief	Community investment
5	Serve real economy	Product responsibility	19	Build intelligent outlets	Product responsibility
6	High-quality customer services	Product responsibility	20	Develop green finance	Environment and natural resources
7	Monitor business risk	Anti-corruption	21	Expand green channels	Emission
8	Safety protection measures	Safety and health	22	Promote green operation	Use of resources
9	Promotion of professional development	Training and development	23	Prevent telecommunication fraud	Product responsibility
10	Serve small and micro enterprises	Product responsibility	24	Intensive involvement in public welfare events	Community investment

11	Guarantee shareholders' rights and interests	Product responsibility	25	Stick to green purchase	Supply chain management
12	Implement clean governance	Anti-corruption	26	Disseminate financial knowledge	Community investment
13	Overall risk management	Product responsibility	27	Support cultural and sport undertakings	Community investment
14	Practice inclusive financing	Product responsibility	28	Public welfare activities promoting green concept	Community investment



4.5 Awards and accolades in 2017

Month	Honors	Raters
January	Bank Card Business Innovation Award for 2016	China Banking Association
January	Best Dealer in China's Bond Market for 2016	China Central Depository & Clearing Co., Ltd.
January	Role Model in Ethical and Cultural Progress of Provincial Administrative Organs during 2014 to 2016	Commission for Guiding Cultural and Ethical Progress directly under provincial jurisdiction

February	Top 50 Talent Picking Enterprises	ATA Inc.
February	Advanced Organization in the Third Session of Anhui Culture, Benefaction to People and Consumption Season	Publicity Department of the Anhui Provincial Committee
March	Excellent Comprehensive Market Maker in Interbank Bond Market for the Second Half of 2016	National Association of Financial Market Institutional Investors (“NAFMII”)
March	Excellent Dealer in Interbank Local Currency Market for 2016	National Interbank Funding Center
March	Agent Bank for Non-tax Income of Provincial Government, First Class Award	Department of Finance of Anhui Province, the People’s Bank of China Hefei Central Sub-branch
March	Excellent Organization for Responsibility and Target Assessment for Handling Complaints by Letters and Visits Across the Province in 2016	The CPC Anhui Provincial Committee, the people’s Government of Anhui Province
April	Role Model for Safeguarding Legal Rights and Interests and Legal Risk Management in the Banking Sector for 2016	Anhui Banking Association
April	Women Model Position in Anhui Province	Anhui Women’s Federation
April	Award for Outstanding Contribution in Ten Thousand Journey to Publicize Financial Knowledge in Anhui Banking Sector for 2016	Anhui Banking Association
May	Junding Award for Top City Commercial Investment Bank in China in 2017	Securities Times
May	Enterprise with Outstanding Contribution to Finance in Luyang District of Hefei City in 2016	CPC Luyang District Committee of Hefei City, Luyang District People’s Government of Hefei City
June	Best Social Responsibility Practice Award of the Year in China Banking Sector	China Banking Association
June	Best Comprehensive Banking Ability Award, Best City Commercial Bank Award	China Banking Association
June	Outstanding Organization of Finance Services for Small and Micro Enterprises in Anhui Banking Sector in 2016, Speciality Products of Finance Service for Small and Micro Enterprises in Anhui Banking Sector in 2016	China Banking Regulatory Commission Anhui Office
June	The only winner of the title First-Level Legal Person Institution again in the field of consumer rights protection evaluation	China Banking Regulatory Commission Anhui Office
June	National “May 1” Labor Medals for Chinese Financial Industry, Finance Pioneer in Anhui	Labor Union of Financial Industry in Anhui
June	Best Bank in Innovation of Trade and Finance Products	China Banking Association
July	Granted the Excellent Award for Three Achievements and Second Class Award for One Achievement during the Evaluation of Outstanding Development and Research Achievements in Chinese Banking Sector (2017)	China Banking Association
August	Top Ten Direct Banks for the Year	Sina Finance

August	Ranking the First Place during the Assessment of Savings Government Bond Underwriter for Two Consecutive Quarters	The People's Bank of China Hefei Central Sub-branch
August	City Bank of Outstanding Contribution to Service Sector Development in China in 2017	China Comment under Xinhua News Agency
September	Provincial Youth Civilization, the title of Provincial Youth Civilization Model for 2016	Anhui Task Group for Creating Youth Unit Model
October	Won the title of Best Smart Team in the third session of Seeking for Good Voice campaign in Chinese banking sector, with three member honored the title of Smart Star	China Banking Association
October	Finance Innovation Incentive Program of Nanjing, Third Class	Nanjing Financial Development Office
October	Active Dealer in Capital Market	National Interbank Funding Center
November	Excellent Financial Business Award for Individuals	Chinese International Financial Service Exhibition Committee
November	Most Active Award	Golden Financier Club
November	Internal Audit Theoretical Research Finalist for 2017	China Institute of Internal Audit
November	Demonstration Bank for Customer Experience Innovation in 2017	China Electronic Commerce Association
November	Best Cash Management Bank for 2017, and Transactional Bank of Best Growth Potential for 2017	Treasury China
November	Role Model for National Internal Audit from 2014 to 2016	China Institute of Internal Audit
December	Top 100 Model Organizations for Civilized and Standardized Service in China's Banking Sector for 2017	China Banking Association
December	Best Supply Chain Finance Bank	Trade Finance editorial office
December	Innovative Application Award of Direct Bank in 2017	China Financial Certificate Authority, Awareness-raising Year for Chinese E-banks, and cebnet.com.cn
December	Most Influential Direct Bank for 2017, Innovation Award of Direct Bank for 2017	China Internet Weekly of Chinese Academy of Sciences, Chinese Research Centre and College for Social Sciences and Information Technology, www.eNet.com.cn, and hexun.com
December	Best Employers of Growth Potential in China for 2017	Institute of Social Science Survey of Peking University, and zhaopin.com
December	Best Provincial Financial Enterprise	Department of Finance of Anhui Province
December	Achievement Award for IT Risk Management Issue for Banking Industry, Third Class	China Banking Regulatory Commission
December	Best UnionPay Financial IC Card for Serving Agriculture, Farmers and Rural Areas in Anhui, and Best Care Theme UnionPay IC Card	The People's Bank of China Hefei Central Sub-branch

December	Bank IT Development Award, Third Class	People's Bank of China
December	Leading Group in "Five-year Enhancement Action" of Internal Audit in Anhui	Anhui Institute of Internal Auditors
December	Active Dealer in Interbank Bond Market of 2017 Q3	National Interbank Funding Center
December	Innovative Mobile Application for Learning	Ping An University
December	Outstanding City Commercial Bank for 2017	21st Century Business Herald
December	Ranked First in the Banking Industry in the Survey of "Residents' Satisfaction in Top Ten Service Industries in Anhui Province" in 2017, and won "the Residents' Most Satisfied Bank" for two consecutive years	Modern Provincial Investigation and Research Center of Anhui Province

5. New Finance Modes

With the successful convening of the 19th National Congress of the Communist Party of China, China has pointed out the direction for providing better financial service in such a new historical period by raising the following requirements, that is, deepening the reform of financial system to enhance financial sector's ability to serve real economy, stressing the dual-pillar regulatory framework for sound monetary policy and macro-prudential policies to deepen marketization of interest rate and exchange rate, and strengthening the financial regulatory system to hold onto the bottom line of non-occurrence of systematic financial risks.

In the year 2017, the Bank strived to serve real economy, carry out deepening and reform, prevent and control financial risks. It adhered to taking leadership in innovation and building financial service brand based on comprehensive finance, inclusive finance, intelligent finance and safe finance. The Bank pioneered a new situation for business development in a new idea, new way and new mode, thus further enhancing its growth drivers and making innovation the biggest highlight for transformation and upgrading.

5.1 Comprehensive finance

As regards the Bank's comprehensive finance strategy, the Bank integrated enterprises, governments, hospitals, universities and transactional banks with Huishang Bank as the core and made a comprehensive use of banking and non-banking products based on the financing demands arising from government projects, so as to identify and meet customers' business demands as well as expand the effective customer base of transactional banks. As a result, the Bank broadened its transaction volume and enhanced its image impact. While driving development across the bank-wide business lines, the Bank also propelled the development of real economy to realize comprehensive income and fulfill the Bank's economic responsibility.

5.1.1 Propel economic development

With the commitment to develop comprehensive finance and serve the real economy, the Bank has become the mainstream bank that fully serves the local economic and social development. In recent years, by actively following the guidance of national policies and giving full play to the advantages of the headquarters being the local-level corporate bank, the Bank innovates financial services, integrates the use of various financial instruments, proactively establishes the platform for cooperation between governments,



Forum on China Regional Coordinated Development and Investment & Financing Innovation and Launching Ceremony for China Regional Investment Climate List

banks and enterprises, and increases the financial support to key projects such as infrastructure construction. It utilizes the urbanization fund to resolve the inventory debts of local governments and finance projects under construction, uses PPP to finance new government projects, and government purchase of services to finance projects of run-down areas renovation, urban underground utility tunnel and sponge city so as to alleviate the financing pressure of provincial infrastructure construction. On 6 August 2017, “Forum on China Regional Coordinated Development and Investment & Financing Innovation and Launching Ceremony for China Regional Investment Climate List” was held in Beijing. The Bank won the title of “City Bank of Outstanding Contribution to Service Sector Development in China in 2017” and President Wu Xuemin was awarded as the “Bank President of Outstanding Contribution to Service Sector Development in 2017”.

In recent years, the Bank initiated the establishment of provincial PPP fund with a total registration size of RMB 50 billion, and the PPP industrial alliance. It also launched a comprehensive financial services plan of “PPP Quanchengtong” which effectively eased the implementation of PPP projects. The Bank ranked the top of the province in terms of total investment size and increment scale in 2017 with main contribution to infrastructure construction of roads and environmental management. 10 branches are involved, including Suzhou, Anqing, Ma’anshan, Bengbu, Bozhou and Fuyang, all of which provide strong guarantee to PPP projects.

To cater to new demands from the corporate customer under the new circumstances and in line with the goal of “Full Coverage and Three Increases”, the Bank’s PPP business achieved full coverage of the region and saw increases in business scale, provincial market share and brand influence. Meanwhile, the Bank accelerated the promotion of industrial fund service mode, and continued its efforts in Jinzhai targeted poverty alleviation fund, post-disaster reconstruction fund, PV poverty alleviation fund and other industrial fund business (including poverty relief by industrial development, transfer of employment, relocation and education, poverty alleviation by health program, ecological protection, and safeguarding the basic needs). It

provided full coverage of comprehensive finance in industrial base to cultivate corporate clients of high-value in the future.

As of the end of 2017, the Bank has followed up PPP projects concerning a total investment of RMB 180 billion, launched 49 projects of RMB 50 billion, which effectively supported the local infrastructure construction.

Case: 19th NPC member, Secretary of the Party committee and Director of SASAC, Li Ming, visited the Bank to deliver the guiding principles of the 19th National Congress



On the morning of 22 November 2017, Li Ming, a delegate represented the party to the 19th National Congress, director and secretary of the Party committee of the provincial SASAC, visited our bank to deliver a report regarding the guiding principles of the 19th National Congress. Based on his own experience and practices, Li Ming illustrated the guiding principles of the 19th National Congress with easy-to-understand language and a wide range of examples, and triggered incisive and profound discussions, which aroused strong resonance from the participants.

While making all-out efforts in serving Anhui's economic development, the Bank promotes the thought of "Tax payment in accordance with the law shall be practiced and prided upon", regards paying taxes honestly as the development tenet of lawful operation and conducts tax payment and filing in strict compliance with national tax laws and regulations. Besides, it keeps close connection with the taxation authorities and maintains a good and harmonious bank-tax bureau relationship, with total and individual tax payment increase in sync with the rapid growth of its business. Since its inception, the Bank has been among the top 50 largest tax payers in Anhui Province, who pays all sorts of taxes in full in a timely manner. It has been rated Class A taxpayer for several consecutive years as a result of its great contributions to the stable fiscal revenue growth at various levels.

5.1.2 Serve real economy

As a local corporate bank, the Bank always insists on strengthening its support to the real economy, especially the credit and financial support to areas of great importance and weakness. In recent years, the Bank has earnestly implemented all the guidelines and policies stipulated by the central and provincial governments on financial support serving the real economy development and is committed to injecting funds, especially credit loans, into real economy to support and serve the development by using multiple approaches, modes and channels. The Bank makes innovative use of investment banking and transaction banking products, and actively promotes comprehensive financial services such as debt financing instruments, asset securitization and market-oriented debt-to-equity swaps to continuously improve its financial

services to the real economy and real enterprises to support enterprise transformation and upgrading. With the background of pushing forward supply-side, the Bank devotes all efforts to important issues such as “cutting overcapacity, destocking and deleveraging, reducing costs and identifying growth areas” as well as optimizing the allocation of credit resources, and provides services of non-performing asset disposal, debt-to-equity swaps, charge management, as well as financial support for agriculture, rural areas, and farmers, as well as small and micro businesses.

In order to implement the CBRC’s regulatory requirements of “Guiding Opinions on Enhancing the Quality and Efficiency of the Banking Sector to Serve the Real Economy” and the “Notice on Focusing on Addressing Market Irregularities of the Banking Industry”, the Bank issued the “Work Plan to Implement a Series of Regulatory Policies of Huishang Bank” to cater to the requirements of the regulatory policies and to ensure all business of the Bank develop in a compliant and steady manner.

The Bank actively helps local entity in difficulty by: 1) opening green channels to help those enterprises in a timely and efficient manner; 2) providing credit in new ways such as bond investments and working capital loans to help enterprises with structure adjustment, de-leverage and development; 3) controlling core risks by conducting market research on the development of the borrower’s industry to provide evidences for credit decisions. The Bank applied various financial instruments successfully to increase its credit distribution and financial support to the local economy.

The Bank formulated a special financial support program for the province’s traditional dominant backbone enterprises to help them liquidate the inventory assets and reduce corporate leverage ratio by issuing perpetual bonds and corporate bonds. To comply with the changes in operation mode of corporate funds and to develop investment banking business, this year, the Bank actively participated in the supply-side structural reform of Anhui Province and realized the goal of finance nurturing local economic transition.

Case: Support to the province’s supply-side structural reform



Due to the sluggish macro-economy and low coal price, Wanbei Coal-Electricity Group Co., Ltd. (“Wanbei Coal-Electricity Group”), a headquarter-level strategic customer, suffered greatly. Based on the analysis of Wanbei Coal-Electricity Group’s operation, the Bank proposed a new method of “market-oriented debt-to-equity swaps + phased implementation” to support the tasks of “cutting overcapacity, destocking and deleveraging, reducing costs and identifying growth areas” and supply-side reform. On 26 June 2017, the two parties signed a cooperation agreement on market-oriented debt-to-equity swaps in

Hefei. By strengthening the corporate capital and diversifying the shareholding structure, the Group's asset-liability ratio will be reduced significantly by nearly 5 percentage points. On 27 June, the Bank launched Wanbei Coal-Electricity Group market-oriented debt-to-equity swaps project liquidity financial support of RMB 2.5 billion, which certified the implementation of this debt-to-equity swaps project. This is the first project of market-oriented debt-to-equity swaps in Anhui's banking industry, as well as the first project of this kind being initiated and implemented by city commercial bank in the country.

5.1.3 Serve key industries

In order to implement the strategic deployment of the Provincial Party Committee and the government, support the construction of "Three Res and One Create", namely review the affidavit of joining the communist party, reorganize organizational disciplines, reshape the vanguard image, and create first-class performance, as well as to support the development of strategic emerging industries and dominant industries, the Bank initiated the establishment of an "Adjustment-to-promotion" industrial development fund, which is mainly used for the development of 24 strategic emerging industrial bases in the province. The fund is operated by a professional fund management company. The investment direction and use of funds must comply with the provisions of the fund charter and management measures. By direct investment, entrusted loans, trust loans and private placement bonds, the fund will provide debentures, equity and other financial support for the strategic emerging industry bases, locally dominant industries, competitive industries and emerging industries.

Due to their technical expertise and public service nature, universities and hospitals, as traditional key industries, have a large and stable financial customer base which can be potential customers of commercial banking services. Developing financial services for universities and hospitals not only accelerates the development, transition and upgrading of banking business, but also drives the education and medical industries forward to bring about a higher level of education and medical services. In recent years, the Bank continued to extend its financial services to education, medical care and other key industries. Relying on the cooperation of public and private institutions, and advantageous resources, the Bank cooperated with universities and hospitals in the province proactively and launched comprehensive financial services of Smart Campus, Medical Pass and One Card to provide industry customers with comprehensive, three-dimensional and one-stop financial services covering cash management, payment and settlement, supply chain finance, One Card and investment and financing.

5.2 Inclusive finance

Since its establishment, the Bank has remained committed to its original mission to focus on its main business, respond positively to the national policies and take social responsibilities proactively. It endeavors to promote inclusive finance, and liquidates financial flows to small and micro enterprises and "agriculture, rural areas and farmers" to bridge "the last kilometer". The Bank occupies a large share of province's micro credit market and is subject to the preferential policy of targeted reserve requirement ratio ("RRR") cut announced by People's Bank of China ("PBOC") regarding business with small and micro enterprises and "agriculture,

rural areas and farmers”. It has been awarded as the “Outstanding Organization of Finance Services for Small and Micro Enterprises” by CBRC and CBRC Anhui Office for several times and formed its own characteristics and brand of inclusive finance.

In 2017, as an important component of “Developing New Finance”, the Bank further enriched and extended its inclusive finance by absorbing personal and small and micro clients, covering retails, micro credit, business with small enterprises as well as network construction and operation management.

5.2.1 Serve small and micro enterprises

In recent years, the Bank views supporting the small and micro enterprises as a powerful means to serve real economy and reinforce the weaknesses of supply-side structural reform. Through innovations of system and mechanism, products and services as well as development patterns to expand business with medium, small and micro enterprises, the Bank has successfully achieved “in excess of two indicators” or “in excess of three indicators” for consecutive years. Small and micro businesses have become the Bank’s traditional competitive business and its professional, streamlined and standardized services have been highly spoken of by customers. For years, it has been beating his local peers in terms of loan balance and the amount of new loans to small and micro enterprises.

In order to optimize the working mechanism of credit granting to small and micro enterprises, standardize its credit management, clarify the due diligence requirements and promote the sustainable and healthy development of the business, in 2017, the Bank amended the “Measures for the Administration of Due Diligence Exemption in the Credit Granting to Small and Micro Enterprises of Huishang Bank” to make a balance between protecting the enthusiasm of frontline staff and maintaining a controllable credit risk.

To better serve small and micro enterprises, the Bank has issued two special securities for small and micro enterprises totalling RMB 15 billion in 2013 and 2016. Since then, the Bank had been strictly compliant with relevant regulations and disbursing loans to small and micro enterprises in a timely manner. As of the end of 2017, the financial debt balance for small and micro enterprises amounted to RMB 12.2 billion and they were all lent to small and micro enterprises accordingly. In addition, the Bank launched “Easy-Revolving-Loan” for which loans can be extended without repaying the principal, i.e. old loans can be renewed as new loans to significantly reduce financing cost of enterprises.

To cater to market demand and take the opportunity of smart city construction in various places to propel the online operation of micro credit business, Bozhou project, the online operation of micro credit business on the Bank’s smart city financial service platform, was successfully launched. The online operation project of micro credit business mainly relies on the establishment of the Bank’s own risk assessment and decision-making model and is supported by external big data to provide an integrated self-service micro credit business process covering credit approval, contract signing, loan granting, repayment and other functions, thus providing efficient and convenient services for small and micro business owners and individual businesses.

Case: Successful implementation of “Optimal Chain Loan”



“Optimal Chain Loan” product refers to loan services provided by the Bank to upstream and downstream customers of high-quality core enterprises, or franchisees of high-quality brand for legitimate production and business activities. The Bank’s Wuhu Branch and Huangshan Branch both launched the “Optimal Chain Loan” business on 27 September 2017. A total of 14 loans initially amounting to RMB13.23 million was concluded on that day, marking a good start of the product.

5.2.2 Practice inclusive finance in rural areas

Conforming to the decisions made by the CPC Central Committee and the State Council, the Bank expands its business and outlets to rural areas to develop inclusive finance in rural areas with focus on living standards, “agriculture, rural areas and farmers”, and strategic emerging industries. It strives to make the effective and comprehensive financial achievement accessible to the public and help narrowing the gap between rural and urban areas. On top of that, it endeavors to bridge “the last kilometer” and offer financing services to rural areas, thus boosting the harmonious and healthy development of economic society. Achieving full coverage of outlets in counties across the province in 2014, the Bank now mainly focuses on establishing Huinong sub-branch and Huinong Services Office in natural villages surrounding the sub-branches to set up a rural financial service system integrating “Huinong sub-branch, Huinong Services Office, Huinong Card, Huinong Loan, Huinong Tong and Huinong Bao”.

In 2017, the Bank makes major efforts to develop inclusive finance in accordance with the principles and requirements set out in “Notice on Issuing the Plan of Promoting Inclusive Financing Development of the State Council (2016-2020)”, “Guiding Opinions on Comprehensively Promoting the Building of Rural Payment Services Environment of the People’s Bank of China”, and the “Guiding Opinions on the Promoting and Building of the Financing Services Office of the People’s Bank of China Hefei Central Sub-Branch”, thus creating a new prospect for inclusive ecosystem. Focusing on “modern rural customers”, especially their “financial” and “non-financial” needs, the Bank adheres to the principle of integrating services “online and offline, within and outside the industry, financial and non-financial” in the fields of “channel, payment, credit, and e-commerce”, so as to further enrich the product and service system, strengthen channel construction and platform support, build a rural ecosystem of inclusive finance and promote the rapid and sustainable development of the inclusive finance in rural areas.

As of the end of 2017, the Bank has 61 county sub-branches, 91 Huinong sub-branches, and 122 Huinong financial services offices. Huinong financial service offices are mainly distributed in 13 branches in Hefei, Wuhu, Ma’anshan, Bengbu, Fuyang, Lu’an, Huainan, Huaibei, Tongling,

Xuancheng, Chizhou, Chuzhou, and Suzhou. From January to December 2017, it completed 19,255 various transactions, including 3,299 business queries, 9,461 cash transfers, totalling RMB 54.0459 million; 5823 agro-related withdrawals, totaling RMB 8.2211 million; 672 payments on behalf of customers, totaling RMB 46 thousand; the Bank's Huinong products of various types of loans totalled RMB 523 million.

Case: The Bank successfully launched “Huinong Pay” product for inclusive finance in rural areas



On 1 September 2017, Huinong Pay, a mobile QR code payment product jointly developed by the Bank and China Smartpay Group Holdings for rural areas, was launched officially. Huinong Pay is a product under the Bank's current “Huinong” brand of inclusive finance. It provides integrated services of mobile payment and capital settlement for merchants in counties, towns and villages in rural areas and supports the use of WeChat, Alipay, JD Pay, Baidu Wallet and QQ Wallet. It is characterized by the aggregated payment of multi-code, easy application, quick collection, preferential rate, various terminals and easy management.

In 2017, the Bank cooperated with third-party companies to construct 2.0 version of Huinong financial services offices in pilot regions following the principle of “mobilizing service, standardizing marketing, ecologicalizing business and professionalizing teams”. The service office is small but fully equipped with facilities such as Huinong Tong, cash registers, safe deposit boxes, counters, monitoring equipment and promotion display racks. It can provide villagers with basic financial services of small cash withdrawal, remittance, balance inquiry, worn coin replacement, referral of loan clients and initial review support, as well as non-financial services of financial knowledge popularization, propaganda of credit information, prevention of illegal fund-raising and anti-counterfeit money publicity.



Opening ceremony for Huinong financial services offices

Catering to the positioning of rural inclusive finance and customer needs, the Bank introduced a series of rural inclusive financial products and functions including the Huinong Card, Huinong Tong, Huinong Loan, Inclusive Deposit Certificate, Huinong Settlement, Huinongbao, Huinong Jiupin Life, as well as the “4 Hui(Benefits)” product portfolio. All of these further promote the competitiveness of its products in the market and effectively satisfy rural customers’ financial needs of “high deposit rate, convenient borrowing and good services”. As of the end of 2017, 1.3599 million Huinong cards have been issued, with RMB 10.067 billion of balance and RMB 7.5 thousand of average balance; 555.6 thousand inclusive deposit certificates have been issued with RMB 29.231 billion of balance and RMB 52.6 thousand of average balance; the Huinong loans have a total balance of RMB 523 million.

Case: Intensive cooperation with Nongken Group on inclusive finance



In 2017, the Bank cooperated with Anhui Nongken Group to provide credit lines to large growers by offering Huinong credit cards. The farms provide guarantees for large growers and growers purchase raw materials from them using Huinong credit cards to alleviate the financial pressure in the planting-to-harvest cycle. In addition, the “Strawberry Loan” product is exclusively designed to cater to the needs of farm growers, in particular, strawberry growers’ need for small loans and quick turnover as required by its production and operation.

As of the end of 2017, the total credit for large growers surpassed RMB17 million, effectively supporting the economy of “agriculture, rural areas and farmers”.

5.3 Intelligent finance

With the in-depth application of social network, cloud computing and other technologies in the financial sector, intelligent finance is a new financial system and business model characterized with massive data analysis, intelligent decision-making services and all-round interconnection. This financial innovation provides customers with more efficient, convenient and comprehensive financial experiences. In recent years, based on its assessment of the situation, the Bank made major efforts to develop intelligent finance. Giving full play to its own advantages and integrating the most advanced Internet concepts, thinking and technology, following the idea to be “online, mobile and intelligent”, a new model of “enlarging business coverage, improving customer experience and service efficiency, reducing transaction cost and effective risk control” is created which provides customers with intelligent services and best experience, and injects new impetus into the transformation and upgrading of the Bank. In 2017, the Bank won the honorary titles of “Innovative Application Award of Direct Bank in 2017” and “Best Financial Information Technology Security Award”. On 29 November 2017, “Intelligent Finance” of the Bank won the “Golden Tripod Award” at the 2017 China International Financial Exhibition.

5.3.1 Focus on mobile finance

Promoting the construction of personal mobile financial portal is an important strategy for building intelligent finance. Driven by users' core demands for both account management and mobile payment, the Bank provides customers with intelligent and comprehensive mobile financial solutions to build multi-scenario and cross-channel platform for personal mobile financial services and operations and facilitate accurate and efficient service.

The year of 2017 has seen an improvement in quality of E-banking client services, evidenced by a total of 900,000 new mobile banking clients, 700,000 of whom are new active clients and 1,260,000 are existing effective clients, demonstrating a growth of 126.23% compared to the number at the beginning of the year; the total number of registered online-banking clients reached 2200,000 and there are 740,000 new personal online-banking clients, among whom



512,30 thousand are new effective clients and 1,542,000 are existing effective clients, increased by 49.75% as opposed to the beginning of the year; there are 31,800 clients of corporate online banking, among whom 18,900 are new effective clients, and 103,000 are existing effective clients, up by 22.56% as opposed to the beginning of the year.

In line with the overall objective of “focusing on customer needs, simulating customer scenarios, promoting sales and increasing customer activity”, the Bank proactively works with merchants to promote the sales of financial products by scenario-based marketing program and uses mobile payment to activate customers. At present, customers can log in mobile banking system to recharge their game cards, phone cards provided by all network operators and refuelling cards quickly and conveniently to realize “interconnectivity and mobility that provides convenient recharges by mobile phone”.

With a focus on the Mobile Internet Device (MID), the Bank pools all the endeavors in constructing personal mobile financial portals, aiming to make a visible breakthrough in account integration.

1. QR code payment product is launched successfully. In order to make innovation in mobile payment products, the Bank's QR code payment product was put into operation simultaneously on two APP platforms, namely personal mobile financial portal (Huishang Bank mobile banking) and Huishang Bank credit card APP this year. As a result, it becomes one of

the first commercial banks that meet UnionPay’s QR payment standards and bring more convenient and secure mobile payment experiences to the Bank’s customers.

2. The Bank’s business regarding personal mobile financial portal has a good momentum of development. Mobile banking has continuously enriched its mobile financial functions to build the Bank’s main mobile portal. One-touch cash sweep of funds deposited with the Bank and other banks is developed for better fund management; Quick Pass functions such as Huawei Pay and Mi Pay are newly developed, which opened up mobile payment channels; more application scenarios are made available to mobile by improving recharge programs for game cards and others; the Bank has launched functions such as large cash withdrawal booking and queuing booking by which some services at outlets can be booked through the mobile terminal to relieve the pressure on the counter and save the waiting time for customers. In terms of security, the Bank has innovated the mobile end and launched the safety authentication function of “Yun Zheng Tong” to realize “mobile phone is Ukey”. The certificate is stored in the cloud and enables money transfers up to RMB300, 000 by mobile phone without external hardware devices.



3. An Internet financial brand is built. As a pioneer of domestic direct banks, the Bank’s direct bank “Hui Chang You Cai (徽常有财)” integrates with the new operation mode of Internet finance i.e. introduces the Internet concept, products and tools, and adopts the mechanism and commercial efficiency of Internet Plus to make the bank an Internet finance bank. As the core carrier and platform of the Bank’s Internet finance, the Bank’s direct banking “Hui Chang You Cai” always adheres to the “Internet Plus Finance” model, follows the concept of developing towards “Mobility, Data, Platform, Scenario and Cooperation-based” to enrich the entire spectrum of products of “deposit, loan, remittance and wealth management”, thus building a comprehensive financial service platform widely used in daily life. In

addition, the Bank also launched two Internet products in 2017:

- **Xiang Hua** is a self-built financial product of consumption in ecological Internet firstly launched by a domestic direct bank. It focuses on Internet direct marketing and micro credit banking to facilitate cooperation among customers, merchants and banks and generate profits for all parties, ultimately building a shared economy. In the “Yi Yuan” Xiang Hua credit mall of the Bank’s direct bank “Hui Chang You Cai”, customers can use

personal credit to exchange for the use right of product in advance, which is the highlight of Xiang Hua platform.

- **Tian Ji Zhi Tou** is the first smart investment adviser product in the country launched by a direct bank. It adopts “open and transparent strategy + intelligent algorithm” and relies on big data such as customer portraits, transaction data and product performance backtracking, as well as intelligent machine algorithm to provide a series of asset allocation services. Users not only can select the appropriate smart combination according to their own target risks, but also enjoy the full-process services provided by the platform, such as featured recommendation, position adjusting prompt, one-click investment and revenue analysis.

5.3.2 Build intelligent outlets

As an important deployment of the Bank under the strategy of intelligent finance, this year, the Bank’s self-service banks accelerated the intelligent construction, actively propelled the application of new technologies in self-service banking, rationally planned the use of self-service equipment and continuously explored the operation, maintenance and management modes. Construction of self-service banks mainly comprises the constructions of Intelligent Hall, Intelligent Self-service Terminals, Intelligent ATM and TCR (Teller Cash Recycle).

- **Building Intelligent Hall** is an essential component of the Bank’s “Intelligent Finance”. The latest PAD platform for mobile marketing, a well-established platform with excellent signals, is used; the mobile marketing terminal can be used for deposit and withdrawal, bank transfers, e-cash, payment of utilities, credit card, opening of secondary accounts, and re-printing of electronic bank contracts.
- **Intelligent Self-service Terminals** enable customers to handle by themselves 90% of the business at the counter; the terminals can also handle the current self-service non-cash transactions, and migration of high-frequency non-cash and cash transactions, including reporting on a lost card, renewing a card, deposit and withdrawal, and transfers.
- **TCR (Teller Cash Recycle)** helps the non-cash counters when cash business occurs as TCR can deal with cash business of any amount. It simplifies business process and improves efficiency, thus saving time and costs for customers;
- **Smart ATM** is an ATM that enables conversations and interactions. It understands and responds to customer needs, and conducts conversations with customers about their financial and non-financial needs.



Intelligent Self-service Terminals

As of the end of 2017, the Bank had a total of 680 self-service areas (points), 2,532 self-service equipment, including 584 automatic teller machines, 1,093 cash recycling systems, 596 self-service terminals and 259 self-service card issuing machines. In addition, the Bank's customer service center put great efforts in developing remote banking and launched intelligent customer service system to facilitate the development of intelligent finance. The Bank's voice navigation and intelligent robots and other smart customer service systems in customer service center have delivered 436,100 service tasks, accounting for 6.61% of all services.

5.4 Safe finance

In recent years, the Bank has always attached great importance to risk management and always adhered to the risk philosophy of "being prudent, rational and stable". The Bank addresses both the symptoms and root cause to build safe finance, ensures responsibilities are well-defined to promote the internal control compliance, focuses on the present to solve outstanding problems, establishes long-term solutions to build a comprehensive risk management system that covers all employees and the entire procedure thus improving its risk management capabilities and effectively assuring the transformation and upgrading.

5.4.1 Overall risk management

In recent years, the Bank has properly balanced the relationship between business development and risk management. It has always performed pre-emptive risk control in business development and proactively strengthened risk management mechanism, tool construction and system construction to ensure full coverage of risk management without leaving dead ends.

- The Bank takes system construction as the starting point and formulates the "Comprehensive Risk Management Policy of Huishang Bank", "Asset Preservation System" and "Contact System for Regional Asset Preservation" to improve the risk system. The Bank also applies new technology to enforce the systematic and modular management of various businesses to refine risk management. It improves the management system of credit risk, market risk, liquidity risk, operational risk and cross-financial risk.
- Making sure responsibilities are fulfilled is the key so the Bank focuses on "individuals" and "responsibilities", which are the starting points to achieve effective risk management and safe finance, and comprehensively strengthens staff awareness and capabilities of risk control. By confirming the subject of responsibility for risk control, strengthening the management of employee behaviors and carrying out routine trainings, the Bank enhances its overall risk management capabilities.
- The Bank continues to improve the management of business procedures and enhances the effectiveness of risk management. Being cautious against small matters, the Bank developed a dynamic mechanism with pre-operational preventions, operational control, post-operation oversight and rectification to continuously enhance the effectiveness of the full-process risk control.
- The Bank adheres to the concept of compliance with laws and regulations to carry out operation. It strictly implements a series of regulatory policies and carries out special campaigns, focusing on the governance points of "Three Violations, Three Arbitrages, Four

Improprieties and Ten Irregularities”. The Bank has built “three lines of defense” that integrate business, risk and audit and forms an effective check and balance thereof.

In 2017, the Bank has established a responsibility system of risk management and control that covers all staff, and a comprehensive risk management system that covers all risks.

- **At the strategy level**, the Bank developed the assessment mechanism and system construction for the responsibility body of risk management and control, strictly implemented the system, improved tools for risk measurement and testing, optimized the credit rating model and actively explored risk prevention and control related to new business.
- **At the operation level**, the Bank improved the operational control tools in order to prevent operational risks at the counter, realized the intensive management of reconciliation business and improved the implementation of the internal control system.
- **At the inspection level**, the Bank organized special inspections of internal control and strengthened special supervision of audit. It also promoted special campaigns on “implementing 3 fundamental tasks in place in 4 aspects” and against “violations committed repeatedly after repeated investigations” this year, focusing on basic business, grassroots outlets and front line staff to address the outstanding problems in basic management. It resolved the potential risks with the determination of “tacking nails”, earnestly rectified the phenomenon that violations are committed repeatedly after repeated investigations, to promote and safeguard the compliance and sound development of the Bank.

5.4.2 Implement clean governance

The Bank sticks to operations in compliance with legal and supervisory requirements, and views cleanness and self-discipline as the underlying principles. With a strong sense of responsibility and initiatives, it attaches great importance to counter-corruption combat, ensures the actual implementation and resists unhealthy practices.

The Bank conducts a comprehensive examination of the external environment, analyzes the current status of internal control of commercial banks, sorts out the key points of internal control management and the principles and processes of internal control inspection. In order to be more specific and work-oriented, the Bank analyzes the strict compliance environment, thoroughly studies the policies to strengthen risk “prevention” and “control” from the perspective of regulatory changes to further strengthen the internal control management.

- Special training on compliance management of internal control for business backbones is arranged to provide professional knowledge in four aspects: legal risk management and legal document review, internal control and site inspection management, internal control management and self-assessment, as well as crime prevention and control policy.
- The Bank improves the system of regulation compliance and promotes the prevention and control of integrity risks. The Bank formulated and implemented “Management Methods of Reporting Work of Discipline Inspection and Supervision of Huishang Bank”, “Opinions of Implementation on Strengthening the Supervision and Discipline of Accountability

Work”, “Opinions of Implementation on Improving the System of Probity by Regular Conversation and Working Mechanism of Early-stage and Small-scale Corruption Detection” etc. , in order to standardize the clue disposition of the problems and to highlight the effects of the reporting work and supervision, aiming at fully applying “the Four Morphology” and strengthening incorruptibility and self-discipline.

- The Bank insists on putting forward incorruptible culture education on a daily basis. The Bank formulated and implemented “Educational Plan on Clean and Honest Government of the Communist Party” to combine incorruptible culture construction with marketing activities, operational risk prevention and control, employees’ abnormal behavior management, etc. In addition, Communist Party thematic education, incorruptible caution education and thematic knowledge test were introduced to promote the culture of integrity into minds of various positions, and into action, creating a strong learning atmosphere of upholding integrity and incorruptibility.
- The headquarters, branches and sub-branches devote greater effects in educative and caution events, promote the “Two Studies, One Action” education campaign to be routine and systematic, and improve the relevance and effectiveness of anti-corruption education.

Case: Anti-corruption education for Huainan branch



On 21 March 2017, the leadership of the Party Committee of Huainan branch visited the anti-corruption education base formed by the anti-corruption warning base, the education and training base, and the discipline review base, and were impressed by the cases presented. In addition, branches such as Anqing, Huainan and Ma’anshan also held

warning education campaigns so that the staff always maintain a high sense of responsibility and consciousness to stay away from and resist various unhealthy tendencies.

- The Bank undertakes the detection of employees’ abnormal behaviors, continues to improve the honest conversation system, and builds a mechanism to detect problems from small clues and early stage.

In the meantime of enhancing internal control, facing the severe situation in the financial sector, the Bank earnestly implemented the requirements stipulated by the Central Party Committee, the Anhui provincial Party committee and the Bank’s Party committee on strengthening integrity and self-discipline, and advocates a frugal festival culture. As management of a bank, they must make good use of their “rights”, seek “profitability”, and uphold “integrity” and take “responsibilities” to make contributions to promoting the transformation and upgrading of the Bank and achieving reform and development. The Commission for Discipline Inspection of the Bank normalizes holiday notices beforehand, such as on the New Year, the Spring Festival, the Labour Day, the Dragon Boat Festival, the Mid-Autumn Festival, and the National Day. Reminders, concerning honesty and self-discipline practices, are sent to middle-level assistants

and above of the headquarters and branches via text messages and the like. Whistle-blower hot-lines are set up to demonstrate its resolution to oppose festival profligacy, and to further strengthen the political consciousness and action consciousness of honesty and self-discipline at all levels of the Bank. It endeavors to solidify the fruits of operating the Communist Party in a strict manner and to construct clean political ecology and development environment of the Party.

5.4.3 Monitor business risk

The Bank has always taken the responsibility of maintaining the order of financial management, actively fulfills its legal obligations against money laundering and crime prevention, and implements various tasks set by the PBOC to contribute to a sound atmosphere in the financial industry and a stable social financial order. The Bank meets regulatory requirements by maintaining long-term crime prevention mechanism, improving crime prevention regulatory system and processes, articulating roles and responsibilities of various levels in crime prevention, making greater criminal risks detection efforts, strengthening staff management and training & education, reinforcing the accountability system and employing risk control as the primary crime prevention vehicle over incident control, thus deterring and mitigating criminal activities in a timely and effective manner.

To strengthen anti-money laundering (including counter-financing of terrorism, the same below) management and effectively prevent and control compliance risks concerning anti-money laundering, the Bank formulated the “Huishang Bank Anti-Money Laundering Regulations” according to the “Law of the People’s Republic of China on Anti-money Laundering”, “Provisions on Anti-Money Laundering of Financial Institutions”, “Guideline on Risk Assessment and Client Categorization concerning Money-Laundering and Financing of Terrorism Financial Institutions” and other applicable laws, regulations and regulators’ requirements. It has established and continues to upgrade the compliance risk management framework concerning anti-money laundering aligned with anti-money laundering supervision requirements and the Bank’s development strategy to identify, assess, supervise, control and report money-laundering risks, as well as prevent and control compliance risks. In strict conformity with applicable laws and regulations, the Bank involves all of its employees in its fighting money laundering, adopts a risk-based method and maintains discretion in keeping confidentiality, so as to ensure sufficient and diligent anti-money laundering actions and tight risks control.

In 2017, in accordance with the “Measures for the Administration of Financial Institutions’ Reports on Large-Sum Transactions and Suspicious Transactions” released by the PBOC, in order to regulate the procedures and behaviors concerning the asset freezing related to terrorist activities and safeguard national security and public interests, the Bank formulated the “Measures for the Administration of Financial Asset Freezing Related to Terrorist Activities of the Huishang Bank” and the “Measures for the Administration of Anti-money Laundering of Financial Products of the Huishang Bank”, and developed the internal control system on the asset freezing related to terrorist activities. Designated staff is arranged to keep track of changes in the list of terrorist activities and terrorists and responsible for the design of terrorist

transaction monitoring model and monitoring management. Supervision is conducted for the implementation of the administration measures at all levels.

In order to implement the reporting of large-sum transactions and suspicious transactions, the headquarters revised the “Operating Procedures of Large-Sum Transactions and Suspicious Transactions Reporting” in accordance with the “Measures for the Administration of Financial Institutions’ Reports on Large-Sum Transactions and Suspicious Transactions” and the Bank’s anti-money laundering practice. Based on such factors as transaction monitoring and analysis mechanism, operation mode and workload, the Bank designated full-time anti-money laundering personnel to meet regulatory requirements on the adequacy, professionalism and stability of monitoring and analysis personnel.

To further implement anti-money laundering requirements, the Bank launched a “suspicious transaction monitoring and analysis platform” based on the features of credit card business and risk points of anti-money laundering. It automatically extracts data such as “name of the client’s counterpart” and “name of client’s financial institution”, greatly enhances the timeliness and accuracy of identification and reporting of large-sum and suspicious credit card transactions, and further improves the effectiveness of anti-money laundering.

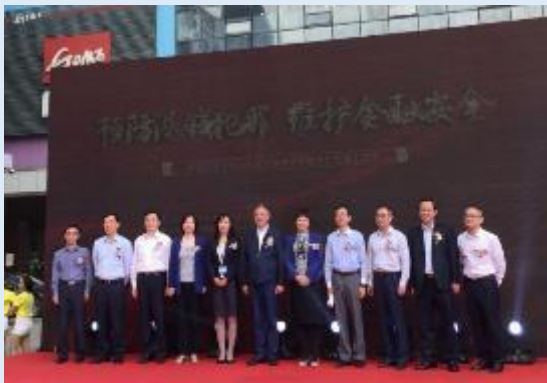
Case: Anti-money laundering campaign organized by Nanjing branch

On 28 September 2017, Nanjing Branch organized anti-money laundering campaigns in schools and communities to enhance the public understanding of laws and regulations on anti-money laundering, improve customers’ understanding, support and cooperation in this regards, thus creating a good social environment in which people conscientiously study, abide by and apply the law.



In 2017, the Bank continued to popularize knowledge of anti-money laundering and enhanced public awareness of anti-money laundering and fraud prevention. The Bank conducted the required activities strictly and arranged extra campaigns featured with its own characteristics to enhance the public participation in curbing and cracking down on the crimes of money laundering.

Case: Propaganda for the 10th Anniversary of the “Law of the People’s Republic of China on Anti-money Laundering”



On 28 September 2017, Anhui Province’s celebration of the 10th Anniversary of the “Law of the People’s Republic of China on Anti-money Laundering” was held in Binhu Shiji Jinyuan Square. The celebration activity was held outdoor with exhibition stands, ranks, posters and leaflets, as well as Q&A sessions to spread knowledge on anti-money laundering to the public.

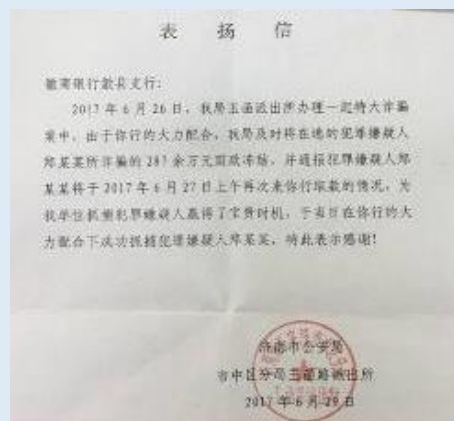
Subject to “Law of the People’s Republic of China on Commercial Banks”, the “Enforcement Measures on Crime Prevention for Banking Institutions” and other applicable laws and regulations, the Bank stepped up the its crime prevention efforts, introduced and upgraded its crime prevention mechanism, and eventually preserved its safe and robust operation.

In order to enhance employee awareness of crime prevention, encourage the employees to provide clues for crime prevention and improve the Bank’s crime prevention and management level, the headquarters has formulated the “Measures for Rewarding Staff on Crime Prevention of Huishang Bank” to encourage employees at all levels take effective measures to detect, report and curb the occurrence of such risky incidents as fraud, robbery, theft and security incidents, thus effectively preventing and controlling crimes, and casualties and financial losses thereof.

In 2017, 7 cases of crime were successfully intercepted, with the Bank assisting the arrest of 5 criminal suspects and rescuing 1 people trapped in multi-level marketing, to avoid direct economic loss of RMB 1.6905 million for customers. The Bank actively carried out campaigns on crime prevention and control, formulated and carried out publicity and education programs to ensure the implementation. Campaigns on relevant laws and policies effectively enhanced public awareness. The Bank also arranged the consistent and routine publicity activities to achieve a systematic and normalized education and ensures its campaigns are permeating deeply into the life of public.

Case: Shexian sub-branch of Huangshan branch assisted the police in arresting suspects

On 26 June 2017, the operation department of Shexian sub-branch received a call from Shandong police to inquire about the account information on a suspected fraud of RMB5 million. On the morning of 27th, when the suspect appeared at Shexian sub-branch, the Bank's staff, acted bravely according to the police deployment, and actively cooperated with the police during the arrest enabling the successful capture of the suspect.



5.4.4 Compliance with the legal and supervisory requirements

As a financial institution, the Bank always aligns clients' value with its own, consistently assumes responsibilities and maintains regulatory compliance when creating profits and values. Faced with the challenges and opportunities brought about by the New Normal social and economic development, the Bank steps up efforts in advertising placement and intellectual property protection.

To strengthen advertising management and accelerate brand building and business development, the Bank issued the "Measures for Publicity Management of the Huishang Bank" and the "Interim Measures for Advertising Management of the Huishang Bank" according to the "Advertising Law of the People's Republic of China", the "Regulations on Control of Advertisement" and other applicable laws and regulations, which regulate the distribution and posting procedures of advertisements and other marketing materials, and provide that staff of the publicity department shall abide by applicable laws and regulations and shall not resort to exaggeration, falsehood, misleading claims or hype, in order to effectively boost reputation and prestige.

With the objective of regulating corporate visual identity and maintaining the consonance of corporate visual identity system, as well as increasing employees' appreciation of corporate brand and shaping the Bank's brand image, the Bank formulated the "Interim Measures for Corporate Visual Identity Management of the Huishang Bank" coupled with the "Visual Identity Standardization Manual of the Huishang Bank" and the "Identity Standardization Manual for Huishang Bank Branches", thus contributing to the regulation and standardization of the Bank's brand.



Outlet construction standards

The Bank strictly complies with the "Patent Law of the People's Republic of China", the "Trademark Law of the People's Republic of China", and the "Copyright Law of the People's Republic of China", to ensure intellectual property right management is implemented as per the principle of clarifying ownership, encouraging innovation, and ensuring effective protection and legal exploitation". In 2017, the Bank issued "Opinions on Strengthen Intellectual Property Right Management" to regulate and strengthen the management and utilization of intellectual property right, encourage financial innovation, and improve intellectual property right awareness, regulates in details the registration and maintenance of patent right, trademark right, copyright, trade secrets and other intellectual property rights recognized under laws and regulations.

The Bank strives to maintain a responsible enterprise image and consistently respects the intellectual property right of others. Specific positions have been set up to ensure the legitimate and proper use of works such as pictures, videos, portraits, articles and fonts in day-to-day operation and campaigns, so as to guarantee that no intellectual property right infringement occurs. To this end, the Bank issued the Warnings about Copyright Infringement Risks, which stipulates that the Bank avoid exploitation of materials that are open to infringement; where materials obtained from the web are exploited for promotion purpose, sources of these materials shall be verified or specialized services be sought for verification beyond the Bank's ability; for materials of unknown sources, copyright owners shall be identified prior to exploitation; for any suspected infringement, thorough investigations and proof shall be conducted; exploitation shall be avoided in the absence of verified or proofed sources.

6. Intimate service

The Bank focuses on maximizing the interests of all stakeholders, continues to improve service quality and guarantees shareholders' rights and interests. As a responsible financial enterprise, the Bank provides convenient and customized financial services for clients and caters to the diversified modern financial demands of citizens. The Bank is committed to safeguarding a secure and stable financial environment and building a fair and equitable financial market. It pays attention to security construction, actively prevents telecommunications fraud to enhance consumers' sense of financial security and protect consumers' rights and interests in a practical way.

6.1 Improve customer satisfaction

With the goal of retaining customer satisfaction and trust, the Bank puts great premiums on customer experience and strives to deliver sophisticated, convenient and considerate services as well as sincerity and warmth to customers through continuous service quality enhancement. In 2017, the Board of Directors of the Bank set up the Development Strategy and Consumers' Rights and Interests Protection Committee in order to further strengthen the directorate's guidance function for the consumers' rights and interests protection, and integrate the protection into the company's corporate governance, development strategy and corporate culture construction. In addition, as an attempt to fully meet the assessment and evaluation requirements of regulators on the protection of consumers' rights and interests at banking financial institutions the Bank developed the "Measures for the Assurance and Inspection for Consumers' Rights and Interests Protection of the Huishang Bank", the "Measures for the Administration of Assessment and Evaluation for the Protection of Consumers' Rights and Interests" and the like, and organized special assessments and audit works, in an attempt to gradually establish and improve its mechanism for the protection of all consumers' rights and interests. The Bank also carried out pilot work on the application of classification system for financial consumer complaints to make customer complaint service more accurate and meticulous, which further enhanced the service connotation and guaranteed consumers' rights and interests.

The branches implemented the evaluation based on the target-oriented responsibility system, formulated the detailed scoring rules and carried out omni-directional supervision on the fulfillment of duties and responsibilities and business management. Meanwhile, the branches developed the indicators of service quality management and the protection of consumers' rights and interests to quantify the service level in accordance with the requirements of service management and protection of consumers' rights and interests. In 2017, the rate of customer satisfaction with complaints handling was 98.36%. In addition, the Bank won the title of the "Best Custom Service of the Banking Industry" with 90.29 points in the "Survey of Residents' Satisfaction in Ten Major Service Industries in Anhui Province".

- Improve connotation and extension of service

The Bank makes all efforts to convert customers from “coming to outlets” to “visiting outlets” by making full use of the service concept of retail business and innovating boldly consistently to create extreme customer experience of physical outlets and build outlets of extensive



Specialized Outlet - Cheongsam Branch

functions. The Bank put forward a series of specialized outlet operation modes including “Cheongsam Branch”, “Theme Lobby” and “Elegant Branch”, so that customers can feel the good atmosphere and unique design at outlets when handling the business, which established the effective mode of interaction with customers

and greatly improved the customer experience.

To fully excavate the customer resources in the waiting area, strengthen the communication and interaction with the customers, realize batch customer maintenance and marketing and improve customer service experience, all branches of the Bank actively carry out micro salon activities at the lobby. The branches hold one-to-many customer interactions, concept publicity and marketing campaigns (including financial knowledge presentation, product introduction and display, interactive experience, quiz, demand survey and satisfaction survey) at fragmented time in virtue of fluorescent screen, leaflets, video, PPT and other auxiliary tools.

- Protect consumers’ rights and interests and privacy

In order to protect consumers’ rights and interests, provide complaint service with high quality and strengthen the protection of customer privacy, the Bank’s Customer Service Center continues to improve its work. In 2017, the Customer Service Center set up points-based file, further enhanced the organization, implementation and evaluation of training management, improved the system management and optimized the functions of customer service system, so as to improve the response efficiency of customer service and enhance the confidentiality of customer data.

To further reflect the humanized service concept, outlets of the Bank are equipped lobbies with convenient services and facilities, including free tea, shredding equipment, WiFi, presbyopic glasses, currency count machine, wheelchair, baby chair, umbrella, medicine cabinet, cash bag, and some outlets are even equipped with children’s playground. Such facilities are all user-friendly and kept clean and safe. The Bank also provides extended service and door-to-door service for special customers who are urgent but unable to get to the counter in person under the premise of risk control and compliance handling.

Case: The Credit Card Center makes smart wearable products



To further improve customer experience, the Bank launched the innovative mobile payment by credit card - smart bracelet products. By using the “Huishang Bank Credit Card” APP, customers can activate payment, set transaction passwords, report bracelet loss, set payment amount, pay at a small amount without signature and password and perform other operations on the smart bracelet and use the bracelet in many industries including bus, subway (Hefei), access control, attendance and meal card. Furthermore, the smart bracelet is equipped with personal health service such as step counting, sleep monitoring, calorie consumption, sedentary reminder and call and SMS reminder, so as to promote a healthy and green lifestyle to consumers.

6.2 Safety protection measures

The Bank devotes itself to provide customers with a safe and secure service environment where outlets are safe and information security is robust. Besides, a variety of measures have been taken to minimize possible property losses customers may suffer in case of telecommunication fraud.

6.2.1 Outlets safety

In order to effectively prevent the security risk, to enhance security capabilities, to protect customer and employee safety, the bank has established a series of security rules and regulations including safety management and fire safety management of the business area, as well as safety management, office security check, security outsourcing management and security work assessment of the office building. Based on the security rules and regulations, in 2017, the Bank issued the “Admittance Standards for Security Guarding and Security Escort Service of the Huishang Bank” and the “Notice on Strengthening Security Management of inflammable and Explosive Materials” and other supplementary regulations to further standardize operational procedures and to ensure operational safety.

The Bank’s outlets make their safeguarding efforts in strict compliance with the “Security Requirements for Bank Commercial Premises” (GA38-2015) issued by the Ministry of Public Security, including installation of burglarproof door, anti-tail door, bullet-proof glass,

surveillance camera, intrusion detector, special prevention and technology prevention facilities, which have been examined by the Ministry of Public Security and obtained safeguarding qualification certificates.

The Bank lays great emphasis on safeguards and sets up scientific and rigorous security structure. For example, the headquarters have set up the Safeguarding Department, and subordinate Safe Management Division and Technology Safety Prevention Division. 17 branches set up safeguarding departments with safeguarding personnel specially assigned; all outlets are equipped with part-time safety staff and safeguards, as well as an emergency response leading group and volunteer firefighting team. Remote monitor centers have been established by all branches, referring images, sound and alert of outlets and ATM booths within jurisdiction, and the practice of 24 hour staff duty shifts is adopted.

Case: The headquarters organize urban commercial banks to carry out the special self-inspection and self-correction work on security check

In May and June 2017, the headquarters organized branches to carry out self-inspection and



self-correction work. According to the requirement for check, in combination with safety assessment and the event of “Building Safe Huishang Bank”, all branches carried out self-inspection on all institutions within the jurisdiction and the headquarters duly organized relevant personnel to carry out spot check on the self-inspection of the

branches. Potential safety problems are timely detected and security flaw is eliminated by virtue of self-inspection, and preventive measures are taken to safeguard the safe operation environment.

6.2.2 Information safety

Thanks to the evolution of information technology, people enjoy intelligence and convenience the Internet has brought about anywhere and anytime by connecting to the internet with devices such as cellular phones and tablet computers. The Internet Age, nevertheless, has thrust people’s life into a more fragmented, diversified and virtualized condition where a higher level of safeguarding is entailed, obliging financial enterprises to harness all sorts of measures and techniques to ensure a safe service environment.

To ensure the maintenance of the safety and stability of the Bank’s information technology, the Bank formulated a series of management measures including the “Measures for the Management of Technology Safety of the Huishang Bank”, the “Measures for the Management of Technology Information Confidentiality of the Huishang Bank”, the “Measures for the Management of Prevention and Control of Computer Virus of the Huishang Bank” and the “Measures for the Management of Computer Information Systems Emergency Response of the Huishang Bank” pursuant to the “Guidelines on the Risk Management of Commercial Banks’ Information Technology”, with a view to regulating the Bank’s information safety management.

In 2017, relying on the big data strategy, the Bank's Information Technology Department established the Big Data Department to further enhance the construction and application management of the Bank's big data, strengthen the data management of the Bank, coordinate the internal and external data resources and product demands and improve the operation efficiency and market competitiveness, so as to set up a unified data structure for all kinds of business development, realizing the underlying data supporting the business at upper level. Meanwhile, the Bank began to construct the information security management platform for big data on the basis of daily supervision and information collection, which realized the monitoring and management of information security, visually presented the information and situation of information security and facilitated the prompt and effective measures to improve and enhance the level of information security management, so as to ensure the safe and stable operation of the information technology.

The Bank integrated digital certificates with quantum encryption communication technology according to its business characteristics and development needs in this year. The quantum cryptography technique is used in the trading system for the first time, constructing a long distance quantum communication network across provinces and institutions. The dual key distribution of quantum gateway is innovatively developed and successfully applied to a number of independent controllable technologies. As a pilot project which combines quantum encryption communication technology with PKI/CA (Public Key Infrastructure) system and applies them to banking industry for the first time, the smooth implementation of the project has good demonstration effect and reproducibility and plays a leading role in the development of business with similar pattern.

Case: The headquarters successfully completed the emergency drill of power supply and distribution system at Binhu Unicom Computer Room.



In order to safeguard the Bank's information system and ensure the good operation of power supply and distribution facilities at Binhu Unicom Compute Room, the headquarters successfully completed the emergency drill of power supply and distribution system at Binhu Unicom Computer Room on 27 September 2017. During the emergency drill, the safety and

reliability of the power supply and distribution system at Binhu Unicom Computer Room were completely inspected and the feasibility of emergency procedure and emergency operation was verified to provide support for the improvement and optimization of the subsequent emergency plan.

6.3 Prevent telecommunication fraud

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Electronic information fraud has become an issue of central public concern in the information era. The Bank, as a responsible financial enterprise, regards as its duty maintaining financial safety and stability and building a fair and equal financial market, thus protecting consumers' rights and interests. To implement the "Announcement of the People's Bank of China Concerning Issues of Reinforcing the Payment & Settlement Management and the Prevention of New Types of Telecommunication and Cyber Crimes", and further improve the Bank's risk prevention system to effectively avoid new types of telecommunication and cyber-crimes, the Bank issued the "Work Plan of Reinforcing the Payment & Settlement Management and the Prevention of New Types of

Telecommunication and Cyber Crimes of the Huishang Bank". In 2017, the Bank was approved by the Police Department of Anhui province for its devotion in anti-telecommunication fraud and received letters of thanks.

Besides, to further promote financial knowledge to the public, make known the hazards of telecom and cyber fraud, raise information protection awareness of the public, strengthen public payment safety education and publicity, and upgrade the Bank's long-term mechanism of consumer education and service, the Bank formulated the "Work Plan of Promoting the Payment & Settlement Management and the Prevention of New Types of Telecommunication and Cyber Crimes of the Huishang Bank". In addition, it actively implemented the requirements

of relevant promotion activities, reorganized the safe-usage knowledge of various kinds of financial products and produced brochures for the protection of the rights and interests of financial consumers, as required by the “Announcement of General Office of the People’s Bank of China Concerning Participating in 2017 National Cybersecurity Promotion Week Activity”.

Case: 3.15 International Day for Financial Consumers’ Rights and Interests activity

From 6 March 2017, the Bank carried out the ten-day “3.15 Financial Consumer Rights Day” activity. During this period, the Bank carried out promotion and education activity taking “rights, responsibilities, risks” as its theme and emphasized on the content determined in the “Pamphlet of Financial Consumer Rights Day” and related financial knowledge such as anti-fraud, anti-money laundering and consumer rights protection, so as to further enhance the financial consumers awareness of self-protection and risk responsibility.



Case: Suzhou Branch - Public-spirited “Anti-Telecom Fraud” activity in the university for the aged

On 14 September 2017, Suzhou Branch, together with the People’s Bank of China Suzhou Branch and Suzhou Municipal Public Security Bureau, held the public-spirited “We are Acting against the Anti-Telecom Fraud” activity in the university for the aged.



The aged are the main victims of telecom fraud, and thus this promotion activity is especially held in the university for the aged to arouse their precaution consciousness for telecom and cyber fraud, so as to further improve their precaution ability and effectively safeguard

their personal property.



6.4 Guarantee safe card use

In order to ensure safe credit card use, the Bank continued to strengthen management and control measures before, during, and after the event, so as to provide high-quality service for customers and protect their interests to the greatest extent:

❖ Access before the event:

Adhering to the Bank's business concept focusing on mobile finance and intelligent finance, the Credit Card Center strengthens the application of new technology such as face recognition and fingerprint equipment, fully uses the external data, constantly optimizes the application scoring model, sets up the automatic credit granting system, develops the implementation path for processing of automatically approved matters, realizes whole-process automatic approval for some matters on the premise of risk control, opens up the offline and online customer acquiring channels, sets up an online application platform for customer acquiring, connects to the automatic approval process, to realize the automatic approval for customers acquired from online application and improve the customer acquiring ability.

❖ Management during the event:

The Credit Card Center established a 7*24 hour risk transaction monitoring mechanism. By deploying and regularly optimizing and adjusting the transaction monitoring rules, the Credit Card Center maximized the monitoring of high-risk transactions and minimized the loss of fraudulent transactions; in regard to proactive risk inspection, the Credit Card Center fought against illegal cash withdrawals, credit card repayment with another credit card and other high-risk card using behaviors by setting up the detection models of illegal cash withdrawal and abnormal transactions;

In regard to quantitative customer risk assessment, the Credit Card Center developed a customer behavior scoring model which evaluated the estimated risk loss by analyzing the customer's historical card using behavior and provided auxiliary reference for credit line adjustment and customer classification; in regard to customer credit risk warning, the Credit Card Center took full advantage of external data, introduced third-party information such as credit warning information from the PBOC and information from Tongdun Technology to evaluate the external credit status of customers, and took the initiative to take risk control measures to reduce the risk loss.

❖ **Credit card loss guarantee:**

In 2017, the Bank expanded the scope of credit card loss guarantee business, including online payment compensation, ePOS compensation and withdrawal compensation, which improved the compensation scope of credit card fraud. Thanks to the commercial insurance compensation, a free value-added service, the deficiency of credit card in error handling was made up for and the safety use of cards was guaranteed, establishing a safety image for the Bank's credit card.

7. Contribute to the Society

The Bank has been making vigorous efforts to fulfill its social responsibility and repay the society, show concern for and offer help to the disadvantaged group, push ahead culture and sports undertakings, and seek development for remote and poverty stricken areas, so as to achieve a harmonious and better future for the society. To better manage the Bank's donations, the headquarters formulated the "Measures for the Donation Management of the Huishang Bank".

7.1 Practice targeted poverty relief

To implement targeted poverty relief and poverty elimination is part of the efforts to actualize the principal policy of poverty mitigation in the new period of reform and opening up, as well as an effective measure to win the poverty relief battle. As one of the specially assigned provincial poverty alleviation units, the Bank pays special attention to the tough battle against poverty, takes pains to play its organizing and leading role, and delegate responsibilities down the hierarchy, thus ensuring full implementation.

In 2017, the Bank established the Leadership Team of Financial Targeted Poverty Relief at the headquarters and branches, and issued the "Work Plan to Implement Targeted Poverty Relief and Promote Poverty Elimination" to effectively promote the establishment of poverty alleviation fund and integrate financial capital and bank capital, so that they can be used in the targeted poverty relief project. Moreover, the Bank was committed to fostering all links of the industrial chain including production, supply, sale and transportation in all dimensions and optimizing the financial ecological for poverty alleviation. As at the end of 2017, the Bank launched innovated Poverty Alleviation Fund to invest RMB 4.9 billion in 5 funds in places such as Jinzhai, Dangshan and Linqun,

Poverty alleviation shall focus on targeted poverty alleviation by developing competitive industrials. Taking the opportunity of poverty alleviation by developing competitive industrials, the Bank actively explored how poor villages and households can develop industries under the leadership of leading enterprises, to provide stable, sustained and robust financial support to achieve the goal of "Getting Households out of Poverty, Helping Villages Leave their Places in the Poverty Ranks, Removing the Label of Poverty Counties". Through the operation mode of "Peasant Households + Cooperation+ Enterprises", the Bank established the sustainable financial poverty alleviation mechanism, which enhanced the "hematopoietic" function of the impoverished group in playing the role of financial "blood transfusion", so as to play the real role of credit funds in the financial poverty alleviation.

The Bank provided "petty loan for targeted poverty relief" for poor households determined by the government and innovatively adopted new business models, i.e., putting the Huishang Bank, poor household borrowers, operational enterprises and government poverty alleviation departments together by bank loans, loans to poor households, money allocated to enterprises and interest subsidies provided by government, so as to effectively guide the loans to be used in entity operation and obtain income. Meanwhile, the Bank adopted the project recording management during the operational procedure and tightened the access management of enterprises, thus effectively reducing the probability of risk in bulk. As at the end of 2017, the

petty loan for targeted poverty relief had been launched for more than 8 months, realizing a loan granting of RMB538.56 million and helping 13,619 poor households to eliminate poverty.

The Bank actively focuses on the credit customer structure and loan quality of the rural banks in the targeted poverty-alleviation districts and counties and the granting of entrepreneurial guarantee loans and petty loans on poverty alleviation. In order to implement the important instructions on poverty alleviation and elimination in an earnest manner and strengthen the poverty alleviation and elimination work in poor villages practically, under the unified deployment of the provincial party committee and the provincial government, poverty relief cadres were specially assigned by the headquarters to work in the villages (such as the Wangzhou Village, Dalukou Town, Sixian County of Suzhou) to find out the local basics, so as to develop targeted specific work measures. Preliminary results were obtained. In recent years, the Bank raised nearly RMB 2 billion for the infrastructure construction in Sixian County by means of urbanization fund, PPP and loans on governmental purchase services, thus becoming the main cooperative bank for financing of the infrastructure construction in Sixian County. The fund was mainly used in road improvement project and housing project. More than 100 km of road in over 10 villages within the jurisdiction of Huixian County has been improved. The housing project can accommodate 2,000 poor households.

Case: Leader of the Bank visited Dalukou Town, Si County



On 15 November 2017, Wu Xuemin, deputy party secretary and governor of the Bank at that time, led a delegation headed by Human Resources Department, Department of the Communist Party and the masses affairs, Credit Assessment Department, Micro-credit Division and Retail Banking Department to Wangzhou Village, Daluokou Town, Si County to visit

the poor families, and to carry out researches and to guide the poverty alleviation work.

Case: Anqing Branch carried out pair assistance activity to construct beautiful countryside in Longjing Village, Wenquan Town, Yuexi County

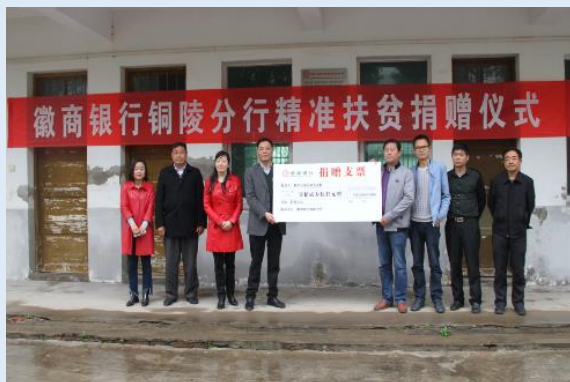


On the morning of 6 January 2017, the head of Anqing Branch left for Longjing Village, Wenquan Town, and Yuexi County to carry out pairing support activity to construct beautiful countryside. Both parties focused on discussing about building the ecological folk custom and dwellings project in Longjing Village. It is also suggested that both parties enhance interaction and communication. Besides,

the construction fund for beautiful countryside of RMB60, 000 which was raised by the

Anqing Branch, the Municipal United Front Work Department and the Municipal Education Bureau, was handed over.

Case: Tongling Branch headed for Lianhua Village, Zongyang County to hold the donation ceremony of targeted poverty alleviation



On 6 April 2017, under the leadership of Tongling Branch, some staff in the Tongling Branch set out in the rain to head for Lianhua Village, Tanggou Town, and Zongyang County to hold the donation ceremony of targeted poverty alleviation. Amounting to RMB125, 000, this donation was made spontaneously by staff in the branch, aiming at promoting the targeted poverty

alleviation and helping poor households to accomplish industrial poverty alleviation, so as to promote the branch to help the paired villages out of poverty.

7.2 Support cultural and sport undertakings

In passionate support of cultural and sport development, the Bank has stepped up its efforts in sponsoring and participating sport and cultural activities. In 2017, the Bank was honored “Advanced Unit in the ‘Five-Watching’ Activity of the Third Session of Anhui Culture, Benefaction to People and Consumption Season”. In addition to promoting healthy living style and disseminating arts and culture, the Bank encouraged the staff to actively participate in such activities, so as to deliver a positive attitude towards life as a member of the Bank.

Case: Hefei Branch successfully named the 2017 International Marathon Race in Hefei for the third consecutive year



On 7 September 2017, the Bank sponsored the National Marathon Championship (Hefei), which publicized and built the healthy and positive corporate culture and brand image of the Huishang Bank, increased the popularity and influence of the Bank and gave full play to the Bank’s role of serving for local economic and social development.

Case: The third session of “Huishang Bank Cup” football league among agencies directly under provincial jurisdiction in Anhui Province



On 16 September 2017, the third session of “Huishang Bank Cup” football league among agencies directly under provincial jurisdiction in Anhui Province was solemnly opened in the stadium of Hefei Olympic Center. The passion, hard work and superb skills of the players represent the infinite charm and passion of football. The league aims to

build a good platform for the leaders and employees of the agencies directly under provincial jurisdiction to learn and communicate and exhibit the culture, enrich the employees’ spiritual and cultural life and promote the development of national fitness programs.

Case: Nanjing Branch carried out “Talented Teenager Cup Direction Run” parent-child community activity



On 22 April 2017, Nanjing Branch, together with six major subdistrict offices, invited more than 300 families to participate in the first session of Qinhuai District parent-child community activity, i.e., “Talented Teenager Cup Direction Run”, at the Yuhua District Martyrs Cemetery. The parents attended the activity with their children at the weekend to get close to nature and had great time doing sports!

7.3 Publicize financial knowledge

In 2017, the Bank was honored the “Award for Outstanding Contribution in Ten Thousand Journey to Publicize Financial Knowledge in Anhui Banking for 2016”. In the new year, the Bank continued to carry out “Spreading Financial Knowledge to the Public”, “Ten Thousand Journey to Publicize Financial Knowledge” and other activities in a deep-going way. Through spreading financial knowledge to the community, schools, enterprises and the rural, the Bank effectively promoted the financial knowledge popularization and served for people’s life, thus

facilitating the role to be convenient to the people, benefit the people and be favorable to the people.



The Bank has formed four routine serial activities including Ten Thousand Journey to Publicize Financial Knowledge, Spreading Financial Knowledge to Campus, Spreading Financial Knowledge to the Public and Popularization Month

for Financial Knowledge. In 2017, the Bank involved itself in following activities:

- **Ten Thousand Journey to Publicize Financial Knowledge:** The Bank actively organized and promoted the Ten Thousand Journey to Publicize Financial Knowledge activity and carried out three promotion activity respectively themed “the safe usage of payment and settlement accounts, the promotion of electronic intelligence service and the prevention from telecom and cyber fraud” from July to September.
- **Spreading Financial Knowledge to Campus:** With the coming of the back-to-school season in September, the Bank, together with the school, taking the opportunity to orderly promote the “Spread Financial Knowledge to Campus” activity. Taking “co-building a harmonious financial environment and building a beautiful campus life” as the promotion slogan, and the Bank carried out theme day activities, themed class meetings or lecture series on financial knowledge in universities.

- Spreading Financial Knowledge to the Public:** In September 2017, the Bank carried out a large scale promotion activity aiming at helping the public to “distinguish formal financial product & service and use ‘dual recording’ system to safeguard their own rights and interests”, “promote regular reception service and keep away from illegal loan infringement” and “maintain personal information security and prevent telecom and cyber fraud”. Through the online store promotion and online channels, the trust and confidence of consumers in the new commercial pattern will be strengthened in the promotion and education.



- Popularization Month for Financial Knowledge:** The theme of the popularization activity in 2017 is “popularizing financial knowledge, improving financial literacy, prevention of financial risks and co-building harmonious finance environment.” The popularization emphasizes on the necessary basic financial knowledge and the ability to prevent risks in the daily life of financial consumers. The Bank carried out characteristic education activities with distinct level for different groups to improve the actual effect of consumer financial education and guide the financial consumers to identify the risks of related financial products or services, thus helping financial consumers to accurately understand the risk responsibilities of financial institutions and their own, as well as the countermeasures.

In addition, the Bank carried out two philanthropic projects, whose themes are “Assisting Disabled Writer Chen Jun” and “Caring Sanitation Workers and Building Family Inns for Them”. The activities took place in the form of various benevolent performances in communities and on television, to increase people’s attention to public welfare projects and to popularize basic financial knowledge. The activities attracted 180,559 online votings and 340,171 visits. They effectively activated the public welfare awareness, enriched the cultural life of the citizens, improved the citizens’ financial literacy, and promoted the knowledge of financial consumer rights protection.

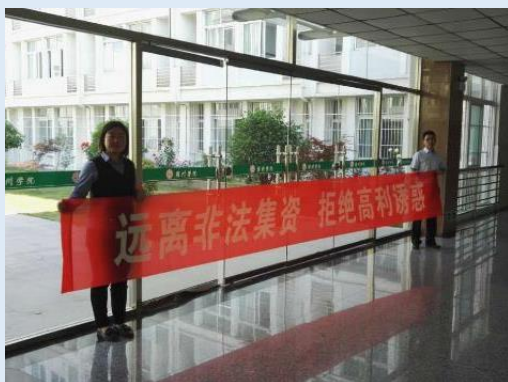
Case: Lu'an Branch carried out anti-money laundering activity at the railway station during the Spring Festival



On the afternoon of 24 January 2017, Lu'an Branch specially assigned anti-money laundering staff to go to the Lu'an Railway Station and proactively conducted the anti-money laundering campaign by means of giving the new year gift packages of the Huishang Bank, so as to expand the range of audience for anti-money laundering publicity, popularize the anti-money laundering

knowledge and raise customers' awareness of anti-money laundering.

Case: Suzhou Branch carried out "Illegal Fund Raising Prevention" publicity and education activity



On 10 May 2017, Suzhou Branch carried out the "Illegal Fund Raising Prevention" publicity and education campaign. The Bank explained the characteristics and hazards of illegal fund raising to the public with popular and easy-to-understand language, so as to improve the public ability to identify the illegal fund raising, thus curbing illegal fund raising from the start by taking priority in prevention and combining

other measures.

7.4 Intensive involvement in public welfare events

The Bank encourages all branches and sub-branches to carry out public welfare activities and fully demonstrate the Bank's good corporate image. All branches arrange pair assistance where money and goods are donated to left behind children of poverty stricken areas, college students in difficult, AIDS families, and disabled soldiers, as well as support local construction. In order to better strengthen the care and protection of left behind children in rural areas and children of rural migrant workers in the city, the Youth League committee and provincial Party committee of Anhui Province, as well as the headquarters of the Huishang Bank decided to build the "Huiyin Teenage Home" volunteer stations at schools or communities where left behind children and children of rural migrant workers assembled according to the principle of unified planning, unified declaration and unified logo. Staff volunteers carry out youth public

welfare activities to display young staff's social responsibility. All these activities give full expression to the great warmth and love of the Huishang Bank.

Case: The branches proactively carried out the activity of “Showing Love and Support by Escorting Examinees”

During the national college entrance exams in 2017, Bozhou Branch, Wuhu Branch, Huainan Branch and Ma’anshan Branch carried out “Encouragement to Test-Takers” activities. They gave out gift bags containing cooling items such as towels, hygienic tissues, fans, and soda water to motorcade and pavilions near test centers, as an encouragement to test-takers to fulfill their dreams.



Huainan Branch



Wuhu Branch



Ma'anshan Branch



Bozhou Branch

Case: Suzhou Branch carried out the activity of “Devoting Love and Being Grateful”



On 16 January 2017, Suzhou Branch organized young employees to come to the children welfare office to visit orphans and disabled children and comfort the staff. During the visit, head of the Branch and young employees presented gifts to children and sent new year greetings to the staff.

Case: Xuancheng Branch actively participated in voluntary non-remunerated blood donation



On 14 September 2017, Xuancheng Branch actively organized young employees to participate in the voluntary non-remunerated blood donation among agencies directly under municipal jurisdiction in Xuancheng City. This activity showed the noble sentiment of the staff in the Huishang in regard to helping others with actual actions and giving love to society and effectively improved the good social image of the branches on being active in public welfare undertakings.

Case: Tongling Branch went to Xinfeng Primary School in Zongyang County to carry out book donation activity



On the morning of 11 April 2017, under the leadership of the head of Tongling Branch, the Chinese Communist Youth League committee of Tongling Branch came to Xinfeng Primary School in Zongyang County to understand the construction and service condition of “Huiyin Teenage Home” volunteer station, and donated more than 300 books suitable for teenagers to read.

8. Staff Care

The Bank plays an active role in discharging social responsibilities whilst propelling its own development. The Bank regards its employees as its most valuable asset as well as inexhaustible driving force for its continuous and healthy development. Catering to staff's needs concerning their life and professional growth, it strives to create an optimistic, uplifting and harmonious work environment as well as provide them with career platforms, professional trainings, promotional channels and measures balancing life and work with the goal of achieving common development and a better future.

This year, focusing on the “Year for Developing New Finance” activity, the Bank took the initiative to make innovation. The Bank achieved significant results in regard to improving the assessment of cadres and the selection and appointment mechanism, optimizing the performance appraisal and salary and welfare system, improving the organizational structure and the construction of the post system, expanding the employee growth channel and paying close attention employee quality improvement, thus providing sustained and stable organizational guarantee and talent support for the development of the Bank.

8.1 Favorable employment environment

The Bank invariably promotes the management culture of “putting people first” and conforms to applicable laws and regulations including the “Labor Law of the People’s Republic of China” and the “Labor Contract Law of the People’s Republic of China” in remuneration, recruitment, promotion, termination, working hours, holidays, equal opportunities, diversification, anti-discrimination and other benefits.

The Bank regards human resources as the primary resource of corporate development and recognizes the importance of their roles in its progress. It puts into practice the talent philosophy of “attracting the ambitious, cultivating the malleable, leveraging the competent”. In February 2017, the Bank won the title of “Top 50 Talent Picking Enterprises” in the “HR Selection Awards in Greater China 2016” activity, which was a recognition of the Bank’s outstanding contributions in the field of talent recruitment in terms of fairness, innovation and effectiveness. In December 2017, the Bank was awarded “Best Employers of Growth Potential in China for 2017”, representing the society’s high recognition of the Bank’s talent concept and human resource management.

In addition, its efforts has yielded good results in areas such as corporate culture, selection and employment, employee-employer relations, remuneration and benefits, performance management, education and training, professional development, organization and management, work environment, female care, and social responsibility.

❖ Compensation and benefits

According to the “Guidelines on Prudent Supervision of Commercial Banks’ Compensation”, the Bank formulated the “Measures for the Management of Employees’ Compensation of the Huishang Bank”, which matched with the implementation of operational strategies and goals, competency elevation, talent cultivation and risk control of the Bank.

In 2017, the Bank completed the compensation analysis report for 2016, evaluated and diagnosed the validity and reasonability of the existing compensation system and further optimized and improved the serialized compensation management mode of the Bank to make sure that the compensation system played a central role in the operational management, risk control and talent incentive. Furthermore, the Bank established and improved the scientific and effective incentive restraint mechanism to maximize the shareholder value, enterprise benefit and employee benefit.

❖ Recruitment and termination

The Bank is in strict compliance with the “Labor Law of the People’s Republic of China” and “Regulations on Prohibition of Child Labor Usage”. To regulate and strengthen the Bank’s recruitment management, refine market-oriented employee selection mechanism, promote the adjustment and optimization of staff structure, fully effectuate its talent philosophy of “attracting the ambitious, cultivating the malleable, leveraging the competent”, provide talent pool for the Bank’s operational development, and eventually realize the ideal of “offering top quality and maintaining firm footing” and achieve common development and future of employees and the Bank, the Bank formulated the “Measures for the Management of Employee Recruitment of the Huishang Bank(Trial Implementation)” and other rules and regulations relating to recruitment and termination, which specifies the recruitment principle of “setting up posts and prescribing staffing quota; filling vacant posts with qualified personnel; upholding equality, fairness and openness and practicing two-way selection; selecting the superior and ensuring quality”.

In 2017, combining with the “Overall Plan for ‘Year for Developing New Finance’ activity of the Huishang Bank”, the Bank continued to improve the recruitment management system and enhance the efficiency of human resource configuration, so as to attract more finance talent and raise their ability. To actively cope with the increasing competition in the campus recruitment, the Bank carried out the 2017 summer internship project to excavate, determine and reserve outstanding graduates in advance, thus strengthening its construction of employer brand.

❖ Promotion

To better ensure sources of talents for the Bank’s business development and maintain a scientific and standard middle-level management selection and employment mechanism, it formulated the “Management Measures for the Middle Management Selection and Employment of the Huishang Bank”. In middle-management selection and appointment, the Bank sticks to the principle of “the Party supervises cadres” and “Democratic centralism”; carries forward the fine practice of “Attaching importance to moral status and ability and the former shall prevail”; adopts performance-oriented approach where performances shall be recognized by the masses and vacant posts be filled with qualified personnel; upholds democracy, openness, competition, and meritocracy; and fulfills duties in compliance with regulatory rules. Priority is also given to cultivating and selecting excellent young managerial staff, taking advantage of the reserve of talents and exploiting managerial staff of various age groups.

In 2017, to accelerate professional team building, improve management of specialized talents and widen the road for employees to develop and progress, the Bank promoted the

establishment of the management system of job hierarchy covering all staff subject to the principle of “Overall planning, unified designing, multi-level management, dynamic adjustment, and effective motivation”. It formulated the “Interim Measures for the Management of Job Hierarchy of the Huishang Bank”, which builds the basic framework for Bank-wide management of job hierarchy and defines 4 levels including management, profession, agency and marketing.

❖ Working hours

In strict compliance with the “Labor law of the People’s Republic of China” and the “Labor Contract Law of the People’s Republic of China”, the Bank adopts the Standard Working Hour System, which provides that an employee may work no more than 8 hours per day and, as such, working hours are capped at 40 hours per week. Voluntary overtime shall be practiced and employees working overtime shall be compensated under national laws and regulations.

❖ Holidays

In accordance with the “Labor law of the People’s Republic of China”, the “Labor Contract Law of the People’s Republic of China”, the “Regulations for Paid Annual Leave of Employees”, the “Regulations on Population Restriction and Planned Birth-Giving of Anhui Province”, and the “Special Provisions of Labor Protection of Female Employees in Anhui Province”, the headquarters of the Bank formulated the “Attendance Management Policy for Huishang Bank Headquarters Employees”, and each branch made its detailed rules for the implementation of attendance management policies according to those of the headquarters. All the employees are entitled to weekends as well as national statutory holidays under applicable national regulations. In addition, employees are granted paid annual leave, maternity leave, nursing leave, marriage leave, compassionate leave, casual leave, sick leave and home leave.

❖ Equality and diversification

The Bank sticks to the principle of fairness and equality and provides employees with equal job opportunities and working environment, allowing no discrimination based on national origin, race, gender or religious beliefs.

To implement the “Regulations Concerning the Labor Protection of Female Staff of Anhui Province”, safeguard their lawful rights and interests, and show care about their work, the Bank has held discussion about the Attendance Policy, arranged forums intended for female staff, installed feeding rooms at headquarters, formed female yoga hobby club, so as to maintain the underlying rights and interests of their central concern.

Case: “Glamor & Happy Heroine” themed mountain-climbing event of Ma’anshan Branch

With International Women’s Day approaching, Ma’anshan branch organized “Glamor & Happy Heroine” themed mountain-climbing event, which provided a spring outing for busy-working cadres and staff of the branch.



Case: The headquarters organized an event of strawberries picking for female staff

From March 11 to March 12, 2017, the Labor Union of the headquarters organized female employees to carry out the activity of strawberries picking. More than 180 female staff took part in the activities in two batches. This event relaxed their mood and enabled them to enjoy an extraordinary Women's Day.



❖ Car

The Bank carries on its fine norms concerning traditional festivals and important visits. All grass-roots trade unions implement the “Five must-visits” policy by conducting follow-up and visits to employees troubled with severe illnesses, hospitalization and poverty. In 2017, the Bank continued with its visits to employees troubled with extreme poverty, which started before Spring Festival. In total it paid visits to 62 employees, including 13 Party members troubled with extreme poverty, and cumulatively granted more than RMB220, 000 as consolation money.

In addition, the Bank is committed to creating “a happy Huishang Bank”. Trade unions send festival greetings on the New Year’s Day and the Spring Festival and send birthday greetings, creating a sense of belonging for and communicating the concept of “a happy Huishang Bank” to all employees.

The Bank also provides employees with a wide array of fitness and entertainment facilities at the workplace, such as table tennis tables and billiard tables, and arranges various activities to offer a relax and harmonious environment for employees after work.

8.2. Health and safety

The Bank is committed to creating a safe and comfortable work environment for its employees. Based on its nature of financial institution, the Bank outlines key points in handling occurrences of explosion, robbery, theft, fraud etc., which are highly relevant to the sector and formulated the “Key Points of Safety Emergency Response of the Huishang Bank”. To implement the “Emergency Response Law of the People’s Republic of China” in an earnest manner, the Bank issued the “Natural Disaster Emergency Response Plan of the Huishang Bank” and the “Office Building Fire Emergency Response Plan for the Huishang Bank Headquarters”.

In 2017, the Bank launched the upgrading of security management platform. It improved security information management system, enhanced security records management and information collection, orderly promoted safety verification for cash box handover, organized and carried out site tests, and set up Safety Production Management Committee of Huishang Bank at Headquarters level in the beginning of the year, to provide guidance and perform supervision for safety and security of the whole bank. The Committee prepared the “Letter of Safety and Security Responsibilities for Huishang Bank in 2017”, which sets forth the requirements for strengthening the awareness of the first person responsible, enhancing the construction of security team, maintaining the safe operation environment and consolidating the “four capacities” of fire safety. Organizing the employees to sign the “Letter of Safety and Security Responsibilities” helps to enhance their sense of ownership and create a working environment where everyone stresses safety. In order to build a safe and comfortable working environment, the Bank also made the following efforts:

- **Constantly enhanced fire control management for headquarters building.** The headquarters organized staff to carry out firefighting training and drills, so as to instruct employees in knowledge and skills about fire suppression and escape, increase their



Spring Festival visits by Bank leadership

awareness and improve their skills of security, and issued the “Fire Emergency Response Plan of the Huishang Bank”. In addition, the branches carried out activities relating to firefighting based on practical situations, including drills, trainings, and knowledge contests.

- **Further strengthened bank-wide surveillance video.** Surveillance video of branches is uploaded to surveillance center at the headquarters, which provides a strong

support for service quality measurement, centralized compliance review of video and off-site inspection.

- **Highly valued security emergency management.** In 2017, the Bank documented the emergency response plans for fire and public-security-related emergencies to improve the institutional system, established a team where members and their responsibilities are defined, and improved the reporting and handling process.

Case: Fire-fighting safety training carried out by Bengbu Branch



On 2 May 2017, to further equip all staff with upgraded fire control knowledge and fire suppression skills and to meet the requirements of “Combining prevention and control together with prevention first”, Bengbu Branch invited Instructor Si from ZhengAn Fire Control Education Center to provide fire-fighting safety training for staff of all

divisions, security guards and cleaners of the building.

Case: Office building fire evacuation drill held by Suzhou Branch

On 22 February 2017, Suzhou Branch held the fire evacuation drill in its office building, in an effort to spread fire safety knowledge, enhance fire safety management for the office building, and improve staff’s prevention awareness and emergency response capacity for fire extinguishing.



Based on the assurance of safety, the Bank takes exceptional care in employee wellness. To effectuate regulations and requirements set out in the “Opinions of the State Council on the Promotion of Red Cross Cause Development”, the Bank invited the Red Cross Society of China to train its employees on first-aid, in a bid to equip them with basic first-aid knowledge and skills, empower them to prevent disasters, avoid risks and save themselves and their fellows, and eventually sharpen their public safety preparedness which can be mutually reinforcing with emergency reaction readiness.

The Bank regularly organizes physical examination and collective inquiry for employees, and carries out sports events and physical fitness activities for employees to take part in. Given that employees are emotionally stressed in handling complaints, Customer Service Center develops psychological guidance course and psychological counselling program for employees to

alleviate their psychological pressure, demonstrating its concern for the physical and mental health of its staff and echoing its slogan of Creating a Happy Huishang Bank.

Case: The Fourth Employee Sports Meeting of Huishang Bank

In 2017, the Bank held the Fourth Employee Sports Meeting consisting of eight categories of events including basketball, football, table tennis, badminton, tennis, athletics, tug-of-war and fun games, which embraced 2,354 players from 20 representative teams. As a full embodiment of the enterprising, cohesive and striving spirit of employees of the Bank, the sports meeting further drives the prosperity and development of the bank's enterprise culture and the employees' cultural and recreational activities.

Moreover, during sports meeting, 107 employees from branches and divisions of the headquarters took part in voluntary service. This volunteer team, acting with good sense of service, passion and vitality, carried forward the voluntary spirit of "Dedication, Fraternity, Mutual-aid and Progress".



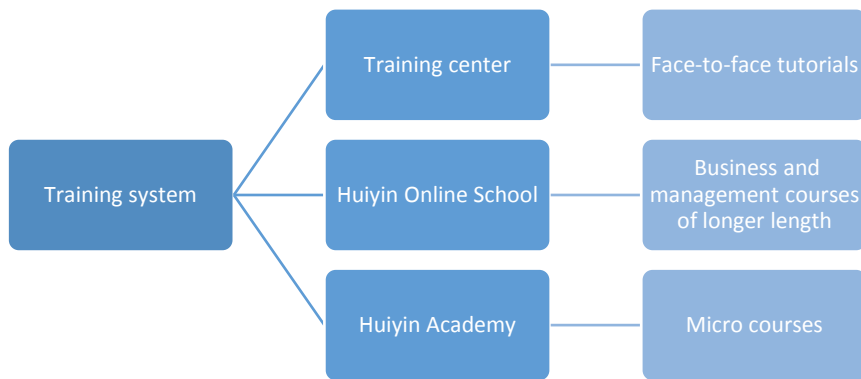
Case: Employees of Fuyang Branch in hiking event called "Beauty of Fuyang Youth of Hiking" in 2017



On 25 March 2017, nearly 200 employees of Fuyang Branch participated in hiking event called “Beauty of Fuyang - Youth of Hiking”, which advocated good lifestyle, happy and healthy life, as an effort to promote a civilized and harmonious social environment.

8.3. Promote professional development

The Bank attaches great importance to staff development and strives to build a professionalized and diversified training system. The Bank has established two education brands, i.e., “Huiyin Online School” and “Huiyin Academy” to meet different needs of new staff, staff of various positions, the management, etc., so as to achieve diversified talent development. The Bank has established omni-channel training system composed of Huiyin Online School, online course of Huiyin Academy and face-to-face tutorials provided by training center. The Bank conducted a total of 987 concentrated training sessions in 2017, amounting to 544,858.5 training hours with a total enrolment of 73,582 people. For the year, the hours and sessions per capita were 57.15 and 7.72 times respectively.



In 2017, the Bank developed training plan for the “Year for Developing New Finance” and carried out a series of thematic trainings, which provided intellectual support for promotion of the Bank’s four financial service brands, in order to continue to transform and upgrade and promote strategy of sustainable development. Accomplishment of trainings ensures the implementation of the Bank’s four financial service brands:

Thematic training designed for the four financial service brands, implemented in coordination with lines of business:

❖ Training on depository business and sales specialization for comprehensive finance ;	❖ Training on new core system construction, credit review and compliance risk for safe finance ;
❖ Training on information technology and e-banking business for intelligent finance ;	❖ Training on multi-period credit card business, personal loan manager, micro credit business and wealth management manager, having held a seminar called “Huiyin Forum of Inclusive Finance”, for inclusive finance ;

In addition, the Bank is continuously optimizing the existing three platforms, namely, the Training Center, Huiyin Online School and Huiyin Academy.

- **Online:** to meet the new demands for education and training in the era of mobile Internet and push forward transformation and upgrade of the Bank’s education and training, the headquarters launched mobile learning platform “Huiyin Academy” and held the first bank-wide micro course contest in the first half of the year. Course providers get more skilled at business through summary and sharing, while learners rapidly increase their working efficiency through course learning.

Offline: with sustained attention paid to construction of internal trainer team, the Bank, according to the “Management Measures for Education and Training of the Huishang Bank”, divides internal trainers into three levels as lecturer, senior lecturer and experienced lecturer and conducts dynamic management, based on their education background, coaching skills and experience. This year saw an addition of 149 internal trainers, and the first “Good Lecturer of Huishang Bank” contest further reinforced the internal trainer team.

Case: “Good Lecturer of Huishang Bank” contest



In early November 2017, the Bank held the first “Good Lecturer of Huishang Bank” contest, which received positive responses from branches and divisions of the headquarters. Successful hosting of this contest, as a great boost to construction of the Bank’s internal trainer team, further improved its education and training system for

employees and created a good learning atmosphere where “those who can serve as teachers and everyone shares”.

In this year, the headquarters further built a dense learning atmosphere through launching skill competition, which facilitates to test employee teams from lines of operation for their professional and operational capabilities. As a positive response, employees from lines of



Bank-wide skill competition

operation of branches spare time to study professional knowledge and exercise professional skills. This skill competition helps to accumulate reserve of talents to adapt to new economy, build a New Finance model and accelerate transformation and upgrade.

With mature training system, the Bank stepped up its training efforts and formulated targeted training plans based on its talent composition as well as different levels of professional lines, management sequence and professional sequence. It set up scientific talent cultivation mechanism to effectively attract, select, exploit, promote, motivate talents as well as offer them professional development, etc., thus giving renewed boost to its overall human resources management level on an ongoing basis:

❖ Middle and senior management



Thematic seminar on financial innovation for senior management

From September to October 2017, the Bank conducted 4 thematic training sessions on building a New Finance model for middle and senior management, which were held in Beijing, Shanghai, Shenzhen and Hong Kong respectively, with an aim to improve management’s abilities in aspects of tapping customer value, expanding customer base, improving customer experience and risk management & control,

showing an active response to the impacts and challenges caused by the new economy and the new information technical revolution on the banking industry, and also a push to the transformation and upgrade as well as sustainable development strategy of the Bank.

❖ **Young and middle-aged management**

The Bank launched trainings in the Hubin Training Center exploiting external excellent trainers, with focus on team management proficiency, financial product innovation, business transformation, performance management, enhancement of revolution and strategy implementation abilities, honesty and work ethics, etc.

❖ **Junior management**

The Bank comprehensively reinforced training on team building and management capabilities, and enhanced training on compliance risk system and grass-roots information construction in combination with the “Year for Developing New Finance”, dedicated to cultivating a group of junior managers with outstanding team building and management capabilities and strong professional skills.



Training of lobby managers

❖ **Young talents**

Young talents are irreplaceable backup sources of workforce for the Bank’s sustainable development in the future, so it is important to track and cultivate new recruits from campus. The Bank arranged trainings for outstanding newly-hired staff (with term of employment of 3-5 years) on knowledge of professional line businesses, team building and management skills, marketing know-how, as well as communication and negotiation techniques, allowing them to become the major booster for the ongoing development of the Bank.

Case: Outward training of young employees organized by Lu'an Branch



On 6-7 May 2017, Youth League Committee of Lu'an Branch conducted its first outward training with the theme of “uniting team, transcending oneself, boosting youth and embracing brilliance together”, to motivate the young employees.

❖ New recruits from campus

The Bank made an elaborate plan of concentrated pre-job trainings, which took full advantage of the Hubin Training Center to help new recruits with the adaptation to the new role of professionals from college students, as well as enable them to fit into the Bank, and understand and identify with its culture; to familiarize them with businesses and products of the industry, relevant industrial policies and roles and responsibilities of all business lines, and empower them with operational skills that are conducive to their future work performing; to help them improve comprehensive ability, and foster professional ethics, dedication and team spirit, so as to become a qualified member of the Huishang Bank.

Case: Pre-job training for new employees at the headquarters in 2017



To meet the high requirements for its business development, the Bank hired a total of 235 college graduates in 2017. The headquarters prepared pre-job training designed for facilitating their role transition, which covers the most basic knowledge of banking business and basic operations.

The headquarters held the graduation ceremony for training of new employees

❖ Bank tellers newly recruited by new sub-branches, small and micro sub-branches, and Huinong sub-branches

The Bank offers unified trainings to staff to introduce knowledge about teller operation businesses and inclusive financing products, as well as raise their awareness of risk compliance. It leverages training center audio-visual rooms and the model bank to conduct teller business operation trainings so as to enhance teller business operation level and facilitate the business operation of new sub-branches.

Case: “Master-pretice partnership” ceremony of Chizhou Branch, an innovative way to cultivate new employees



On 27 April 2017, Chizhou Branch held the master-pretice partnership ceremony for lines of operation and retail banking. Through this ceremony, the “master-pretice mentoring” activity was well conducted, promoting growth and progress of the new employees.

9. Going Green

As a responsible financial institution, the Bank, despite non-involvement in large-scale production, sticks to the concept of sustainable development and presses ahead with the development of green finance and low-carbon economy, against a backdrop of mounting natural resources consumption and carbon emissions. On top of that, it manages its environmental impact during its operational and office activities and delivers the concept of going green to the public, in an effort to defend our green homeland.

9.1. Develop green finance

At this moment when the nation and society are paying increasing attention to environmental protection and the green industry is developing at higher speed, developing “green finance” to facilitate green economy had become a major trend for commercial banks to follow the guidance of national policies and expedite their operational transformation. The Bank has been vigorously advocating green loans in compliance with regulatory rules concerning environmental protection including national laws and regulations, sector policies, industry access policies and regulators’ requirements. It endorses clean energy use, energy saving economy, and low-carbon economy, etc., and allows more credit to advanced manufacturers and modern service providers.

Following its green loans strategy, the Bank endeavors to upgrade resource allocation and facilitate the sustainable development in social, economic and environmental areas. Efforts have also been made to give refreshed momentum to green economy, low-carbon economy and circular economy, and thereby optimize credit structure, steer clients to energy efficiency, emission reduction, environmental protection and resources conservation through financial instruments such as loans, as well as encourage clients to raise social responsibility in an on-going manner and put it into practice.

On 6 September 2017, the Bank issued “2017 First Tranche Financial Bonds of Huishang Bank Corporation Limited” in the national interbank bond market through book building. At the end of 2017, all of them have been put into three types of green projects, namely, energy

conservation, pollution prevention and control, and ecological protection and adaptation to climate change. The Bank formulated the “Management Measures for Fund-raising of Green Financial Bonds of the Huishang Bank”, which clearly defines the division of responsibilities of departments, and provides for management of evaluation and selection of green industry projects, internal fund management, third party certification and information disclosure management. As of 31 December, some of the funds raised through this issuance of green bonds have been used as loan granted to green industry projects, with a total amount of RMB 1 billion primarily covering energy conservation and pollution control, which are mainly used for “PPP project of geological environment treatment for Zhonghu mine in Huaibei City” and “PPP project of water environmental comprehensive control for central city in Ma’anshan”. The Zhonghu mine project in Huaibei City involves comprehensive treatment for a land of 36,100 mu, after which there will be an available land of 24,500 mu, and a water area of 11,600 mu with total water storage capacity of 69.27 million cubic meters.

Case: PPP project of water environmental comprehensive control for central city in Ma’anshan



The project of water environmental comprehensive control for central city in Ma’anshan involves water quality remediation and water environment ecological management for 16 water bodies in the central city (with total length of 122.33 km and total water area of 632.1 ha), which will greatly improve the water environment quality of central city in Ma’anshan, enhance the flood drainage capacity and improve the urban sewerage system.

The Bank has been vigorously advocating green loans in dynamic combination with related development strategy, in compliance with regulatory rules concerning environmental protection including national laws and regulations, sector policies and industry access policies. It endorses clean energy use, energy saving economy, and low-carbon economy, etc. It exercises strict control over credit granted to fields with high pollution and high emission, and quickens the credit retreat from those with polluting process and outdated capacity.

In 2017, the Bank continued to allow more support and credits to green industries, fostering a good image of practicing green development and fulfilling social responsibilities.

9.2. Expand green channels

With commitment to the co-development of E-banking business and environmental protection, the Bank endeavors to expand its E-banking channels and ceaselessly enrich E-banking products/services, so as to reduce costs for customers, conserve social resources and mitigate its undesirable environmental impact.

The E-banking enables customers to conduct a range of non-cash financial transactions including self-service payment, remittance, investment and financial advisory through the financial institution’s website instead of accessing services in bank outlets, which saves massive manpower and material resources and reduces energy consumption.

Besides, E-banking saves a lot of resources for customers by saving consumable resources such as paper and ink, and reducing demands for water, power and fuel. For instance, E-reconciliation, E-slip and E-payroll are typical resource-saving businesses. It enables customers to conduct a range of non-cash financial transactions including payment and wealth management through the financial institution’s website instead of accessing services in bank outlets, which saves massive transport expenses and time as well as reduces car travels and exhaust emission.



The Bank has been pooling substantial efforts into the development of E-banking, evidenced by the electronic channels it has brought forth, such as online banking, mobile banking, self-service banking and telephone banking, to name only a few, which boast advantages of zero paper consumption, low-consumption and high efficiency, etc., echoing the call for energy saving and environmental friendly development nowadays. It improves the Bank’s ability and level of serving customers and leads its services onto the road of green operation.

In addition, the credit card center at the headquarters reinforced the construction of online application platform in 2017, which, in combination with the existing PAD document inputs system, further reduced paper consumption and labor resources. Meanwhile, the E-banking business saw an addition of various scenarios including “Intelligent Campus” and “Huiyin e+”, which integrated financial service into food, clothing, shelter and transportation, and increased the utilization of mobile banking. The credit card center has been appealing to all branches and sub-branches to increase PAD usage and also publicizing the online application channel, which allows customers to submit electronic application on mobile terminal and conduct transactions without leaving home, thus significantly improving service efficiency. Moreover, it invited the existing customers of wealth management service, personal loan service and payroll service as well as CRM-star customers to apply for credit cards, by virtue of big data platform. The launch of automatic approval process for active card issuance has improved customer experience and saved labor and paper resources in credit review link, which fully embodies the development requirements of retail business for “mobilized terminal, online processing and intelligent service”. During the reporting period, PAD gained a prevalence of 65.6% of the whole.

9.3. Promote green operation

The Bank has been improving its environmental and social performance and promoting green operation. It breathes the concept of environmental friendly, energy saving, low-carbon and sustainable development into day-to-day operation activities of the Bank, strictly follows laws and regulations including the “Environmental Protection Law of the People’s Republic of China”, fully implements energy saving and resources conservation, and disseminates the green concept among the public for the purposes of defending our green homeland concertedly.

9.3.1. Reduce emissions

As a financial institution, the Bank produces little emission of industrial effluent, waste gases or hazardous waste, and only a limited amount of office waste water and household waste.

In the aspect of waste water, the Bank complies strictly with applicable laws and regulations including the “Law of the People’s Republic of China on the Prevention and Control of Water Pollution”, and discharges its waste water into urban sewer systems after preliminary sedimentation. The impurities in the sediment are to be cleaned by municipal sanitation office. In 2017, the headquarters discharged waste water of 20,000 tons, with per capita amount of 16.1 tons.

Greenhouse gas emission of the Bank is mainly attributed to scope 2 purchased electricity. In strict compliance with the “13th Five Year Plan Work Scheme for Control of Greenhouse Gas Emissions”, the Bank takes measures to preserve energy and increase power use efficiency, such as promoting energy conservation, adopting LED light sources, etc., so as to reduce greenhouse gases emission. In 2017, the headquarters discharged greenhouse gases of 4,637 tCO₂e (with per capita emission of 3.7 tCO₂e), including direct greenhouse gases (Scope 1) of 753 tCO₂e and energy greenhouse gases (Scope 2) of 3,885 tCO₂e.

In the respect of household waste, the Bank strictly complies with the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”. All waste in its office buildings is sorted by cleaners on a daily basis. Non-recyclable waste will be timely placed at temporary sites by municipal cleaning companies and recycled by specialized recycling companies. In 2017, the headquarters generated non-hazardous waste of 8.5 tons, with per capita amount of 0.007 tons.

9.3.2. Conserve resources

In strict adherence to the “Law of the People’s Republic of China on Conserving Energy”, the Bank commits itself to upgrading the use efficiency of energy, water resources, and materials. To better meet the requirements set out in applicable national and local laws and regulations, further reduce use of all sorts of natural resources and protect the environment, the Bank issued the “Interim Measures for the Management of Energy Conservation of the Huishang Bank”, which specifies management scope and measures relating to water, electricity, oil and gas conservation, with the goal of effective implementation of energy conservation. During the reporting period, the headquarters used natural gas of 292,000 cubic meters, gasoline of 57,600 liters and purchased electricity of 5,522,000 KWH, with total energy consumption of

8,040.9 MWh and per capita energy consumption of 6.5 MWh. The total water consumption and per capita water consumption were 58,000 tons and 46.7 tons, respectively.

In response to national call for “Building a resources conserving, environmental friendly and harmonious society”, it works hard to promote green practices at workplace, enforce energy saving, and enhance the use efficiency and economic benefits of natural resources. Centered on the theme of “Practice energy conservation and emission reduction, and achieve scientific development”, it involves all staff in putting the strategy of energy conservation and emission reduction into practice in routine work based on reality.

- Conserve air-conditioning power consumption: set air-conditioner operating temperature above 26°C in summer and below 22°C in winter; the air conditioning mainframe shall be closed at 17:00. In 2017, the Bank exerted strict control over access to air conditioner and adjusted the running time of air conditioner based on real-time weather changes, to minimize natural gas consumption on the premise of comfortable office environment, which contributed to a year-on-year decrease in natural gas consumption of 8.86%.
- Conserve office equipment power consumption: reduce the stand-by time of computers, printers, photocopiers and other office equipment; take advantage of natural light where possible to reduce electricity consumed for lighting; the property management companies shall check lightings from floor to floor, and then turn off lights of floors clear of staff at 19:00 and turn off all lights at 24:00 every working day. Power consumption decreased by 7.5% as compared with last year.
- Conserve elevator power consumption: discourage the use of elevators from the 5th floor down and have only one elevator in operation at the south and north door each after 19:00 of every working day and during holidays.
- With active use of telecommuting to reduce unnecessary business travel, the Bank held 248 video conferences during the reporting period.
- Introduce water saving apparatus gradually: induction faucets have been applied in areas such as the restaurants and restrooms; strengthen water management in key areas by putting up logos, conducting routine patrolling, etc., and avoid water running out, bubbling, leaking or dripping. In 2017, the Bank made great efforts to energy conservation management by constantly cultivating the consciousness of energy saving of employees, and saw a year-on-year decrease in water consumption of 18.80%.
- Set up office supplies purchase and receipt policies to regulate the procedures of office supplies maintenance, receipt, recycling and disposal etc.; circulate documents through the OA system and default to double-sided printing, in an effort to cut paper waste. During the reporting period, the Bank recycled 6.84 tons of paper.

With respect to the measures mentioned above, the Bank formulated the energy saving evaluation polices. Besides, it conducts regular monitor and inspection over energy conservation and retains documents logging the inspection results. The Bank conducted energy

consumption analysis on a quarterly basis, to enhance resource utilization management and improve energy efficiency management.

Case: the headquarters launched a campaign promoting energy conservation and emission reduction



The headquarters kicked off the 2017 Energy Conservation Week and set out poster boards presenting contents of energy conservation and emission reduction at the main hall of the headquarters office building, in order to encourage staff to save power and water starting from trivial things in office time.

9.4. Stick to green purchase

In order to strengthen the Bank's management of centralized procurement of bidding agencies, regulate their behaviors, and improve the quality of centralized procurement, the Bank formulated the "Interim Measures on the Management of Centralized Procurement of Bidding Agencies of the Huishang Bank" pursuant to applicable laws, regulations and policies including the "Law of the People's Republic of China on Tenders and Bids" and the "Regulation on the Implementation of the Law of the People's Republic of China on Tenders and Bids". And the Bank's regulatory rules

The Bank sticks to green and environmentally friendly standards in its routine purchase. In its bidding documents, the Bank specifies unified supplier access standards, which are compliant with national environmental criteria, where certain amounts of bonus points will be granted to suppliers who have obtained the environmental management system certification and quality management system certification. It is also set out in the bidding documents that bidders shall prepare a statement explaining the reality of the bidder as well as the green, energy saving, low-carbon and environmentally friendly elements in its projects. Requirements have been laid out asking bidders to practice thrift in preparing tender documents, such as adopting double-sided printing, avoiding luxurious cover, and implementing green purchase policy. The Bank spares no effort in constructing green and energy efficient buildings, and invariably practices the low-carbon and environmental concept throughout the implementation of its projects, aiming at the completion of first-rate environmentally friendly programs.

9.5. Public welfare activities promoting green concept

The Bank advocates green life style via an assortment of activities and takes active part in various public welfare events promoting green concept, such as tree planting and street cleaning, as part of its effort to ameliorate the environment in practice and improve environmental awareness of the staff and the public alike.

Case: Chizhou Branch participated in volunteer service event “Protect environment and make home clean”



On 15 June 2017, Chizhou Branch organized more than ten young volunteers to participate in the event of “Protect environment and make home clean”. Those volunteers went to Cuiweiyuan Community in Guichi District with cleaning tools such as brooms and tongs, to clean up white trash, sundries and cigarette butt on the square, lawn and green belt.

Case: Tree planting activities of young volunteers from Chuzhou, Suzhou, Bengbu and Wuhu Branches



Bengbu ranch’ s planting activity of “Brace the green”



Chuzhou Branch’ s planting activity



Wuhu Branch’ s planting activity of “Gather the youth and make Wuhu green”

With Tree-planting Day approaching, the branches of the Bank in Chuzhou, Suzhou, Bengbu and Wuhu carried out philanthropic tree-planting activities by teenager volunteers to raise awareness of afforestation within the Bank and made all the employees realize that afforestation is the duty of everyone.

10. ESG Reporting Guide

KPI	Description	Chapter
A1 Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	9.3. Promote green operation
A1.1	The types of emissions and respective emissions data	9.3.1. Reduce emissions
A1.2	Greenhouse gas emissions in total and intensity	9.3.1. Reduce emissions
A1.3	Total hazardous waste produced and intensity	Not relevant
A1.4	Total non-hazardous waste produced and intensity	9.3.1. Reduce emissions
A1.5	Description of measures to mitigate emissions and results achieved	9.3.1. Reduce emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	9.3.1. Reduce emissions
A2 Use of resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	9.3. Promote green operation
A2.1	Direct and/or indirect energy consumption by type in total and intensity	Refer to “Key Performance Indicators”
A2.2	Water consumption in total and intensity	Refer to “Key Performance Indicators”
A2.3	Description of energy use efficiency initiatives and results achieved	9.3.2. Conserve resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	9.3.2. Conserve resources
A2.5	Total packaging material used for finished products and with reference to per unit produced	Not relevant
A3 Environment and natural resources		

General disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources	9.1. Develop green finance
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	9.1. Develop green finance
B1 Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	8.1. Favorable employment environment
B2 Health and safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards	8.2. Health and safety
B3 Development and training		
General disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities	8.3. Promote professional development
B4 Labor standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor	8.1. Favorable employment environment
B5 Supply chain management		
General disclosure	Policies on managing environmental and social risks of the supply chain	9.4. Stick to green purchase
B6 Product responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations	5.1 Comprehensive finance

	that have a significant impact on the issuer, relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	5.2 Inclusive finance 5.3 Intelligent finance 5.4 Safe finance 6. Intimate service
B7 Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering	5.4.2 Implement clean governance
B8 Community investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	7. Contribute to the Society 9.5. Public welfare activities promoting green concept

11. Readers Feedback Form

Thank you for reading the “Huishang Bank Corporation Limited 2017 ESG Report”. In order to provide more valuable information to the Bank’s stakeholders and improve its ability and level of fulfilling social responsibilities, the Huishang Bank would welcome any feedback or suggestions you might have about this report.

You can send this form to any of the following:

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Mailing address: Block A, Tianhui Mansion, No.79, Anqing Road, Hefei City, Anhui Province, the PRC

1. How would you rate your opinion of the Huishang Bank Corporation Limited 2017 ESG Report?

Very High High Neutral Low Very Low

2. How would you rate your opinion of the economic, social and environmental responsibilities of the Huishang Bank?

Economic responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Social Responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Environmental responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low

3. Please rate the effectiveness of this Report in reflecting the economic, social and environmental impact the Huishang Bank has brought about through its social responsibility practices?

Excellent Good Fair Poor Terrible

4. How would you rate your opinion of the clarity, accuracy and completeness of the information, data and indicators this Report has disclosed?

Clarity	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Accuracy	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Completeness	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low

5. Do you find this Report in easy-to-read contents and formatting?

Yes Neutral No

6. Feel free to share any comments or suggestions you may have on the Huishang Bank and this Report:



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