

Huishang Bank Corporation Limited

2016 Environmental, Social and Governance Report



Table of Content

1. Information about this Report	2
2. Leaders' message	3
3. Key Performance	6
4. Company Profile	7
4.1. BRIEF INTRODUCTION	7
4.2. CORPORATE GOVERNANCE.....	8
4.3. RISK MANAGEMENT.....	10
4.4. RESPONSIBILITY MANAGEMENT	15
4.5. AWARDS AND ACCOLADES IN 2016.....	18
5. Economic Responsibilities	20
5.1 PROPEL ECONOMIC DEVELOPMENT	20
5.2. SERVE SMALL AND MICRO ENTERPRISES	22
5.3. PRACTICE INCLUSIVE FINANCING	25
5.4. GUARANTEE SHAREHOLDERS' RIGHTS AND INTERESTS.....	27
5.5. COMPLIANCE WITH THE LEGAL AND SUPERVISORY REQUIREMENTS	28
6. Customer Services	37
6.1. HIGH-QUALITY CUSTOMER SERVICES	37
6.2. SAFE SERVICE ENVIRONMENT.....	42
7. Contribute to the Society	49
7.1. THE BANK'S WELFARE BRAND	49
7.2. PRACTICE TARGETED POVERTY RELIEF	50
7.3. SUPPORT CULTURAL AND SPORT UNDERTAKINGS.....	52
7.4. PUBLICIZE FINANCIAL KNOWLEDGE	52
7.5 FLOOD-FIGHTING.....	55
7.6. INTENSIVE INVOLVEMENT IN PUBLIC WELFARE EVENTS	55
8. Staff Care	58
8.1. FAVORABLE EMPLOYMENT ENVIRONMENT	58
8.2. HEALTH AND SAFETY	63
8.3. PROMOTE PROFESSIONAL DEVELOPMENT.....	67
9. Going Green	72
9.1. DEVELOP GREEN FINANCE.....	72
9.2. EXPAND GREEN CHANNELS.....	73
9.3. PROMOTE GREEN OPERATION	76
9.4. STICK TO GREEN PURCHASE	78
9.5. PUBLIC WELFARE ACTIVITIES PROMOTING GREEN CONCEPT	79
10. ESG Reporting Guide	81
11. Readers Feedback Form	82

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.

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 of 1 January to 31 December 2016. 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 Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited (HKEx), 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

The year of 2016 was the kick-off of the 13th Five-Year Plan. The Bank has made the impressive achievements in our reforms and development in 2016. Against the backdrop of complex economic and financial situation and burdened with the arduous and complicated task of transformation and development, the Bank has worked hard to lay a solid foundation for development, intensified efforts to prevent and control mounting risks, and maintained stable quality of assets. On top of that, it facilitated the generation of new momentum, leveraged credit loans in a coordinated way, and helped bolster economic performance. Efforts have also been made to improve customer experience on an ongoing basis, reinforce O2O interactions and connections, and ceaseless extend its service chain. Committed to fostering rural and urban civilization, it continues to boost eco-development and inclusive finance, which will in turn bring public good in an all-round and tangible way.

Where the public place expectation lies the responsibility. The Bank held a leading position among urban commercial banks in terms of key indicators in 2016. The Bank's net profit stood at RMB6.996 Billion, and its growth rate, return on equity, return on asset, year-end capital adequacy ratio and non-performing loan ratio are 12.62%, 15.63%, 1.01%, 12.99%, and 1.07%, respectively.

The Bank upholds responsibility and morality, and strives to generate new momentum to economic growth. The Bank stepped up efforts to build the corporate governance system, study and understand the spreading and evolving pattern of all sorts of risks under the "new normal", and accelerate the full implementation of business transformation strategy; the Bank took the initiative to adapt to, understand and lead the new normal economic development, pressed ahead with supply side structural reforms, sought to uplift economic growth and quality, and opened up new dimension for development on an ongoing basis by accelerating the renewal of momentum; the Bank's brand was enhanced due to its brand building strategy: it is among the first batch of urban commercial banks eligible to join the "Leadership" programme under the aegis of the China Banking Regulatory Commission, and among the Banker's ranking of Top 1000 World Banks, occupying the 188th place world-wide and 24th nation-wide.

The Bank strives to discharge its responsibilities and promote the construction of eco-civilization. The Bank endeavored to translate environmental appeals into financial utterance, fully leveraged its role in financial resources allocation, explored effective connections between economic development and green finance, propped up energy conservation, emission mitigation and carbon reduction programs, and injected capital and market vigour into ecological economy; by giving full play to the essential role of green finance initiatives, the Bank harnessed Internet technologies, integrated applications and other innovative practices as new patterns and methods to serve real economy; the Bank cemented the consensus on green and low-carbon development, catalyzed the shaping of green development mode and life style, thus actualizing its business objectives and sustainable development in a scientific manner.

The Bank maintains a good grasp of the notion of responsibility and explores new pattern of interconnectivity. The Bank introduced Internet financial brands, upgraded development strategies, and constructed a comprehensive Internet financial framework with “Hui Chang You Cai (徽常有財)” direct banks at the core incorporating financial services, E-commerce and social life; the Bank adopted a business mindset focused on financial customers, harnessed the advantages of physical channels in terms of customer instruction, knowledge dissemination, protection of rights and interests etc., accelerated the intelligent transformation of offline outlets, pushed ahead the construction of Hui Yin E-life business districts which offer amenities, entertainment and convenience, and created the “Finance + Commerce” eco-environment, aiming to provide the public with financial services that are closely connected to people’s daily life.

The Bank keeps its commitment to responsibility and responds to stakeholders’ new expectations. To promote the concept of beneficence, the Bank built the brand “Ai Sa Jiang Huai” centered on elderly care, poverty alleviation, student aid, and disaster relief etc.; it ceaseless practices the new philanthropic mode of “Equipping a Man with Techniques” which helps support small/micro industries and mitigate rural poverty at the same time, and encourages women to start up their own businesses; it upholds humanism and cares about the physical and mental health of its staff. The Bank runs the Huiyin Academy and provides better

plans and trainings for their professional development and ability building, so as to realize the ideal of common development of the company and the staff.

New normal economic conditions entail new finance and new practices. Entering into the year of 2017, the Bank will stick to the five development credos of innovation, coordination, greenness, openness and sharing, bear wider vision and aspirations, hold higher ground, and shoulder more responsibilities in its march towards success step by step. The Bank will bring more benefits to the public by giving ear to the public, pooling collective wisdom and improving their livelihood; it will leverage new advantages and momentum generated from its own development, create more values, improve service quality and elevate the level of inclusion, so as to boost economic performances under new normal conditions as well as usher in a new epoch of social harmony and progress.

The Chairman of the Board of the Huishang Bank Mr. Li Hongming

The President of the Huishang Bank Mr. Wu Xuemin

3. Key Performance

Areas	KPIs	Unit	2016	2015	2014
Economic Performance	Total assets	In RMB 100 million	7,547.74	6,361.31	4,827.64
	Business revenue	In RMB 100 million	209.18	169.77	127.48
	Net loans and advances	In RMB 100 million	2,693.36	2,374.28	2,147.34
	Shareholders' equity	In RMB 100 million	531.83	423.45	365.53
	Profit after tax	In RMB 100 million	69.96	62.12	56.76
	Return on average assets	%	1.01	1.11	1.31
	Non-performing loan ratio	%	1.07	0.98	0.83
	Provision coverage ratio	%	270.77	250.49	255.27
Social Performance	Capital adequacy	%	12.99	13.25	13.41
	Small and micro-enterprise loans	In RMB 100 million	1,293.44	1,118.63	956.02
	Balance of agro-related loans	In RMB 100 million	466.6	376.67	352.62
	Customer satisfaction	%	90.08	89.01	88.23
	Total number of employees	/	8,957	7,647	6,697
	Ratio of female employees	%	52.67	53.25	53.98
	Training expenses per employee	yuan	4,062	3,989	4,085
	Assistance funds to troubled employees	In RMB 10 thousand	22.3	14.1	14.1
	Total number of outlets	/	392	338	250
	Total number of county outlets	/	142	62	62
	Automatic services machines	/	2,235	1,848	1,515
	Number of corporate online banking customers	In 10 thousands	11.58	9.27	7.3
	Number of phone banking customers	In 10 thousands	173.6	138.37	103.14
	Number of mobile banking customers	In 10 thousands	131.3	66.4	32.59
Number of personal online banking customers	In 10 thousands	219.49	161.69	131.52	
Environmental Performance	Headquarter water use	In 10,000 tons	7.15	4.1	3.5
	Headquarter electricity use	In 10,000 KWh	597.1	597.1	587.7
	Headquarter gas use	In 10,000 m ³	29.4	32.6	30.9
	Number of Bank-wide video conference	/	177	228	161

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. 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



The Huishang Bank building

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.

As at the end of December 2016, the Bank had a registered capital of RMB11.05 billion and 8,957 employees; besides headquarters, we had 17 branches, 392 operations (including 4 branch sales departments and 388 sub-branches), and 667 self-service zones (points); 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.

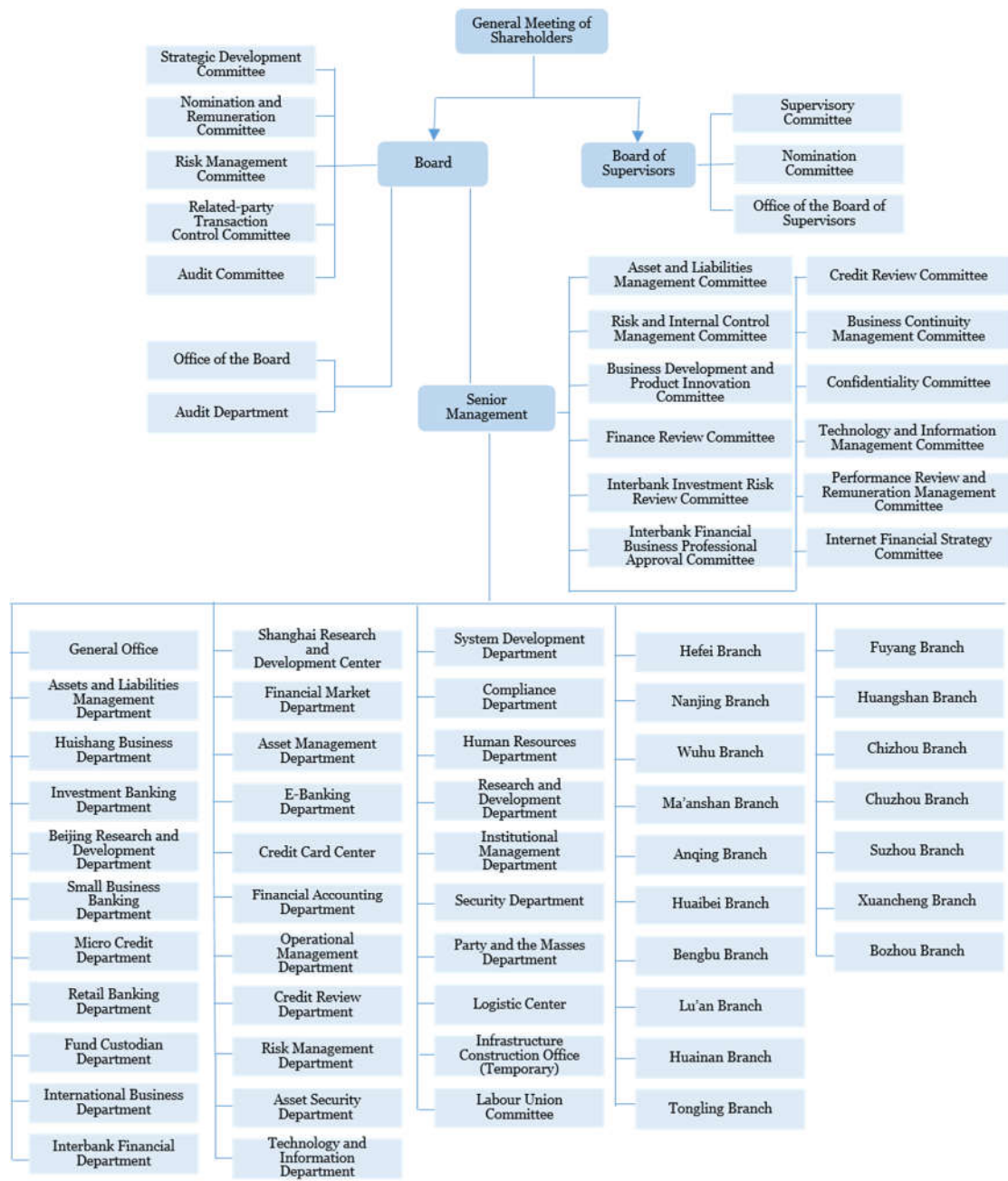
Since inception, by maintaining its market position as a bank “serving the local economy, serving small and medium enterprises (“SME(s)”) and serving the general public”, the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency, thus building up a good social image of the “local bank”, the “people’s bank” and the “SME bank”, and becoming a regional commercial bank that is more well-known and has considerable

influence in Anhui Province and even in the banking industry across China. It has gained recognition of the provincial Party committee, provincial government and banking regulators, and universal praise from the society, evidenced by repeated accolades of Outstanding Contribution Award and the Best Contribution Award from the People's Government of Anhui Province Award for its efforts in facilitating local economic development; it has been ranked the second class bank by the CBRC for consecutive years since the year of 2008, and gained access to the CBRC Urban Commercial Bank "Leadership" programme among the first batch in 2015; it retains a firm grip on its position in the Banker's ranking of "Top 1000 World Banks" and moved up 3 places to the 188th world-wide in 2016; it showed up on the 311th place on Fortune China's Best 500 2016 list, 52 places up the ranking compared to that of last year.

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 AGM, the Board of Directors, the Board of Supervisors and senior management, constantly improving the Bank's decision-making, execution and supervision mechanism so as to ensure the independent operation of various parties and an effective check and balance.



The Corporate Governance Structure

Areas	Milestone
General Meetings of Shareholders	In 2016, the Bank held the 2015 General Meetings 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 2016, the Bank held 5 Board meetings and discussed 57 proposals and reports such as Proposal of Issuing New Shares Under General Mandate of the Huishang Bank Corporation Limited, the Internal Control Assessment Report of the Huishang Bank Corporation Limited, and Proposal of 2017 Institutional Development Plan of the Huishang Bank Corporation Limited, 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 18 meetings when major resolutions were discussed such as internal audit reports and material related party transactions.
Board of Supervisors	In 2016, the Bank held 7 meetings when 28 proposals were reviewed and adopted including the Proposal of Selecting the Chairman of the third Board of Supervisors of the Huishang Bank Corporation Limited, 2015 Annual Report, 2015 Evaluation Report on Duty Performance of the Board of Directors and Directors by the Board of Supervisors and 2015 Evaluation Report on the Duty Performance of the Senior Management and its Members by the Board of Supervisors. 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 2015 annual audit report, 2015 annual internal control self-evaluation report, and 2015 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 2016, the Bank endeavored to examine and follow macro financial situation and policy changes and make steady progress in developing overall risk management system based on yearly risk appetite, risk management policy and the risk philosophy of “prudent, rational and stable”. Continuous upgrade of risk management structure, policies, processes and tools, and properly-balanced capital-risk-profit relation enabled the Bank to maintain solid asset quality

against the backdrop of complexed economic situation, with relevant indicators consistently performing regulatory requirements.

4.3.1 Credit Risk Management

Faced with complicated economic situation and mounting credit risk control pressure in 2016, the Bank has reinforced the employment of risk alert tools and credit limits, performed comprehensive risk identification and on-site inspection and monitoring, and continually strengthened credit risk control based on overall risk management and focused on prudent asset quality. The Bank has enhanced risk forecast & warning tools and exit mechanism, increased the depth and width of industrial research, refined credit loan standards, and performed real-time monitoring and warning on key industries including those facing supply glut (such as real estate, coal, and coal trading), wholesale, and retail, etc., and prevented spillover effect of external risks from securities market and trade financing etc.; strictly implemented national industrial policies pertaining to industrial overcapacity and environment; continually strengthened the design ability of credit approval related risk mitigation, improve loan disbursement methods, and upgraded credit structure; reinforced post disbursement management of highly risky loans, managed the key lender list regime in a real-time manner, formulated targeted coping solutions to potentially risky loans to resolve risks proactively; intensified non-performing loan cash clearing, sharpened its ability to deal with risky loans, expedited the disposal of non-performing loans through diverse channels and approaches, liquidated surplus assets and optimized credit structure.

4.3.2 Market risk management

In 2016, to cope with complexed external environment, the Bank endeavored to improve market risk management methods, further sort out market risk management processes, and optimize treasury business risk management system; to push ahead routine market risk management, make integrated use of various tools and methods including cash flow analysis, sensitivity analysis, scenario analysis, value at risk (VAR) analysis and stress tests, etc., and impose stringent market risk limits, perform thorough interest rate stress tests, further elevate market risk measurement and control abilities, thus effectively avoiding market risks.

4.3.3 Operational risk management

In terms of operational risk management, the Bank sticks to the philosophy of supervision and regulation, maintains an operational risk management regime compatible to the Bank's business nature, size and complexity, follows a whole set of management processes, adopts proper measurement methods to measure the Bank's requirements for risk asset operations and makes continuous enhancement thereof.

In terms of organizational structure, the Bank established a "three-level" operational risk management structure incorporating headquarters, branches and sub-branches based on "before-during-after three-line defense" system. With regard to management processes, the Bank constructed a complete management cycle integrating operational risk identification, assessment, monitoring, control/mitigation, reporting and supervision/evaluation and a set of information system-based operational risk management processes.

The Bank made vigorous efforts to improve rules and regulations pertaining to operational risk management and upgrade operational risk management mechanism; to make progress in building operational risk management system, employing three major tools of operational risk management, and push operational risk management to a more refined level; to perform periodic monitoring, alert and reporting on key operational risk indicators, perform full risk assessment, conduct special risk screening targeting key areas and key operational risk occurrences and prepare typical operational risk cases to reinforce staff's risk prevention awareness. On top of that, the Bank further strengthened information technology (IT) risk management, and performed regular IT special assessment to ensure safe and continuous services of the IT system.

4.3.4 Liquidity risk management

The Bank sticks to the principle of "prudent, rational and stable" in terms of liquidity risk management, and makes proper adjustment of the size and structure of assets and liabilities according to changing market conditions and business development needs. The Bank, while preserving the availability of adequate liquidity, seeks profit increase and value growth so as to achieve the unification of liquidity, safety and profitability of the bank treasury.

In 2016, the Bank paid close attention to liquidity management stress brought by changing economic and financial situations and took the following measures to further refine the liquidity

management: first, balance the development of asset and liability businesses, and make real-time adjustment of liquidity management strategies and treasury liquidity; second, reinforce management of liquidity indicators, enhance liquidity risk identification, monitoring and measurement, and improve liquidity management capabilities; third, intensify liquidity emergency management, formulate proper stress scenarios according to external environment, deter liquidity risks under any stress scenario or within the shortest surviving period, and follow contingency plans to prevent occurrences of liquidity risks and contain the spillover effect thereof.

4.3.5 Interest rate management

The Bank adjusts bank portfolio time horizon according to the results of the assessment on potential changes in interest rate environment thus managing the interest rate risk exposure. The currency for the Group'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 2016, 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

Throughout the year of 2016, the Bank performed well in its reputation risk management with no occurrences of reputation risks, evidenced by desirable media relations, good press, frequent exchange and zero unfavorable public opinions.

In preventing and controlling reputation risks, the Bank put premium on positive publicity externally and strengthened reputation risk management internally. In the event of encounters with information that was misleading or likely to spark speculation, it managed to avoid potential reputation risks by maintaining positive interaction mechanism where it took quick reaction to communicate with the media, as well as respected the truth and media's freedom to gather information.

4.3.8 Compliance risk management

In 2016, 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", and "the Year of management improvement" 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

The Bank attaches great importance to anti-money laundering and strictly follows applicable laws and regulations pertaining to anti-money laundering so as to prevent and control money

laundering activities as well as propel Bank-wide anti-money laundering efforts. For detailed anti-money laundering management, please see 5.5.1 Anti-money laundering below.

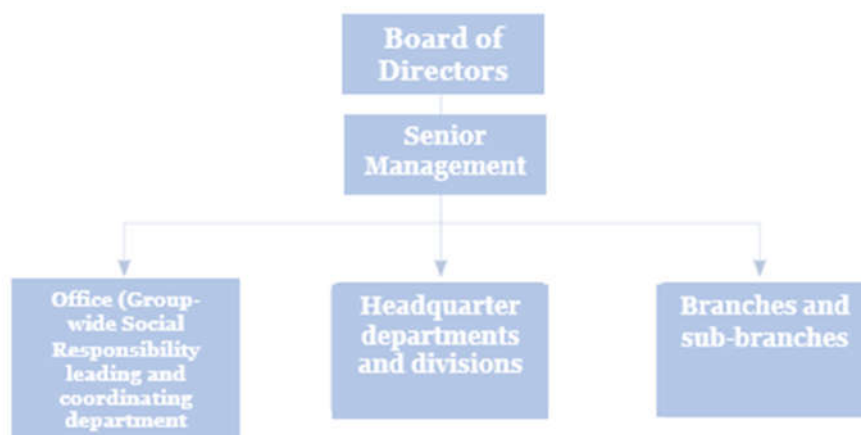
4.3.10 The implementation progress of the Basel Concordat

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 focuses on the first pillar of the three risk measurement.

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 department/ 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.



Social responsibility management structure

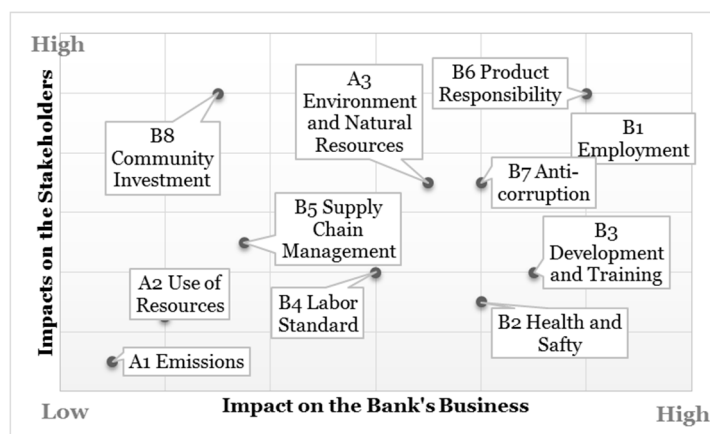
4.4.2 Shareholder Communications

Shareholders	Communication mechanism	Shareholders' expectations	The Bank's response
Governments	<ul style="list-style-type: none"> ▪ Regulatory documents ▪ Work report ▪ On-site inspection ▪ Off-site supervision 	<ul style="list-style-type: none"> ▪ Implement national economic policies ▪ Support real economy ▪ Serve small and micro enterprises ▪ Increasing 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 supervision 	<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; honest operation ▪ 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 ▪ Daily communication 	<ul style="list-style-type: none"> ▪ Continuous and reasonable Return on Investment ▪ Thorough, timely and accurate information disclosure ▪ Good corporate governance 	<ul style="list-style-type: none"> ▪ Achieve good business performances ▪ Thoroughness, timeliness and accuracy ▪ Disclose information ▪ Promote corporate governance
Customers	<ul style="list-style-type: none"> ▪ Product promotion and introduction ▪ 4008896588 customer services center 	<ul style="list-style-type: none"> ▪ Diversified products ▪ Diverse service channels ▪ Improving services quality ▪ Effective protection of consumers' rights and interests 	<ul style="list-style-type: none"> ▪ Create diverse financial products ▪ Promote the establishment of services 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"> ▪ Ensure 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 and 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
Communities	<ul style="list-style-type: none"> Financial community services Financial knowledge dissemination Community public welfare activities 	<ul style="list-style-type: none"> Common community development Harmonious community relation 	<ul style="list-style-type: none"> Create diverse financial products Disseminate financial knowledge Establish harmonious community environment Charity and public welfare abilities
The public and media	<ul style="list-style-type: none"> Media information disclosure Public welfare activities 	<ul style="list-style-type: none"> Open and transparent information disclosure Comprehensive and effective corporate citizen responsibility fulfillment 	<ul style="list-style-type: none"> Practice inclusive financing, and service public livelihood Practice low-carbon finance, and promote green development Practice harmonious finance and elevate public good
Environment	<ul style="list-style-type: none"> Business activities Environmental activities Policy information disclosure 	<ul style="list-style-type: none"> Green financial services Continuous reduction of energy consumption and carbon emission Active environmental protection 	<ul style="list-style-type: none"> Develop green credit loans Improve green services Promote green operation Involve in green public welfare undertakings

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 11 aspects, discloses them in this report and give response.



4.5. Awards and accolades in 2016

Month	Honors	Raters
January	Granted the Outstanding Security Dealing Company Award and the Outstanding Issuer Award	China Central Depository & Clearing Co., Ltd
March	Won the first place in Assessment of Statistics and Investigation of Financial Institutions of Hefei Anhui	PBOC Hefei Central Sub-Branch
March	Rated Class A in the rating of anti-money laundering supervision in 2015	PBOC Hefei Central Sub-Branch
March	Rated as Class A Savings Bonds Underwriter	People's Bank of China Hefei Central Sub-Branch
March	Ranked top in the 2015 assessment of the operation and maintenance of direct actors in the payment system	People's Bank of China Hefei Central Sub-Branch
April	Honored one of the Class A Anhui Banking Institutions Implementing PBOC Regulations	People's Bank of China Hefei Central Sub-Branch
April	Honored the title of 2015 top Trade Enterprise Partner Bank	China Banking Association
April	Honored the 2015 Model Unit for Bank Card Innovative Payment Business	Anhui Bank Card Innovative Payment Commission
April	Honored the title of 2016 China Top City Commercial Investment Bank in 2016	Securities Times
May	Granted China Banking Financial Advisor Best Compliance Award	China Banking Association
July	The Bank's Customer Service Center obtained the ISO9001:2008 quality management system certification	International Organization for Standardization
July	Ranked fourth in the overall ranking of the 2016 city commercial banks steady development capacity 'GYROSCOPE' evaluation system	China Banking Association
July	Honored 2016 Best Services Innovation Bank Award	China Asset Management Gold Shell Award
July	Granted the 2016 China Financing Sector Most Innovative Project Award	International Data Corporation
October	Occupied the first place in the assessment of national savings bonds underwriters	PBOC Hefei Central Sub-Branch
October	Won the first place of the banking sector in the fourth Resident Satisfaction Survey of Ten Services Sectors in Anhui Province and	the Anhui Provincial Condition Research Society and Anhui Social Development Research Center

	the title of the Residents' Most Satisfied Bank”	
November	Won the title of 2016 Online Business Innovative City Commercial Bank	21st Century Business Herald
December	the Bank's chairman Li Hongming won the title of 2016 China Social Responsibility Outstanding Figure Award	Social Responsibility Charitable Ceremony and the 9 th Corporate Social Responsibility Summit
December	The Bank's Huangshan credit card was ranked as the Annual Most Popular Credit Card of Anhui Province	the 4 th Anhui financial sector overall ranking in 2016
December	Won the title of 2016 Employers with Highest Growth Potential of China	Zhaopin and Social Survey and Research Center of Peking University

5. Economic Responsibilities

With close attention to public demand for financial services in various social areas, the Bank is committed to pushing socio-economic reform and development and contributing to the improvement of people's livelihood by ensuring equal access to and share of financial resources, thus building an equal, harmonious and prosperous society. The Bank has been ceaselessly improving the financial products and services system for small and micro enterprises, aiming to accelerate their stable and healthy development. Great efforts have also been made to promote inclusive finance and provide different groups with proper and effective financial services, so that the huge boon of financial services can trickle down to a wider public, thus propelling the social wellbeing to a higher level.

5.1 Propel Economic Development

The Bank enjoys a unique geographical advantage with the headquarter being the only legal person. While maintaining compliance with laws, regulations and policies, it makes continuous efforts to intensify collaboration with local government in setting up government funds for projects under construction.

The Bank paid special attention to government's investment and financing mechanism reform in Public-Private Partnership (PPP) area and developed PPP Quanchengtong Series products by demands research, product innovation and integrated application of financial instruments so as to encourage and guide social investors towards PPP projects. The Bank pooled professional resources including advisory, law, accounting, engineering etc., to provide professional services throughout the processes from identification, implementation to procurement, execution and transfer, so as to provide local government with boost to PPP projects and the availability of comprehensive financial services. In 2016, the Bank established Anhui provincial PPP guiding fund and PPP industrial alliance with the support of Anhui Provincial Government, with a total registration size of RMB50 billion. The Bank takes advantage of the provincial PPP fund and the PPP industrial alliance to offer comprehensive financial services including fund, loans, letter of guarantee, supply chain, retail, capital securitization etc., so as to provide comprehensive financial services for the whole duration and life circle of PPP projects, and ultimately create a governmental brand image of comprehensive financial service.

To cater to new demands from the corporate customer under the new situation, the Bank introduced fund cooperation modes such as the urbanization fund, industrial development fund and small-and medium sized enterprises Profit Yielding development fund. The



The founding ceremony of Anhui urbanization PPP fund and PPP industrial alliance

urbanization fund is used for replacing outstanding debts of local governments, accounts payable and other public service areas supported by the nation while the industrial development fund and small-and medium sized enterprises Profit Yielding development fund for supporting the development of small-

and- medium sized enterprises and relevant sectors. As of the end of the reporting period, the urbanization fund businesses the Bank invested and involved in had a total size of RMB131.225 billion.

Case: The Bank attended the 2016 China Anhui (Hefei) Agricultural Industrialization Trade Fair

On 9 September 2016, the Bank President Wu Xuemin attended 2016 China Anhui (Hefei) Agricultural Industrialization Trade Fair and the head of headquarter’s Small Business Banking Department alongwith relevant staff of Huaibei branch and Bozhou branch were present at the Bank’s exhibition and bank-business signing ceremony. 2 programs were agreed upon between the duck industry program of Anhui Qiangying Duck Group Co., Ltd and Bozhou branch, as well as the agricultural industrialization program of Huaibei branch and Anhui Xiqiang Dairy Group Co., Ltd, worth RMB197 million in the aggregate. The vice provincial party chief and acting provincial governor Li Guoying visited the Bank’s exhibition booth and learnt about how the Bank had supported agricultural development in recent years as well as its major products and service modes.



Agricultural Industrialization Trade Fair during the 2016 Agricultural Industrialization Trade Fair

Case: The Bank attended the 2016 Government-Bank-Underwriter-Business Fair of Anhui Province (the north chapter)

Present at the 2016 Government-Bank-Underwriter-Business Fair of Anhui Province (north chapter) on 24 November 2016 were the Bank's chairman Li Hongming and vice president Zhang Youqi alongwith heads of

headquarter's Corporate Banking Department, Micro-Enterprise loans Department and 8 branches of the north chapter. The Bank's 8 north chapter branches signed 12 programs worth RMB16.6 billion in total. After the opening ceremony, Wu Cunrong, the Member of the Standing Committee of CPC Anhui Provincial Committee



Wu Cunrong, the Member of the Standing Committee of CPC Anhui Provincial Committee and vice-governor visited the Bank's exhibition booth

and vice-governor, visited the Bank's exhibition booth, read foldout posters and promotional materials of the Bank's financial products, and expressed great appreciation for the Bank's efforts in innovative economy and supports for the development of real economy.

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 in 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 a timely and full 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.

5.2. Serve small and micro enterprises

The Bank puts great emphasis on small and micro enterprises as their healthy and long-term development is of great importance to the nation's stable and continuous economic growth. Small and micro businesses have become the Bank's traditional competitive business and its

professional, processed and standardized services have been highly spoke of by customers. It boasts the most small-and-micro business loans balance and new added loans for years in a row locally, living up to its reputation of the Bank for Small Enterprises.

To better serve small-and-micro enterprises, the Bank has issued two special securities for small-and-micro enterprises totaling RMB15 billion in March 2013 and August 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 2016, the Bank's small-and-micro enterprise securities had a balance of RMB12.2 billion, which were all lent to small-and-micro enterprises.

Top on the agenda of the Bank was the optimization of traditional loans in 2016. For existing key personal business loans, it issued the Notice on Further Regulation of Personal Business Loans, and Operating Procedures of Huidaitong Business of the Huishang Bank with several headquarter departments and divisions including the Risk Management Department, the Credit Review Department and the Compliance Department based on thorough survey and summary of experience, in order to regulate and optimize business access, forms of underwriting, business procedures, operating standards, etc.

Following was its key fist products. It customized the loan products of Youpudai (High-quality shop mortgage loans) and Youzhaidai (High-quality house mortgage loans) for high-quality customers and mortgage assets, and tailored the Microloans-Card with the functionality of self-service borrowing and repayment for small and micro customers needing faster access to capital. As at the end of December 2016, 17 branches of the Bank made loans of Youpudai totaling RMB1.012 billion. Youzhaidai and Microloans-Card loan system went live on 9 September with RMB110 million of Youpudai loan balance and 43 loans of Microloans-Card aggregating RMB3.95 million.

Thirdly, exploration and development were performed with respect to new agro-related products. Catering to the needs of major farmers and breeders, agricultural cooperatives, and small and micro rural businesses, it customized the Huinongdai (Anhui Agricultural Loans) Series of business loan products for rural market, including Golden Corn & Crop Agricultural Loans, Golden Fruits & Vegetables Loans, Golden Husbandry Loans, and Golden Business

Loans. It formulated the Measures for the Management of the Management of Farmer Home Mortgage of the Huishang Bank (Trial) and the Interim Measures for the Management of Rural Land Mortgage of the Huishang Bank subject to requirements of provincial government, PBOC and banking regulators as well as documents issued by the state council and further enriched its agro-related product system. As at the end of December 2016, the “Huinongdai” series increased RMB545 million against that of the beginning of the year, which was of effective support for the development of agro-related economy and won unanimous praise from local government, regulators and “agriculture, farmer and rural area” related customers.

Case: Fishery Loans

The Huailin Town of Chaohu is the largest fish net manufacturing base nation-wide, thus the name of the Best Fish Net Town of China. In a bid to provide financial solutions for local fish net manufacturers (including weavers, wire drawers and traders), the Bank rolled out the Fishery Loans credit business based the features of local industries and operations, enabling group credit extension to local businesses, uncollateralized and unsecured loans, and fast approval and payment. It has won universal praise from local fish net businesses.



A fish net manufacturer customer

Case: Nongzidai Loans(Agricultural Materials Loans)



A produce business customer

Hefei Zhougudui is a comprehensive farm produce wholesale market housing 1,000-odd businesses, most having no access to finance from banks due to small business scale, the state of running under lease with a glut of inventory, plus lack of collaterals or underwriters. Having conducted a thorough market survey and understood business needs, the Bank introduced the unsecured and uncollateralized “Nongzidai” Loans (Agricultural Materials Loans) timely based on the business feature of being small and scattered. Boasting simple procedures, efficient approval and fast payment (three days at the soonest), the “Nongzidai” loans has earned universal recognition of businesses in this market as it effectively satisfies the financial needs of businesses to make seasonal purchase of agricultural and sideline products and helps expand their business scale and increases revenues.

5.3. Practice inclusive financing

The Bank is invariably committed to providing people of various social classes and groups with inclusive financing services focused on public utilities services, issues related to agriculture, farmer and rural area, and strategic infant industries etc. It strives to make effective and comprehensive financial fruits accessible to the public and help narrow 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 socio-economic development. To push ahead the development of inclusive financing in rural areas, the Bank has been acting as a catalyst for the inclusive financing development 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. With a series of innovative measures taken, the county saving balance has enjoyed an RMB9.978 billion increase to RMB24.064 billion from 2014 (when the pilot began) to the end of 2016 , 2.4 times that of the beginning.

Case: Launch of the Bank’s “Huinong” Inclusive Financing Brand

Launch of Huishang Bank “Huinong” Inclusive Financing Brand and Micro Loans Products took place in Anhui Restaurant in Hefei Anhui on 26 January 2016, when the Bank’s Inclusive Financing Brand “Huinong” made its first appearance. The Bank availed itself of this launching event to demonstrate and publish the brand’s name, image and products, as well as six core products and channels, i.e. “Huinong Sub-Branch”, “Huinong Services Office”, “Huinong Card”, “Huinong Dai”, “Huibong Bao”, “Huihong Tong” as its sub-brands. With the vision of “Leveraging inclusive financing to serve agriculture, farmer and rural area”, the brand is the Bank’s agro-related inclusive financing system in miniature aiming to “enable benefits to trickle down to rural areas”.



Launch of Huishang Bank “Huinong” Inclusive Financing Brand

As of the end of 2016, the Bank has 61 county sub-branches, 81 Huinong sub-branches, and 123 Huinong Financial services offices. Huinong Financial services offices are mainly distributed in 13 branches in Hefei, Wuhu, Ma'anshan, Bengbu, Fuyang, Liu'an, Huainan, Huaibei, Tongling, Xuancheng, Chizhou, Chuzhou, and Suzhou. From January to December 2016, it completed



Equipment in Inclusive financial service offices

43,468 various transactions, including 6,198 queries, 17,194 cash transfers, totaling RMB76.4341 million; 16,622 agro-related withdrawals, totaling RMB25.2062 million; 3,454 fee payments on behalf of customers, totaling RMB237,900; As an effective extension of the Bank's outlets, the Huinong financial offices can recommend high-quality customers to the Bank's Huinong sub-branches for agriculture-related preferential loans such

as the Huinongdai. Currently, the Bank's Huinong products of various types total 1,017 loans with RMB517 million of balance, covering 1,017 households. The Bank's Huinong financial services offices provide all sorts of comprehensive financial businesses and make it much more convenient for farmers to obtain modern financial services, which has yielded positive social benefits and earned praise of rural residents.

Catering to the positioning of rural inclusive financing and customer needs, the Bank introduced a series of rural inclusive financial products and functions including the Huinong Card, Huinongtong, Huinongdai, 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 December 2016, 796,000 Huinong cards have been issued, with RMB6.773 billion of balance and RMB8,600 of average balance; 264,600 inclusive deposit certificates have been issued with RMB14.867 billion of balance and RMB56,200 of average balance; the

Huinongdai loans have total balance of RMB0.517 billion, 7.6 times that of last year (RMB68.03 million).

Case: Huaibei Branch Five-Star Huinong Financial Services Office of the Qianlvlu Village



Five-Star Huinong Financial Services Office

On 13 December 2016, the Qianlvlu Village Huinong Financial Services Office of Huaibei branch, Liuqiao Town earned the name of Five-Star Huinong Financial Services Office and was awarded the plaque by PBC Huaibei Central Sub-Branch. This has further improved rural payment service environment, regulated the building and management of Huinong financial services offices within the jurisdiction, and showed an affirmative attitude towards Huaibei sub-branch's efforts in serving "agriculture, farmer and rural area" and improving rural payment service environment.

The Bank implements rural inclusive financial development strategy in compliance with the political guideline of all levels of governments, which are important measures the Bank has taken to effectuate national policy of achieving financial inclusion and better rural areas. By extending bank outlets to township and villages, it offers convenient and considerate modern financial services to financially disadvantaged groups in rural areas.

5.4. Guarantee shareholders' rights and interests

In 2016, 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 2016, the total assets of the Bank reached RMB754.774 billion at a growth rate of 18.65% compared to that of the beginning of the year; its net profit grew to RMB6.996 billion by 12.62% year-on-year. The Bank's non-performing loan ratio, capital adequacy ratio and provision coverage ratio was 1.07%, 12.99%, and 270.77% respectively and it maintained strong risk prevention ability. While maintaining its own sustainable development, the Bank strives to bring more benefits to shareholders by allotting

shares and cash bonus, etc., ensuring a stable return for shareholders. Since its inception in 2005, the Bank has allotted RMB9.656 billion of cash bonus in the aggregate.

In accordance with the resolutions passed at the 2015 Annual General Meeting held on 20 June 2016, the Bank paid an annual cash dividend for 2015 of RMB0.159 per share (including tax) in an aggregate amount of

RMB1,757 million (including tax), to all of its shareholders whose names appeared on the register of members on 29 June 2016. The Bank makes continuous efforts to reinforce investor relation management and maintain close communication with investors. It held analysts/investors promotion conferences for 2015 annual result announcement and 2016 interim results announcements in 2016, 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. The Bank has been continuously improving the preparation and publication of regular reports and special reports. In 2016, it published more than 30 announcements including 2015 annual result announcement, 2016 interim report and circular of the general meeting of shareholders.

5.5. Compliance with the legal and supervisory requirements

As a financial institution, the Bank 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



2016 Interim Results Announcement and analysts/investors promotion conference took place in Hong Kong on 31 August.

development, the Bank steps up efforts in its anti-money laundering and corruption actions as well as risk prevention and intellectual property right protection work whilst maintaining the ongoing growth of its business.

5.5.1. Anti-Money laundering

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.

The Bank strengthened customer ID identification mechanism in 2016. It made active efforts to promote the new customer ID identification mode, i.e., "One listen, two sees, three reviews and four asks", and encouraged employees to pay attention to abnormalities scenarios or suspicious issues when implementing ID identification processes including checking, understanding, registration, preserving, and examination, thus ensuring adequate customer screening; to practice innovative risk screening mechanism: it made real-time adjustment to key suspicious capital, and prepared a list customers needing special monitoring; it carried out money-laundering risk screening, tracked customer capital flow and capital chain based on transaction background, analyzed how customer identifies matched with their assets, businesses and financial status, so as to identify and report suspicious transactions; to deepen money-laundering risk governance mechanism: conducted continuous monitoring, regular

reviews, and re-identification of customer ID, as well as set trading limits and shut online-banking transfer function etc., to control risks, thus building the firewall against money-laundering risks.

The Bank has been active in the educational preparation for performing anti-money laundering work. It accords the levels and contents of anti-money laundering trainings with specific job positions and continually increases employees' sense of responsibility and business skills concerning anti-money laundering. With a view to circulating anti-money laundering knowledge and elevating the anti-money laundering awareness of its staff and the general public as well, it launched a corporation-wide anti-money laundering campaign with the theme of "Prevent Money Laundering Activities, Combat Money Laundering Crimes, and Preserve Financial Order", structured with anti-money laundering training courses, quiz, and lectures, to name only a few, according to the requirements set out in the Announcement of the People's Bank of China on Commemorating the 10th Anniversary of the Adoption of the Anti-Money Laundering Law of the People's Republic of China.



Hefei branch anti-money laundering training



Chizhou branch anti-money laundering speech contest



Anqing branch anti-money laundering quiz

In its creative promotion of anti-money laundering in 2016, the Bank stressed both promotion forms and effectiveness and adopted a way close to people's life and easy to accept, so as to score larger campaign coverage and better promotional effects.

Leverage outlet promotion

- Centered on the theme of the year, adopted various means including displaying promotional data, playing outlet electronic screen subtitles, putting up promotional posters etc., to campaign anti-money laundering to customers.
- Outlets with LED screens played anti-money laundering cartoon videos repeatedly to further familiarize the public with relevant regulations.

Leverage outdoor promotions

- the Bank made active efforts to promote anti-money laundering in squares, townships, villages and schools, to give boost to the popularity of anti-money laundering knowledge among the public, which gained attention and welcome from the public.

Anti-money laundering in a creative and featured way

- opened an anti-money laundering column in the Bank's WeChat public account; prompted the public to beware of internet money laundering traps by self-service machine lock screens, mobilephone messages, WeChat Eqixiu etc.;
- disseminated anti-money laundering knowledge to the public in an easy-to-understand way by face-to-face communication between customers and the featured robot "Man";
- created the anti-money laundering sitcom "White War" to disseminate anti-money laundering knowledge in forms of art performances close to truth and life;
- organized customers to join the promotional event of anti-money laundering walk in sports square and recorded it to a video to be played on economic channels, which won wide appreciation.

Case: Commemorative campaign honoring the 10th Anniversary of the Adoption of the Anti-Money Laundering Law of the People's Republic of China

The Commemorative campaign honoring the 10th Anniversary of the Adoption of the Anti-Money Laundering Law of the People's Republic of China took place in the People's Square of Hefei under the aegis of the Bank on 26 October 2016. In spite of heavy rain that day, the event enjoyed a succession of citizens coming for consulting, which were answered earnestly by Anti-Money Laundering campaigning volunteers. This event helped raise public legal awareness and preventive mindset.



Commemorative campaign honoring the 10th Anniversary of the Adoption of the Anti-Money Laundering Law of the People's Republic of China

5.5.2. Crime Prevention

Subject to the crime prevention initiatives required of banking institutions, as well as the 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 formulated the Measures on Crime Prevention Management of the Huishang Bank to step up

the its crime prevention efforts, introduce and upgrade its crime prevention mechanism, and eventually preserve its safe and robust operation.

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. It averted 6 criminal risks and avoided financial loss of clients totaling RMB 320,000 in 2016.

Case: Hefei branch—educational event with the theme of “Uphold the party disciplines of integrity and enhance crime prevention and preparedness”



Educational event with the theme of “Uphold the party disciplines of integrity and enhance crime prevention and

On 8 December 2016, Hefei branch held an educational event with the theme of “Uphold the party disciplines of integrity and enhance crime prevention and preparedness” which saw attendance of 100 persons in charge from all units. It helped cadres to enhance the awareness of disciplines and crime prevention preparedness by encouraging to increase legal awareness, and alerted them not to breach the boundary or disregard laws, so as to perform duties in compliance with the legal and supervisory requirements.

5.5.3. Anti-Corruption

In this highly sensitive aspect for financial sector, the Bank sticks to maintaining its operation in compliance with legal and supervisory requirements, and views cleanness and self-discipline as the underlying principles it should adhere to. With a strong sense of responsibility and initiates, it gives priority to counter-corruption combat whilst ensuring full implementation, as well as skirts and resists unhealthy tendencies.

The Bank further reinforced its internal control management in 2016.

- Solidified the institutional foundation, updated relevant policies, revised the Interim Measures on Direct Bank Business Management of the Huishang Bank, Operating

Procedures of Business E-Bank of the Huishang Bank, formulated the Interim Measures on Direct Bank Business Management of the Huishang Bank, the Interim Measures on Direct Bank Online Loan Management of the Huishang Bank, the Interim Measures on Community Loan Management of the Huishang Bank and the Credit Insurance Peer-to-Peer Lending Operating Procedures of the Huishang Bank, etc.;

- Arranged inspection on E-banking business and further regulated the management of business operations;
- Fully implemented the requirements specified in the Announcement Concerning Issues of Reinforcing the Payment & Settlement Management, the Prevention of New Types of Telecommunication and Cyber Crimes of People's Bank of China, and the Announcement on Further Strengthening Bank Card Risk Management of People's Bank of China, and completed modification of electronic channels.

While the internal control reinforcement continues apace, the Bank implements various regulatory requirements about strengthening honesty and self-discipline by Chinese Communist Party Central Committee, provincial Party committee, and the Bank Party committee by advocating a frugal festival culture; tightening prevention and elimination of “the four key problems” of formalism, bureaucracy, hedonism, and extravagance; issuing announcements concerning honesty and self-discipline practices ahead of important holidays such as the Spring Festival, the Mid-Autumn Festival, the Labour Day , and the National Day, and sending reminders to headquarter general manager assistants and above and branch leadership via text messages and the like, and setting up whistle-blower hot-lines demonstrating its resolution to oppose festival profligacy. It also formulated the Regulations on Implementing the Accountability Regime of Improving the Party's Style of Work and Organizing and Coordinating the Work against Corruption and the Measures on the Assessment of the Accountability Regime of Improving the Party's Style of Work and Organizing and Coordinating the Work against Corruption of the Huishang Bank with a view to strengthening conscientiousness and responsibility concerning honesty and self-discipline. In addition, all levels of discipline inspection and supervision bodies earnestly fulfill respective supervisory duties, invariably underscore discipline and rules, and step up efforts in discipline

enforcement and accountability. For any wrongdoing of “the four key problems” in spite of the anti-graft campaign and insufficient supervision that result in undesirable implications and severe consequences, investigations will be carried out and violators will be held accountable and singled out by name, hence giving full play to the deterrent and warning role of supervision, discipline enforcement and accountability.

The Bank formulated the Measures on the Mandatory Vacation Management of Senior Executives and Staff of Key Positions of the Huishang Bank, and arranges mandatory vacations for some senior executives and staff of key positions according to work related needs while at the same time preserving robust business development and keeping risks under control. To make sure it’s random and improvised, which promises better implementation effects, no prior notices shall be sent to those are to be granted mandatory vacation. As from the date of receiving the notices of mandatory vacation, the powers and authorities of those concerned will go to provisional assignees and compliance examination will be conducted by the higher bank or relevant department. This policy adds to the reliability of the internal control system and the effectiveness of business and moral risks prevention of the Bank.

Case: Educational event on party style of work and anti-graft campaign

Party delegates of the party committee directly under the headquarter went to Lankao County in Henan Province for themed educational activities. All party members paid a visit to the Memorial Park of Comrade Jiao Yulu in the Lankao County and the Liushaoqi Memorial in Kaifeng during 11-12 September 2016. All party members obtained from these field trips deeper insights into the exemplary behaviors and stronger appreciation of the revolutionary spirits of Liu Shaoqi and Jiao Yulu, and were profoundly inspired and motivated.



visit to the Memorial Park of Comrade Jiao Yulu

Case: Tour to anti-corruption education base

To fully improve the Party's style of work and organize and coordinate the work against corruption, deepen the “Two Studies, One Action” education campaign, and further increase Party cadres and members’ awareness of honesty and discipline, the Discipline Committee of the Bank mobilized heads of branch departments and staff representatives who are also Party members totaling 78 of the headquarter to visit Party honesty education base in Anhui Province for this educative and warning event on 13 October 2016. Party members and executives were inspired and inwardly purified.



Educative and warning event in Anhui anti-corruption education base

5.5.4. Lawful Brand Publicity

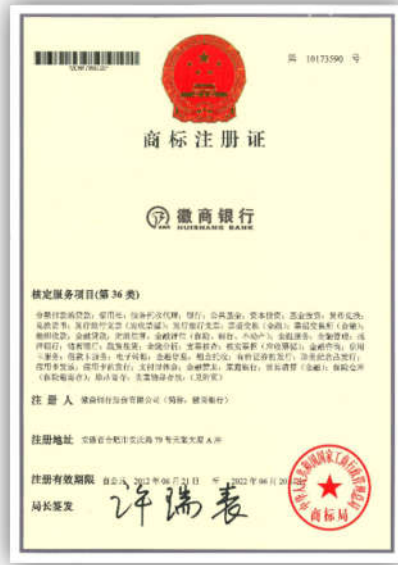
To strengthen advertising management and accelerate brand building and business development, the Bank issued the Measures for Publicity Management of the Huishang Bank and the Interim Measures for Advertising Management of the Huishang Bank according to the Advertising Law of the People's Republic of 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.



New headquarter building design sketch

5.5.5. Intellectual Property Right Protection



The Huishang Bank trademark registration certificate 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.

Besides, to protect the Bank's intellectual property right, regulate and strengthen the management and utilization thereof, encourage financial innovation, and improve intellectual property right awareness, the Bank formulated the Interim Measures the Management of Intellectual Property Right of the Huishang Bank according to applicable laws and regulations including 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", 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 Compliance Department issued the Warnings about Copyright Infringement Risks, which stipulates that the Bank avoid exploitation of materials that are open to

6. Customer Services

6.1. High-quality customer services

The Bank is committed to providing convenient and personal financial services for clients. With focus on financial needs closely related to citizens' daily life such as basic necessities, consumption and money management, the Bank has been continuously introducing new bank card types and functions and increasingly promoting the use of modern financial services functionalities including self-service banking, online banking, telephone banking, mobile phone banking, and direct banks. It enables paying of various utility bills and offers an increasing wider range of loans and money management products, catering to diversified modern financial demands of citizens.

6.1.1. Provide multi-channel services



Various automatic online banking machines

As of the end of 2016, the Bank had a total of 667 self-service zones (points), 2,235 automatic services machines (including 584 automatic withdrawal machines, 933 automatic withdrawal & deposit machines, 555 self-service terminals and 163 self-service card dispensers). The year of 2016 has seen an improvement in quality of E-

banking client services, evidenced by a total of 650,000 new mobile banking clients, 350,000 of whom are new active clients and 560,000 are existing effective clients, demonstrating a growth of 173.17% compared to the number at the beginning of the year; 580,000 new personal online-banking customers, among whom 380,000 were new effective personal online-banking customers and 1.03 million existing effective customers, up by 57.55% as opposed to the beginning of the year; 23,133 information corporation online banking customers, among whom 15,106 were new effective corporate online banking customers, and 84,100 existing effective customers, up by 21.9% as opposed to the beginning of the year. In 2016, retail electronic channel accounting transactions constituted 82.37% of the total; corporate electronic channel accounting transactions constituted 61.11% of the total, up by 3.5% year-on-year.

With a focus on the Mobile Internet Device (MID), the E-Banking Department of the Bank pools all of its endeavors in constructing personal mobile financial portals, aiming to make a visible breakthrough in account integration:

1. New mobile banking going live. The new version of mobile banking marks a remarkable leap in respect of website layout, functionality and operating system, etc., adds the smart product promotion function, integrates information of electronic channels and sets up unified client information authentication system by, thus pushing overall client convenience and usability to a higher level.



Mobile phone banking business poster

2. A key stride for the mobile portal. The Bank has concluded its Three Account Merging program by setting up a client cash management platform on its mobile banking client side, which realizes one-stop management integrating the accounts of credit card, debit card and direct bank online account.

3. Non-financial scenes of daily life. Mobile phone bills payment, traffic top-ups, game card top-ups, online cinema ticket service are now under test. Penetrating into clients' daily life will effectively improve their card utilization and loyalty.

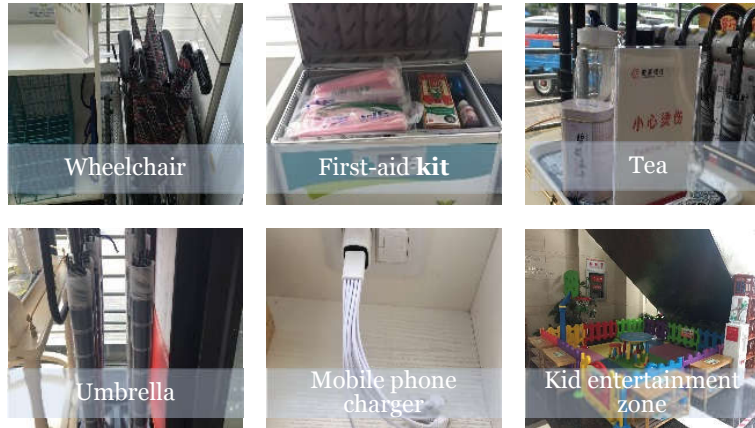
4. Mobile payment manifests innovation. ApplePay service has gone live, Huawei Pay and Mi Pay are going live, and UnionPay is currently developing a QR code- based mobile payment service. Mobile payment products will surely add to the competitiveness of the Bank's card products.

The Bank embeds innovation in its development and repeatedly renews the direct bank product system, which yields positive results in enlarging business scope. The Bank developed

6.1.2 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.

The Bank provides various types of customers with thoughtful convenience, including facilities such as priority counters, priority & courtesy seating, step-free accesses, convenient service zones, as well as



free first-aid kit, tool kit, wheelchair, and reading glasses, to name but a few.



Model Unit Award

As of the end of 2016, the Bank had 2 outlets on the Top 1,000 Model Outlets List, 11 star outlets, 3 of which are five-star, 4 of which are four-star, and 3 of which are four-star, accelerating the building of the Bank's civilized and regulated service brand and the establishment of positive company image and prominent brand name among customers.

In the Fourth Customer Satisfaction Survey of Ten Major Service Industries of Anhui Province organized by the Anhui Social Development Research Center under the aegis of the Anhui Provincial Condition Research Society in 2016, the Bank won accolade as the Most Satisfying Bank among Residents with a high score of 90.08, occupying the first place of banking sector for the fourth year running, proving it recognized from five principal dimensions, i.e., service efficiency, service environment, service attitude, service innovation and style of work. On top of that, the Bank's Customer Service Center was named as the "Outstanding Model Unit" in the ranking by the China Banking Association in November 2016.



Most Satisfying Bank among Residents

In addition, the Bank will conduct 1-2 Bank-wide customer satisfaction surveys annually, in forms of online survey and telephone survey, etc. Each branch and sub-branch will also carry out customer satisfaction surveys based on their

own business reality within respective jurisdiction in forms of questionnaires etc. In 2016, the headquarter launched a customer satisfaction survey on its official website concerning personal businesses, corporate businesses, E-banking, etc.

6.1.3 Improve complaint management

The Bank pays special attention to customer experience and endeavors to reduce customer complaints and undesirable publicity by maintaining excellent service attitude. The Bank has been taking the initiative with protection of financial consumers' rights and interests aiming to propel the Bank's service quality to a higher level. To better regulate customer complaints handling and management, improve customer satisfaction and retain the Bank's reputation, the Bank also formulated a series of policies governing consumers' rights and interests protection and complaints management: Retail banks put in place the Measures of Consumer Complaint Management of the Huishang Bank, and Code of Conduct for the Protection of Consumers' Rights and Interests of the Huishang Bank; the Customer Service Center laid down the Interim Measures of Customer Service Joint Management of the Huishang Bank, Customer Service Center Quality Management Manual of the Huishang Bank and the Customer Service Center Quality Inspection Management Manual of the Huishang Bank, which specify the complaint management organizational structure and roles & responsibilities, principles of customer complaint handling, outlet on-site complaints handling procedures, complaint receiving and handling procedures of the headquarter Customer Service Center and leading complaint management department and other rules, so as to regulate customer grievance handling and management, so as to ensure timely and effective settlement.

It handles customer complaints in strict conformity to applicable statutory and regulatory requirements, and protect lawful rights and interests of customers and the Bank, sticking to five principles, i.e., "the first question taker shall be responsible for the complaint resolution", fairness and transparency, timeliness and efficiency, and confidentiality.

The Bank's Customer Service Center moves unswervingly towards the goal of improving customer experience and satisfaction, and has established a



Quality management system certificate

sound customer service regime and quality control & management system, and obtained the ISO 9001:2008 quality management system certification in 2016.

The headquarter Customer Service Center is responsible for collecting customer complaints and suggestions via customer service helpline, E-mail, web portal board, E-bank, popular BBS, WeChat, Weibo, etc., and referring, following up, supervising the implementation of complaints handling process. The onus is also on it to arrange callback for satisfactory resolution, and monitor the handling quality and efficiency of each complaint receiving channel, laying solid foundation for preserving good customer relationship. Besides, hierarchical handling process has been in place where priority is determined pursuant to the scope and severity of impact, thus improving service efficiency. The Customer Services Center



arranges callback for complaints resolution to effectively monitor complaints handling quality and efficiency. The customer satisfaction for complaints handling stood at 96.52% from January to December 2016.

6.1.4. Protect customer privacy

To retain customer privacy in confidence in the Information age is a big challenge to be reckoned with as well as the Bank's unshakable responsibility. Hence, the Bank has actively protect financial customers' lawful rights and interests, preserve customers fundamental interests, enhance customer services, as well as formulated the Interim Measures for the Management of Consumers' Rights and Interests Protection of the Huishang Bank pursuant to the Guidelines for the Protection of Consumers' Interests in Banking Industry, the Measures for the Work Assessment and Evaluation of the Protection of Consumers' Interests at Banking Financial Institutions (for Trial Implementation).

The Bank's Information takes effective measures to safeguards for the identity so that their rights electronic identity can be respects customers' right financial data and has been



Technology Department maintain appropriate customer electronic an interests concerning assured. The Bank to security of personal reinforcing practice of

preventing personal financial information data from modification, unlawful use or disclosure to third party without prior consumer authorization or consent.

On top of that, the Bank has been strengthening products and services information disclosure, aiming to achieve information symmetry with consumers to the greatest extent possible. It provides true information including the nature, fees, principal contract terms of the product/service and allows no misrepresenting or misleading promotion, thus enhancing information authenticity and transparency, proper disclosure of product risks, and ultimately enabling customers to make reasonable decision thereby.

6.2. Safe Service Environment

The Bank devotes itself to offering a safe and service environment to customers, such as safe outlets and robust information security. Besides, a variety of measures have been taken to minimize possible property losses customers may suffer in case of telecommunication fraud.

6.2.1 Safety protection measures

6.2.1.1. Outlets Safety

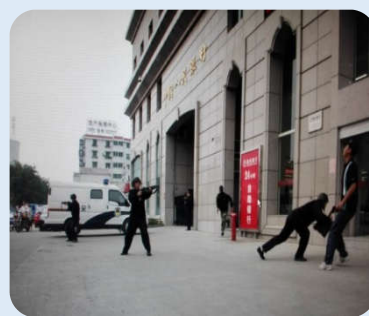
The Bank great emphasis on safeguards, which is the key risk point of financial institutions. The Bank established the Security System and formulated a series of safeguarding policies including the Implementation Measures for Safeguards and Safety Inspection of the Huishang Bank, the Interim Regulations on the Management of Office Building Safety Management of the Huishang Bank and the Rules for Safeguarding Places of Business of the Huishang Bank. The headquarter has 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 a emergency response leading group and 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; safeguards are available on the premises watch during business hours patrolling on site for safety purpose. They're also responsible for arranging safeguarding trainings and emergency drills, as well as performing daily safety inspection. 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 installment of burglarproof door, anti-tail door, bullet-proof glass, surveillance camera, intrusion detector, special prevention and technology prevention facilities, etc., which have gained approval from the Ministry of Public Security and safeguarding qualification certificates.

The event of "Building Safe Huishang Bank" is an important lever of the Bank's safeguarding work and primary measure for safeguarding management. The past decade since the founding of the Bank has seen a substantial leap in the Bank's safeguarding level through this event of "Building Safe Huishang Bank", which includes the incremental standardization of commercial premises, improvement of staff's safety awareness and business skills, and enhancement of safety personnel's management capabilities. As a result, zero occurrence of serious and major safety criminal case or serious accident due to negligence for ten successive years, providing a solid foundation for the Bank's businesses to prosper apace.

Case: Huaibei branch anti-robbery drill

To further raise staff's awareness of safety and prevention, uplift their readiness for and coordination capability of handling emergency, and eventually ensure the bank's treasury safety, and personal safety of staff and customers, the Huaibei branch launched an anti-robbery drill in July 2016. This drill familiarized staff with proper responding procedures and turned out helpful in raising bank-wide awareness of safety and prevention, sharpening abilities to deal with risks, and, as a result, adding to preventive strength against robbery at outlets.



Huaibei branch anti-robbery drill

Case: Nanjing branch held security theoretic knowledge contest

To further raise branch's security and prevention manage level, effectively popularize



Nanjing branch held security theoretic knowledge contest

security and prevention knowledge and increase security staff ability to fulfill duties, the Nanjing branch held the security theoretic knowledge quiz on 23 November 2016, which further strengthened staff's security awareness, as well as identified gaps among entities and individual, thus encouraging staff to gain security knowledge, raising security and prevention awareness and maintaining preparedness.

6.2.1.2. 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 by 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.

With great emphasis on information safety management, the Bank has set up a specialized information safety management team under the Department of Information Technology to be responsible for planning and building the information technology safety governance system. An information safety management system has been in place encompassing all levels of information technology including infrastructure management, system management, operation management, internet management, resources management, development management. On top of that, 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.

Case: Information system emergency drill

The Bank wrapped up the information system emergency drill of Anhui small and medium-sized banks under the aegis of Anhui Banking Regulatory Bureau in the afternoon on 1 December 2016. This drill familiarized all participating units with the leadership organizational structure and handling procedure of joint emergency response. By doing so, this joint drill met the objective of upgrading the capacity of joint emergency response.



Information system emergency drill

6.2.2 Prevent telecommunication fraud

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 Concerning Issues of Reinforcing the Payment & Settlement Management and the Prevention of New Types of Telecommunication and Cyber Crimes of People's Bank of China, 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.

According to the requirements of reinforcing the payment & settlement management and the prevention of new types of telecommunication and cyber crimes, the Bank takes effective measures to strengthen the Real-name system, block main channels of capital transfer of new types of telecom cyber crimes, reinforce personal payment information safety protection, set up long-term mechanism of personal capital protection, etc., to ensure effective prevention of



Outdoor campaign of telecom fraud prevention

telecom cyber crimes of new types, and protect customers' property safety and lawful rights and interests. The Bank also set up the Leadership Team of the Payment & Settlement Management and the Prevention of New Types of Telecommunication and Cyber Crimes.

Besides, to further promote financial knowledge to the public, and 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. The Bank launched campaigns publicizing knowledge about information protection and payment safety as well as prevention of telecom and cyber fraud through outlets, its own channels, media, community, and schools, to name but a few, to gradually uplift consumers' awareness of telecom and cyber fraud identification and prevention, enhance consumers' financial literacy, thus renew its contribution to social stability and harmony.

Case: Anqing branch launched a promotional events concerning prevention of telecom and cyber fraud in the community

In August 2016, the Bank's Anqing branch launched a themed campaign to warn against illegal fund-raising, high-interest temptation, and incoming calls from unknown, so as to avoid being deceived. The bank made a detailed event plan and structured it with popular forms such as art performance and award-winning quiz, to spread basic financial knowledge and improve public safety awareness.



Outdoor campaign of prevention of telecom and cyber fraud

Case: A successful crackdown on telecom and cyber fraud by the Bank's Bengbu branch

On 18 July 2016, Miss Zhao at issue rushed into an outlet of the Bank's Bengbu branch with a mobile phone on one hand and some bank cards, a passbook and the ID card on the other, panicked. She asked a clerk whether her money had been transferred out of the Safe



Account. The clerk made a preliminary judgment that it was a telecom and cyber fraud according to the situation he learnt about and explained it to Miss Zhao. He told Miss Zhao to report the loss of cards to relevant banks via customer service helpline and call 110. The timely and proper handling of this outlet clerk successfully cracked down on the telecom and cyber fraud and

prevented the customer from losing a total of RMB110,000.

6.2.3. Guarantee safe card use

In order to ensure safe credit card use, the Bank makes efforts in comprehensive risk prevention before, during, and after the event. The Bank's Credit Card Center issued the Detailed Rules for the Implementation of the Management of Credit Card Target Customers Access, enhance the construction of access standard system of the Bank's credit card customer by target customer categorization. To implement relevant requirements of the Management Enhancing Year, the Credit Card Center has been upgrading the approval system rules and procedures, thus improving work efficiency and



bringing risk under effective control. Credit card business, the Credit Card Center has been promoting external credit investigation as complementary to PBC credit investigation to improve customers' personal identity verification. Thanks to the 7*24 hour transaction monitor and handling mechanism, the Bank's credit card transaction monitoring and handling capabilities hold a leading position among urban commercial banks. Besides, the Bank

formulated the Rules on the Huangshan Individual Credit Card Loss Guarantee Business of the Huishang Bank, and provides individual credit card holders with guarantee on lost cards, i.e., in case of credit card loss, theft, robbery, forgery or modification, the card holder can apply for compensation from the Bank during specified period before loss is reported. In addition, to improve credit card customers' awareness of card safety, the Bank publicizes safe card use by various means such as outlets, WeChat, and mobile APPs.

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, and offer guidance on the proper fulfillment of social responsibility, the headquarter formulated the Measures for the Donation Management of the Huishang Bank.

7.1. The Bank's welfare brand

The Bank created the public welfare brand of "Ai Sa Jiang Huai", and has involved itself extensively in the new philanthropic mode of Equipping a Man with Techniques, which combined small/micro industry support and rural poverty relief, and blazed a new trail of poverty relief by encouraging women to start up business;

On 29 September 2016, the donation ceremony of the Ai Sa Jiang Huai—Huishang Bank 2016 Public Welfare Program took place in Hefei. The Bank and the Provincial Women's Federation jointly signed the Cooperation Agreement, pledging to concertedly arrange women and children cares programs and bring love and cares to the most needed women and children.

Besides, the Bank made RMB3 million donation to the Provincial Women's Federation and set up the Ai Sa Jiang Huai—the Huishang Bank Social Care Fund and the Ai Sa Jiang Huai—the Huishang Bank Women Start-up Business Development Fund, and jointly brought forth the Ai Sa Jiang Huai---the Huishang Bank 2016 Public Welfare Program, which helps 200 poor female college students and 100 troubled outstanding females in solving difficulties encountered in study and life, as well as 20 "Hui Guniang" professional cooperatives and "Hui Guniang" e-



Donation ceremony of the Ai Sa Jiang Huai—Huishang Bank 2016 Public Welfare Program

commerce enterprises and bases. The Bank has also designed and developed the “Hui Women Start-up Business Loans” based on its business nature and procedural advantages, and offers financial support and preferential policies to business start-up females and projects complying with national industrial policies and credit loan policies.

7.2. 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. The Bank’s party secretary takes the charge, respective heads take corresponding responsibilities, the Department of the Party and the Masses plays its leading and coordinating role, assisted earnestly by relevant departments. The Suzhou branch is responsible for executing specific assistance programs. In the “Double Guarantee” assistance program, the Bank offered targeted aid to the Wangzhou Village, Dalukou Town, Sixian County of Suzhou. The Bank’s party members paired with 7 troubled families, maintained documents and cards, and conducted regular visits. Poverty relief cadres were specially assigned to work in the village to implement the poverty alleviation program, act as the liaison for the village and troubled people, and go all out to solve difficulties in their production and life.

Case: Targeted poverty relief for the Wangzhou Village, Dalukou Town, Sixian County of Suzhou



Targeted poverty relief for the Wangzhou Village, Dalukou Town, Sixian County of Suzhou

The Bank has been offering more convenient and efficient financial services of higher quality to small and micro-sized enterprises and citizens alike, and pushing ahead the socio-economic development of the Sixian County. As of the end of 2016, the Bank has lent an aggregate of RMB261 million loans to the Sixian County. Besides, to improve the level of infrastructure, the Bank offered RMB96 million of loans in support of constructing infrastructure for educational, medical undertakings, etc. Based on the features of the Sixian County, the Bank worked hard to perform financial promotion, publicized basic financial knowledge, and popularize financial products helping farmers. As of the end of 2016, the items planned by the Sixian County and aided by the Bank has been implemented, including greenhouse vegetable plantation, Hu sheep husbandry, office furniture purchasing, Qiangying duck husbandry, village road building, etc.

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Case: The Bank's industrial poverty elimination development fund program for the Jinzhai County



The Bank's industrial poverty elimination development fund program for the Jinzhai County

The Huishang Bank industrial poverty elimination development fund program for the Jinzhai County was inaugurated in the Dawan Village, Huashi Town, Jinzhai County on 22 July 2016. The Bank's industrial poverty elimination development fund program was primarily intended for supporting ten major measures and ten major projects of the Jinzhai County targeted poverty relief work. The Bank invested RMB1 billion in this project, with the first grant channeled into Dawan Village, Huashi Town, Jinzhai County for building a high standard tea-leaf development base integrating tea ceremony, eco-tourism and entertainment. The completion of the project will bring about development of 1,200-odd Mu tea gardens and increased incomes for 3,500-odd people, accelerating the poverty relief of Dawan Village.

The Huishang Bank industrial poverty elimination development fund program for the Jinzhai County was inaugurated in the Dawan Village, Huashi Town, Jinzhai County on 22 July 2016. The Bank's industrial poverty elimination development fund program was primarily intended for supporting ten major measures and ten major projects of the Jinzhai County targeted poverty relief work. The Bank invested RMB1 billion in this project, with the first grant channeled

7.3. 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 so as to give boost to public cultural undertakings, promote healthy living style and disseminate arts and culture.

Case: The headquarter—2016 Hefei Happy Walking• Family Run

The 2016 Hefei Happy Walking• Family Run under the aegis of the Bank and the Heifei



2016 Hefei Happy Walking• Family Run

Forum, a provincially famous media kicked off on the lakeshore of Hefei Swan Lake on 24 April 2016. The Happy Walking event is a public activity for family education, advocating parents to spend more time with their children and witness their growth. It was structured

with various forms of activities and boasted of participation of 2,000-odd families.

Case: Anqing branch-sponsored and promoted the first half marathon race of the Anqing City

To further uplift the popularity and influence of the Banks' brand in Anqing, the Anqing branch, representing excellent enterprises operating in Anqing, sponsored the first half marathon race of the Anqing City and mobilized its staff to take part on 30 October 2016. In effective coordination with the event organizer, Anqing branch promoted the Bank on the site of competition, the rest area, the prize-giving area, and the promotional webpage, highlighted the brand advantages of the Bank as a locally based bank in Anhui, enabling the brand image of Anhui People's Own Bank to gain prevalence among Yicheng citizens and remarkably lifting the Bank's social image eventually.



The first half marathon race of the Anqing City

7.4. Publicize financial knowledge

In 2016, the Bank involved itself extensively in events such as Spreading Financial knowledge to the Public and Ten Thousand Journey to Publicize Financial Knowledge to deliver financial knowledge to community, schools, enterprises and villages, which effectively has enhanced

financial literacy and served citizens' life, giving full play to the role of financial knowledge in bringing convenience, benefit, and facilitation to the public.

Case: Hefei Branch- Financial Knowledge Promotion Month

The Bank kicked off the Financial Knowledge Promotion Month in the Huiyin Square in front of the premises of the Silihe sub-branch of the Hefei branch in the morning of 1 September 2016. The event went on lively and earned praise from the 9th Steering Group of the China Banking Regulatory Commission and the head of Consumer Protection Office of the Provincial Banking Regulatory Commission; all branches had been popularizing financial knowledge by various forms such as advisory at outlets, promotions in communities and schools, etc. throughout the whole event. On top of that, the Bank explored new promotion channels apart from traditional media such as the newspaper to include people of different levels and ages via website homepages and WeChat public platforms. The September event came into fruition with arrangement of 823 activities, coverage of 267,000 target consumers and circulation of 204,000 pieces of promotional materials.



Kick-off of the Financial Knowledge Promotion Month

Case: Liu'an branch Safe Card Use and Crackdown on Illegal Buying and Selling of Bank Card Information

Liu'an branch took active part in the Safe Card Use and Crackdown on Illegal Buying and Selling of Bank Card Information under the joint aegis of PBC Liu'an central sub-branch and the Municipal Public Security Bureau at the Western Anhui University in the morning of 2 November 2016. By increasing its efforts to promote fight against illegal buying and selling of bank card information, the Liu'an branch helped college students' to raise awareness of safe card use, bank card information protection and cyber safety whilst enjoying the convenience bank cards brought, hence creating a safe card use environment.



Safe Card Use and Crackdown on Illegal Buying and Selling of Bank Card Information

Case: Fuyang branch- Spreading financial knowledge to rural areas

Since the year of 2015, the Fuyang branch Youth League Committee made a full-scale mobilization among staff and laid down thorough arrangement based on the branch's reality in strict compliance with the Guiding Opinions on Deepening the Event of Spreading Financial Knowledge to Rural Areas of the Chinese Communist Party's Working Committee on Finance. The branch took targeted and effective measures by combining various forms such as fixed street booths and road show, and sending staff to counties and villages to disseminate financial knowledge including policies, regulations and banking businesses among the public face to face. The event increased financial literacy and improved farmers' awareness of and abilities in risk identification and self-protection, gaining universal acknowledgement and praise from higher authorities and the public. In 2016, the Fuyang branch Funan sub-branch was named one of the 2015-2016 Provincial Model Units for Spreading Financial knowledge to the Public.



Spreading financial knowledge to the rural areas

Case: Huangshan branch- the Anti-Counterfeit Money Campaign on Campus

On 17 September 2016, the Huangshan Vocational and Technical College was crowded welcoming freshmen. The Huangshan branch availed itself of this timing and held the Anti-Counterfeit Money Campaign on Campus jointly with PBC Huangshan central sub-branch. In this campaign, it gave out Anti-Counterfeit Money foldout posters, made explanations by showing physical counterfeit money, and held the Anti-Counterfeit Money Superman award-winning quiz by scanning QR code, etc. By doing so, it acquainted teachers, students, parents and other people with anti-counterfeiting money knowledge and method to tell counterfeiting money from authentic one. It led to an enhanced public abilities of spotting forgeries, providing a driving force for deepening anti-counterfeiting money work.



Huangshan branch- the Anti-Counterfeit Money Campaign on Campus

7.5 Flood-fighting

Intense rainfall caused flooding in various areas of Anhui Province during July and August 2016. To fight the tough combat against the flood, the Bank asked all branches and sub-branches to take part in the flood combating in full force under the unified arrangement of the provincial Party committee and government. Money and goods were donated in abundance and volunteers were sent to join the flood fighting. On top of that, with headquarter-branch joint efforts, the Bank promptly initiated the emergency responding mechanism, coordinated with the government and went all out to offer financial services in emergency aid and post-disaster reconstruction by launching the disaster relief emergency loans “Emergency Loans” and opening the “Green Channel” based on its nature in favor of the affected areas in deadly need of emergency loans.



Branch and sub-branch flood combating

7.6. 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, troubled college students, AIDS families, and disabled solders, as well as support local construction. 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 Huishang Bank constantly exudes.

Case: the Bank Green Ribbon Examinees Escorting Activity

Since the year of 2014, the Bank Credit Card Center has been carrying out the Green Ribbon Examinees Escorting Activity with Anhui Traffic Radio for consecutive years, putting its services principle of “Zero Distance, 100% Kindness” into practice. During the college entrance examination, it gave out gift bags containing cooling tools such as towels, hygienic tissues, fans, and soda water to motorcade and pavilions near test centers province wide, as an encouragement to test-takers to fulfill their dreams.



Green Ribbon Examinees Escorting Activity

Case: Wuhu branch voluntary non-remunerated blood donation



Staff blood donation

In recent years, Wuhu branch has been mobilizing its staff to donate blood as a way to show compassion. Wuhu Government kicked off the World Blood Donor Day and Wuhu 2013-2015 Non-Remunerated Blood Donation Awards Ceremony in June 2016, when Wuhu branch won the honorary title of 2013-2015 Non-Remunerated Blood Donation Model Unit, the one and only award-winning financial institution.

Case: Wuhu branch shows concern for left-behind children of the Yueshan Village



Wuhu branch celebrated the Children's Day with pupils of the Yueshan Village Primary

Wuhu branch assigned relevant supervisors on behalf of all the branch staff to celebrate the Children's Day with pupils of the Yueshan Village Primary School at Hemaotown Wuwei County in June 2016. The branch gave out festival gifts to every kid, i.e., sport suit and stationery, hoping them to work out and work hard. Besides, it awarded 14 outstanding students with Finger Readers, encouraging other kids to model themselves after the prized winners.

Case: Tongling branch Have a Bottle of Water public welfare event

On the summer day wet with morning dew, 5:30 a.m. on 27 July 2016, the Party branch of Tongling Shizishan sub-branch delivered love and concern to cleaners, who stuck to their positions, of four sanitation stations, namely, Meihaojiayuan, Bus Company, Bozhuangxiangyu Mansion, and the new premises of the Hospital of Traditional Chinese Medicine, in response to the call by the Communist Youth League, Tongling municipal Party committee, and the Tongling Daily for staging the public welfare event of Have a Bottle of Water. Cleaners expressed their gratitude and recognition of this event.



Have a Bottle of Water public welfare event

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. Upholding the concept of “putting people first” and 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.

8.1. Favorable employment environment

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 “attract the ambitious, cultivate the malleable, leverage the competent”, and its efforts has yielded good results in areas such as corporate culture, selection and employment, employee-employer relations,



The Bank won the title of Employers with Highest Growth Potential of China 2016

remuneration and benefits, performance management, education and training, professional development, organization and management, work environment, female care, and social responsibility.

China’s Top Employers 2016 Award Ceremony kicked off in Sanya, Hainan Province, in December 2016. The Bank outdid nearly 10,000 enterprises and won the title of Employers with Highest Growth Potential of China 2016 after rounds of competitions, which shows universal appreciation for its talent philosophy and Human resources management.

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.

❖ Compensation and benefits

To Bank's remuneration and benefits management matches with its operational strategies and goal implementation, competency elevation, talent cultivation and risk control. According to the Review and Management Measures for the Compensation of State-Owned Financial Enterprise Supervisors and Guidelines on Prudent Supervision of Commercial Banks' Compensation, the Bank formulated the Measures for the Management of Employees' Compensation of the Huishang Bank, fully leveraged the essential role of compensation in its operation management, risk control and workforce motivation, so as to refine its scientific and effective incentive and restraint mechanism, yield maximize shareholder values, company profits and staff benefits, and observe the management principle of Sophistication, Sustainability, Compliance, Timeliness and Operability.

❖ Recruitment and termination

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 "Attract the ambitious, cultivate the malleable, leverage the competent", provide talent pool for the Bank's operational development, and eventually realize of the ideal of "Offer top quality and maintain 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, which specifies the recruitment principle of "Attaching importance to moral status and ability and the former shall prevail; avoiding nepotism; setting up posts and prescribing staffing quota; filling vacant posts with qualified personnel; upholding equality, openness and fairness and practicing two-way selection; selecting the superior and ensuring quality", and stipulates recruitment channels, requirements and procedures (start recruitment process, put up recruitment advertisements, collect applications, qualification review, written examination and interview, reference check and approval, physical pre-entry test, recruitment, pre-job trainings, orientation, labor contract signing, confirmation after probation). All recruiting units have formulated rules governing recruitment and will prepare annual recruitment plan based on the Bank's development

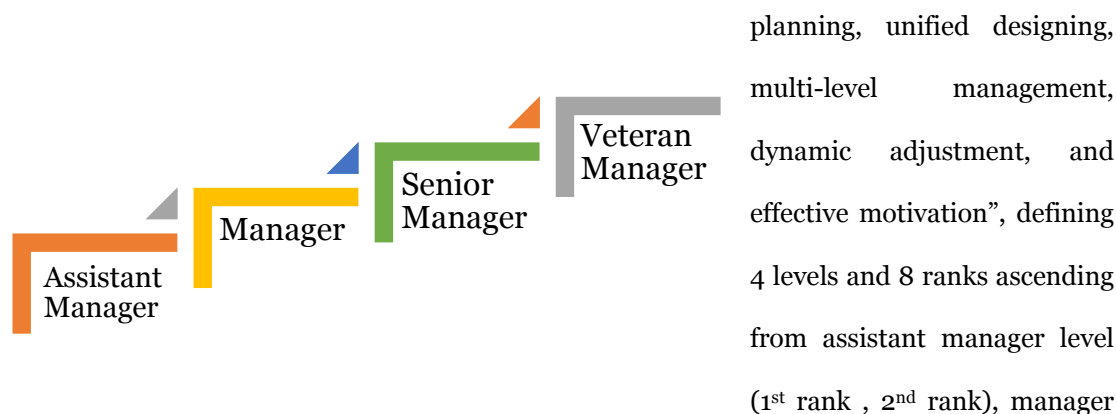
strategy and annual operation plan or work plan. The Bank tolerates neither child labor nor forced labor in strict compliance with the Labor Law of the People’s Republic of China.

On top of that, the Bank formulated other rules and regulations governing recruitment and termination including the Work Plan for Recruitment of College Graduates Work as Village Officials of the Huishang Bank and the Measures for the Management of Employee Termination of the Huishang Bank.

❖ 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 according to the Regulations on the Selection and Appointment of Cadres of the Party and the Government. 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 shall also be given to cultivating and selecting excellent young managerial staff, taking advantage of the reserve of talents and exploiting managerial staff of various age groups.

To accelerate professional team building, improve management of specialized talents and widen the road for employees to develop and progress, it formulated the Interim Measures for the Management of Job Hierarchy of the Huishang Bank subject to the principle of “Overall



level(1st level , 2nd level), senior manager level (1st level , 2nd level), to veteran manager level (1st level , 2nd level), where the 1st rank precedes the 2nd rank of the same level. Remuneration of the Bank shall be consistent with the hierarchy.

❖ 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 national ordinances concerning labor disciplines, labor protection and holidays, and the Marriage Law of the People's Republic of China, the Population and Family Planning Law of the People's Republic of China, the Bank formulated the Attendance Management Policy for Huishang Bank Headquarter Employees, who 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, sex 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, as well as assisted them in dealing with family disputes, so as to maintain the underlying rights and interests of their central concern.

❖ Staff Care

Committed to creating “a happy Huishang Bank”, the Bank invents refreshing and harmonious leisure ambience in addition to pleasant work environment, provides employees with a wide array of fitness and entertainment facilities, and arranges various activities to add color to their life after work.



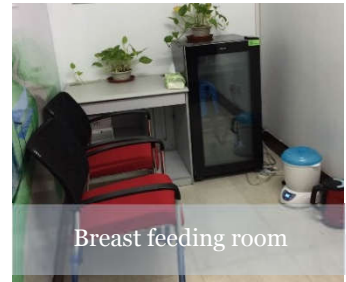
Ping Pong table



Snooker table



staff canteen



Breast feeding room

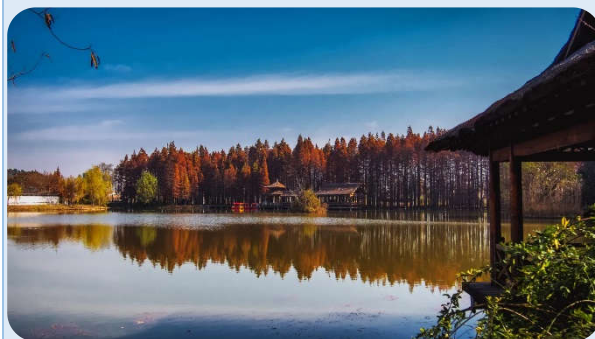
Case: Poker game

On 7 May 2016, the headquarter held a poker game among employees, which saw participation of 68 pairs of game players from various departments and divisions. It helped enrich their leisure and cultural life, relieve pressure from work, and enhance communication.



Headquarter staff poker game

Case : Ma'anshan branch “Beauty in My Eyes” photo contest



Award-winning works of the “Beauty in My Eyes” photo contest

In August 2016, to show that the staff ‘s graceful, healthy and positive taste of beauty, and their ability to capture details of people, landscape and scene, the Party committee and the photography association of the Ma’anshan branch jointly held the “Beauty in My Eyes” photo contest.

Case: the Bank held a singing competition

On 10 July 2016, the Bank kicked off the “Pursue Chinese Dream and follow the Party” singing competition to celebrate the 95th anniversary of the founding of the Communist Party of China. 20 teams from all branches, the headquarter, the Huiyin Financial Leasing Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. took part in the competition.



“Pursue Chinese Dream and follow the Party” Singing Competition

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. On top of that, it arranges and guides branches to conduct emergency response drills and perform inspection and evaluation of the drill result. Apart from safety emergency, the Bank puts great premium on fire safety management and puts in place the Measures for Fire Safety Management of the Huishang Bank, which lays down requirements with respect to fire control infrastructure, facilities and equipment, routine patrol and inspection, etc.

- First, reinforce the fire safety management of the headquarter office building in an ongoing manner. The Bank conducted maintenance and reconstruction to the fire control system in its 11-year-old headquarter office building, and have professional fire inspection company conduct comprehensive performance inspection and issue professional inspection report, so as to improve overall firefighting capability, and ensure the safety of the building. Besides, it replaced dry powder extinguishers and carbon dioxide extinguishers with water extinguishers which can instantly absorb good amount of heat, cool burning material and suppress thermal radiation, and have the

advantage of being harmless to the environment; equipped the building with apparatus such as fire proof suits, gas masks, and fire axes, to further better guarantee fire safety.

- Second, the Chuzhou branch arranged a fire evacuation drill in its office building. Having been involved throughout, the headquarters' Safeguarding Department offered guidance on improvement plan to the branch and engaged 7 branches in the south chapter to the drill to obtain instructions.



Firefighting equipment

- Third, it carries out its fire prevention and control tasks one by one according to the time prescribed in the Work Plan for Fire Prevention and Control of the Huishang Bank, and directs branches to conduct thorough inspection and investigation to office buildings, canteens, treasury, archives, computer centers, outlets, self-service banks, etc. within respective jurisdiction.

Case: Chuzhou branch held upper floor fire escape drill

On 13 September 2016, the headquarter held an upper floor fire escape drill. It developed a detailed drill plan, simulated real-life fire situation and invited fire safety professionals to offer on-site guidance. Besides, 7 branches of the south chapter were involved to observe and learn from the drill.



Fire escape drill

Case: Bozhou branch arranged safety and firefighting trainings and drills



Fire drill

On 28 December 2016, the Bozhou branch organized the branch's safeguarding officers, voluntary fire brigade members, new recruits, and some safeguards to attend the fire safety training as well as anti-robbery and fire drill. Through this training and drill, employees were acquainted with more safety knowledge and further enabled to respond to all sorts of emergencies.

Besides, 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 basis 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 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. They display inclusive care by arranging staff physical exams on a regular basis, sending happy birthday messages and distributing the Bank's dividends. Based on their extensive



The Bank's leaders visited needy employees.

connections with the masses, they send festival greetings on the New Year's Day and the Spring Festival, and organize riddle guessing on the Lantern Festival every year. Through these activities, the Bank demonstrates its concern for the physical and mental health of its staff, echoing its slogan of Creating a Happy Huishang Bank.

Case- Xuancheng branch launched a charitable donation

A car accident befell a family member of a Guangde sub-branch employee in December 2016, causing severe brain injury to the victim and huge medical expenses that the humble family could hardly afford. Having learnt about this, the Xuancheng branch appealed in no time to all staff to reach out a hand, raising 235 donations aggregating RMB50,950 in merely one week. All of the funds were donated for covering the costs.



Transfer donations to needy staff

Case: The headquarter physical tests and health inquiry lecture

To effectively prevent illnesses and reinforce staff health management, the Bank's headquarter organized annual staff health tests to enable them to know better their health states and encourage them to give more heed to fitness at the end of July 2016. With the aim to promote health knowledge, elevate their physical and mental wellness level, and ensure illness prevention and treatment, the Bank's trade union held the headquarter physical tests and health inquiry lecture specially, which was one of many activities that the Bank has arranged for staff care purpose after the physical exams, demonstrating its corporate culture of "Putting people at first and caring about staff".



The headquarter physical tests and health diagnosis

Case: The headquarter- the "March of millions of financial staff towards wellness and happiness" Walking event

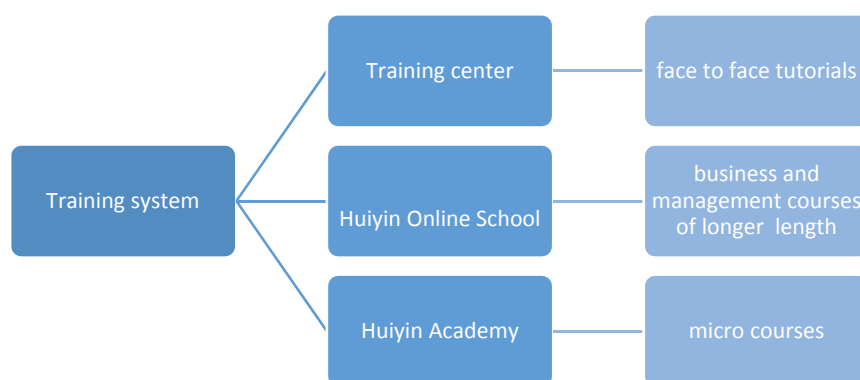
Bank kicked off the "China Financial Employees Walking Event in Anhui" on 15 May 2016, aiming to encourage staff to walk out the office and get closer to the nature so as to relieve pressure and improve fitness. On top of that, it also provides staff with platforms where they can communicate with each other, displaying the sanguine, healthy and positive spirit of the financial staff of Anhui Province.



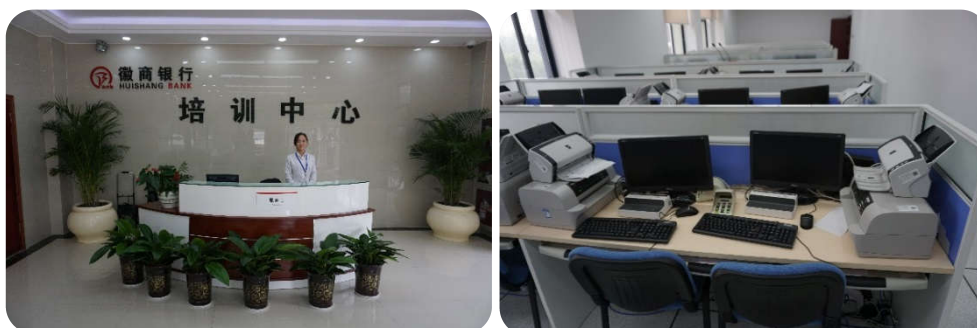
Financial staff walking event

8.3. Promote professional development

The Bank attaches great importance to staff development and strives to build a sophisticated 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. In 2016, a total of 909 centralized trainings were held which saw 80,300 participants, 646,326.12 hours as well as 77.88 hours and 8.97 trainings per person.



In 2016, the Bank opened online/offline channels for education and training programs and put the Binhu Training Center into service in July. The Center boasted multiple functions, capable of accommodating 400 people and offering good services for the Bank to carry out all sorts of trainings such as business trainings, orientation, management enhancement courses. As of the end of 2016, a total of 84 courses spanning 338.5 days and lasting 130,869 hours have been offered to 4,846 person-time in the training center.



The Hubin Training Center

Trainings channels being continuously widen, the Bank also formulated the Interim Measures for the Management of Internal Trainers of the Huishang Bank to accelerate the building of its

trainer team. It piloted the training of trainers program in the Operational Management Department, which yielded a desirable result in promoting the formation of competency-oriented training system. It also categorizes its trainers into lecturer, senior lecturer and veteran lecturer based on qualifications in theoretical savvy, practical business experience, seniority in financial areas, teaching experience, etc. It creates favorable learning environment by adopting training credit plan, providing innovative service mode, and simplifying training and approval procedures.

Case: Training of Internal Operation and Business Trainers Program

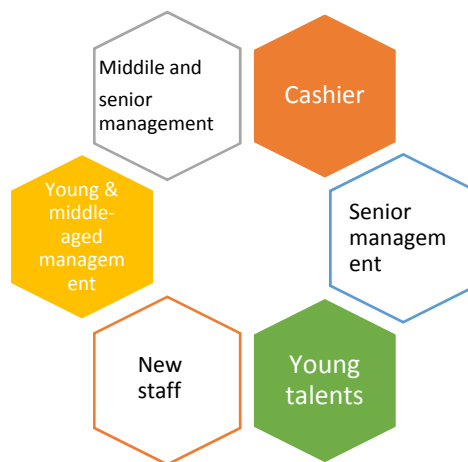


Training of Internal Operation and Business Trainers Program

To push ahead the establishment of the Bank's business training system, cultivate and build internal operation and business trainer team, set up a position competency-oriented internal operation trainer selection and cultivation mechanism, reinforce training courses development, improve the business knowledge and skills of bank tellers in a target manner the headquarter launched the Training of Internal Operation and Business Trainers Program in April 2016.

Besides, to regulate and improve the management of Bank's staff on-the-job education, and encourage staff to study in spare time to align their overall ability with the Bank's needs of a robust and fast growth, the Bank formulated the Measures for the Management of Employee On-the-Job Education of the Huishang Bank, which provides that staff who attend on-the-job education and obtain corresponding degree are entitled to reimbursement for certain amount of tuition fees. The Customer Center has also formulated the Measures for Training Management for the Customer Center of the Huishang Bank, which sets out regulatory requirements of training management mechanism, training forms and contents, training organization and implementation, trainer management, training assessment, etc., for the Customer Center to follow in its training management performing.

In 2016, 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 ability on an ongoing basis:



❖ Middle and senior management

In 2016, the Bank launched the Huishang Bank Lecture shedding light upon the 13th Five-Year Plan, macroeconomic situation, the strategy of One Belt, One Road initiative and the Asian Infrastructure Investment Bank (AIIB) , financial innovation, risk management, strategic decision-making and leadership, political quality and party spirit, to name but a few. On top of that, it intensified cooperation with external professional institutions such as colleges and universities as part of its efforts to leverage external high-quality sources of trainers. Besides, it offer great training services for all levels of managers to widen horizon, obtain knowledge and gain new insights.

❖ Young and middle-aged management

With its schooling experience accrued from running workshops in colleges and universities including Renmin University of China, Zhejiang University, Shanghai University of Finance and Economics, the Bank launched trainings in the Hubin Training Center exploiting trainers from colleges and universities in 2016, and arranged some young and middle-aged management to be trained in colleges and universities on team management proficiency, financial product innovation, business transformation, performance management, enhancement of revolution and strategy implementation abilities, honesty and work ethics, etc.

Case: Chizhou branch arranged ability enhancement trainings for middle and senior management and backbone staff

To enhance staff quality, widen the horizon of middle management, and elevate the overall abilities of cadres, Chizhou branch sent about 50 middle, senior management and backbone staff to Renmin University of China (Suzhou campus) to attend an enclosed training program from 2 to 5 December. This training was structured with five sessions, including brand positioning and strategic marketing management, macro-economy and monetary policy (post G20 domestic and international economic situation), building a high-performance team with high executing efficiency where talents are appreciated and properly employed, and the PPP model and its trends and policies. Besides, to improve staff's awareness of combating corruption and upholding integrity, relevant courses were also provided.



Chizhou branch arranged ability enhancement trainings for middle and senior management and backbone staff

❖ Junior management

In 2016, the Bank launched a concentrated training to business department heads to acquaint them with accounting knowledge and compliance risk policies, reinforce team building and management capabilities in particular, and eventually nurture a junior management with outstanding team building and management skills and business conservancy.

❖ Young talents

Young talents are irreplaceable backup sources of workforce for the Bank's fast and sustainable development in the future, so it is important to track and cultivate new recruits from campus. In 2016, 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.

❖ 2016 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 reinforce simulation-based trainings on basic business

operation, 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 the corporate 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 trainings for outlets' newly hired accountants

The headquarter arranged the first pre-job training for newly hired bank tellers involving 230 newly hired accountants of 5 branches, i.e., Hefei, Fuyang, Huangshan, Chizhou and Bozhou in April 2016. The Bank adopted the training mode combining face-to-face trainings and simulation-based business operation trainings in order to provide a more targeted pre-job training to improve staff services ability. The face-to-face trainings were structured with compliance business, retail business, operation business, cash counting, keypad number entering, fraudulent transactions detection and prevention, service management and professional ethics. 22 frequently used basic retail business transactions were adopted in the counter business simulation training. This training further reinforced the mentoring and training of newly recruited accountants, providing human resources support for the establishment of the Bank's inclusive financing network.



Pre-job trainings for outlets' newly hired accountants

- ❖ 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.

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

In recent years, 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. In the meanwhile, the Bank takes into consideration clients' fulfillment of environmental and social responsibilities, and implementation of regulations on the environmental management of relevant industries, etc., when extending line of credit. Besides, the Bank leverages the capital market to accelerate the design of liability-side green products and services, and promotes green bonds endorsing green projects based on green bonds.

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. The Bank has been invariably improving its environmental policies and sorting out its green loans endorsement directions and key

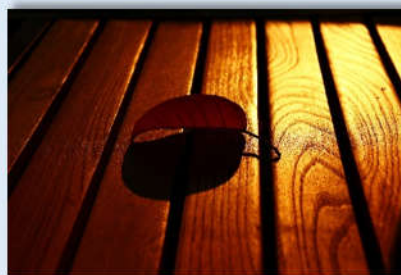
areas. It will formulate its green credit policy on an annual basis according to national industrial

policies and environmental regulations, etc. The Bank formulated credit policies of 37 sectors, among which 9 sectors including steel, cement, and textile are restricted sectors under tight control and regulation of the state, 2 are sectors with major environment and social risks including coal mining and water conservancy construction. It continued to set quota on overcapacity sectors in 2016, by categorizing steel, cement, coal, textile, PV, and petrochemical as "Cautiously Entry Sectors", and steel trading, coal trading, paper manufacturing, coking, shipbuilding and plate glass as "Phase-Out Sectors".

The Bank vigorously supports green economy, low-carbon economy and circular economy by giving priority to these areas in terms of projects selection, lending survey, credit approval, loans assignment, etc., so as to ensure that green loans grow at a rate higher than the average of the Bank's loans. As of the end of 2016, the balance of the Bank's loans in energy saving programs and services stood at RMB665.84 million, and all of its green loans were performing loans, with high overall asset quality. As of the end of 2016, the Bank's green loans have resulted in conservation of 27,753 tons of standard coal and 108,000 tons of water, as well as emission reduction of 50,688 tons of carbon-dioxide, 3,285 tons of COD, 182 tons of N-NH₃, 372 tons of SO₂ and 91 tons of NO_x.

Case: the Huishang Bank Clean Energy & Poverty Relief Industrial Fund

The Huishang Bank, Jinzhai County Government, Beijing BeiKong PV Technology Development Co., LTD and other co-sponsors jointly launched the Huishang Bank Clean Energy & Poverty Relief Industrial Fund to solely invest into Jinzhai County PV programs by channeling the fund into the establishment of various project companies, which endorse respective PV poverty relief power stations.



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.

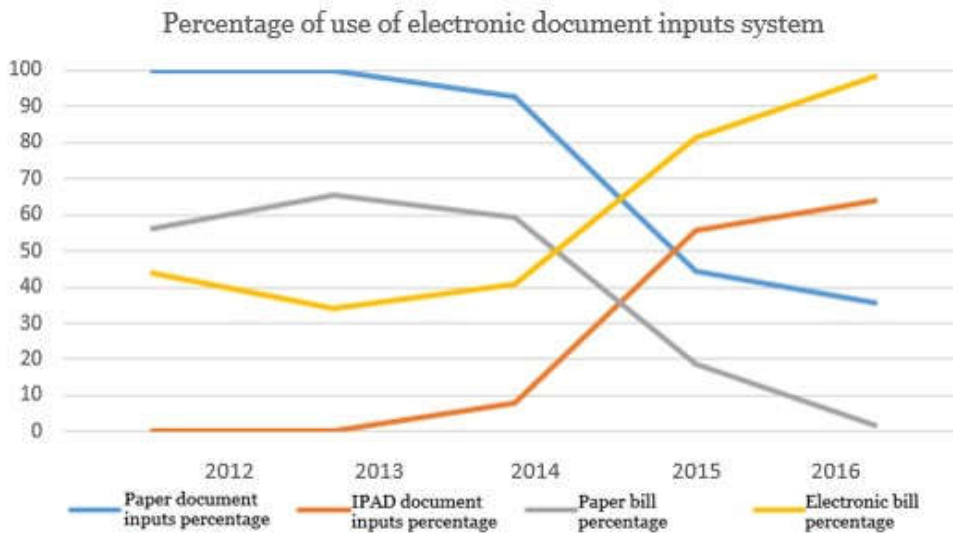
9.2.1. PAD Document Inputs

In September 2014, the Credit Card Center developed the PAD document inputs system, where the ID card identification device verifies applicants' ID cards and takes a photo of the applicants, so as to ensure the authenticity of identity information and guarantee the full implementation of the in-person sign-in policy by technical means, which has to some extents curbed occurrences of fraud and reduced paper consumption and labor resources.



PAD Document Inputs

Overdue rate of PAD customers turned out half that of paper-using customers, showing that the quality of PAD channel customers is markedly higher than that of the paper ones. The Credit Card Center has been appealing to all branches and sub-branches to increase PAD usage and as a result, PAD gained a prevalence of 65% of the whole as of the end of 2016.



9.2.2. E-banking

The E-banking enables customers to conduct a range of non-cash financial transactions



E-banking experience zone

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 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.

9.2.3. Electronic bill and Manual

Encourage customers to choose E-bills

- To cut the use of paper bills and thus carbon emission, the Bank's Credit Card Center began to appeal to customers to use E-bills since 2011 by holding the themed event of "Choice of E-bills makes you a low-carbon practicor "on an on-going basis and ganting credit card bonus points.

Cancel customer usage instruction

- The Bank's Credit Card Center has cancelled the enclosure of the Customer Usage Instruction when posting bank cards. To effectively instruct customers on card use, the Bank puts up the instrucitons on the website instead of sending paper guidance. As of today, it has effectively cut down on paper use by saving a total of 600,000 pamphlets.



E-bills poster

9.3. Promote green operation

Against the backdrop of mounting global natural resources consumption and carbon emission, 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, 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.



Change to LED bulbs

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 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. Unrecyclable waste will be timely placed at temporary sites by municipal cleaning companies and recycled by specialized recycling companies

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, and improving company's resources use performance. 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.

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 around 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.
- 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.
- 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.
- Actively promote the use of energy efficient lights to effectively reduce electricity consumption.

- 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.
- 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.

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 retain documents logging the inspection results.

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

The headquarter kicked off the Energy Conservation Week in June 2016 and set out poster boards presenting contents of energy conservation and emission reduction at the main hall of the headquarter office building, in order to encourage staff to save energy starting from trivial things in daily life.



Energy conservation and emission reduction display board

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, policies and the Bank’s regulatory rules including the Law of the People’s Republic of China on Tenders and Bids and

Regulation on the Implementation of the Law of the People's Republic of China on Tenders and Bids.

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 to 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 sets 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 for 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.

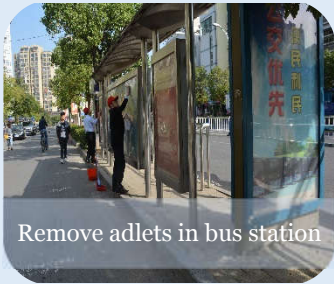
Case: Branch and sub-branch voluntary tree planting

All branches and sub-branches of the Bank planted trees on the Tree Planting Day (12 March 2016), adding greenness and hope to the already beautiful land and, at the same time, discharging its social responsibility.



Case: Chuzhou branch added charm to the urban landscape

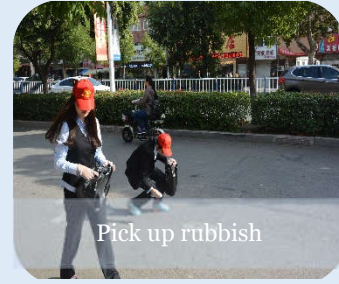
In order to add charm to the urban landscape, Chuzhou branch sent a dozen of its youth volunteers to conduct a “sweep-up” to public utilities such as flanking green belts and bus stations along the Fengle Avenue in April 2016. By doing so, it made the environment of Chuzhou city cleaner and more importantly, exerted positive social impact—to be more specific, it encouraged citizens to cherish and protect environment and called for more people to join the volunteers to be the guardians of their homeland.



Remove adlets in bus station



Clean green belts



Pick up rubbish

10. ESG Reporting Guide

Aspect	General Disclosures	Chapter	Pages
A1	Emissions	9.3.1. Reduce emissions	76
A2	Use of Resources	9.2. Expand green channels	73
		9.3.2. Conserve resources	77
A3	The Environment and Natural Resources	9.1. Develop green finance	72
		9.5. Public welfare activities promoting green concept	79
B1	Employment	8.1. Favorable employment environment	58
B2	Health and Safety	8.2. Health and safety	63
B3	Development and Training	8.3. Promote professional development	67
B4	Labour Standards	8.1. Favorable employment environment	58
B5	Supply Chain Management	9.4. Stick to green purchase	78
B6	Product Responsibility	5. Economic Responsibilities	20
		6. Customer Services	37
B7	Anti-corruption	5.5.1. Anti-Money laundering	29
		5.5.2. Crime Prevention	31
		5.5.3. Anti-Corruption	32
B8	Community Investment	7. Contribute to the Society	49

11. Readers Feedback Form

Thank you for reading the Huishang Bank Corporation Limited 2016 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:

E-mail address: 96588@hsbank.com.cn

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

1. How would you rate your opinion of the Huishang Bank Corporation Limited 2016 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:

Thank you very much for your gracious gesture and valuable time!