

# 2015

## 年度報告

ANNUAL REPORT



### 錦州銀行股份有限公司

Bank of Jinzhou Co.,Ltd.\*

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

Stock Code: 0416

\* Bank of Jinzhou Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.



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# DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as the same may be amended from time to time
“Board” or “Board of Directors”	the Board of Directors of the Bank
“Board of Supervisors”	the Supervisory Board of the Bank
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC Liaoning Bureau”	the China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局)
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	the ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or fully paid up in Renminbi
“ETC card”	dedicated IC card for motor vehicles (passenger cars) to pay highway tolls
“H Share(s)”	the ordinary shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IC card”	integrated circuit card, with microelectronic chip embedded in the card base in line with ISO7816 standards, which is made in the form of a card and widely used in the financial sector
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as the same may be amended, supplemented or otherwise modified from time to time
“our Bank”, “Bank”, “Bank of Jinzhou”, “we”, “us” or “Group”	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless context indicates otherwise, its subsidiaries, branches, sub-branches and special institution
“PoverVM technology”	the hardware shareware for minicomputer platform

“PRC” or “China”	the People’s Republic of China, but for the purposes of this annual report only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Bank dated 24 November 2015
“Reporting Period”	the year ended 31 December 2015
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	shareholder(s) of the Bank
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Supervisor(s)”	the supervisor(s) of the Bank
“TSM platform”	the trusted service management for mobile financial security

# CHAPTER 1 COMPANY PROFILE

## I. Basic Information about the Company

Legal Chinese Name and Abbreviation	: 錦州銀行股份有限公司 (abbreviated as 錦州銀行)
Legal English Name and Abbreviation	: Bank of Jinzhou Co., Ltd. (abbreviated as “Bank of Jinzhou”)
Legal Representative	: Zhang Wei
Authorized Representatives	: Zhang Wei, Wang Jing
Secretary of the Board	: Wang Jing
Joint Company Secretaries	: Wang Jing, Leung Wing Han Sharon
Registered and Office Address	: No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC
Telephone	: +86 (416) 3220002
Fax	: +86 (416) 3220003
Postal Code	: 121013
Company Website	: <a href="http://www.jinzhoubank.com">www.jinzhoubank.com</a>
Email Address	: <a href="mailto:webmaster@jinzhoubank.com">webmaster@jinzhoubank.com</a>
Customer Service Hotline	: +86-400-66-96178
Principal Place of Business in Hong Kong	: 18/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
Accountant	: KPMG
PRC Legal Advisor	: Zhong Lun Law Firm
Hong Kong Legal Advisor	: Orrick, Herrington & Sutcliffe
Compliance Advisor	: First Shanghai Capital Limited
Custodian of Domestic Shares	: China Securities Depository and Clearing Corporation Limited
H Share Registrar	: Computershare Hong Kong Investor Services Limited
Listing Place of Stock, Stock Name and Stock Code	: The Stock Exchange of Hong Kong Limited; BANK OF JINZHOU: 0416
Business License No. of Corporation	: 210700004032898
Tax Registration No.	: Shui Zi 210711242668214
Finance License No. of Institution	: B0127H221070001
Code of Institution	: 24266821-4
Website of the Hong Kong Stock Exchange where this annual report is published	: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Place where the annual report is maintained	: Office of the Board

## II. Company Profile

Bank of Jinzhou was incorporated, with approval of the People's Bank of China, on 22 January 1997, headquartered in Jinzhou City, Liaoning Province. There are 12 branches established in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang and Jinzhou and 5 village and township banks, namely Jinzhou Taihe Yimin Village and Township Bank Co., Ltd. (錦州太和益民村鎮銀行股份有限公司), Liaoning Yi County Xianghe Village and Township Bank Co., Ltd. (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd. (錦州北鎮益民村鎮銀行股份有限公司), Liaoning Heishan Jinhang Village and Township Bank Co., Ltd. (遼寧黑山錦行村鎮銀行股份有限公司) and Liaoning Kazuo Jinhang Rural Bank Co., Ltd. (遼寧喀左錦行村鎮銀行股份有限公司), were promoted and established; meanwhile, Bank of Jinzhou, as a controlling shareholder, promoted and established Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). As of 31 December 2015, the Bank had, in aggregate, 202 branches.

As of 31 December 2015, the Bank had total assets of RMB361,660 million, total loans and advances released of RMB101,174 million and total deposits of RMB170,179 million.

The Bank ranked 350th by the Bank's tier 1 capital as of 31 December 2014 according to the Top 1,000 World Banks ranking list published by The Banker in July 2015 and ranked 44th among PRC banks.

The Bank has been listed on the Main Board of the Hong Kong Stock Exchange on 7 December 2015.

## III. Awards in 2015

In November 2015, the Bank were recognized as one of the "Top Ten Commercial Banks in China for Supporting the Development of SMEs for 2015" (2015 全國支持中小企業發展十佳商業銀行) by the China SMEs Association.

In November 2015, the Bank was recognized as "Top Ten Brands of Corporate Culture in China" (中國十大企業文化品牌單位) by China Culture Management Association Corporate Culture Administration Professional Committee (中國文化管理協會企業文化管理專業委員會).

In December 2015, the Bank was granted the title of "National Model Home for Staff and Workers" (全國模範職工之家) and "National Education and Training of Workers Demonstration" (全國職工教育培訓示範點) by All-China Federation of Trade Unions (中華全國總工會).

# CHAPTER 2 FINANCIAL HIGHLIGHTS

## I. Financial Data

For the year ended 31 December					
(Expressed in thousands of Renminbi, unless otherwise stated)	2015	2014	2015 vs 2014	2013	2012
<b>Operating Results</b>			<b>Rate of Change (%)</b>		
Interest income	21,819,437	13,582,488	60.6	8,522,877	5,733,741
Interest expense	(11,015,124)	(7,954,065)	38.5	(4,701,435)	(2,479,695)
<b>Net interest income</b>	<b>10,804,313</b>	<b>5,628,423</b>	<b>92.0</b>	<b>3,821,442</b>	<b>3,254,046</b>
Net fee and commission income	500,790	116,323	330.5	75,271	96,754
Net trading gains/(losses)	97,164	470	20,573.2	(5,671)	24,906
Dividend income	6,440	6,360	1.3	6,320	5,780
Net gains/(losses) arising from investment securities	2,896	8,396	(65.5)	(3,643)	60,838
Foreign exchange gain	85,895	7,872	991.1	4,257	13,115
Other net operating income	19,886	26,765	(25.7)	24,121	30,663
<b>Operating income</b>	<b>11,517,384</b>	<b>5,794,609</b>	<b>98.8</b>	<b>3,922,097</b>	<b>3,486,102</b>
Operating expenses	(2,724,872)	(2,213,490)	23.1	(1,888,077)	(1,651,408)
Operating profit before impairment	8,792,512	3,581,119	145.5	2,034,020	1,834,694
Impairment losses on assets	(2,296,943)	(793,469)	189.5	(274,739)	(298,712)
<b>Profit before taxation</b>	<b>6,495,569</b>	<b>2,787,650</b>	<b>133.0</b>	<b>1,759,281</b>	<b>1,535,982</b>
Income tax	(1,587,513)	(664,473)	138.9	(403,783)	(364,565)
<b>Profit for the year</b>	<b>4,908,056</b>	<b>2,123,177</b>	<b>131.2</b>	<b>1,355,498</b>	<b>1,171,417</b>
Net profit attributable to equity Shareholders of the Bank	4,898,761	2,115,715	131.5	1,350,691	1,167,450
<b>Calculated on a per share basis (RMB)</b>			<b>Change</b>		
Basic earnings per share	1.09	0.54	0.55	0.35	0.30
<b>Major indicators of assets/liabilities</b>			<b>Rate of Change (%)</b>		
Total assets	361,659,913	250,692,720	44.3	175,513,850	123,294,307
Of which: loans and advances to customers	97,313,206	86,548,794	12.4	76,728,790	61,781,077
Total liabilities	335,388,599	234,815,584	42.8	164,004,535	112,097,202
Of which: Deposits from customers	170,178,722	119,402,997	42.5	92,764,588	82,786,317
Share capital	5,781,616	4,402,234	31.3	3,902,234	3,902,234
Total equity attributable to equity shareholders of the Bank	25,598,461	15,658,315	63.5	11,398,776	11,118,275
Total equity	26,271,314	15,877,136	65.5	11,509,315	11,197,105



## II. Financial Indicators

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December				
	2015	2014	2015 vs 2014	2013	2012
<b>Profitability indicators (%)</b>			<b>Change</b>		
Return on average total assets <sup>(1)</sup>	1.60	1.00	0.60	0.91	1.02
Return on average equity <sup>(2)</sup>	23.75	15.64	8.11	12.00	11.30
Net interest spread <sup>(3)</sup>	3.29	2.43	0.86	2.32	3.06
Net interest margin <sup>(4)</sup>	3.51	2.63	0.88	2.52	3.30
Net fee and commission income to operating income ratio	4.35	2.01	2.34	1.92	2.78
Cost-to-income ratio <sup>(5)</sup>	18.80	31.26	(12.46)	40.47	40.55
<b>Assets quality indicators (%)</b>			<b>Change</b>		
Non-performing loan ratio <sup>(6)</sup>	1.03	0.99	0.04	0.87	0.94
Allowance coverage ratio <sup>(7)</sup>	369.13	256.15	112.98	226.40	239.45
Allowance to loans ratio <sup>(8)</sup>	3.82	2.53	1.29	1.97	2.24
<b>Capital adequacy indicators (%)</b>			<b>Change</b>		
Based on Capital Adequacy Management Measures					
Core capital adequacy ratio	N/A	N/A	N/A	N/A	13.03
Capital adequacy ratio	N/A	N/A	N/A	N/A	14.34
Based on New Capital Adequacy Measures					
Core tier 1 capital adequacy ratio <sup>(9)</sup>	8.96	8.64	0.32	9.76	N/A
Tier 1 capital adequacy ratio <sup>(10)</sup>	8.97	8.64	0.33	9.76	N/A
Capital adequacy ratio	10.50	10.45	0.05	10.89	N/A
Total equity to total assets	7.26	6.33	0.93	6.56	9.08
<b>Other Indicators (%)</b>			<b>Change</b>		
Loan-to-deposit ratio <sup>(11)</sup>	47.44	55.70	(8.26)	66.62	65.57

### Notes:

- (1) Represents the net profit for the year as a percentage of the average balance of total assets at the beginning and the end of that year.
- (2) Represents the net profit attributable to the Bank's equity Shareholders for the year as a percentage of the average balance of total equity attributable to equity Shareholders at the beginning and at the end of that year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding business tax and surcharges)/operating income.
- (6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.
- (7) Allowance coverage ratio = allowance for impairment losses on loans/total non-performing loans.
- (8) Allowance to loans ratio = allowance for impairment losses on loans/total loans and advances to customers.
- (9) Core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions)/risk-weighted assets.
- (10) Tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions)/risk-weighted assets.
- (11) Such ratios represent the ratios the Bank submitted to the CBRC and were calculated in accordance with financial data under PRC GAAP and the CBRC requirements.

## CHAPTER 3 CHAIRMAN'S STATEMENT

In 2015, the pace of domestic economic growth changed gear under the new normal conditions, stable growth, structural adjustments and promoting reforms became the main themes of economic operations. National strategies such as "One Belt, One Road", "Enterprising and Innovations by Everyone", "Internet+" and free trade zone constructions were launched successively. Demand for financial services in the real economy was increasingly diversified, and financial reforms represented by liberalization of interest rates were further implemented, adjustments and reforms to the financial ecosystem continued, the banking industry was facing an era of drastic changes, interwoven with multiple challenges and new opportunities in co-existence, and we need to change in time.

2015 was a significant milestone year in the history of development of the Bank of Jinzhou. The Bank was listed on the Hong Kong Stock Exchange on 7 December 2015 and entered the international capital markets successfully, both capital strength and brand image were enhanced significantly, turning over a new leaf in history. On 1 December 2015, Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司), which was established with the Bank as a key promoter, formally commenced operation with a registered capital of RMB1 billion. It was the first financial leasing company in Liaoning Province, signifying a smooth beginning of integrated operation of the Bank, leaping to a new milestone of development and we needed to act according to circumstances.

Benefits come with good timing. The Bank effectively and normatively fulfilled its duties and responsibilities, optimized the corporate governance, strengthened the strategic control, actively adapted to the new normal conditions of the economy, continued creating new strengths, followed the operation principles of "adjusting asset structure, changing method of growth, strengthening risk management and insisting on stable and sound operation", adhered to the concept of "compliance with the laws and regulations is the footstone of our operations", actively accelerated transformation of operations and encouraged innovations, developed capabilities to commence specialty financial business, established refined management system, created core competitiveness and enhanced development quality and effectiveness continuously, all operation indicators were further improved and all monitoring indicators were stable and enhanced, a sustainable and healthy state of development was maintained.

As of 31 December 2015, total assets of the Bank amounted to RMB361,660 million, representing a year-on-year increase of 44.3%; total deposits amounted to RMB170,179 million, representing a year-on-year increase of 42.5%; total loans and advances released amounted to RMB101,174 million, representing a year-on-year increase of 13.9%; net profit of RMB4,908 million was realized in 2015, representing a year-on-year increase of 131.2%, achieving the value creation objective.

The above performance was obtained under the firm support from investors, significant assistance from government authorities, careful guidance from the regulatory authorities, loyal companionship from customers in general, diligence and hard work of all employees and enthusiasm and caring from various social sectors, I hereby express the most sincere gratitude to all of the above parties on behalf of the Board.

2016 is the year of commencement for the 13th Five-Year Plan of China as well as a critical year for furtherance of the structural reforms. Facing new normal conditions in the economy, we need to stimulate new vitality forces, call for new actions and realize new developments. The Bank will begin a new journey on a new starting point in history, by conscientiously adhering to the five main development principles of innovation, coordination, green, liberal and sharing, implementing the five main tasks of reducing production capacities, inventories, leverages, costs and rectifying shortcomings, and combining with the Bank's operation principles of risk control, structural adjustment, change in method, sustainable development and convergence with contemporary background, reforms and innovations will be further implemented and driving forces for development will be enhanced to provide more effective services for the real economy and generate good results as returns for Shareholders, achievements for employees and contribution to society.

**ZHANG Wei**  
*Chairman*

Jinzhou, China  
23 March 2016

## CHAPTER 4 PRESIDENT'S STATEMENT

In 2015, faced with more difficult and complicated internal and external economic and financial circumstances and intensive competitive landscape in the industry, the management of the Bank actively implemented all strategic decisions of the Board of Directors, strictly fulfilled all regulatory requirements, pursued development with a basket of strategies, continued to prevent and control risks, further implemented reforms and innovations, changed the methods of development, adjusted and optimized structures, practically developed the fundamentals and realized healthy and stable development under the new normal economic conditions.

As of 31 December 2015, total assets of the Bank amounted to RMB361,660 million, representing a year-on-year increase of 44.3%; total deposits amounted to RMB170,179 million, representing a year-on-year increase of 42.5%; total loans and advances released amounted to RMB101,174 million, representing a year-on-year increase of 13.9%; net profit of RMB4,908 million was realized in 2015, representing a year-on-year increase of 131.2%, setting a new historical peak level in operating results; the capital adequacy ratio was 10.50%, non-performing loan ratio was 1.03%, allowance coverage ratio was 369.13%, cost-to-income ratio was 18.80%, with increasing improvements in management efficiency. According to the List of Top 1,000 World Banks published by The Banker, a UK magazine, in July 2015, the Bank of Jinzhou was ranking 350th worldwide in terms of total amount of tier 1 capital, ranking 44th among PRC banking institutions and 18th among PRC city commercial banks. Its brand image and social influence was further enhanced after its successful entry to the international capital markets in Hong Kong.

In 2015, risk management and control was firm and powerful. The Bank adhered to the concept of "compliance with the laws and regulations is the footstone of our operations" and optimized the comprehensive risk management regime, strengthened the establishment of the risk management system and processes, fully utilized the effectiveness of risk management tools and system, and enhanced the risk quantification and management levels persistently for the whole industry. In terms of risk management strategies, attention was focused on credit risk management in key areas and the industry, differentiation in credit approval and authorization management was adopted in the credit business to mitigate risk proactively and strengthen monitoring on asset quality on continuous basis. Establishment of the internal control and compliance system was further reinforced, the industry-wide management system was revised with focus on creating and maintaining a good internal environment. Responsibilities of the three defensive lines in risk prevention and control were clearly delineated, attention was focused on linked movements, no criminal and material non-compliance incidents of laws and regulations had occurred during the year.

In 2015, specialty financial business was highlighted. Our Bank focused on specialty and differentiated developments, and nurtured comparative advantages actively. On the one hand, we increased financial innovations with successful issuance of credit cards, resident healthcare cards, financial social security cards, ETC cards, etc., and specialty savings deposit product, "Lingcunbao (零存寶)", was launched and recognized in the market. Diversification was achieved in the categories, client structure and investment area of wealth management products. Credit asset securitization products were issued successfully in the interbank market, with increasing number in business categories. On the other hand, structural transformation was promoted, the proportions of retail business and small and micro credit facilities were increased with downward movement in core customers. Intermediary business of the financial market was actively developed to increase non-interest income. The business potential of the "Three Basis & Three Smalls Business (三基三小)" was deeply explored, innovations in the system and mechanism for the Three Basis & Three Smalls Business were accelerated to create a specialty business model with diversity in products, efficient services, preferential prices and convenient channels.

In 2015, the quality of management was enhanced steadily. Through a range of measures, including implementing the pilot scheme of professional serial management, optimizing institutional performance appraisal plans, enhancing asset and liability management, strictly exercising cost management, establishing the interest adjustment linkage mechanism, launching "operation-intensive reform projects", modifying and improving the credit agreement system and enhancing full-process credit management, the standardized and refined levels of operational management was enhanced continuously. With improvements in the construction of information infrastructure, strengthened core system functions and enhanced information security management, the supportive and protective roles of information technology was remarkable. With online operation of the WeChat bank, the business channels were expanded further.

In 2015, the regional distribution network was further optimized. The Bank newly established the Liaoyang Branch, the network coverage and financial service capability continued to increase. With the successive establishments of specialty small enterprise financial service centers, community financial service stations, 24-hour self-service banking booths, the network of specialty services kept on strengthening. In addition, the establishment of Liaoning Kazuo Jinhang Rural Bank Co., Ltd. (遼寧喀左錦行村鎮銀行股份有限公司) had effectively expanded the rural financial market sector, and the establishment of the Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司) became an important step for integrated operation of the Bank.

2016 is the first year after the listing of our Bank, we will pursue development targets based on the operation principles of "risk control, structural adjustment, change in method and sustainable development" to capture development opportunities, adhere to our bottom-line of risks, focus on leading technologies, fully utilize the talent effect, insist on innovative developments, prepare a practicable business foundation and accelerate transformation of operations to enhance the capabilities for sustainable development comprehensively. In moving forward to the new starting point in future, we will continue to create and solidify competitive advantages with our firm belief, cohesive efforts and dedication, motivation and bold actions, to open up the avenue for transformed developments and jointly create a better and more glamorous tomorrow!

**HUO Lingbo**

*Executive Vice President*

*(Acting for President's duties)*

Jinzhou, China

23 March 2016

# CHAPTER 5 MANAGEMENT DISCUSSIONS AND ANALYSIS

## I. Environment and Outlook

In 2015, under the difficult and complicated international environment, the global economic growth rate hit the lowest level in the past six years. The developed economies continued to recover moderately, while the circumstances were different between the emerging markets and the developing economies, many of which were faced with challenges. Certain factors, such as continued divergence in major economies and their monetary policies, slow growth rate of international trading, increased volatility in the international financial market and low prices of bulk commodities, had direct impact on the economy of China.

In 2015, the Chinese government proactively adapted to the new normal state of economic development on the main principle of stable growth, structural adjustment and promoting reform, continued to implement aggressive fiscal policies and stable monetary policies, constantly innovated the mode of macroeconomic regulation and control, promoted to form a sound momentum in the optimization of economic structure, the change of growth drivers and the acceleration of changes in the development mode, and advanced various reforms on the economy and finance in an orderly manner with its focus on stimulating the market vitality. The gross domestic product of China for the full year reached RMB67.67 trillion, representing an increase of 6.9%.

Looking forward to 2016, the global economy will remain at a stage of in-depth adjustment and maintain its weak momentum. Due to insufficient growth drivers, deep impact from the international financial crisis will linger in a substantial period of time. With the increased uncertainties in the external environment, the monetary policies, the trading and investment landscape and the price changes of bulk commodities are uncertain in the major countries.

2016 is the year of commencement for the 13th Five-Year Plan of China, and the five main development principles of innovation, coordination, green, liberal and sharing have indicated the development ideas and directions under the new normal conditions. It is the strategic task and opportunity window to keep stable growth on the basis of policies, promote transformation through reform and pursue development through distribution under the new normal conditions. The national government has introduced a series of strategic plans, such as "One Belt, One Road", "Revitalization of Northeast China", "Coordinated Development of Beijing-Tianjin-Hebei", "Enterprising and Innovations by Everyone" and "Internet+", which have laid foundations for deep reform, opening up and development in the new period. Certain factors, such as the vigorous advance of interest rate liberalization, the popularity of Internet finance and the continuous evolvement of financial disintermediation, have intensified the competition in the financial industry, while providing the brand-new operation and development opportunities in the banking industry.

## II. Development Strategies

In the next three to five years, we will actively adapt to the new normal conditions of the economy, proactively implement the national strategic plans to seize the opportunities arising from deepening financial reforms, with the vision to become a professional financial services provider with core competitive advantages. We will adhere to the basic concept of “compliance with the laws and regulations is the footstone of our operations”, closely follow the operation principles of “risk control, structural adjustment, change in method and sustainable development”, based on the theme of reform and development, the main line of transformation and reconstruction, the driver of innovation and technology, the guarantee of standard and steadiness and the target of benefit and quality, as well as focus on the “Three Basis & Three Smalls” business and serve the physical economy, in order to establish a diversified and characteristic business pattern with low capital consumption, achieve innovation in respect of concepts, patterns and mechanisms, and comprehensively enhance our management efficiency of refining, professionalization and synergies.

2016 is the first year after our listing on the Hong Kong Stock Exchange. The Bank’s strategic goal is to continue to enhance the Bank’s presence as a professional financial services provider with high investment value for the Bank’s Shareholders and investors through prudent, high-quality and targeted growth. To achieve the Bank’s goal, we plan to: consolidate and enhance the Bank’s regional business advantages and optimize our operational network; further strengthen the Bank’s competitiveness in the small and medium-sized enterprises and other small and micro customer businesses; capitalize on the growth potential of personal financial services and further develop the Bank’s retail banking business; further diversify our products and services and expand the Bank’s intermediary business; enhance operational management, internal controls and risk management; continue to improve the Bank’s information system; and enhance our “people-oriented human” resource management. The Bank will continue to grasp development opportunities, proactively carry out transformation initiatives and strive to become the most attractive commercial banks with investment value for the Bank’s investors and Shareholders.

## III. Financial Review

During the Reporting Period, with the continuous promotion of the market-oriented interest rate reform process, the continuous development of the internet finance industry, the formulation of deposit insurance systems and the upcoming implementation of the change from business tax to value-added tax and other relevant policies, the market environment faced by the Bank is undergoing fundamental changes. Faced with the complex and severe economic and financial situation, the Bank experienced rapid and healthy development in its various business and delivered sound returns to its investors and Shareholders by firmly insisting on the operation principle of “Adjusting asset structure, Changing growth mode, Strengthening risk management and Insisting on prudent operation”, seizing growth opportunities and proactively undergoing transformation.

The Bank recorded a net profit of RMB4,908 million in 2015, representing an increase of 131.2% as compared to the previous year. The Bank’s performance not only delivered sound returns to its Shareholders and investors, but also laid a solid foundation for its sustainable development.



As at 31 December 2015, the total assets of the Bank amounted to RMB361,660 million, representing a year-on-year increase of 44.3%; the gross loans and advances to customers amounted to RMB101,174 million, representing a year-on-year increase of 13.9%; the non-performing loan ratio remained low at 1.03%; the deposits from customers balance of the Bank amounted to RMB170,179 million, representing a year-on-year increase of 42.5%; the operating income of the Bank amounted to RMB11,517 million, representing a year-on-year increase of 98.8%; and the net profit amounted to RMB4,908 million, representing a year-on-year increase of 131.2%.

On 7 December 2015 and 23 December 2015, the Bank issued 1,379,381,818 H Shares under the global offering (comprising 1,200,000,000 H Shares under the global offering and 179,381,818 H Shares issued upon partial exercise of the over-allotment option) with all proceeds to be used for supplementing the Bank's capital. As at 31 December 2015, the Bank's capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio was increased to 10.50%, 8.97% and 8.96%, respectively.

### (I) Analysis of the Income Statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2015	2014	Change in amount	Change in percentage (%)
Interest income	21,819,437	13,582,488	8,236,949	60.6
Interest expense	(11,015,124)	(7,954,065)	(3,061,059)	38.5
<b>Net interest income</b>	<b>10,804,313</b>	<b>5,628,423</b>	<b>5,175,890</b>	<b>92.0</b>
Net fee and commission income	500,790	116,323	384,467	330.5
Net trading gains	97,164	470	96,694	20,573.2
Dividend income	6,440	6,360	80	1.3
Net gains arising from investment securities	2,896	8,396	(5,500)	(65.5)
Foreign exchange gain	85,895	7,872	78,023	991.1
Other net operating income	19,886	26,765	(6,879)	(25.7)
<b>Operating income</b>	<b>11,517,384</b>	<b>5,794,609</b>	<b>5,722,775</b>	<b>98.8</b>
Operating expenses	(2,724,872)	(2,213,490)	(511,382)	23.1
Impairment losses on assets	(2,296,943)	(793,469)	(1,503,474)	189.5
<b>Profit before taxation</b>	<b>6,495,569</b>	<b>2,787,650</b>	<b>3,707,919</b>	<b>133.0</b>
Income tax	(1,587,513)	(664,473)	(923,040)	138.9
<b>Profit for the year</b>	<b>4,908,056</b>	<b>2,123,177</b>	<b>2,784,879</b>	<b>131.2</b>

During the Reporting Period, the Bank's profit before income taxation was RMB6,496 million, representing a year-on-year increase of 133.0%; net profit for the year was RMB4,908 million, representing a year-on-year increase of 131.2%, mainly attributable to the stable growth of interest-earning assets and average yield resulting in increase in net interest income of RMB5,176 million or 92.0% as compared to the previous year.

### 1. Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 93.9% and 97.1% of operating income for 2015 and 2014, respectively. The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2015	2014	Change in amount	Change in percentage (%)
Interest income	21,819,437	13,582,488	8,236,949	60.6
Interest expense	(11,015,124)	(7,954,065)	(3,061,059)	38.5
Net interest income	10,804,313	5,628,423	5,175,890	92.0

The following table sets forth, for the years indicated, the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense and average yield on interest-earning assets or average cost on interest-bearing liabilities of the Bank.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
<b>INTEREST-EARNING ASSETS</b>						
Loans and advances to customers	96,450,243	7,153,354	7.42	84,561,043	6,195,205	7.33
Investment securities and other financial assets <sup>(1)</sup>	166,829,498	13,541,335	8.12	82,625,834	5,788,509	7.01
Cash and deposits with the central bank	28,645,780	442,343	1.54	25,856,404	397,552	1.54
Deposits with banks and other financial institutions	14,077,277	660,314	4.69	17,927,488	1,068,921	5.96
Placements with banks and other financial institutions	609,967	5,241	0.86	1,532,315	96,531	6.30
Financial assets held under resale agreements	782,280	16,850	2.15	1,147,543	35,770	3.12
<b>Total interest-earning assets</b>	<b>307,395,045</b>	<b>21,819,437</b>	<b>7.10</b>	<b>213,650,627</b>	<b>13,582,488</b>	<b>6.36</b>



(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			For the year ended 31 December		
	2015			2014		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
<b>Interest-Bearing Liabilities</b>						
Deposits from customers	144,319,899	4,097,737	2.84	102,539,123	2,374,263	2.32
Deposits from banks and other financial institutions	112,549,763	5,574,446	4.95	74,600,893	4,428,983	5.94
Placements from banks and other financial institutions	4,515,732	34,003	0.75	3,185,791	76,610	2.40
Financial assets sold under repurchase agreements	11,303,093	435,724	3.85	9,171,149	335,386	3.66
Debt securities issued	1,853,425	125,979	6.80	1,886,174	126,733	6.72
Wealth management products funds	14,376,612	744,791	5.18	10,860,836	608,270	5.60
Other liabilities	72,955	2,444	3.35	113,979	3,820	3.35
<b>Total interest-bearing liabilities</b>	<b>288,991,479</b>	<b>11,015,124</b>	<b>3.81</b>	<b>202,357,945</b>	<b>7,954,065</b>	<b>3.93</b>
Net interest income		10,804,313			5,628,423	
Net interest spread <sup>(2)</sup>			3.29			2.43
Net interest margin <sup>(3)</sup>			3.51			2.63

Notes:

- (1) Investment securities and other financial assets consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.
- (2) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (3) Calculated by dividing net interest income by the average interest-earning assets.

The following table sets forth, for the years indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by the average interest rate of the interest-earning assets and interest-bearing liabilities. Effect of changes caused by both volume and interest rate has been allocated to changes in net interest income.

(Expressed in thousands of Renminbi, unless otherwise stated)	2015 vs 2014		Net increase/ (decrease) <sup>(3)</sup>
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	
<b>Interest-earning Assets</b>			
Loans and advances to customers	871,040	87,109	958,149
Investment securities and other financial assets	5,899,047	1,853,779	7,752,826
Cash and deposits with the central bank	42,888	1,903	44,791
Deposits with banks and other financial institutions	(229,568)	(179,039)	(408,607)
Placements with banks and other financial institutions	(58,105)	(33,185)	(91,290)
Financial assets held under resale agreements	(11,386)	(7,534)	(18,920)
<b>Changes in interest income</b>	<b>6,513,916</b>	<b>1,723,033</b>	<b>8,236,949</b>
<b>Interest-bearing Liabilities</b>			
Deposits from customers	967,421	756,053	1,723,474
Deposits from banks and other financial institutions	2,252,988	(1,107,525)	1,145,463
Placements from banks and other financial institutions	31,982	(74,589)	(42,607)
Financial assets sold under repurchase agreements	77,965	22,373	100,338
Debt securities issued	(2,200)	1,446	(754)
Wealth management products funds	196,904	(60,383)	136,521
Other liabilities	(1,375)	(1)	(1,376)
<b>Changes in interest expense</b>	<b>3,523,685</b>	<b>(462,626)</b>	<b>3,061,059</b>
<b>Changes in net interest income</b>	<b>2,990,231</b>	<b>2,185,659</b>	<b>5,175,890</b>

Notes:

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

## 2. Interest income

The following table sets forth, for the years indicated, the breakdown of the Bank's interest income:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	6,409,056	29.4	5,681,013	41.8
Retail loans	691,526	3.2	488,929	3.6
Discounted bills	52,772	0.2	25,263	0.2
<b>Subtotal</b>	<b>7,153,354</b>	<b>32.8</b>	<b>6,195,205</b>	<b>45.6</b>
Investment securities and other financial assets	13,541,335	62.1	5,788,509	42.6
Cash and deposits with the central bank	442,343	2.0	397,552	2.9
Deposits with banks and other financial institutions	660,314	3.0	1,068,921	7.9
Financial assets held under resale agreements	16,850	0.1	35,770	0.3
Placements with banks and other financial institutions	5,241	0.0	96,531	0.7
<b>Total</b>	<b>21,819,437</b>	<b>100.0</b>	<b>13,582,488</b>	<b>100.0</b>

The Bank's interest income increased by 60.6% to RMB21,819,437 thousand in 2015 from RMB13,582,488 thousand in 2014, primarily due to rapid increase in corresponding interest income resulting from the significant increase in the scale of the investment business and loans as the Bank put great efforts in the investment and loan business by capitalizing on the increase in funding.

**(1) Interest income from loans and advances to customers**

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 32.8% and 45.6% of the Bank's interest income in 2015 and 2014, respectively. The following table sets forth, for the years indicated, the average balance, interest income and average yield for loans and advances to customers:

(Expressed in millions of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2015			2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	87,244,835	6,409,056	7.35	78,300,059	5,681,013	7.26
Retail loans	8,838,951	691,526	7.82	6,026,039	488,929	8.11
Discounted bills	366,457	52,772	14.40	234,945	25,263	10.75
<b>Total</b>	<b>96,450,243</b>	<b>7,153,354</b>	<b>7.42</b>	<b>84,561,043</b>	<b>6,195,205</b>	<b>7.33</b>

**(2) Interest income from investment securities and other financial assets**

Interest income from investment securities and other financial assets increased by 133.9% to RMB13,541,335 thousand in 2015 from RMB5,788,509 thousand in 2014, primarily due to increase in the scale of investment assets and an increase in the average yield resulting in corresponding increase in interest income.

**(3) Interest income from cash and deposits with the central bank**

Interest income from cash and deposits with the central bank increased by 11.3% to RMB442,343 thousand in 2015 from RMB397,552 thousand in 2014, primarily due to increase in the scale of the Bank's deposits resulting in the increase in the amount of the statutory deposit reserves deposited by the Bank with the central bank.

**(4) Interest income from deposits with banks and other financial institutions**

Interest income from deposits with banks and other financial institutions decreased by 38.2% to RMB660,314 thousand in 2015 from RMB1,068,921 thousand in 2014, primarily due to decrease in yield of deposits with banks in the market and decrease in the scale of the Bank's deposits with banks.

**(5) Interest income from placements with banks and other financial institutions**

Interest income from placements with banks and other financial institutions decreased by 94.6% to RMB5,241 thousand in 2015 from RMB96,531 thousand in 2014, primarily due to a decrease in the balance of placements with banks and other financial institutions resulting in decrease in corresponding interest income. The average balance of placements with banks and other financial institutions decreased by 60.2% to RMB609,967 thousand in 2015 from RMB1,532,315 thousand in 2014, primarily due to a reduction in the scale of placements with banks and other financial institutions by the bank as a result of a decline in the yield of placements with banks and other financial institutions in the market. The average yield of placements with banks and other financial institutions decreased from 6.30% in 2014 to 0.86% in 2015, primarily due to a decrease in the percentage of RMB-denominated placements with banks and other financial institutions with a higher yield and the fluctuations in interest rates in the interbank market in 2015.

**(6) Interest income from financial assets held under resale agreements**

Interest income from financial assets held under resale agreements decreased to RMB16,850 thousand in 2015 from RMB35,770 thousand in 2014, primarily due to decrease in the average balance and the average yield. The average balance of financial assets held under resale agreements decreased by 31.8% from RMB1,147,543 thousand in 2014 to RMB782,280 thousand in 2015, primarily due to changes in short-term positions of the Bank. The average yield of financial assets held under resale agreements decreased from 3.12% in 2014 to 2.15% in 2015, primarily due to fluctuations in the interbank market interest rate.

**3. Interest expense**

The following table sets forth, for the years indicated, the principal components of the Bank's interest expense:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
Deposits from customers	4,097,737	37.2	2,374,263	29.9
Deposits from banks and other financial institutions	5,574,446	50.6	4,428,983	55.7
Placements from banks and other financial institutions	34,003	0.3	76,610	1.0
Financial assets sold under repurchase agreements	435,724	4.0	335,386	4.2
Debt securities issued	125,979	1.1	126,733	1.6
Borrowings from the central bank	2,444	0.0	3,820	0.0
Wealth management products funds	744,791	6.8	608,270	7.6
<b>Total</b>	<b>11,015,124</b>	<b>100.0</b>	<b>7,954,065</b>	<b>100.0</b>

**(1) Interest expense on deposits from customers**

The following table sets forth the average balance, interest expense and average cost for each component of the Bank's deposits from customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2015			2014		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time	68,216,314	2,382,745	3.49	38,107,388	1,115,698	2.93
Demand	24,930,937	138,072	0.55	23,705,654	146,139	0.62
Subtotal	93,147,251	2,520,817	2.71	61,813,042	1,261,837	2.04
<b>Retail deposits</b>						
Time	41,788,397	1,533,553	3.67	31,623,915	1,076,219	3.40
Demand	9,384,251	43,367	0.46	9,102,166	36,207	0.40
Subtotal	51,172,648	1,576,920	3.08	40,726,081	1,112,426	2.73
<b>Total deposits from customers</b>	<b>144,319,899</b>	<b>4,097,737</b>	<b>2.84</b>	<b>102,539,123</b>	<b>2,374,263</b>	<b>2.32</b>

Interest expense on deposits from customers increased by 72.6% to RMB4,097,737 thousand in 2015 from RMB2,374,263 thousand in 2014, primarily due to (i) rapid increase in the scale of the Bank's deposits in 2015; and (ii) an increase in cost as a result of interest rate liberalization.

**(2) Interest expense on deposits from banks and other financial institutions**

Interest expense on deposits from banks and other financial institutions increased by 25.9% to RMB5,574,446 thousand in 2015 from RMB4,428,983 thousand in 2014, primarily due to more funds borrowed by the Bank from the market in view of a reduction in interest rates in the interbank market.

**(3) Interest expense on placements from banks and other financial institutions**

Interest expense on placements from banks and other financial institutions decreased by 55.6% to RMB34,003 thousand in 2015 from RMB76,610 thousand in 2014, primarily due to decrease in the average cost of placements from banks and other financial institutions resulting in decrease in interest expense. The average balance of placements from banks and other financial institutions increased by 41.7% to RMB4,515,732 thousand in 2015 from RMB3,185,791 thousand in 2014, primarily due to development of the Bank's foreign currency business which resulted in increased demand for foreign currencies.

**(4) Interest expense on financial assets sold under repurchase agreements**

Interest expense on financial assets sold under repurchase agreements increased by 29.9% to RMB435,724 thousand in 2015 from RMB335,386 thousand in 2014, primarily due to increase in the average balance. The average balance of financial assets sold under repurchase agreements increased by 23.2% to RMB11,303,093 thousand in 2015 from RMB9,171,149 thousand in 2014 and was mainly used for the needs of managing our liquidity. The average cost of our financial assets sold under repurchase agreements increased to 3.85% in 2015 from 3.66% in 2014.

**(5) Interest expense on debt securities issued**

In 2015, the Bank's interest expense on debt securities issued decreased by RMB754 thousand to RMB125,979 thousand as compared to the previous year, primarily because on 17 September 2015, the Bank redeemed the fixed-rate subordinated bonds issued on 17 September 2010, leading to decrease in the average balance of debt securities issued.

**(6) Interest expense on wealth management products funds**

The interest expense on wealth management products funds increased by 22.4% to RMB744,791 thousand in 2015 from RMB608,270 thousand in 2014, primarily due to an increase in the average balance of the wealth management products funds. The average balance of the wealth management products funds increased by 32.4% to RMB14,376,612 thousand in 2015 from RMB10,860,836 thousand in 2014, primarily because (i) customers' demand for investment wealth management increased; and (ii) the Bank have issued more wealth management products which are attractive to customers in response to their demand.

**4. Net Interest Spread and Net Interest Margin**

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets.

The net interest spread increased to 3.29% in 2015 compared to 2.43% in 2014. The net interest margin increased to 3.51% in 2015 compared to 2.63% in 2014, primarily due to (i) the increase of the average yield of the Bank's loans and advances to customers and the average yield of investment securities and other financial assets; and (ii) the decrease of the cost of deposits from banks and other financial institutions and wealth management products funds compared to that for 2014.



## 5. Non-interest income

(1) *Net Fee and Commission Income*

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2015	2014	Change	Percentage of change (%)
<b>Fee and commission income</b>				
Underwriting and advisory fees	187,691	8,456	179,235	2,119.6
Wealth management service fees	121,198	16,675	104,523	626.8
Settlement and clearing fees	118,975	97,002	21,973	22.7
Agency services fees	97,790	20,759	77,031	371.1
Bank card service fees	17,672	14,222	3,450	24.3
Others	12,757	25,991	(13,234)	(50.9)
<b>Subtotal</b>	<b>556,083</b>	<b>183,105</b>	<b>372,978</b>	<b>203.7</b>
<b>Fee and commission expense</b>				
Settlement and clearing fees	10,992	12,582	(1,590)	(12.6)
Others	44,301	54,200	(9,899)	(18.3)
<b>Subtotal</b>	<b>55,293</b>	<b>66,782</b>	<b>(11,489)</b>	<b>(17.2)</b>
<b>Net fee and commission income</b>	<b>500,790</b>	<b>116,323</b>	<b>384,467</b>	<b>330.5</b>

The Bank fee and commission income increased significantly to RMB556,083 thousand in 2015 compared to RMB183,105 thousand in 2014, primarily due to increases in the Bank's agency services fees, underwriting and advisory fees and wealth management service fees as a result of the growth of the Bank's business volume.

Fee and commission expense consist primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense decreased by 17.2% to RMB55,293 thousand in 2015 compared to RMB66,782 thousand in 2014, primarily due to a decrease in the Bank's foreign currency letter of credit charge expenditure.

(2) *Net Trading Gains*

Net trading gains primarily comprise of net gains from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. In 2015, the Bank's incurred a net trading gain of RMB97,164 thousand. In 2014, the Bank's incurred a net trading gain of RMB470 thousand. The increase in our net trading gains in 2015 was primary due to an increase in the investment scale of wealth management products and the general decrease of market interest rates which led to an increase in the fair value gain on the Bank's trading securities.



**(3) Dividend Income**

Dividend income increased by 1.3% to RMB6,440 thousand in 2015 compared with RMB6,360 thousand in 2014.

**(4) Net Gains arising from Investment Securities**

The Bank had a net gain arising from investment securities of RMB2,896 thousand in 2015, representing a 65.5% decrease compared to the net gain arising from investment securities of RMB8,396 thousand in 2014. The decrease was mainly due to volatility in the bond markets.

**(5) Foreign Exchange Gain**

Foreign exchange gain increased by 991.1% to RMB85,895 thousand in 2015 from RMB7,872 thousand in 2014, primarily due to a foreign exchange gain arising from funds denominated in HK dollar raised from our H-share listing as a result of the appreciation of the HK dollar against Renminbi during the period we hold them.

**(6) Other Net Operating Income**

Other net operating income decreased by 25.7% to RMB19,886 thousand in 2015 from RMB26,765 thousand in 2014, primarily due to a decrease in gains from government grants and subsidies.

**6. Operating Expenses**

In 2015, the Bank's operating expenses was RMB2,724,872 thousand, representing an increase of RMB511,382 thousand or 23.1% than last year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2015	2014	Change	Percentage of change (%)
Staff cost	1,105,639	963,583	142,056	14.7
General and administrative expenses	708,620	516,901	191,719	37.1
Business tax and surcharges	493,952	402,131	91,821	22.8
Depreciation and amortization	349,408	325,884	23,524	7.2
Others	67,253	4,991	62,262	1,247.5
<b>Total operating expenses</b>	<b>2,724,872</b>	<b>2,213,490</b>	<b>511,382</b>	<b>23.1</b>

**(1) Staff Costs**

The following table sets forth, for the years indicated, the principal components of our staff costs:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			Percentage of change (%)
	2015	2014	Change	
– Salaries and bonuses	767,274	668,847	98,427	14.7
– Staff welfares	49,950	42,859	7,091	16.5
– Pension	123,498	115,446	8,052	7.0
– Housing allowances	60,025	52,752	7,273	13.8
– Supplementary retirement benefits	1,718	1,519	199	13.1
– Other long-term staff welfares	16,420	8,967	7,453	83.1
– Other short-term staff welfares	86,754	73,193	13,561	18.5
<b>Total staff costs</b>	<b>1,105,639</b>	<b>963,583</b>	<b>142,056</b>	<b>14.7</b>

In 2015, the Bank's total staff costs was RMB1,105,639 thousand, representing an increase of RMB142,056 thousand or 14.7% than 2014, primarily due to an increase in labour costs as a result of increases in the number and remuneration of the Bank's employees due to the business development of the Bank.

**(2) General and Administrative Expenses**

General and administrative expenses increased by 37.1% to RMB708,620 thousand in 2015 compared to RMB516,901 thousand in 2014, primarily due to (i) the increase of daily administration expenses as a result of an increase in outlets; and (ii) the increase of general and administrative expenses as a result of an increase in volume of the Bank's business.

**(3) Business Tax and Surcharges**

The Bank's business tax and surcharges increased by 22.8% to RMB493,952 thousand in 2015 compared to RMB402,131 thousand in 2014, primarily due to increases in the Bank's taxable income.

**(4) Depreciation and Amortization**

Depreciation and amortization increased by 7.2% to RMB349,408 thousand in 2015 compared to RMB325,884 thousand in 2014, primarily due to increases in depreciation and amortization expenses as a result of an increase in our property and equipment and increase in the rental expenses of the Bank's operating outlets.

## 7. Impairment Losses on Assets

The following table sets forth, for the years indicated, the principal components of the Bank's impairment losses on assets:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			Percentage of change (%)
	2015	2014	Change	
Impairment losses on loans and advances to customers	1,867,757	706,266	1,161,491	164.5
Impairment losses on debt securities classified as receivables	429,003	78,266	350,737	448.1
Impairment losses on other assets	183	8,937	(8,754)	(98.0)
<b>Total</b>	<b>2,296,943</b>	<b>793,469</b>	<b>1,503,474</b>	<b>189.5</b>

Impairment losses on assets increased by 189.5% to RMB2,296,943 thousand in 2015 from RMB793,469 thousand in 2014, primarily due to (i) the Bank's decision to implement more prudent risk management policies in view of the overall economic downturn, (ii) the rapid increase of the Bank's investments in debt securities classified as receivables, and (iii) the increase of the Bank's non-performing loans in line with the overall growth of the Bank's loan portfolio.

## 8. Income Tax

In 2015, the Bank's income tax was RMB1,587,513 thousand, representing an increase of RMB923,040 thousand or 138.9% than last year. The Bank's actual tax rate was 24.44%, representing an increase of 0.60 percentage points than last year.

**(II) Analysis of the Statement of Financial Position****1. Assets**

As at 31 December 2015 and 31 December 2014, the Bank had total assets of RMB361,659,913 thousand and RMB250,692,720 thousand, respectively. The principal components of the assets were (i) loans and advances to customers, (ii) net investment securities and other financial assets, (iii) cash and deposits with the central bank and (iv) deposits with banks and other financial institutions, accounting for 26.9%, 57.8%, 8.3% and 4.1% of the Bank's total assets as at 31 December 2015, respectively. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
<b>Assets</b>				
Gross loans and advances to customers	101,174,410	28.0	88,799,260	35.4
Provision for impairment losses on loans and advances to customers	(3,861,204)	(1.1)	(2,250,466)	(0.9)
Net Loans and advances to customers	97,313,206	26.9	86,548,794	34.5
Investment securities and other financial assets, net <sup>(1)</sup>	209,031,999	57.8	113,842,547	45.4
Cash and deposits with the central bank	30,099,321	8.3	30,170,499	12.0
Deposits with banks and other financial institutions	14,954,990	4.1	12,520,605	5.0
Placements with banks and other financial institutions	649,360	0.2	—	—
Other assets <sup>(2)</sup>	9,611,037	2.7	7,610,275	3.1
<b>Total assets</b>	<b>361,659,913</b>	<b>100.0</b>	<b>250,692,720</b>	<b>100.0</b>

Notes:

- (1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables.
- (2) Include interests receivable, property and equipment, deferred tax assets and others.

The Bank's total assets increased by 44.3% from RMB250,692,720 thousand as at 31 December 2014 to RMB361,659,913 thousand as at 31 December 2015. The increase in the Bank's total assets was primarily attributable to the growth in relevant assets as a result of the Bank's increased efforts on investment business and loan business.

(1) *Loans and Advances to Customers*

As at 31 December 2015, the Bank's total loans and advances to customers was RMB101,174,410 thousand, representing an increase of 13.9% as compared to the end of last year. Loans and advances to customers accounted for 28.0% of the Bank's total assets, representing a decrease of 7.4 percentage points as compared to the end of last year.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans	91,234,544	90.2	81,151,769	91.4
Retail loans	9,703,140	9.6	7,475,753	8.4
Discounted bills	236,726	0.2	171,738	0.2
<b>Total loans and advances to customers</b>	<b>101,174,410</b>	<b>100.0</b>	<b>88,799,260</b>	<b>100.0</b>

The Bank's total loans and advances to customers primarily comprise of corporate loans (including discounted bills) and retail loans. Corporate loans are the largest component of the Bank's loan portfolio. As at 31 December 2015 and 31 December 2014, the Bank's corporate loans amounted to RMB91,234,544 thousand and RMB81,151,769 thousand, accounting for 90.2% and 91.4% of our total loans and advances to customers, respectively.

The Bank's corporate loans increased by 12.4% from RMB81,151,769 thousand as at 31 December 2014 to RMB91,234,544 thousand as at 31 December 2015, primarily due to (i) the continued growth of the market demand for corporate loans; and (ii) the establishment of new branches and sub-branches by the Bank.

The Bank's retail loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. The balance of retail loans amounted to RMB9,703,140 thousand, representing an increase of RMB2,227,387 thousand or 29.8% as compared to the end of last year, which accounted for 9.6% of the Bank's total loans and advances to customers, representing an increase of 1.2 percentage points as compared to the end of last year, which was primarily due to (i) benefiting from the various policies of the Chinese government to support and encourage financial institutions to develop individual credit services and the initiative taken by the CBRC to reduce the risk weight of retail loans to encourage the granting of loans to retail loan customers; and (ii) the continued growth of the market demand for retail loans.

### Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 93.8% and 92.0% of our total loans and advances to customers as at 31 December 2015 and 31 December 2014, respectively. If a loan is secured by more than one form of security interest, the entire amount of such a loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Unsecured loans	6,282,693	6.2	7,129,487	8.0
Guaranteed loans	30,329,039	30.0	27,657,257	31.2
Collateralized loans	49,416,132	48.8	41,546,242	46.8
Pledged loans	15,146,546	15.0	12,466,274	14.0
<b>Total loans and advances to customers</b>	<b>101,174,410</b>	<b>100.0</b>	<b>88,799,260</b>	<b>100.0</b>

The structure of collaterals of the Bank's loans is stable and the Bank's capability of mitigating risks is solid. As at 31 December 2015, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB64,562,678 thousand, representing an increase of RMB10,550,162 thousand or 19.5% as compared to the end of last year, accounting for 63.8% of the Bank's total loans which was basically at the same level as the end of last year. The balance of unsecured and guaranteed loans was RMB36,611,732 thousand, an increase of RMB1,824,988 thousand as compared to the end of last year, accounting for 36.2% of the Bank's total loans which was basically as same as the end of last year.

### Movements of provision for impairment losses on loans and advances to customers

(Expressed in thousands of Renminbi, unless otherwise stated)	2015	2014
<b>As at 1 January</b>	<b>2,250,466</b>	1,544,459
Charge for the year	1,968,943	827,296
Release for the year	(101,186)	(121,030)
Recoveries	816	5,921
Unwinding of discount	(21,570)	(6,180)
Disposal	(236,265)	—
<b>As at 31 December</b>	<b>3,861,204</b>	2,250,466

Provision for impairment losses on loans increased by 71.6% from RMB2,250,466 thousand as at 31 December 2014 to RMB3,861,204 thousand as at 31 December 2015, primarily due to the increase in the Bank's provision for impairment losses to counter against uncertainties arising from macroeconomic operation.

(2) *Investment Securities and Other Financial Assets*

Investment securities and other financial assets consist of debt investment, equity investment, investments using funds of wealth management products and debt securities classified as receivables. Investment securities and other financial assets was the largest component of the Bank's assets as at 31 December 2015. As at 31 December 2014 and 31 December 2015, the Bank had net investment securities and other financial assets of RMB113,842,547 thousand and RMB209,031,999 thousand, accounting for 45.4% and 57.8% of the Bank's total assets, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)				
Item	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
<b>Debt investments</b>	<b>26,995,121</b>	<b>12.9</b>	24,600,070	21.6
Held-to-maturity investments	7,711,333	3.7	7,339,592	6.4
Available-for-sale debt investments	19,219,823	9.2	17,197,995	15.1
Financial assets at fair value through profit or loss	63,965	0.0	62,483	0.1
Provision for impairment losses on debt investments	—	—	—	—
<b>Equity investments</b>	<b>58,250</b>	<b>0.0</b>	58,250	0.1
Available-for-sale equity investments	58,250	0.0	58,250	0.1
Provision for impairment losses on equity investments	—	—	—	—
<b>Wealth management products investments</b>	<b>15,496,243</b>	<b>7.4</b>	9,927,769	8.7
<b>Debt securities classified as receivables</b>	<b>166,482,385</b>	<b>79.7</b>	79,256,458	69.6
Investments in wealth management products of financial institutions	—	—	2,773,195	2.4
Net beneficial interest transfer plans	166,989,654	79.9	76,561,529	67.3
Provision for impairment losses on debt securities classified as receivables	(507,269)	(0.2)	(78,266)	(0.1)
<b>Net investments</b>	<b>209,031,999</b>	<b>100.0</b>	113,842,547	100.0

As at 31 December 2015, the Bank's investment securities and other financial assets, net amounted to RMB209,031,999 thousand, representing an increase of 83.6% from RMB113,842,547 thousand as at 31 December 2014. Such increase was primarily due to increased investment in securities and other financial assets as a result of an increase in the Bank's available funds, the diversification of the Bank's business and services and the strategy of expanding the Bank's treasury business.



## 2. Liabilities

As at 31 December 2015 and 31 December 2014, the Bank's total liabilities amounted to RMB335,388,599 thousand and RMB234,815,584 thousand, respectively. The Bank's liabilities comprise (i) deposits from customers, (ii) deposits from banks and other financial institutions and (iii) financial assets sold under repurchase agreements, accounting for 50.7%, 34.7% and 6.0% of the Bank's total liabilities as at 31 December 2015, respectively.

The following table sets forth the composition of the Bank's total liabilities as of the dates indicated:

(Expressed in thousands of Renminbi , unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Deposits from customers	170,178,722	50.7	119,402,997	50.8
Deposits from banks and other financial institutions	116,351,178	34.7	82,457,624	35.1
Financial assets sold under repurchase agreements	20,244,100	6.0	10,259,000	4.4
Debt securities issued	1,500,000	0.4	2,000,000	0.9
Placements from banks and other financial institutions	3,855,808	1.1	3,044,677	1.3
Funds of wealth management products <sup>(1)</sup>	15,426,941	4.6	13,064,655	5.6
Other liabilities <sup>(2)</sup>	7,831,850	2.5	4,586,631	1.9
<b>Total</b>	<b>335,388,599</b>	<b>100.0</b>	<b>234,815,584</b>	<b>100.0</b>

Notes:

- (1) Include financial liabilities at fair value through profit or loss and wealth management funds.
- (2) Include accrued staff costs, taxes payable, interests payable and others.

### (1) Deposits from customers

The Bank provides demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers and product type as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>				
Demand deposits	31,712,157	18.7	31,170,699	26.1
Time deposits	78,526,650	46.1	43,739,442	36.6
<b>Subtotal</b>	<b>110,238,807</b>	<b>64.8</b>	<b>74,910,141</b>	<b>62.7</b>
<b>Retail deposits</b>				
Demand deposits	11,710,050	6.9	10,696,916	9.0
Time deposits	48,229,865	28.3	33,795,940	28.3
<b>Subtotal</b>	<b>59,939,915</b>	<b>35.2</b>	<b>44,492,856</b>	<b>37.3</b>
<b>Total</b>	<b>170,178,722</b>	<b>100.0</b>	<b>119,402,997</b>	<b>100.0</b>



As at 31 December 2015, the Bank's total deposits from customers amounted to RMB170,178,722 thousand, representing an increase of RMB50,775,725 thousand or 42.5% as compared to the end of last year. Deposits from customers accounted for 50.7% of total liabilities, flat as those as of the end of last year. During the Reporting Period, the increase in deposits from customers was attributed to an increase in our operating outlets and increased efforts in marketing customer deposits.

(2) *Debts securities issued*

On 17 September 2010, the Bank issued fixed rate subordinated debts in an aggregate principal amount of RMB500 million. The debts have a term of ten years and coupon rate of 5.90%. The Bank has an option to redeem the debts at the nominal amount on 17 September 2015. If the debts are not redeemed by the Bank, the coupon rate will increase to 8.90% for the five years from 17 September 2015. The Bank redeemed all these debts as per their book values pursuant to the exercise of the right of redemption on 17 September 2015.

The Bank issued the fixed rate tier-two capital debts of RMB1,500 million and write-down clauses on 24 January 2014. The coupon rate is 7.00%. The Bank has an option to redeem the debts at the nominal amount on 28 January 2019.

### 3. Shareholders' Equity

The following table sets forth the composition of the Bank's Shareholders' equity as of the dates indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Share capital	5,781,616	22.0	4,402,234	27.7
Capital reserve	9,152,898	34.8	4,962,627	31.3
Surplus reserve	1,292,031	4.9	802,364	5.1
General reserve	4,801,449	18.3	3,159,078	19.9
Retained earnings	4,570,467	17.4	2,332,012	14.7
Non-controlling interests	672,853	2.6	218,821	1.3
<b>Total equity</b>	<b>26,271,314</b>	<b>100.0</b>	<b>15,877,136</b>	<b>100.0</b>

The Bank completed the global offering of 1,379,381,818 H Shares (including 1,200,000,000 H Shares offered under the global offering and 179,381,818 H Shares offered pursuant to the exercise of over-allotment option in part) on 7 December 2015 and 23 December 2015. The nominal value of the Shares is RMB1 and the offer price was HK\$4.66 per Share.

**(III) Assets Quality Analysis****1. Breakdown of Loans by the Five-Category Classification**

The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated. For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at 31 December 2015, the non-performing loans recorded by the Bank amounted to RMB1,046,022 thousand and the Bank's total provision for impairment losses on loans to customers was RMB3,861,204 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Pass	96,311,855	95.2	83,794,146	94.4
Special mention	3,816,533	3.8	4,126,467	4.6
Substandard	521,856	0.5	514,471	0.6
Doubtful	405,352	0.4	248,071	0.3
Loss	118,814	0.1	116,105	0.1
<b>Total loans and advances to customers</b>	<b>101,174,410</b>	<b>100.0</b>	<b>88,799,260</b>	<b>100.0</b>
<b>Non-performing loan</b>	<b>1,046,022</b>	<b>1.03</b>	<b>878,647</b>	<b>0.99</b>

As at 31 December 2015 and 31 December 2014, the non-performing loan ratios of the Bank's total loan portfolio were 1.03% and 0.99%, respectively. The Bank's non-performing loan ratio slightly increased by 0.04% as compared to 2014, primarily due to the following reasons: the Bank formulated guidelines for credit extension based on national policies and market conditions; continued to optimise selection requirements of industries, regions and customers and adjusted the Bank's credit asset structure; strengthened post-loan inspections and the collection of non-performing loans. Such measures have greatly prevented the occurrence of non-performing loans and promoted the collection and conversion of non-performing loans. However, due to a slowed down macro-economy, transformation and upgrading of industrial structure and other factors, individual customers in certain industries defaulted, resulting in a slight increase in the Bank's non-performing loan ratios.

## 2. Concentration of Loans

### (1) Concentration by industry and distribution of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as at the dates indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2015				31 December 2014			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
<b>Corporate loans</b>								
Wholesale and retail trade	30,199,593	29.8	332,061	1.10	27,762,920	31.3	156,897	0.57
Manufacturing	23,238,642	23.0	600,131	2.58	19,885,409	22.4	601,357	3.02
Real estate	11,183,248	11.1	12,243	0.11	9,426,185	10.6	26,128	0.28
Leasing and commercial services	8,633,996	8.5	4,105	0.05	5,466,601	6.2	4,895	0.09
Construction	3,197,190	3.2	2,070	0.06	4,363,220	4.9	70	0.00
Education	2,751,812	2.7	8,600	0.31	2,749,777	3.1	7,100	0.26
Transportation, storage and postal services	1,790,687	1.8	8,000	0.45	2,345,794	2.6	5,470	0.23
Public management and social organization	1,620,780	1.6	2,000	0.12	850,490	1.0	2,000	0.24
Water, environment and public utility management	1,470,634	1.5	—	—	2,371,600	2.7	—	—
Agriculture, forestry, animal husbandry and fishery	1,334,995	1.3	3,577	0.27	1,207,849	1.4	1,726	0.14
Others	5,812,967	5.7	18,283	0.31	4,721,924	5.2	27,129	0.57
<b>Discounted bills</b>	236,726	0.2	—	—	171,738	0.2	—	—
<b>Retail loans</b>	9,703,140	9.6	54,952	0.57	7,475,753	8.4	45,875	0.61
<b>Total</b>	<b>101,174,410</b>	<b>100.0</b>	<b>1,046,022</b>	<b>1.03</b>	<b>88,799,260</b>	<b>100.0</b>	<b>878,647</b>	<b>0.99</b>

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry

As at 31 December 2015, loans provided to customers in the industries of (i) wholesale and retail trade, (ii) manufacturing, (iii) real estate and (iv) leasing and commercial services represented the largest components of the Bank's corporate loans. As at 31 December 2015 and 31 December 2014, the balance of loans provided to the corporate customers in these four industries were RMB73,255,479 thousand and RMB62,541,115 thousand, respectively, accounting for 80.4% and 77.0% of the total corporate loans and advances granted by the Bank, respectively. From the perspective of the structure of increased quantity, these four industries experienced the largest increment. The increased quantity and increment were respectively as follows: RMB2,436,673 thousand, 8.8%; RMB3,353,233 thousand, 16.9%; RMB1,757,063 thousand, 18.6%; and RMB3,167,395 thousand, 57.9%. Compared to 2014, the proportion of the four industries to the aggregate loan amount was relatively stable. As at 31 December 2015, non-performing loans of the Bank's corporate loans were mainly concentrated in wholesale and retail trade, as well as manufacturing, with the ratio of non-performing loans of 1.10% and 2.58%.

**(2) Borrower Concentration****Indicators of concentration**

Major regulatory indicators	Regulatory standard	As at	As at
		31 December 2015	31 December 2014
Loan concentration ratio for the largest single customer (%)	<=10	6.29	6.97
Loan concentration ratio for the top ten customers (%)	<=50	33.04	40.76

Note: The data above are calculated in accordance with the formula promulgated by the CBRC.

**Loans to the ten largest single borrowers**

The table below sets forth the borrowing amounts of the ten largest single borrowers as at 31 December 2015. As of the same date, all such loans were classified as pass loans.

(Expressed in thousands of Renminbi, unless otherwise stated)		As at 31 December 2015	
Customer	Industry involved	Amount	% of total loan
Customer A	Leasing and commercial services	1,900,000	1.9
Customer B	Wholesale and retail trade	1,490,427	1.5
Customer C	Leasing and commercial services	1,197,500	1.2
Customer D	Wholesale and retail trade	1,000,000	1.0
Customer E	Wholesale and retail trade	849,162	0.8
Customer F	Real estate	778,371	0.8
Customer G	Wholesale and retail trade	750,000	0.7
Customer H	Wholesale and retail trade	700,000	0.7
Customer I	Manufacturing	665,000	0.7
Customer J	Real estate	645,000	0.6
<b>Total</b>		<b>9,975,460</b>	<b>9.9</b>

(3) *Distribution of non-performing loans by product type*

The table below sets forth the loans and non-performing loans by product type as at the dates indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015			As at 31 December 2014		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
<b>Corporate loans</b>						
Small Enterprises and Micro Enterprises	41,234,165	416,425	1.01	35,516,301	488,835	1.38
Medium Enterprises	33,311,707	358,835	1.08	28,473,453	247,932	0.87
Others	16,688,672	215,810	1.29	17,162,015	96,005	0.56
<b>Subtotal</b>	<b>91,234,544</b>	<b>991,070</b>	<b>1.09</b>	<b>81,151,769</b>	<b>832,772</b>	<b>1.03</b>
<b>Discounted bills</b>	<b>236,726</b>			<b>171,738</b>		
<b>Retail loans</b>						
Personal business loans	8,644,513	53,836	0.62	6,692,572	44,775	0.67
Personal consumption loans	579,399	—	—	480,359	—	—
Residential and commercial properties mortgage loans	390,091	—	—	230,712	145	0.06
Credit card overdrafts	88,548	546	0.62	71,323	221	0.31
Others	589	570	96.77	787	734	93.27
<b>Subtotal</b>	<b>9,703,140</b>	<b>54,952</b>	<b>0.57</b>	<b>7,475,753</b>	<b>45,875</b>	<b>0.61</b>
<b>Total</b>	<b>101,174,410</b>	<b>1,046,022</b>	<b>1.03</b>	<b>88,799,260</b>	<b>878,647</b>	<b>0.99</b>

The non-performing loan ratio, defined as non-performing loans divided by the Bank's gross loans and advances to customers, was 1.03% as at 31 December 2015 and 0.99% as at 31 December 2014.

As at 31 December 2015 and 31 December 2014, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 1.09% and 1.03%, respectively.

As at 31 December 2015 and 31 December 2014, the non-performing loan ratio of the Bank's retail loans was 0.57% and 0.61%, respectively.

Under the uncertainty of macro-economic operation, the non-performing loan ratio of the Bank was at a slightly higher level than that of last year.

(4) *Overdue loans and advances to customers*

The table below sets forth the aging analysis of the Bank's overdue loans and advances to customers as at the dates indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Overdue within 3 months	1,259,812	43.2	971,317	51.7
Overdue more than 3 months to 6 months	377,295	12.9	277,549	14.8
Overdue more than 6 months to 1 year	573,258	19.6	154,861	8.3
Overdue more than 1 year	710,438	24.3	473,863	25.2
<b>Total overdue loans and advances to customers</b>	<b>2,920,803</b>	<b>100.0</b>	<b>1,877,590</b>	<b>100.0</b>

## (IV) Segment Information

## 1. Summary of Geographical Segment

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branch that generates the income. Substantially all of the Bank's business is conducted in the PRC and the Bank classify the Bank's business in the PRC into the following three major geographical regions:

**Jinzhou Region:** the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Yimin Village and Township Bank Co., Ltd. (錦州太和益民村鎮銀行股份有限公司), Liaoning Yixian Xianghe Village and Township Bank Co., Ltd. (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd. (錦州北鎮益民村鎮銀行股份有限公司) and Liaoning Heishan Jinhang Village and Township Bank Co., Ltd. (遼寧黑山錦行村鎮銀行股份有限公司).

**Other Northeastern Region (excluding Jinzhou region):** Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch and Liaoyang branch, Liaoning Kazuo Jinhang Rural Bank (遼寧喀左錦行村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司).

**Northern China Region:** Beijing branch and Tianjin branch.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
<b>Operating Income</b>				
Jinzhou Region	7,713,867	67.0	3,012,681	52.0
Other Northeastern Region	1,348,687	11.7	1,247,664	21.5
Northern China Region	2,454,830	21.3	1,534,264	26.5
<b>Total</b>	<b>11,517,384</b>	<b>100.0</b>	<b>5,794,609</b>	<b>100.0</b>

## 2. Summary of Business Segment

The Bank manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Bank's most senior executive management for the purposes of resource allocation and performance assessment, the Bank defines reporting segments based on the following operating segments:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
<b>Operating income</b>				
Corporate banking	4,026,209	35.0	2,807,644	48.5
Retail banking	1,087,209	9.4	869,349	15.0
Treasury business	6,383,909	55.4	2,090,851	36.1
Others	20,057	0.2	26,765	0.4
<b>Total</b>	<b>11,517,384</b>	<b>100.0</b>	<b>5,794,609</b>	<b>100.0</b>

## (V) Off-balance Sheet Items

Our off-balance sheet items include credit commitment and other off-balance sheet items. Credit commitment mainly includes acceptances, letters of credit, letters of guarantees, credit card commitments and loan commitments. Other off-balance sheet items include operating lease commitments and capital expenditure commitments. Acceptance bills are commitments made to the payment for a bank draft issued by the Bank's customers. The letters of guarantees and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. As at 31 December 2015, the following table sets forth the Bank's credit commitments and other off-balance sheet items for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015	As at 31 December 2014
<b>Credit commitment</b>		
Bank acceptances	57,702,403	33,369,528
Letters of credit	835,274	479,024
Credit card commitments	491,593	435,983
Letters of guarantees	6,724,348	1,782,946
Loan commitments	889,982	1,360,294
<b>Subtotal</b>	<b>66,643,600</b>	<b>37,427,775</b>
<b>Other off-balance sheet items</b>		
Operating lease commitments	437,313	434,006
Capital commitments	180,763	218,830
<b>Subtotal</b>	<b>618,076</b>	<b>652,836</b>
<b>Total</b>	<b>67,261,676</b>	<b>38,080,611</b>



## IV. Business Overview

### (I) Corporate banking

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		Rate of Change (%)
	2015	2014	
External net interest income/(expense)	3,924,357	4,425,512	(11.3)
Internal net interest income/(expense)	(171,264)	(1,720,395)	(90.0)
<b>Net interest income</b>	<b>3,753,093</b>	<b>2,705,117</b>	<b>38.7</b>
<b>Net fee and commission income/(expense)</b>	<b>224,414</b>	<b>91,914</b>	<b>144.2</b>
Other operating income	48,702	10,613	358.9
Impairment losses on assets	(1,680,191)	(649,752)	158.6
Operating expenses	(1,284,355)	(1,056,721)	21.5
<b>Profit before tax</b>	<b>1,061,663</b>	<b>1,101,171</b>	<b>(3.6)</b>
<b>Depreciation and amortization</b>	<b>(164,692)</b>	<b>(155,577)</b>	<b>5.9</b>
<b>Capital expenditure</b>	<b>438,282</b>	<b>639,430</b>	<b>(31.5)</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at	As at	Rate of Change (%)
	31 December 2015	31 December 2014	
<b>Segment assets</b>	<b>88,500,160</b>	<b>79,518,322</b>	<b>11.3</b>
<b>Segment liabilities</b>	<b>116,881,258</b>	<b>77,013,199</b>	<b>51.8</b>

#### 1. Corporate deposits

As at 31 December 2015, the total corporate deposits amounted to RMB110,238,807 thousand, representing an increase of RMB35,328,666 thousand or 47.2% as compared to the end of last year, in which, corporate demand deposits amounted to RMB31,712,157 thousand, accounting for 28.8%; corporate time deposits amounted to RMB 78,526,650 thousand, accounting for 71.2%.

The growth in the Bank's corporate deposits is mainly attributable to the rapid development of our customer base and various businesses due to economic growth in Liaoning Province stimulated by the Strategy of Revitalisation of the Old Industrial Bases in Northeast China as well as implementation of cross-region operations. The Bank's corporate deposits from customers experienced an increase in time deposits percentage, reflecting the change in customers' preference regarding deposits. Moreover, the Bank moderately increased the proportion of time deposits to optimize the maturity profile of the Bank's deposits and improve the stability of the Bank's deposit portfolio.



## 2. Corporate loans

During the Reporting Period, the Bank stuck to the principle of prudent and proper loan disbursement in response to interest rate liberalization and change in the external business environment of internet finance. The Bank disbursed loans in a prudent, robust and proper manner based on economy operation and industry development direction where the customers have operations and in line with national macro-control policies by developing basic customers and basic customer group, focusing on the operation mainline, and adjusting credit structure. Our corporate loans gave priority to public utility, modern equipment manufacturing industries, high and new technology industries, gave strong support to green credit business to satisfy the funding demands from energy-saving and emission-reduction, environmental protection and recycling utilization of resources in the state planning, resolutely restricted the industries with high consumption and high pollution, and excessive capacity (“**two high one excessive**”), further strengthened credit risk management on the industries with high energy consumption and high emission. The Bank implemented the credit disbursement policies of “protection accompanied by suppression, increment limit and vitalization of stock” on industries with excessive capacity, and moderately supported machinery manufacturing industry, automotive components manufacturing and automobile sales industries. As of 31 December 2015, the balance of our corporate loans (excluding discounted bills) amounted to RMB91,234,544 thousand, representing a year-on-year growth of RMB10,082,775 thousand or 12.4%.

## 3. Discounted bills

On the basis of its focus on marketing to corporate customers and an overall balance among the asset scale, liquidity, returns and risks, the Bank steadily increased the volume for bill discounting business and profitability of such business in 2015. As of 31 December 2015, the balance of discounted bills was RMB236,726 thousand, representing an increase of RMB64,988 thousand or 37.8% as compared to the end of the previous year.

## 4. International business

In 2015, in respect of our international business, shift from trade financing business to trade-related value-added financial businesses; strengthen the development of trade financing products and combine such products with financial derivatives; explore new cross-border RMB needs to promote innovation in the cross-border RMB business; and leverage our license for basic derivatives to conduct hedging derivatives business.

In 2015, the Bank's international settlement volume amounted to US\$5.615 billion, representing an increase of 61.81% as compared to the previous year, in which, cross-border RMB settlement volume amounted to US\$8.567 billion, representing an increase of 31.48% as compared to the previous year; foreign currencies loans and trade financing amounted to US\$1.874 billion; foreign derivative business achieved rapid development, foreign exchange forwards and foreign currency option transaction volume amounted to US\$3.547 billion, and achieved good economic benefits; agency banks network covered over 60 countries and regions and number of agency banks reached 537.

## (II) The “Three Basis & Three Smalls” Business

### 1. Overview of the “Three Basis & Three Smalls” business

In 2015, the Bank stuck to the market strategy of “Three Basis & Three Smalls” (“Three Basis” means “basic accounts, basic customer base and basic settlement volume” and “Three Smalls” means “small enterprises, small shops and small retail stalls”) and actively propelled the joint development of the “Three Basis” business and the “Three Smalls” business. Based on the goal of “managing existing businesses, ensuring growth, adjusting structure, focusing on efficiency, exploring benefits and increasing earnings”, the Bank strived to solidify its customer base, conducted a large number of businesses, strengthened risk management and implemented an innovative internal control mechanism, with a view to driving business development and improving comprehensive revenue. As of 31 December 2015, the balance of our “Three Smalls” loans amounted to RMB11,026,288 thousand, representing an increase of RMB2,119,106 thousand from the end of last year. The number of “Three Smalls” loan customers was 10,498, accounting for 90.6% of the total number of loan customers (excluding those of our subsidiaries). The “Three Basis” business maintained its good development momentum, with the number of settlement customers increasing by 9,917 to 56,000 as compared to the end of last year. The coverage ratio of comprehensive financial services among “Three Smalls” customers rose continuously.

In 2015, the Bank’s “San Xiao Le” (“三小樂”) product was awarded the title of Top Twenty Financial Products by China Banking Association. Our Jinzhou branch was recognized as an “Excellent Team in the China Banking Industry for Providing Financial Services to Small and Micro Enterprises” (全國銀行業小微企業金融服務優秀團隊) by the CBRC.

Note: “Three Smalls” loans refer to all our retail loans (except credit card overdrafts and retail loans of more than RMB20 million) and corporate loans of not more than RMB5 million.

### 2. Measures for developing the “Three Basis & Three Smalls” business

- (1) Improving the construction of exclusive institutions. In 2015, the small enterprise financial service centre, which is the first approved exclusive institution providing SME finance services in Liaoning province, had formally commenced business operation. Leveraging on its “one-stop” special services and professional service team, this centre improved the SME financial service management system, enhanced the professional level of SME financial services and provided all-round, efficient and convenient financial services for regional economic development.
- (2) Strengthening the development of a professional team. The Bank conducted a number of business skill trainings at different levels, thereby improving the professional level of the management team and the operation team. By introducing the German micro-loan technology and focusing on statement restoration and cross check, the Bank replenished and improved the “Three Smalls” credit technology system and developed a team of micro-loan business backbones, thereby further strengthening the development of a professional SME credit team.

- (3) Carrying out precision marketing among customers. Under the guidance principle of “all-staff marketing and professional management”, the Bank deeply conducted “Three Smalls” customer marketing through the linkage between “Three Basis” and “Three Smalls”. The Bank optimized its resource allocation through data integration and preliminarily established a tiered management system comprising four elements, namely the basic customer point mechanism, the VIP customer pre-credit mechanism, the exit mechanism for differentiated loans to risky customers and the basic customer exploitation mechanism. By conducting differentiated marketing and management among different tiers of customers, the Bank truly realized precision marketing among “Three Smalls” customers.
- (4) Enriching SME financial products. Firstly, the Bank expanded the acceptance scope of self-service revolving loans and enriched and optimized product functions, so that more “Three Smalls” customers could obtain and repay loans on their own through electronic channels by obtaining loans whenever there is demand and repaying loans with available funds. Secondly, the Bank launched the innovative “Immediate Loans” (即時貸) product, which enabled the multiple-channel acceptance, on-line approval and off-line verification of the “Three Smalls” business through mobile client devices. This product also realizes same-day approval and immediate extension of loans, breaks through the bottleneck in the efficiency of the “Three Smalls” business and maximize the service efficiency.
- (5) Optimizing credit asset structure. By making adjustments to customer structure, product structure, guarantee method structure and channel structure, the Bank further optimized the “Three Smalls” credit structure. The Bank continued to drop customer tiers and focused on “Three Smalls” customers with total facilities of less than RMB1 million and ensured the percentage of such customers reach over 90%. This benefited more SME customers and effectively eased the financing difficulties for SME customers.
- (6) Strengthening asset quality management. The Bank established the daily monitoring mechanism for the “Three Smalls” business, with a view to strengthening the monitoring of loan risks in key fields. The Bank used the data warehouse statement system to create early risk precaution tools, which preliminarily realized the automatic monitoring and precaution of non-punctuality of “Three Smalls” loans and enhanced the risk identification and management capabilities of the “Three Smalls” credit business. The Bank also enhanced the management and control of risky assets and expanded the monitoring scope of non-performing loans, thereby effectively controlling the quality of “Three Smalls” credit assets. In 2015, the non-performing loans ratio of “Three Smalls” loans was 1.00%, implying an asset quality better than the industry average.

**(III) Retail Banking Business**

In 2015, the Bank focused on customer needs in respect of the retail banking business and carried out a series of product innovation, channel innovation and service enhancement to solidify customer base, expand business scale, increase business revenue, resulting in significant improvement in single-outlet capacity. As at 31 December 2015, the number of retail customers increased by 26.9% to 4,428,900 and the number of VIP customers increased by 61.9% to 77,683.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2015	2014	Change (%)
External net interest income/(expense)	(1,476,845)	(741,096)	99.3
Internal net interest income/(expense)	2,470,195	1,587,411	55.6
<b>Net interest income</b>	<b>993,350</b>	<b>846,315</b>	<b>17.4</b>
<b>Net fee and commission income/(expense)</b>	<b>93,797</b>	<b>23,029</b>	<b>307.3</b>
Other operating income	62	5	1,140.0
Impairment losses on assets	(187,566)	(56,515)	231.9
Operating expenses	(520,164)	(450,019)	15.6
<b>Profit before tax</b>	<b>379,479</b>	<b>362,815</b>	<b>4.6</b>
<b>Depreciation and amortization</b>	<b>(66,700)</b>	<b>(66,255)</b>	<b>0.7</b>
<b>Capital expenditure</b>	<b>177,504</b>	<b>272,311</b>	<b>(34.8)</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at	As at	Change (%)
	31 December 2015	31 December 2014	
<b>Segment assets</b>	<b>9,858,784</b>	<b>7,740,749</b>	<b>27.4</b>
<b>Segment liabilities</b>	<b>72,117,521</b>	<b>51,770,124</b>	<b>39.3</b>

**1. Retail Deposits**

During the process of lowering interest rate by the People's Bank of China five times and promoting the market-oriented interest rate, the Bank adopted differentiated interest rate strategy and focused on developing a series of new products in respect of retail deposits in order to satisfy customers' needs for advance withdrawal, automatic redeposit and small savings for lump-sum withdrawal. Meanwhile, the Bank continued to increase its efforts on marketing by visit, resulting in rapid growth in retail deposits. As at 31 December 2015, the balance of the Bank's retail deposits amounted to RMB59,939,915 thousand, representing an increase of 34.7% as compared to the end of last year.

## 2. Retail Loans

The Bank experienced stable growth in its retail loans by continuously optimizing the structure of retail loans, making innovation on retail loan products, solidifying customer base and increasing personal business loans to customers. In 2015, the Bank's retail loans comprising personal business loans, personal consumption loans, mortgage loans, credit card overdrafts and other personal loans increased by RMB2,227,387 thousand to RMB9,703,140 thousand as compared to the end of last year, among which personal business loans and personal consumption loans amounted to RMB8,644,513 thousand and RMB579,399 thousand, respectively. In addition, the Bank actively sought to develop characteristic sub-branches for personal consumption credit business and improved the level of specialized and characteristic personal credit services by establishing a characteristic sub-branch for personal vehicle consumption loans and a characteristic sub-branch for personal housing mortgage loans in Jinzhou. As at 31 December 2015, the total amount of credit card facilities of the Bank amounted to RMB580,322 thousand, representing an increase of RMB72,820 thousand or 14.4% as compared to the end of last year.

## 3. Bank Cards

With financial IC cards as the carrier, the Bank actively developed and promoted industry application cards such as residents health cards in cooperation with health authorities, financial social insurance cards in cooperation with social insurance authorities, ETC cards in cooperation with expressways and Wuyintong cards (物銀通卡) in cooperation with community property management companies, and actively expanded binding salary cards for payroll services and VIP cards targeting VIP customers in order to satisfy customers' needs for various types of settlement services. As of 31 December 2015, the number of debit cards issued by the Bank amounted to 4.26 million, representing a growth of 47.7% as compared to the end of last year. In March 2015, the Bank was duly qualified to issue credit cards. As of 31 December 2015, the number of credit cards issued by the Bank amounted to 25,242.

## 4. Wealth Management

The Bank is committed to providing more wealth management products and sound financial services to customers. In respect of owned products, the Bank issued "Chuangying (創贏)", "Chuangfu (創富)" and "Jinxiu (錦繡)" series wealth management products with a size of RMB43,059 million as of 31 December 2015, representing an increase of 124.7% as compared to the end of last year. In respect of agent products, with the "Qualification Certificate for Agency Sale of Funds (基金代銷資格證書)" issued by the China Securities Regulatory Commission, the Bank commenced the business of agency sale of funds, and the "Xinjiali (薪加利)" balance management business in cooperation with funds companies in 2015. Currently, the Bank acts as an agent for sale of 95 products from two funds companies. Meanwhile, the Bank has commenced the business of agency sale of precious metals and insurances in order to meet customers' different needs.

In order to better implement differentiated service strategy in respect of different-level customers, the Bank established the VIP customer service centre specializing in serving private banking customers with assets of more than RMB6.0 million. At the same time, in addition to original three asset levels, namely RMB0.2 million, RMB1.5 million and RMB6.0 million, the Bank created a new asset level for customers with assets of more than RMB0.5 million in order to better serve mid-to-high end customers. In respect of VIP customers, the Bank provided a series of value-added services such as privileged products, privileged activities, theme club, privileged business zone, airport VIP services and birthday gifts.

**(IV) Treasury Business**

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2015	2014	Change (%)
External net interest income/(expense)	8,356,801	1,944,007	329.9
Internal net interest income/(expense)	(2,298,931)	132,984	(1,828.7)
<b>Net interest income</b>	<b>6,057,870</b>	<b>2,076,991</b>	<b>191.7</b>
<b>Net fee and commission income/(expense)</b>	<b>182,579</b>	<b>1,380</b>	<b>13,130.4</b>
Net trading gains	97,164	470	20,573.2
Dividend income	6,440	6,360	1.3
Net gains arising from investment securities	2,896	8,396	(65.5)
Other operating income	36,960	(2,746)	(1,446.0)
Impairment losses on assets	(429,003)	(78,266)	448.1
Operating expenses	(909,797)	(699,895)	30.0
<b>Profit before tax</b>	<b>5,045,109</b>	<b>1,312,690</b>	<b>284.3</b>
<b>Depreciation and amortization</b>	<b>(116,663)</b>	<b>(103,043)</b>	<b>13.2</b>
<b>Capital expenditure</b>	<b>310,466</b>	<b>423,512</b>	<b>(26.7)</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at	As at	Change (%)
	31 December 2015	31 December 2014	
<b>Segment assets</b>	<b>255,773,910</b>	<b>156,828,527</b>	<b>63.1</b>
<b>Segment liabilities</b>	<b>144,026,142</b>	<b>101,969,776</b>	<b>41.2</b>

**1. Money Market Transactions**

By fully studying the trend of interest rates for 2015 and prioritizing the liquidity safety, the Bank taken into account of historical experience and market condition, scientifically predicted the trend of interest rates, adopted a flexible financing structure allocation, reduced the financing costs and enhanced our profitability. As at 31 December 2015, the balances of our financial assets held under resale agreements were RMB nil, the balances of financial assets sold under repurchase agreements were RMB20,244 million. In 2015, the Bank was listed as one of the "Top 100 Enterprises in terms of Transaction Volume (交易量前100強)" by the National Interbank Funding Center, ranking 90th in the market. Transaction volume could measure an institution's trading activity and trading capacity in the interbank market. Transaction volume is also a reference basis for applying various business qualifications. Entering into Top 100 Enterprises in terms of Transaction Volume is a kind of honor and recognition for market participants, and is very helpful to improve the institution's popularity and reputation.



## 2. Investments in Securities and Other Financial Assets

In 2015, monetary policy and fiscal policy continued to improved, national economy gradually verified the bottom of “new normal” in the downward process, with the economy structure is changing positively. The Bank paid close attention to the changes in policy environment, further strengthened the analysis and research of financial market, and timely adjusted the operation strategies.

In 2015, “asset shortage” appeared in the market, yield of interbank asset significantly decreased as compared to the beginning of the year. While reduced buy-back financing capital by taking various measures, the Bank selectively allocated some bond assets with relatively suitable maturity and yield, and moderately increased leverage, the Bank’s interest rate was at a high level to improve returns on assets.

### (1) Securities investment by holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	15,560,208	7.4	9,990,252	8.8
Available-for-sale financial assets	19,278,073	9.2	17,256,245	15.2
Held-to-maturity investment	7,711,333	3.7	7,339,592	6.4
Debt securities classified as receivables	166,482,385	79.7	79,256,458	69.6
<b>Total</b>	<b>209,031,999</b>	<b>100.0</b>	<b>113,842,547</b>	<b>100.0</b>

Financial assets at fair value through profit or loss held by the Bank increased by RMB 5,569,956 thousand compared to the end of the previous year, representing a decrease of 1.4% in the proportion to the total securities investment. Available-for-sale financial assets increased by RMB 2,021,828 thousand compared to the end of the previous year, representing a decrease of 6.0% in the proportion to the total securities investment. Held-to-maturity investment increased by RMB 371,741 thousand compared to the end of the previous year, representing a decrease of 2.7% in the proportion to the total securities investment. Debt securities classified as receivables, net increased by RMB 87,225,927 thousand compared to the end of the previous year, representing an increase of 10.1% in the proportion to the total securities investment.



**(2) Securities investment by remaining maturity**

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Indefinite	58,250	0.0	58,250	0.1
Within three months	20,991,656	10.0	6,534,541	5.7
Between three months and twelve months	77,799,692	37.2	41,456,360	36.4
Between one year and five years	100,573,260	48.1	55,435,423	48.7
More than five years	9,609,141	4.6	10,357,973	9.1
<b>Total</b>	<b>209,031,999</b>	<b>100.0</b>	<b>113,842,547</b>	<b>100.0</b>

The Bank's securities investment with a remaining maturity of between one year and five years increased most.

**(3) Holding of state bonds**

As at 31 December 2015, the balance of nominal value of the state bonds held by the Bank amounted to RMB4.73 billion. The table below sets out the top ten state bonds with the highest nominal value held by the Bank as at 31 December 2015.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
12 Coupon-bearing Bonds 10	1,540,000	3.14	7 June 2019
12 Coupon-bearing Bonds 09	1,000,000	3.36	24 May 2022
10 Coupon-bearing Bonds 38	500,000	3.83	25 November 2017
06 State Bonds 03	370,000	2.80	27 March 2016
08 State Bonds 25	330,000	2.90	15 December 2018
06 State Bonds 19	300,000	3.27	15 November 2021
09 Coupon-bearing Bonds 16	250,000	3.48	23 July 2019
09 State Bonds 03	220,000	3.05	12 March 2019
09 Coupon-bearing Bonds 20	100,000	4.00	27 August 2029
09 Coupon-bearing Bonds 12	70,000	3.09	18 June 2019

**(4) Holding of financial bonds**

As at 31 December 2015, the balance of nominal value of the financial bonds (mainly the financial bonds issued by policy banks) held by the Bank amounted to RMB14.88 billion. The table below sets out the top ten financial bonds with the highest nominal value held by the Bank as at 31 December 2015.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
10 Nong Fa 14	1,240,000	4.00	4 November 2020
11 Guo Kai 44	860,000	4.90	9 August 2021
12 Guo Kai 22	810,000	4.44	23 April 2022
15 Jin Chu 11	800,000	2.63	29 May 2016
11 Guo Kai 58	780,000	4.30	26 October 2021
11 Guo Kai 26	590,000	4.44	19 April 2021
12 Guo Kai 01	500,000	3.85	16 January 2022
12 Nong Fa 16	500,000	3.99	4 September 2019
12 Nong Fa 18	500,000	4.00	6 December 2017
12 Guo Kai 49	410,000	4.39	22 November 2022

**3. Wealth Management Business**

After years of operation and development, the Bank's wealth management business system has been relatively perfect. The "7777 Wealth Management Products" offered by us built up well market brand, and was widely recognized by customers. In 2015, according to the 4th Quarter Ranking of Bank's Capabilities in Wealth Management published by CnBenefit, we successfully ranked the top ten among regional banks, ranked 8th in terms of comprehensive ranking, and ranked 1st in both Liaoning province and northeastern region.

In 2015, the Bank accumulatively issued 941 wealth management products for the whole year, with the issuing scale amounted to RMB62,868 million. In the end of 2015, there were 463 wealth management products, book balance of wealth management products amounted to RMB43,059 million, representing an increase of RMB23,892 million or 124.7% as compared to the end of previous year. The development of wealth management business strictly followed regulatory policy orientation, ensuring business compliance and lawful, meanwhile, the Bank made customer's need-oriented, accelerated products innovation efforts and enriched products classification.

**(V) Distribution Channels****1. Physical Outlets**

Development of the Bank's institution complied with strategic guidance principle, risk control principle, market-oriented principle, characteristic management principle, with the basic premise being match of cross-regional development speed and self-manage and control ability. The Bank scientifically mastered cross-regional development speed and pace, sticking to healthy development, achieving coordinated development of "scale, quality, benefit". As of 31 December 2015, we (excluding subsidiary) had a total of 185 outlets. In addition to headquarters, we had 12 branches, 168 sub-branches, 3 small and micro sub-branches and 1 specialized institution. The bussiness outlets were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

**2. Self-service Banking**

As 31 December 2015, we (excluding subsidiary) had a total of 96 self-service banking and self-service zones, representing an increase of 22 as compared to the end of the previous year. It is worth mentioning that we established the first 24 hours self-service banking in Liaoning province in 2015. Meanwhile, we continued to enrich and improve types of self-service machine, forming ATMs, self-service cash recycling machines, video teller machine (VTM), vending machine, automatic card issuing machines, automatic ticketing machines, experience machine, residents health card terminal, and supporting bank book function in cash self-service machine for convenience of the users. As of 31 December 2015, we (excluding subsidiary) had a total of 426 self-service machines, representing an increase of 86 as compared to the end of the previous year; 80 board meeting books, representing an increase of 24 as compared to the end of the previous year; 33 automatic card issuing machines, representing an increase of 26 as compared to the end of the previous year; the accumulative number of transactions of self-service machines amounted to 8.642 million for the whole year, and the transaction volume amounted to RMB10.37 billion.

### 3. Electronic Banking

Based on improving customer experience and focused on customers' demand, we vigorously promoted electronic banking business system construction, continued to expand service channels of electronic banking, continued to innovate and improve electronic banking business function, improved customer service standard and brand recognition of electronic banking and achieved good social benefits.

#### (1) Online banking

In 2015, we continued to improve online banking services and products innovation, improved convenience of online banking services and improved market influence.

In 2015, corporate online banking launched functional services such as bulk inter-bank transfer service and bulk adding payee register. As of 31 December 2015, we had 17,356 corporate online banking customers in aggregate, representing an increase of 44.7% compared to the end of the previous year. The total transaction volume amounted to RMB1,268.085 billion, representing an increase of 48.9% compared to the previous year.

Personal online banking introduced the smart deposits service functions such as "Youyuebao (悠悦寶)" and "Lingcunbao (零存寶)", cross-channel withdraw order of wealth management products and line number search function, which expanded telephone and electric charges paying channel, optimized online registration business process and improve customer satisfaction. As at 31 December 2015, we had 180,174 personal online banking customers in aggregate, representing an increase of 36.6% compared to the end of the previous year. The total transaction volume amounted to RMB156.539 billion, representing a increase of 7.7% compared to the previous year, and the number of transactions increased by 39.6% to 2,510,900 compared to the previous year.

#### (2) Mobile Banking

The mobile banking, launched in 2014, not only covers functions of personal banking, but also provides feature services including money transfer via mobile banking, cardless ATM withdrawal, reservation at banking outlets, mobile top-up, weather forecast, wealth management calculator and account wizard. In 2015, the Bank enriched the functions of mobile banking by adding "Tietong Bill Payment" service, flight ticket and fine payment service, "Youyuebao (悠悦寶)" and "Lingchunbao (零存寶)" intelligent deposit service, comprehensively optimized security keyboard by enhancing its compatibility, and made improvement on icon loading, thus providing customers with convenient mobile banking services through our mobile banking. As of 31 December 2015, we have total 176,674 mobile banking customers, with the annual transaction amounts of RMB9,334 million and transactions of 957,800 times.

**(3) WeChat Banking**

In May 2015, we launched our WeChat Banking. As a new financial platform for customers, WeChat Banking not only provides function services including account enquiry, money transfer, bill payment, cardless ATM withdrawal and lost banking card emergency reporting, but also creates an easy communication channel between customers and customer service staff to provide customers with integrated comprehensive information services including messages, interactions, information push, product marketing and business enquiry. As of 31 December 2015, we have total 28,270 WeChat banking customers, with the annual transaction amounts of RMB198 million and transactions of 104,700 times.

**(4) Telephone Banking**

We offer telephone banking services through our national customer service hotline "+86-400-66-96178" 24 hours a day, by which customers may access convenient services such as account enquiry, money transfer, bill payment, lost banking card emergency reporting and credit card business. Telephone banking has become a bank around customers.

**(VI) Information on the Subsidiaries****1. Village and Township Banks**

At the end of the Reporting Period, we have invested in 5 village and township banks, 4 in Jinzhou City and county region and 1 in Chaoyang City, under which there are 11 sub-branch. In November 2015, we established our first body corporate in other places, namely Liaoning Kazuo Jinhang Village and Township Bank (遼寧喀左錦行村鎮銀行股份有限公司). As of 31 December 2015, the total assets of five village and townships banks were RMB3,867,054 thousand, of which the total loans were RMB2,475,999 thousand representing an increase of 57.2% as compared to the end of last year, the total deposits were RMB 3,170,377 thousand, representing an increase of 74.0% as compared to the end of last year, and the profits before provisions were RMB56,221 thousand representing a year-on-year increase of 18.1%.

Under the guiding ideology of "Proactively adapt to new normal, constantly create new advantages", targeting at supporting the agriculture and the small and serving the cities and rural areas, the village and township banks established by the Bank strictly adhere to the group strategy to principally provide financial services for the local farmers, agriculture, rural areas ("**Three Agriculture**") and community economic growth with rural and urban residents as primary customer, small and micro enterprises as major customer and medium and small enterprises as focused customer, put forth effort on building themselves to be new financial institutions based on rural areas and serving the "Three Agriculture", the medium and small enterprises and community residents, and become banks of sufficient capital, strict internal control, safe operation and good service and efficiency, thus creating them to be modern financial enterprises that have strong competitive strength in the financial service sector of "Three Agriculture".

## 2. Bank of Jinzhou Financial Leasing Co., Ltd.

The Company, as the main promoter, applied to the CBRC for the promotion and establishment of Bank of Jinzhou Financial Leasing Co., Ltd. The company's registered address is in Shenyang City of Liaoning Province with a registered capital of RMB1 billion. The Company invested RMB0.6 billion for an equity interest of 60% in the company. Bank of Jinzhou Financial Leasing Co., Ltd. obtained the "Approval of Establishment of Bank of Jinzhou Financial Leasing Co., Ltd." (中國銀監會關於籌建錦銀金融租賃有限責任公司的批覆) issued by the CBRC (Yin Jian Fu[2015] No. 518) on 18 August 2015 and obtained the "Approval of Commencement of Business of Bank of Jinzhou Financial Leasing Co., Ltd." (遼寧銀監局關於錦銀金融租賃有限責任公司開業的批覆) issued by the CBRC Liaoning Bureau (Liao Yin Jian Fu[2015] No. 326) and was granted finance permit on 26 November 2015. Bank of Jinzhou Financial Leasing Co., Ltd. formally commenced business operation after it completed its business registration with Administration for Industry and Commerce of Shenyang and obtained "Business License" on 1 December 2015.

As of 31 December 2015, the total assets and total liabilities of Bank of Jinzhou Financial Leasing Co., Ltd. amounted to RMB 1,002,173 thousand and RMB 1,865 thousand respectively and the equity amounted to RMB 1,000,308 thousand. During the year, the company recorded a total profit of RMB 436 thousand and a net profit of RMB 308 thousand.

As the first financial leasing company in Liaoning province, PRC, by following its regional development strategies of "based on Liaoning, serve for the nation" (立足遼寧、輻射全國) and in according to the basic principles of "Safety, liquidity and profitability" (安全性、流動性、盈利性), Bank of Jinzhou Financial Leasing Co., Ltd. will establish specialized staff team, and on the basis of continuing to enhance risk control capacity and meticulous management level, the company will establish a clear market positioning, strengthen market development and enforce product innovation in order to establish a sustained, healthy and rapid development model of capital-saving gradually, and become a financial leasing company with clear business types and reasonable industries layout to achieve professional, characteristics and differentiated development.

## (VII) Information Technology

In 2015, our strength of information technology was further improved. It provided stable support and effective protection to the development of each business line and enabled us to make remarkable achievements in infrastructure, information security and system construction.

- (1) Improve infrastructure construction, enhance data security and improve resource utilization efficiency. In 2015, we focused on the improvement projects of enhancing data security and improving resource utilization efficiency on the basis of years of infrastructure construction results. We improved data security and data maintenance capabilities through the construction of centralized backup system, improved resource utilization of minicomputer platform through the introduction of the industry's mainstream technology of PowerVM, improved the efficiency of fault diagnosis and repair by building network and application monitoring systems and used network resources of our branches reasonably by building a remote comprehensive access platform to the network of our branches.



- (2) Strengthen information security management, pass security authentication and increase security management and control measures. The Bank has established an information security organizational structure and developed information security management system and adopted information security defenses over the years. In 2015, we have obtained ISO27001 International Information Security Management System Certification (ISO27001 信息安全管理體系國際認證證書) and established an information security management system that covers organization and personnel, physical environment, communications and operations management, systems development and maintenance, business continuity management and other areas. In addition, in respect of desktop terminal security management, we have increased management and control measures such as management and control of removable media and restriction on software whitelist.
- (3) Constantly establish information system, optimize core system and enhance customer service level. In 2015, the Bank constantly established information system with 13 new systems and over 30 systems going through upgrade and transformation. For optimization of core system, the Bank implemented graphical front-end upgrade, developed featured application and several featured products for financial IC cards, expanded settlement and payment channels, enhanced the competitiveness of counter service and responsiveness to customer demands. For e-channel system establishment, the Bank carried out an e-channel integration project, enriched business functions of online banking, mobile banking and WeChat banking systems and improved customer experience through multi-channels interaction and personalized services. After improving existing system functions, the Bank established various information systems such as internet financial platform, "Three Smalls" customer relationship management and mobile marketing system, wealth management system, mobile payment platform and Unionpay TSM platform. Of which, the internet financial platform was established based on a general idea of "overall planning and gradual implementation" to gradually form our internet financial system for the purpose of expanding business channels through our internet financial portal to fulfil the integration of information flow, capital flow and logistics, to form service ecosystem of "internet+ finance+ consumption", to guide offline customers in logging onto the internet, attract users and retain customers with the feature of "purchase by borrowings, reward points for cash coupons, quality guarantee and inter-bank payment" and to provide convenient financial service to the enterprises and customers.

## V. Risk Management

The Bank has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed, to set appropriate risk limits, and to design relevant internal control systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to adapt changes in market conditions and the Bank's activities. The internal audit department undertakes both regular and ad hoc reviews of the compliance of internal control system implementation with risk management policies.



**(I) Credit risk**

Credit risk refers to the risk that a customer or counterparty may be unable to or unwilling to meet its contractual obligations. The core to the Bank's credit risk management system mainly includes the formulation of credit policies; pre-credit due diligence; customer credit rating; collateral assessment; loan review and approval; loan disbursement management; post-loan management; non-performing loan management; and accountability. The Bank adopt the same credit risk management control procedures for on and off- balance credit business.

The Bank's risk and compliance department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, gives advice for the improvement of the Bank's credit risk management system and develops and maintains the rating and limit tools. The Bank's credit management department is responsible for the credit system review and the determination of five-category loan assets. The Bank's credit review department is in charge of the improvement of the Bank's credit review system and operating procedures, formulation of limit management and performance of duties as the secretary to the loan approval committee at the Bank's headquarters. All of the Bank's credit business activities must be carried out according to the guiding opinions on the credit business.

With respect to the credit risk control and management, the Bank specifies the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and credit limit and review separation. The Bank has established the operating mechanism of the Bank's credit review committee under the collective review system, as well as a credit due diligence and accountability system.

**(II) Operational risk**

Operational risk refers to in the process of operation and management, the risk resulting from imperfect governance structure for legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper. The Bank's risk and compliance department is responsible for conducting continuous monitoring, inspection and assessment of the adequacy and effectiveness of our operational risk management system, putting forward improvement proposals and carrying out risk review of various risk management and internal control systems.

**(III) Market risk**

Market risk refers to the risk of losses that the Bank may suffer in the Bank's on/off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices.

The Bank's exposure to the market risk arises primarily from the Bank's assets and liabilities on the balance sheet, and mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that the Bank may suffer the adverse movements in statutory interest rates or market interest rates. Exchange rate risk is the risk of loss that the Bank may suffer from the mismatches of the currency denomination of the Bank's assets and liabilities. The Bank's market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within acceptable limits and maximize the Bank's risk-adjusted income. The Bank's risk and compliance department is responsible for monitoring, inspecting and assessing the adequacy and efficiency of the Bank's market risk management system. The capital transaction department, investment banking & interbank department, financial management department and international business department are responsible for the centralized management of interest rate risks and exchange rate risks.

**1. Interest rate risks**

Interest rates in China have been gradually liberalized in recent years. The interest rate risks have gradually changed from policy risks to market risks, and have become one of the major risks for bank operations. The interest rate risks are mainly reflected in the risks of uncertainty from the Bank's deposits and loans, debt investments and interest sensitivity gaps.

The finance management department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Bank regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income and economic value as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

The Bank classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Bank's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. The Bank mainly analyses the interest rate risk of bank accounts.

The Bank has adopted, including but not limited to, re-pricing gap analysis, duration analysis, net interest income simulation and economic value simulation for the measurement of interest rate risk. The interest rate risk measurement mainly evaluates the impact of changes in interest rate on the Bank's operation in terms of both income and economic value. The income simulation mainly analyzes the net interest income, which focuses on the impact of changes in interest rate on our net interest income in the short run. The economic value simulation mainly analyzes future cash flow discounted using different yield curves in various interest rate scenarios, so as to calculate the impact of changes in interest rate on the Bank's economic value.

The following tables indicate the assets and liabilities as at the end of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	30,099,321	482,284	29,617,037	—	—	—
Deposit with banks and other financial institutions	14,954,990	—	9,122,424	4,678,066	1,154,500	—
Placement with banks and other financial institutions	649,360	—	—	649,360	—	—
Loans and advances to customers <sup>(1)</sup>	97,313,206	—	25,901,958	35,008,329	35,211,865	1,191,054
Investment securities and other financial assets	209,031,999	58,250	20,991,656	77,799,692	100,573,260	9,609,141
Others	9,611,037	9,600,359	10,678	—	—	—
<b>Total assets</b>	<b>361,659,913</b>	<b>10,140,893</b>	<b>85,643,753</b>	<b>118,135,447</b>	<b>136,939,625</b>	<b>10,800,195</b>
<b>Liabilities</b>						
Deposits from banks and other financial institutions	116,351,178	—	22,887,926	60,832,752	32,480,500	150,000
Placements from banks and other financial institutions	3,855,808	—	3,517,039	338,769	—	—
Financial assets sold under repurchase agreements	20,244,100	—	20,244,100	—	—	—
Deposit from customers	170,178,722	39,415	71,969,350	48,203,992	49,949,166	16,799
Debt securities issued	1,500,000	—	—	—	1,500,000	—
Others <sup>(2)</sup>	23,258,791	7,688,655	6,255,172	9,314,964	—	—
<b>Total liabilities</b>	<b>335,388,599</b>	<b>7,728,070</b>	<b>124,873,587</b>	<b>118,690,477</b>	<b>83,929,666</b>	<b>166,799</b>
<b>Asset-liability gap</b>	<b>26,271,314</b>	<b>2,412,823</b>	<b>(39,229,834)</b>	<b>(555,030)</b>	<b>53,009,959</b>	<b>10,633,396</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	30,170,499	555,363	29,615,136	—	—	—
Deposit with banks and other financial institutions	12,520,605	—	6,209,105	5,657,000	654,500	—
Placement with banks and other financial institutions	—	—	—	—	—	—
Loans and advances to customers <sup>(1)</sup>	86,548,794	—	38,263,290	33,863,999	14,187,962	233,543
Investments securities and other financial assets	113,842,547	58,250	6,792,676	42,021,825	54,667,999	10,301,797
<b>Others</b>	<b>7,610,275</b>	<b>7,610,275</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total assets</b>	<b>250,692,720</b>	<b>8,233,888</b>	<b>80,880,207</b>	<b>81,542,824</b>	<b>69,510,461</b>	<b>10,535,340</b>
<b>Liabilities</b>						
Borrowing from the central bank	190,000	—	40,000	150,000	—	—
Deposits from banks and other financial institutions	82,457,624	—	14,657,494	35,765,250	32,034,880	—
Placements from banks and other financial institutions	3,044,677	—	2,165,833	878,844	—	—
Financial assets sold under repurchase agreements	10,259,000	—	10,259,000	—	—	—
Deposit from customers	119,402,997	29,140	60,629,926	35,910,626	21,832,774	1,000,531
Debt securities issued	2,000,000	—	—	500,000	1,500,000	—
Others <sup>(2)</sup>	17,461,286	4,255,386	3,139,050	10,066,850	—	—
<b>Total liabilities</b>	<b>234,815,584</b>	<b>4,284,526</b>	<b>90,891,303</b>	<b>83,271,570</b>	<b>55,367,654</b>	<b>1,000,531</b>
<b>Asset-liability gap</b>	<b>15,877,136</b>	<b>3,939,362</b>	<b>(10,011,096)</b>	<b>(1,728,746)</b>	<b>14,142,807</b>	<b>9,534,809</b>

## Notes:

- (1) As at 31 December 2014 and 31 December 2015, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB1,253 million and RMB2,048 million, respectively.
- (2) Include financial liabilities at fair value through profit or loss, interests payable, taxes payable and other payables, etc.

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit or loss and equity. The following table sets forth, at the dates indicated, the results of our interest rate sensitivity analysis based on our assets and liabilities as of the same date:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December			
	2015	Changes in	2014	Changes in
	Changes in	Shareholders'	Changes in	Shareholders'
	net profit	equity	net profit	equity
100 basis points increase	(484,952)	(911,298)	(102,508)	(533,527)
100 basis points decrease	444,619	897,507	102,575	561,833

## 2. Exchange rate risk

Due to the complicated reasons for the changes in exchange rates, banks operating the foreign exchange business will face the risk of recording a decrease in revenue or suffering a loss due to the change in exchange rate if the mismatch in the currency type and duration structure of assets and liabilities results in a foreign exchange risk exposure. Exchange rate risks faced by banks mainly include trading risk and conversion risk. Trading risk represents the possibility that banks may suffer losses as a result of a change in exchange rate when using foreign currencies to conduct pricing receipt and payment transactions. Conversion risk represents the possibility that banks may suffer paper losses as a result of a change in exchange rate when converting foreign currencies into the bookkeeping base currency. The Bank's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Bank manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Bank manages exchange rate risk by the following means: strict implementation of the process management of the foreign exchange business; continuous improvement in the internal control system and operational procedures; continuous improvement in the risk management capability of the foreign exchange business.

The Bank's currency exposures as at the end of the Reporting Period are as follows:

	As at 31 December 2015			
	RMB	USD	Others	Total
		(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	29,974,881	122,989	1,451	30,099,321
Deposits with banks and other financial institutions	14,123,930	111,086	719,974	14,954,990
Placements with banks and other financial institutions	—	649,360	—	649,360
Interests receivable	2,515,987	55,698	287	2,571,972
Loans and advances to customers	91,166,643	6,095,582	50,981	97,313,206
Others <sup>(1)</sup>	215,614,575	51,949	404,540	216,071,064
<b>Total assets</b>	<b>353,396,016</b>	<b>7,086,664</b>	<b>1,177,233</b>	<b>361,659,913</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	115,578,427	772,751	—	116,351,178
Placements from banks and other financial institutions	—	3,812,200	43,608	3,855,808
Deposits from customers	168,339,236	1,829,056	10,430	170,178,722
Interests payable	5,322,486	23,038	242	5,345,766
Others <sup>(2)</sup>	39,260,742	377,629	18,754	39,657,125
<b>Total liabilities</b>	<b>328,500,891</b>	<b>6,814,674</b>	<b>73,034</b>	<b>335,388,599</b>
<b>Net position</b>	<b>24,895,125</b>	<b>271,990</b>	<b>1,104,199</b>	<b>26,271,314</b>
Off-balance sheet credit commitments	63,828,288	2,746,991	68,321	66,643,600

	As at 31 December 2014			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	29,989,334	180,260	905	30,170,499
Deposits with banks and other financial institutions	12,246,781	259,051	14,773	12,520,605
Interests receivable	1,471,606	88,520	32	1,560,158
Loans and advances to customers	78,888,360	7,651,925	8,509	86,548,794
Others <sup>(1)</sup>	119,892,664	—	—	119,892,664
<b>Total assets</b>	<b>242,488,745</b>	<b>8,179,756</b>	<b>24,219</b>	<b>250,692,720</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	82,457,624	—	—	82,457,624
Placements from banks and other financial institutions	—	3,037,221	7,456	3,044,677
Deposits from customers	115,772,719	3,625,308	4,970	119,402,997
Interests payable	3,294,189	52,639	33	3,346,861
Others <sup>(2)</sup>	25,346,896	1,206,868	9,661	26,563,425
<b>Total liabilities</b>	<b>226,871,428</b>	<b>7,922,036</b>	<b>22,120</b>	<b>234,815,584</b>
<b>Net position</b>	<b>15,617,317</b>	<b>257,720</b>	<b>2,099</b>	<b>15,877,136</b>
Off-balance sheet credit commitments	37,166,035	256,169	5,571	37,427,775

## Notes:

- (1) Include investment securities and other financial assets, property and equipment and other assets, etc.
- (2) Include financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, debt securities issued and other liabilities, etc.



#### (IV) Liquidity Risk

##### **Liquidity risk management**

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of commencing normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks for commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

The Bank has established an effective liquidity management and decision-making system, and formulated asset and liability management strategies and liquidity management policy which are in line with the Bank's actual conditions. Being responsible for bank-wide liquidity management, the asset and liability management committee establishes the liquidity management portfolio plan according to the requirements and regulatory indicators for asset and liability management at the beginning of each year and monitors and adjusts this plan on a quarterly basis, with an aim to ensure the effective management of the Bank's asset and liability structure. The Bank's financial management department is responsible for the calculation, analysis and monitoring of our daily liquidity, while the financial management department, the capital transactions department and the investment banking & interbank department manage the liquidity risk.

The Bank sticks to positive and active liquidity management policies, and actively improve the Bank's active liability capability and constantly enhance the Bank's financing capability in the interbank market, so that the bond investment business can not only become an important source of profit for the Bank, but also become an important reserve for the Bank to maintain good liquidity. The Bank also effectively forewarns liquidity risks by carrying out tailored liquidity pressure tests.

##### **Liquidity risk analysis**

In response to macroeconomic situation, monetary policy and changes in regulatory requirements, the Bank adheres to a steady and prudent liquidity risk management strategy and constantly improves the level of liquidity risk management. The Bank actively adjusts the maturity structure of the Bank's assets and liabilities, diversifies and improves the Bank's risk management approaches, employs liquidity risk management indicators and daily fund position management as well as conduct monthly pressure tests on liquidity risk, in order to maintain liquidity at a sufficient level and prevent liquidity risks.

The following tables provide an analysis of assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of the Reporting Period:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015							Total
	Indefinite	Repayable on demand	Within one month	Between month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	26,862,543	3,236,778	—	—	—	—	—	30,099,321
Deposits with banks and other financial institutions	—	1,074,184	5,728,000	2,320,240	4,678,066	1,154,500	—	14,954,990
Placement with banks and other financial institutions	—	—	—	—	649,360	—	—	649,360
Loans and advances to customers	1,394,696	653,789	5,930,019	10,557,147	40,056,859	37,465,799	1,254,897	97,313,206
Investment securities and other financial assets	58,250	—	10,256,229	10,735,427	77,799,692	100,573,260	9,609,141	209,031,999
Others	7,028,387	58,149	423,162	618,990	1,231,420	250,929	—	9,611,037
<b>Total assets</b>	<b>35,343,876</b>	<b>5,022,900</b>	<b>22,337,410</b>	<b>24,231,804</b>	<b>124,415,397</b>	<b>139,444,488</b>	<b>10,864,038</b>	<b>361,659,913</b>
<b>Liabilities</b>								
Deposits from banks and other financial institutions	—	1,147,926	12,880,000	8,860,000	60,832,752	32,480,500	150,000	116,351,178
Placements from banks and other financial institutions	—	—	1,905,093	1,611,946	338,769	—	—	3,855,808
Financial assets sold under repurchase agreements	—	—	18,244,100	2,000,000	—	—	—	20,244,100
Deposits from customers	—	43,427,010	15,882,369	12,699,386	48,203,992	49,949,166	16,799	170,178,722
Debt securities issued others	—	—	—	—	—	1,500,000	—	1,500,000
	—	2,264,093	3,780,094	2,711,045	9,259,408	124,576	5,119,575	23,258,791
<b>Total liabilities</b>	<b>—</b>	<b>46,839,029</b>	<b>52,691,656</b>	<b>27,882,377</b>	<b>118,634,921</b>	<b>84,054,242</b>	<b>5,286,374</b>	<b>335,388,599</b>
<b>Long/(short) position</b>	<b>35,343,876</b>	<b>(41,816,129)</b>	<b>(30,354,246)</b>	<b>(3,650,573)</b>	<b>5,780,476</b>	<b>55,390,246</b>	<b>5,577,664</b>	<b>26,271,314</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2014							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	26,360,795	3,809,704	—	—	—	—	—	30,170,499
Deposits with banks and other financial institutions	—	450,455	2,999,640	2,759,010	5,657,000	654,500	—	12,520,605
Loans and advances to customers	945,645	385,770	3,094,592	9,801,340	45,946,348	25,818,058	557,041	86,548,794
Investment securities and other financial assets	58,250	—	1,560,932	4,973,609	41,456,360	55,435,423	10,357,973	113,842,547
others	5,966,430	1,517	137,348	823,324	664,898	12,971	3,787	7,610,275
<b>Total assets</b>	<b>33,331,120</b>	<b>4,647,446</b>	<b>7,792,512</b>	<b>18,357,283</b>	<b>93,724,606</b>	<b>81,920,952</b>	<b>10,918,801</b>	<b>250,692,720</b>
<b>Liabilities</b>								
Borrowing from the central bank	—	—	40,000	150,000	—	—	—	190,000
Deposits from banks and other financial institutions	—	2,062,494	4,050,000	8,545,000	35,765,250	32,034,880	—	82,457,624
Placements from banks and other financial institutions	—	—	1,964,402	895,704	184,571	—	—	3,044,677
Financial assets sold under repurchase agreements	—	—	10,259,000	—	—	—	—	10,259,000
Deposits from customers	—	41,867,614	6,791,748	11,999,704	35,910,626	21,832,774	1,000,531	119,402,997
Debt securities issued	—	—	—	—	500,000	1,500,000	—	2,000,000
Others	—	377,310	1,240,687	3,252,631	10,960,862	1,550,675	79,121	17,461,286
<b>Total liabilities</b>	<b>—</b>	<b>44,307,418</b>	<b>24,345,837</b>	<b>24,843,039</b>	<b>83,321,309</b>	<b>56,918,329</b>	<b>1,079,652</b>	<b>234,815,584</b>
<b>Long/(short) position</b>	<b>33,331,120</b>	<b>(39,659,972)</b>	<b>(16,553,325)</b>	<b>(6,485,756)</b>	<b>10,403,297</b>	<b>25,002,623</b>	<b>9,839,149</b>	<b>15,877,136</b>

**The Bank's liquidity coverage ratio**

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2015	As at 31 December 2014
Qualified quality current assets	29,407,762	29,594,892
Cash outflows in the future 30 days	12,386,695	7,766,663
Liquidity coverage ratio(%)	237.41	381.05

**(V) Anti-money laundering management**

In 2015, the Bank strictly complied with anti-money laundering laws and regulations, earnestly fulfilled anti-money laundering obligations, fully checked customer's identity, diligently reported large scale transactions, prudently analyzed suspicious transactions, constantly improved our anti-money system by continuously enhancing the establishment and maintenance of anti-money internal systems, continued to provide the anti-money laundering training to in-service staff, actively participated in anti-money laundering promotion, fully cooperated with various ways and means of anti-money laundering investigation, and effectively enhanced anti-money laundering level. Meanwhile, the Bank fully implemented working requirements on customer's identity recognition, customer's identity information and transaction records, customer risk classification imposed by the People's Bank of China, established the anti-money laundering performance assessment system to effectively implement our anti-money laundering work.

**VI. Analysis on Capital Adequacy Ratio**

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the CBRC. As at 31 December 2015, the Bank's capital adequacy ratios at all tiers met the regulatory requirements under the Measures for Administration on Capital of Commercial Banks (Provisional). The Bank's core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio were 8.96% and 8.97%, respectively, 0.32 and 0.33 percentage point higher than those as at the end of the previous year; the capital adequacy ratio was 10.50%, 0.05 percentage point higher than that as at the end of the previous year.

The table below sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2015	31 December 2014
Total core tier-one capital		
— Share capital	5,781,616	4,402,234
— Qualifying portion of capital reserve	9,152,898	4,962,627
— Surplus reserve	1,292,031	802,364
— General reserve	4,801,449	3,159,078
— Retained earnings	4,570,467	2,332,012
— Qualifying portions of non-controlling interests	318,993	152,562
Core tier-one capital deductions		
— Other intangible assets other than land use right	(134,405)	(113,506)
Net core tier-one capital	25,783,049	15,697,371
Other tier-one capital	6,642	2,824
Net tier-one capital	25,789,691	15,700,195
Tier-two capital		
— Instruments issued and share premium	1,500,000	1,900,000
— Surplus provision for loan impairment	2,890,504	1,371,819
— Qualifying portions of non-controlling interests	13,284	9,569
<b>Net capital base</b>	<b>30,193,479</b>	<b>18,981,583</b>
<b>Total risk weighted assets</b>	<b>287,662,070</b>	<b>181,710,777</b>
<b>Core tier-one capital adequacy ratio (%)</b>	<b>8.96</b>	<b>8.64</b>
<b>Tier-one capital adequacy ratio (%)</b>	<b>8.97</b>	<b>8.64</b>
<b>Capital adequacy ratio (%)</b>	<b>10.50</b>	<b>10.45</b>

# CHAPTER 6 CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

## I. Changes in Share Capital of the Bank

### (I) Share Capital

On 7 December 2015 ("Listing Date"), the Bank's H Shares were listed on the Hong Kong Stock Exchange, and the Bank issued 1,200,000,000 H Shares with a par value of RMB1.00 at the price of HK\$4.66 per Share with a premium in the initial public offering of the Bank. On 23 December 2015, the Bank issued 179,381,818 H Shares with a par value of RMB1.00 at the price of HK\$4.66 per Share with a premium pursuant to the over-allotment option.

The Bank raised approximately HK\$6,427,919 thousand from the initial public offering, which, after deduction of the expenses relating to the offering, has been used to replenish its capital base. Immediately following the completion of the initial public offering, the share capital of the Bank was 5,781,615,684 Shares, comprising 4,264,295,684 Domestic Shares and 1,517,320,000 H Shares, and the total share capital of the Bank amounted to RMB5,781,615,684.

### (II) Chart on Changes in Share Capital

	31 December 2014		Changes during the Reporting Period			31 December 2015	
	Number of Shares	Percentage (%)	Issue of New Shares	Other	Sub-Total	Number of Shares	Percentage (%)
1. shareholding of legal person of domestic Shareholders	4,324,636,740	98.24	0	(137,938,182)	(137,938,182)	4,186,698,558	72.42
Of which:							
(1) Shareholding of domestic legal person	366,096,616	8.32	0	(137,938,182)	(137,938,182)	228,158,434	3.95
(2) shareholding of private legal person	3,958,540,124	89.92	0	0	0	3,958,540,124	68.47
2. shareholding of domestic natural person	77,597,126	1.76	0	0	0	77,597,126	1.34
3. H Shares	0	0.00	1,379,381,818	137,938,182	1,517,320,000	1,517,320,000	26.24
<b>Total</b>	<b>4,402,233,866</b>	<b>100.00</b>	<b>1,379,381,818</b>	<b>0</b>	<b>1,379,381,818</b>	<b>5,781,615,684</b>	<b>100.00</b>

## II. Particulars of Shareholders

### (I) Total Number of Shareholders during the Reporting Period

As of 31 December 2015, the Bank had 2,254 domestic Shareholders.

### (II) Shareholding of Shareholders

As of the end of the Reporting Period, the Bank had 5,781,615,684 Shares, in aggregate, among which were 4,264,295,684 Domestic Shares and 1,517,320,000 H Shares.

#### Shareholding of the Top Ten Domestic Shareholders as of 31 December 2015

Number	Shareholder's Name	Nature of Shareholding	Total Number of Shares held	Shareholding	
				Percentage (%)	Pledged Shares
1	Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司)	Private	250,000,000	4.32	200,000,000
2	Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司)	Private	213,507,565	3.69	150,000,000
3	Qingzhou Taihe Mines Co., Ltd. (青州泰和礦業有限公司)	Private	180,000,000	3.11	0
4	Liaoning Tenghua Plastic Co., Ltd. (遼寧騰華塑料有限公司)	Private	180,000,000	3.11	0
5	Liaoning Chengwei Plastic Profile Co., Ltd. (遼寧程威塑料型材有限公司)	Private	170,000,000	2.94	0
6	Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司)	Private	150,000,000	2.59	0
7	Rongcheng Huatai Motor Co., Ltd. (榮成華泰汽車有限公司)	Private	150,000,000	2.59	0
8	Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司)	Private	130,000,000	2.25	0
9	Jinzhou Finance Bureau (錦州市財政局)	State-owned	117,076,722	2.02	0
10	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司))	Private	110,000,000	1.90	0
<b>Total</b>			<b>1,650,584,287</b>	<b>28.55</b>	<b>350,000,000</b>



**Interests and Short Positions of Substantial Shareholders and Other Persons**

As at 31 December 2015, the following persons, other than the directors, supervisors and chief executive of the Bank, had interests or short positions in the Shares or underlying Shares of the Bank, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank:

Shareholders' Name	Nature of Interests	Class of Shares	Number of Shares ('000 Shares)	Approximate Percentage of the Total Issued Share Capital (%) <sup>(1)</sup>	Approximate Percentage of the Total Issued Class of Share Capital (%) <sup>(1)</sup>
<b>Domestic Shares</b>					
Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) <sup>(2)</sup>	Beneficial Owners	Domestic Shares	250,000 (L) <sup>(6)</sup>	4.32	5.86
Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司) <sup>(2)</sup>	Interest of Controlled Corporation	Domestic Shares	250,000 (L)	4.32	5.86
Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司) <sup>(2)</sup>	Interest of Controlled Corporation	Domestic Shares	250,000 (L)	4.32	5.86
Sun Hengchao (孫珩超) <sup>(2)</sup>	Interest of Controlled Corporation	Domestic Shares	250,000 (L)	4.32	5.86
<b>H Shares</b>					
Top Seed International Limited <sup>(3)</sup>	Beneficial Owners	H Shares	201,700 (L)	3.49	13.29
Top Harvest Development Limited <sup>(3)</sup>	Interest of Controlled Corporation	H Shares	201,700 (L)	3.49	13.29
Sun Xiang (孫翔) <sup>(3)</sup>	Interest of Controlled Corporation	H Shares	201,700 (L)	3.49	13.29
Hong Kong Tian Yuan Manganese International Trade Co., Limited <sup>(4)</sup>	Beneficial Owners	H Shares	200,000 (L)	3.46	13.18
Ningxia Tian Yuan Manganese International Trade Co., Limited (寧夏天元錳業國際貿易有限公司) <sup>(4)</sup>	Interest of Controlled Corporation	H Shares	200,000 (L)	3.46	13.18
Ningxia Tian Yuan Manganese Co., Ltd. (寧夏天元錳業有限公司) <sup>(4)</sup>	Interest of Controlled Corporation	H Shares	200,000 (L)	3.46	13.18

Shareholders' Name	Nature of Interests	Class of Shares	Number of Shares ('000 Shares)	Approximate Percentage of the Total Issued Share Capital (%) <sup>(1)</sup>	Approximate Percentage of the Total Issued Class of Share Capital (%) <sup>(1)</sup>
Jia Tianjiang (賈天將) <sup>(4)</sup>	Interest of Controlled Corporation	H Shares	200,000 (L)	3.46	13.18
Dong Jufeng (東菊風) <sup>(4)</sup>	Interest of Spouse	H Shares	200,000 (L)	3.46	13.18
Wah Li (Hong Kong) Limited (香港華麗有限公司)	Beneficial Owners	H Shares	188,900 (L)	3.27	12.45
Essence International Products & Solutions Limited	Beneficial Owners	H Shares	168,500 (L)	2.91	11.11
Asian Sense Investments Limited <sup>(5)</sup>	Beneficial Owners	H Shares	168,256 (L)	2.91	11.09
Li Yongjun (李永軍) <sup>(5)</sup>	Interest of Controlled Corporation	H Shares	168,256 (L)	2.91	11.09
Liu Xinjun (劉新軍) <sup>(5)</sup>	Interest of Controlled Corporation	H Shares	168,256 (L)	2.91	11.09
China Dongxu Group Limited	Beneficial Owners	H Shares	158,500 (L)	2.74	10.45

## Notes:

- (1) As at 31 December 2015, the Bank had in aggregate 5,781,615,684 Shares, among which were 4,264,295,684 Domestic Shares and 1,517,320,000 H Shares.
- (2) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) ("Yinchuan Baota"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司) ("Baota Energy"), which is in turn held by Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司) ("Baota Petrochemical") and Mr. Sun Hengchao (孫珩超) as to 90.2% and 9.8%, respectively. Baota Petrochemical is controlled by Mr. Sun Hengchao (孫珩超) as to 43.8%. Under the SFO, Baota Energy, Baota Petrochemical and Mr. Sun Hengchao (孫珩超) are deemed to be interested in all the shares held by Yinchuan Baota.
- (3) Such Shares are held by Top Seed International Limited, which is wholly owned by Top Harvest Development Limited, which is in turn held by Mr. Sun Xiang (孫翔). Under the SFO, Top Harvest Development Limited and Mr. Sun Xiang (孫翔) are deemed to be interested in all the shares held by Top Seed International Limited.

- (4) Such Shares are held by Hong Kong Tian Yuan Manganese International Trade Co., Limited, which is wholly owned by Ningxia Tian Yuan Manganese International Trade Co., Limited, which is wholly owned by Ningxia Tian Yuan Manganese Co., Ltd., which is in turn held by Mr. Jia Tianjiang (賈天將) as to 77.19%, and Ms. Dong Jufeng (東菊風) is the spouse of Mr. Jia Tianjiang (賈天將). Under the SFO, Ningxia Tian Yuan Manganese International Trade Co., Limited, Ningxia Tian Yuan Manganese Co., Ltd., Mr. Jia Tianjiang (賈天將) and Ms. Dong Jufeng (東菊風) are deemed to be interested in all the shares held by Hong Kong Tian Yuan Manganese International Trade Co., Limited.
- (5) Such Shares are held by Asian Sense Investments Limited, which is in turn held by Mr. Li Yongjun (李永軍) and Mr. Liu Xinjun (劉新軍) as to 50% and 50%, respectively. Under the SFO, Mr. Li Yongjun (李永軍) and Mr. Liu Xinjun (劉新軍) are deemed to be interested in all the shares held by Asian Sense Investments Limited.
- (6) L represents long positions.

Save as disclosed above, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank as at 31 December 2015, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank.

### (III) Shareholders holding more than 5% of the Share Capital

As at the end of the Reporting Period, none of the Shareholders of the Bank holds more than 5% of the Bank's total share capital.

### (IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified with no controlling Shareholder and actual controller.

The largest Shareholder of the Bank is Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司), which holds as to approximately 4.32% of the Bank's total issued share capital.

Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) is one of the Bank's non state-owned corporate Shareholders and our single largest shareholder and is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司). The scope of operation of Yinchuan Baota mainly comprises (but is not limited to) the production and sales of crude oil, heavy oil and solvent oil.

### (V) Performance of Undertakings by the Bank and Shareholders holding more than 5% of Shares

As of the end of the Reporting Period, the Bank has neither shareholder holding more than 5% of Shares nor any undertaking by them.

### (VI) Pledging and Freezing of Shares in respect of Shareholders holding more than 5%, including 5%, of Shares

As at the end of the Reporting Period, there is no pledging and freezing of Shares in respect of Shareholders holdings more than 5%, including 5%, of Shares.

# CHAPTER 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND ORGANIZATIONS

## I. Information on Directors, Supervisors and Senior Management Members

As of 31 December 2015, the information on Directors, Supervisors and senior management members are as follows:

Name	Gender	Age	Position
ZHANG Wei	Male	57	Chairman, executive Director
CHEN Man	Female	57	Executive Director, vice president
ZHAO Jie	Female	60	Executive Director, vice president
WANG Jing	Male	47	Executive Director, secretary to the Board, assistant to president
WANG Xiaoyu	Female	47	Executive Director, head of finance
LI Dongjun	Male	57	Non-executive Director
ZHANG Caiguang	Male	53	Non-executive Director
WU Zhengkui	Male	41	Non-executive Director
GU Jie	Female	48	Non-executive Director
JIANG Daxing	Male	44	Independent non-executive Director
DENG Xiaoyang	Male	51	Independent non-executive Director
NIU Sihui	Male	47	Independent non-executive Director
JIANG Jian	Female	54	Independent non-executive Director
CHOON Yew Khee	Male	46	Independent non-executive Director
NING Yongfang	Male	58	Chairman of Board of Supervisors, employee representative Supervisor
XU Fei	Male	51	Vice chairman of Board of Supervisors, employee representative Supervisor
LUO Yan	Female	46	Employee representative Supervisor
SHI Hongmiao	Female	37	Employee representative Supervisor
LI Xiu	Female	43	Employee representative Supervisor
TIAN Deying	Male	62	Shareholder representative Supervisor
HE Baosheng	Male	69	Shareholder representative Supervisor
ZHAO Lanying	Female	51	Shareholder representative Supervisor
JING Fei	Male	42	External Supervisor
CHEN Yingmei	Female	45	External Supervisor
NIE Ying	Female	45	External Supervisor
LI Tongyu	Female	44	External Supervisor
ZHAO Hongxia	Female	37	External Supervisor
HUO Lingbo	Male	59	Executive vice president (acting for president's duties)
CAI Hongguang	Male	55	Vice president
GUO Guang	Male	55	Vice president
LIU Hong	Female	52	Vice president
LIU Wenzhong	Male	53	Vice president
WANG Xin	Male	39	Assistant to president
SONG Yaping	Female	53	Chief Accountant

## II. Changes in Directors, Supervisors and Senior Management Members

### (I) Changes in Directors

On 16 January 2015, in accordance with the resolution passed at the 2015 First Extraordinary General Meeting, Ms. Wang Xiaoyu was elected as executive Director.

On 19 January 2015, Ms. Zhu Xiaohui resigned as non-executive Director for personal reason.

On 17 March 2015, in accordance with the resolution passed at the 2015 Second Extraordinary General Meeting, Mr. Wang Jing was elected as executive Director.

On 23 December 2015, in accordance with the resolution passed at the tenth meeting of the fourth session of the Board, Ms. Jia Yuge resigned as independent non-executive Director for personal reason.

### (II) Changes in Supervisors

During the Reporting Period, there were no changes in members of Board of Supervisors.

### (III) Changes in Senior Management Members

On 8 February 2015, Ms. Zhao Jie was appointed as vice president of the Bank after consideration and approval at the third meeting of the fourth session of the Board.

## III. Biographies of Directors, Supervisors and Senior Management Members

### (I) Biographies of Directors

1. **Mr. ZHANG Wei (張偉)**, aged 57, has been a Director and chairman of the Board of our Bank since August 2002. He is in charge of the overall operation of the Board and performs his duties as a Director through the Board and the Strategy Committee. Mr. Zhang is also currently a member of the 12th National Committee of the Chinese People's Political Consultative Conference.

Mr. Zhang has over 23 years of experience in the banking industry and over 23 years of experience in corporate management. Before joining our Bank, Mr. Zhang served as head of Lingyun Urban Credit Cooperative of Jinzhou City (錦州市凌雲城市信用社) from September 1991 to May 1993. He served as deputy head of Jinzhou City Urban Credit United Cooperative (錦州市城市信用聯社) from May 1993 to January 1997, as vice president of our Bank from January 1997 to May 1998 and as president of our Bank from May 1998 to December 2012.

Mr. Zhang obtained a master's degree in economics from Liaoning University (遼寧大學) in Liaoning, the PRC in July 1997. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 1998. In addition, Mr. Zhang was awarded the "Nationwide May 1st Labor Medal (全國五一勞動獎章)" from the All China Federation of Labor Unions (中華全國總工會) in April 2004. He was also awarded titles including the "Liaoning Top 10 Finance Person For the Year 2006 (2006年度遼寧十大財經人物)" jointly awarded by various institutions, including Liaoning Science and Technology Bureau (遼寧省科學技術廳), Liaoning Small and Medium Enterprises Bureau (遼寧省中小企業廳) and Liaoning Banking Association (遼寧省銀行業協會) in January 2007, "National Top 10 Honest Persons of Outstanding Ability in 2006 (2006年中國十大誠信英才)" issued by *China's Talents (中華英才雜誌)*, and the "Advanced Individual in respect of the Small Business Financial Services of National Banking Financial Institutions (全國銀行業金融機構小企業金融服務先進個人)" issued by the CBRC in February 2011. He had received the special allowance awarded by the State Council (國務院特殊津貼) from 2010 to 2011, and was awarded the "Outstanding Contribution Award (突出貢獻獎)" awarded by Rural Finance Times (農村金融時報社) and China Micro Credit Alliance (中國小額信貸聯盟) in April 2012 and the "Best Individual for the Development of National Small and Medium Services Provider (全國服務中小企業發展先進個人)" granted by the China Association of Small and Medium Commercial Businesses (中國中小商業企業協會) in December 2014.

2. **Ms. CHEN Man (陳漫)**, aged 57, has been a Director of our Bank since May 1998 and as vice president of our Bank since June 2004. She is responsible for the development of our corporate culture and outlet standardization, managing our human resources department and capital transactions department, and performing her duties as a Director through the Board, the related-party transactions control committee and the strategy committee.

Ms. Chen has over 23 years of experience in the banking industry. Ms. Chen served as deputy head of Lingyun Urban Credit Cooperative of Jinzhou City (錦州市凌雲城市信用社) from July 1991 to August 1995, president of Lingyun sub-branch of our Bank from August 1995 to February 2001, chief economist of our Bank from February 2001 to April 2004 and president of our Tianjin branch from December 2008 to June 2014.

Ms. Chen completed an undergraduate course in management engineering and graduated from the Northeastern University Liaoning branch (東北大學遼寧分校) in Liaoning, the PRC in July 1993. Ms. Chen obtained a degree of executive master of business administration (part-time) from Tianjin University (天津大學) in Tianjin, the PRC in June 2011. She has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2001.

3. **Ms. ZHAO Jie (趙傑)**, aged 60, has been a Director of our Bank since May 2008, and is performing her duties as a Director through the Board and the nomination and remuneration committee. She has been our deputy party secretary since December 2012, and she has been our vice president since February 2015, which she manages our retail banking department, the operation management department, three basis and three smalls business management department and wealth management products management department.

Ms. Zhao has over 20 years of experience in the banking industry. Ms. Zhao served successively in various positions such as executive, head assistant, deputy director, head of the committee of the party office, deputy secretary of general party branch, vice president and president of the labor union of our Bank from April 1995 to December 2010.



Ms. Zhao completed a full-time course in mechanical studies and graduated from Liaoning Radio and TV University (遼寧廣播電視大學) in Liaoning, the PRC in June 1981. She also graduated from the correspondence college of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) majoring in economic and management studies in December 1998. Ms. Zhao has been accredited as an economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 1994, and has been accredited as a senior ideological and political worker (高級政工師) by the senior professional appointment qualification evaluation committee for corporate ideological and political workers of Liaoning Province since August 1997.

4. **Mr. WANG Jing (王晶)**, aged 47, has been secretary to the Board since November 2004, head of office of the Board since April 2009, assistant to president since April 2013 and an executive Director since March 2015. Mr. Wang is in charge of the daily administration of the Board and investment banking & interbank department.

Mr. Wang has over 20 years of experience in the banking industry. Mr. Wang served as clerk of the savings section in Jinzhou City Urban Credit United Cooperative (錦州城市信用聯社) from July 1994 to February 1997 and section chief of the accounting section of our Bank's operation management department from February 1997 to March 1998. He also served as section chief of the savings section of our Bank's operation management department from March 1998 to August 1998, head of the deposits department and head of the research and development department of our Bank from August 1998 to March 2000 and from March 2000 to April 2009, respectively. In addition, Mr. Wang was a Director of our Bank from August 2008 to October 2014.

Mr. Wang completed an undergraduate course in oil engineering and graduated from Zhengzhou Grain College (鄭州糧食學院) in Henan, the PRC in March 1991. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 2002.

5. **Ms. WANG Xiaoyu (王曉宇)**, aged 47, has been our Bank's head of finance since November 2004 and an executive Director of our Bank since January 2015. Ms. Wang is in charge of the daily operation of the financial management department and performing her duties as a Director through the Board.

Ms. Wang has over 25 years of experience in the banking industry and approximately 10 years of experience in finance management. Ms. Wang served as head of the operation department in Tiefu sub-branch of China Construction Bank (中國建設銀行鐵法支行) from August 1989 to May 2001, vice president in Chengnei sub-branch of our Bank from May 2001 to June 2003 and vice president in Shanghai Road sub-branch of our Bank from June 2003 to November 2004, respectively. Ms. Wang served as a Director of our Bank from August 2008 to October 2014.

Ms. Wang completed an undergraduate course in economics and graduated from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1989. She also completed a postgraduate master of business administration course (distance learning) from Guanghua School of Management, Peking University (北京大學光華管理學院) in November 2003. She has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 2002.



6. **Mr. LI Dongjun (李東軍)**, aged 57, has been a Director of our Bank since May 2008 and performing his duties as a Director through the Board and the Risk Management Committee. Mr. Li has also served as chairman of the board of directors of Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司) since September 1993. Mr. Li has over 20 years of experience in corporate management.

Mr. Li completed a postgraduate course in business economics and graduated from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1998.

7. **Mr. ZHANG Caiguang (張財廣)**, aged 53, has been a Director of our Bank since November 2011 and performing his duties as a Director through the Board and the Risk Management Committee. Mr. Zhang has also served as secretary to the board of directors and deputy general manager and director of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600266), since June 2006 and since June 2009, respectively, and deputy secretary-general of the Listed Companies Association of Beijing (北京上市公司協會) since July 2009.

Mr. Zhang has over 18 years of experience in corporate management. Mr. Zhang worked at the financial department of Beijing Urban Construction Group (北京城建集團公司) from April 1993 to December 1998, and served as deputy head and head of the investment and security department of the Beijing Urban Construction Co., Ltd. (北京城建股份有限公司) from January 1999 to July 2000 and from July 2000 to April 2001, respectively, manager of the investment and security department of the Beijing Urban Construction Investment Development Co., Ltd. from April 2001 to March 2005, assistant to general manager of the Beijing Urban Construction Investment Development Co., Ltd., executive vice president of Beijing Urban Construction Zhongji Industrial Development Co., Ltd. (北京城建中稷實業發展有限公司) from March 2005 to May 2006.

Mr. Zhang completed a junior college course in finance and accounting (part-time) and graduated from Beijing Radio and TV University (北京廣播電視大學) in Beijing, the PRC in July 1997. He also completed an undergraduate course in economics management and graduated from the correspondence college of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in December 2000. Mr. Zhang has been accredited as an intermediary accountant by Beijing Urban Construction Group (北京城建集團公司) since July 1993.

8. **Mr. WU Zhengkui (吳正奎)**, aged 41, has been a Director of our Bank since November 2011. Mr. Wu has also served concurrently as financial manager, assistant to general manager of the finance department and deputy general manager of the finance department of Greenland Holding Group Company Limited (綠地控股集團有限公司) since January 2004, supervisor of Shanghai Greenland Financial Investment Holdings Co., Ltd. (上海綠地金融投資控股有限公司) since June 2011, a director of Shanghai Yunfeng (Group) Co., Ltd. (上海雲峰集團有限公司) since October 2009 and an executive director of SPG Land (Holdings) Limited (盛高置地(控股)有限公司) currently known as Greenland Hong Kong Holdings Limited (綠地香港控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 0337), since August 2013, a director of Shanghai Rural Commercial Bank (上海農商銀行股份有限公司) since February 2012 and a supervisor of Shanghai Orient Securities Company Limited (上海東方證券股份有限公司) since March 2012. Mr. Wu has also served as a non-executive director of China Rundong Auto Group Limited (中國潤東汽車集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1365), since August 2015. Mr. Wu has over 11 years of experience in finance.

Mr. Wu obtained a bachelor's degree in engineering from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in July 1998 and a master's degree (part-time) in accounting from Management School of Fudan University (復旦大學管理學院) in Shanghai, the PRC in June 2008. He has been accredited as an intermediary accountant by the Ministry of Finance of the PRC since May 2004.

9. **Ms. GU Jie (顧潔)**, aged 48, has been a non-executive Director of our Bank since October 2014. Ms. Gu has also served as vice general manager of Beijing Fulaige Investment Co., Ltd. (北京浮萊格投資有限公司) since November 2008.

Ms. Gu has approximately 10 years of experience in corporate management. Ms. Gu served as head of asset management department of Bairong Investment Holding Group Co., Ltd. (百榮投資控股集團有限公司) from September 2005 to November 2008.

Ms. Gu completed a junior college course in finance and graduated from China University of Science and Technology Management (中國科技經營管理大學) in Beijing, the PRC in July 1989.

10. **Mr. JIANG Daxing (蔣大興)**, aged 44, has been an independent non-executive Director of our Bank since March 2011 and performing his duties as a Director through the Board and the Related-party Transactions Control Committee. Mr. Jiang has also worked in the Law School of Peking University (北京大學法學院) since February 2008. He has served as professor in the Law School of Peking University (北京大學法學院) and doctoral advisor in the Law School of Peking University (北京大學法學院) and head of the China Enterprise Legal Risk Management Research Centre of Peking University (北京大學中國企業法律風險管理研究中心) since February 2014. Mr. Jiang has served as independent director or external director in several companies, including Hubei Radio & Television Information Network Co., Ltd. (湖北省廣播電視信息網絡股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000665), since November 2012, Beihai Yinhe Industry Investment Co., Ltd. (北海銀河產業投資股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000806), since January 2014, and Beijing Automotive Group Co., Ltd (北京汽車集團有限公司) since February 2015.

Mr. Jiang served successively as court clerk and assistant judge in the Intermediary People's Court of Shaoyang City, Hunan Province (湖南省邵陽市中級人民法院) from July 1993 to September 1996, and as tutor, lecturer, associate professor, professor and deputy dean of the Law School of Nanjing University (南京大學法學院) from July 1999 to February 2008. Mr. Jiang served as researcher in the Law School of Peking University from March 2008 to January 2014.

Mr. Jiang obtained a master's degree in economic law from Law School of Nanjing University (南京大學法學院) in Jiangsu, the PRC in June 1999 and a doctor's degree in economic law from Law School of Nanjing University (南京大學法學院) in Jiangsu, the PRC in September 2006.

11. **Mr. DENG Xiaoyang (鄧小洋)**, aged 51, has been an independent non-executive Director of our Bank since March 2011 and performing his duties as a Director through the Board, the Nomination and Remuneration Committee and the Audit Committee.

Mr. Deng previously served teaching positions in the School of Accounting of Hunan College of Finance and Economic (湖南財經學院會計系) from August 1994 to April 2000, and in Hunan University (湖南大學) from April 2000 to April 2007, respectively. Mr. Deng served teaching and researching positions in the Scientific and Research Section of School of Accounting of Shanghai Lixin University of Commerce (上海立信會計學院會計學系) from May 2007 to October 2014. Mr. Deng held the position of independent director in several companies, including Hunan Gaea Gem Co., Ltd. (湖南金健米業股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600127), from August 2003 to April 2005, Changsha Lyrun Material Co., Ltd. (長沙力元新材料股份有限公司), currently known as Hunan Corun New Energy Co., Ltd. (湖南科力遠新能源股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600478), from March 2002 to June 2008, Hunan Copote Science & Technology Co., Ltd. (湖南湘郵科技股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600476), from April 2004 to May 2010, and Hunan Sunward Intelligent Equipment Co., Ltd. (湖南山河智能機械股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 002097), from April 2004 to April 2010.

Mr. Deng obtained a doctor's degree in management from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, the PRC in February 2001. Mr. Deng has been accredited as a professor by Hunan University (湖南大學) since June 2002.

12. **Mr. NIU Sihui (牛似虎)**, aged 47, has been an independent non-executive Director of our Bank since March 2011 and performing his duties as a Director through the Board, the Nomination and Remuneration Committee and the Audit Committee. Mr. Niu has also served as deputy dean of the School of Economic Law of Bohai University (渤海大學經法學院) since July 2014.

Mr. Niu worked in the investment school of Liaoning Business Junior College (遼寧商業高等專科學校) (currently known as the School of Management in Bohai University (渤海大學管理學院)) from August 2003 to June 2014, successively as teacher, associate professor and professor.

Mr. Niu completed an undergraduate course in engineering and graduated from Northwest Polytechnical University (西北工業大學) in Shaanxi, the PRC in July 1990. He also obtained a doctor's degree in economics from the School of Economics of Liaoning University (遼寧大學) in Liaoning, the PRC in June 2011. Mr. Niu has been accredited as a professor by the Department of Human Resource and Social Security of Liaoning Province (遼寧省人力資源和社會保障廳) since December 2010.

13. **Ms. JIANG Jian (姜健)**, aged 54, has been an independent non-executive Director of our Bank since March 2011 and performing her duties as a Director through the Board, the Related-party Transactions Control Committee and the Audit Committee. She has also served as teacher in Liaoning University of Technology (遼寧工業大學, formerly known as Liaoning Engineering College (遼寧工學院)) since July 1983. Ms. Jiang also served as executive director of Commerce Statistical Society of China (中國商業統計學會) from December 2009 to December 2014.

Ms. Jiang obtained a bachelor's degree in science from Dalian College of Technology (大連工學院, currently known as Dalian University of Technology (大連理工大學)) in Liaoning, the PRC in July 1983, a master's degree in engineering from Jilin University of Technology (吉林工業大學) in Jilin, the PRC in April 1996 and a doctor's degree in management from China Academy of Sciences (中國科學院) in Beijing, the PRC in July 2005. Ms. Jiang has been accredited as a professor by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2001.

14. **Mr. CHOON Yew Khee (秦耀奇)**, aged 46, has been an independent non-executive Director of our Bank since October 2014. Mr. Choon also served as head of Asia-Pacific region of GAM Hong Kong Limited since November 2013.

Mr. Choon served successively as director of institutional business and head of retail business in Asia (excluding Japan) of Citigroup Asset Management, Hong Kong, from December 1999 to July 2006, as head of North Asia business of Lehman Brothers Investment Management, Hong Kong, from July 2006 to March 2008 and as managing director of Lazard Asset Management, Hong Kong, from April 2008 to October 2013.

Mr. Choon obtained a bachelor's degree in business administration from the City University of New York in the United States in September 1992. Mr. Choon has been accredited as a chartered financial analyst by the Association for Investment Management and Research since September 2002.

## (II) Biographies of Supervisors

1. **Mr. NING Yongfang (寧永芳)**, aged 58, has been appointed as our employee representative Supervisor since October 2010, and as chairperson of our Board of Supervisors since then.

Mr. Ning was appointed as member of the standing committee of Jinzhou Discipline Inspection Commission (錦州市紀律檢查委員會) in February 2003. Mr. Ning also served as deputy party secretary of our Bank from November 2006 to October 2010 and concurrently as secretary of discipline inspection commission of our Bank from August 2008 to October 2010.

Mr. Ning completed an graduate course in scientific socialism of law department and graduated from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in September 2010.

2. **Mr. XU Fei (徐飛)**, aged 51, has been appointed as our employee representative Supervisor since May 2008, and as vice chairman of the Board of Supervisors since May 2013. Mr. Xu has served concurrently as general manager of our Bank's legal affairs department since March 2011.

Mr. Xu was vice chief of our Bank's Asset Preservation Section (資產保全部) from January 2001 to February 2002, and chief of our Bank's Asset Preservation Section from March 2002 to March 2011.

Mr. Xu completed a continuous learning course (distance learning) under the Business Administration Graduate Program (工商管理研究生課程) of Peking University in November 2003 and completed an undergraduate course in law and graduated from Bohai University (渤海大學) in Liaoning, the PRC in January 2006. He has obtained a lawyer's qualification certificate issued by the Ministry of Justice of the PRC (中華人民共和國司法部) since April 1997, and has been accredited as an economist by our Bank from July 2001 to July 2004.

3. **Ms. LUO Yan (羅岩)**, aged 46, has been appointed as our employee representative Supervisor since October 2014, and as vice president of Jinzhou Branch of our Bank since December 2013.

Ms. Luo has served as deputy director and director of credit management department of our Bank from January 1998 to June 2004, director of the credit approval department and director of international business department of our Bank from July 2004 to February 2008, general manager of business department and general manager of international business department of our Bank from March 2008 to November 2013.

Ms. Luo obtained a bachelor's degree (correspondence course) in management from Bohai University (渤海大學) in Liaoning, the PRC in October 2010. She has been accredited as a senior accountant by our Bank since April 2008.

4. **Ms. SHI Hongmiao (史紅淼)**, aged 37, has been appointed as our employee representative Supervisor since October 2014. Ms. Shi has also served as vice president of Jinzhou branch of our Bank since December 2014.

Ms. Shi has been working in our Bank since she joined us in March 1997. Ms. Shi served as clerk of central office of Lingyun sub-branch of our Bank from March 1997 to October 1997, director of municipal Party committee south office of Lingyun sub-branch of our Bank from November 1997 to January 2001, director of savings counters of Lingyun sub-branch of our Bank from February 2001 to March 2009, director of wealth center of our Bank from November 2006 to March 2009, director of the secondary branch of Luoyang Road sub-branch of our Bank from September 2006 to November 2006, vice president of Lingyun sub-branch of our Bank from April 2009 to July 2009, vice general manager of our Bank's retail banking department from August 2009 to January 2010, general manager of the retail banking department in our Bank's Shenyang branch from February 2010 to October 2010, assistant to president in our Bank's Shenyang branch from November 2010 to April 2011, general manager of retail banking department in our Bank's Jinzhou branch from May 2011 to October 2013 and assistant to president and general manager of operation department in our Bank's Jinzhou branch from November 2013 to November 2014.

Ms. Shi completed an undergraduate course in finance and graduated from China Central Radio & TV University (中央廣播電視大學) in Beijing, the PRC in November 2003. She has been accredited as an intermediary accountant by the Ministry of Finance of the PRC since May 2000.



5. **Ms. LI Xiu (李秀)**, aged 43, has been appointed as our employee representative Supervisor since May 2008. Ms. Li has also served as head of office of Jinzhou branch of our Bank since October 2013.

Ms. Li worked as bookkeeper of accounting department in the Railway Sub-branch of our Bank from April 1992 to September 1995. She served as office clerical employee and administrative accountant from October 1995 to October 2005. Ms. Li served as vice president of Gaoxin Sub-branch of our Bank from November 2005 to February 2011 and as deputy general manager of financing plan department of Jinzhou branch of our Bank from February 2011 to September 2013.

Ms. Li completed an undergraduate course in economics management and graduated from the correspondence school of Party School of the Central Committee of C.P.C. (中共中央黨校) in December 2000. She has been accredited as an economist by the Ministry of Personnel of the PRC (中華人民共和國人事部) since November 2001.

6. **Mr. TIAN Deying (田德營)**, aged 62, has been appointed as our shareholder representative Supervisor since May 2008. Mr. Tian has been a director of Beizhen Yimin, a subsidiary of our Bank, since March 2011, head of Jinzhou Asphalt Factory Beizhen (錦州市瀝青廠) since January 1996, and chairman of Liaoning Deying Petrochemical Group Co., Ltd. (遼寧德營石油化工集團有限公司) since June 2002.

Mr. Tian completed a junior college course in industrial business management and graduated from the Cadre College of Economics and Management of Liaoning (遼寧經濟管理幹部學院) in Liaoning, the PRC in July 1989. He obtained a master's degree in industrial economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in July 1998. Mr. Tian has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since June 1995.

7. **Mr. HE Baosheng (何寶生)**, aged 69, has been appointed as our shareholder representative Supervisor since October 2014. He has also served as chairman of Jinzhou Jinhua Co., Ltd. (錦州錦華股份有限公司) since December 2001. Mr. He also served as a Director of our Bank from January 1997 to October 2014.

Mr. He graduated from correspondence college of Liaoning University (遼寧大學函授學院) in economics and management in Liaoning, the PRC in September 1984. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 1992.

8. **Ms. ZHAO Lanying (趙蘭英)**, aged 51, has been appointed as our shareholder representative Supervisor since October 2014. Ms. Zhao has been appointed as vice president of Jinzhou Watson Asset Management (Group) Limited Company (錦州華信資產經營(集團)有限公司) since April 2012.

Ms. Zhao served as member of the party committee and chief accountant of Jinzhou City Metal Materials Co., Ltd. (錦州市金屬材料總公司) from 2010 to April 2011 and member of the party committee, deputy general manager and chief accountant of the same company from May 2011 to March 2012.

Ms. Zhao completed a master of business administration course (part-time) from the Party School of C.P.C. of Liaoning Province (中共遼寧省委黨校) in Liaoning, the PRC in December 2012. Ms. Zhao has been accredited as an accountant by the Personnel Department of Liaoning Province (遼寧省人事廳) since October 1994.

9. **Mr. JING Fei (靖飛)**, aged 42, has been appointed as our external Supervisor since March 2011. Mr. Jing has also served teaching and researching positions in the School of Management of Bohai University (渤海大學管理學院) since July 2008 and as professor since October 2014.

Mr. Jing served as inspector of Discipline Inspection Group of Agricultural Council accredited by Jiangsu Discipline Inspection Commission (江蘇省紀委駐省農業委員會紀律檢查組) from August 1997 to April 2001, clerk of Jiangsu Green Food Office (江蘇省綠色食品辦公室) from April 2001 to September 2004, teacher in the School of Economics in Anhui University of Technology (安徽工業大學經濟學院) from July 2007 to July 2008.

Mr. Jing obtained a bachelor's degree in food engineering from Nanjing Agricultural University (南京農業大學) in Jiangsu, the PRC in July 1997, a master degree of business administration (part-time) from Business School of Nanjing University (南京大學商學院) in Jiangsu, the PRC in June 2004 and a doctor's degree in rural development from Nanjing Agricultural University (南京農業大學) in Jiangsu, the PRC in June 2007. Mr. Jing also obtained a post doctor certificate in agricultural and forestry economics management in Chinese Academy of Social Science (中國社會科學院) from the National Postdoctoral Management Committee (全國博士後管理委員會) in August 2012. He has been accredited as associate professor and was appointed as professor by the Personnel Department of Liaoning Province (遼寧省人事廳), and Bohai University (渤海大學) respectively in September 2009 and October 2014.

10. **Ms. CHEN Yingmei (陳英梅)**, aged 45, has been appointed as our external Supervisor since March 2011. She has also served as associate professor of the Management School of Liaoning University of Technology (遼寧工業大學管理學院) since October 2009.

Ms. Chen successively served as assistant lecturer, lecturer and associate professor in Liaoning Province Jinzhou Grain College (遼寧省錦州糧食學校) (currently known as the Economics and Management Faculty of Liaoning University of Technology (遼寧工業大學經濟管理學院)) from September 1992 to October 2009.

Ms. Chen obtained a bachelor's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1992 and a master's degree in management from Dalian University of Technology (大連理工大學) in Liaoning, the PRC in June 2001. She has been accredited as an associate professor by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2002.

11. **Ms. NIE Ying (聶穎)**, aged 45, has been appointed as our external Supervisor since October 2014. She has also served as professor of the School of International Business in Shenyang Normal University (瀋陽師範大學國際商學院) since January 2014.

Ms. Nie served as staff and business manager of the securities administration department in Jinzhou Port Co., Ltd. (錦州港股份有限公司) from July 1993 to May 2000, and vice professor of College of International Business in Shenyang Normal University (瀋陽師範大學國際商學院) from September 2003 to December 2013.



Ms. Nie obtained a bachelor's degree in industrial foreign trade from Liaoning Institute of Technology (遼寧工學院) in Liaoning, the PRC in July 1993 and graduated from a postgraduate course (part-time) of investment and economics in the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in April 1998. She obtained a master's degree in economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in June 2007 and a doctor's degree in finance from Liaoning University (遼寧大學) in Liaoning, the PRC in June 2011. Ms. Nie has been accredited as a professor by Shenyang Normal University (瀋陽師範大學) since December 2013.

12. **Ms. LI Tongyu (李彤煜)**, aged 44, has been appointed as our external Supervisor since October 2014. She has also served as a teacher and an associate professor of Liaoning University of Technology (遼寧工業大學) since August 1993 and August 2004, respectively.

Ms. Li graduated from an undergraduate course of industrial management engineering from Liaoning Institute of Technology (遼寧工學院) in Liaoning, the PRC in July 1993 and obtained a master's equivalent degree in enterprise management from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC in July 2001. She has been accredited as an associate professor by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2004.

13. **Ms. ZHAO Hongxia (趙宏霞)**, aged 37, has been appointed as our external Supervisor since October 2014. She has also served teaching and research positions in the School of Management of Bohai University (渤海大學管理學院) since March 2013.

Ms. Zhao served teaching and research positions in Liaoning University of Engineering and Technology (遼寧工程技術大學) from April 2005 to February 2013.

Ms. Zhao obtained a bachelor's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in July 2002, a master's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in March 2005 and a doctor's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in January 2010.

### (III) Biographies of Senior Management Members

1. **Mr. HUO Lingbo (霍凌波)**, aged 59, has been appointed as our executive vice president (acting for president's duties) since December 2012, and as party secretary of our Bank since December 2006. Mr. Huo is responsible for our overall daily business and operation management, and the operation of the committee of party office of our Bank.

Mr. Huo has over 25 years of experience in the banking industry and over 12 years of experience in management. Mr. Huo served as deputy head and head of Jinzhong Urban Credit Cooperative (錦中城市信用社) from February 1989 to February 1992 and from February 1992 to August 1995, respectively. Mr. Huo also served as vice president and deputy party secretary of our Bank from August 1995 to December 2006 and from April 2004 to December 2006, respectively.

Mr. Huo graduated from the Liaoning Radio and TV University (遼寧廣播電視大學) majoring in electronics in Liaoning, the PRC in August 1985 and graduated from a postgraduate course (part-time) of economics management in the Party School of C.P.C. of Liaoning Province (中共遼寧省委黨校) in Liaoning, the PRC in July 1996. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 1996.

2. For biography of **Ms. CHEN Man**, please refer to section headed “Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors” of this Annual Report.
3. **Mr. CAI Hongguang (才洪光)**, aged 55, has been appointed as our vice president since August 2004. He is currently in charge of the strategy development department, the international business department, and the village and township banking management department of our Bank.

Mr. Cai has over 22 years of experience in the banking industry. Mr. Cai served as deputy division head of the credit department and the auditing department of Jinzhou Urban Credit Union (錦州市城市信用聯社), respectively, from January 1993 to March 1993 and from March 1993 to April 1994, and continued to act as section chief of the credit section and deputy division head of the sales section of Jinzhou Urban Credit Union (錦州市城市信用聯社) from February 1995 to February 1997. He acted as president and chief auditor of Yongfeng sub-branch of our Bank from February 1997 to February 2001 and February 2001 to August 2004.

Mr. Cai completed a postgraduate course in political economics and graduated from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 2002. Mr. Cai has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since June 1997.

4. **Mr. GUO Guang (郭光)**, aged 55, has been appointed as our vice president, and has been in charge of the president’s office, the integrated affairs department and the E-banking department since January 2007.

Mr. Guo has more than 22 years of experience in the banking industry. Mr. Guo served as coordinator at the planning department of Jinzhou Urban Credit Union (錦州市城市信用聯社) from July 1992 to September 1993, and served as vice director of Jinzhou Linghe Credit Union (錦州市凌河信用社) from September 1993 to February 1994. Mr. Guo was deputy division head of the deposit division and accounting division of Jinzhou Urban Credit Union (錦州市城市信用聯社), respectively, from February 1994 to February 1996 and from February 1996 to March 1997, and acted as deputy division head of the planning division of our Bank from March 1997 to March 1998. He served as head of the planning and finance department from March 1998 to March 2003, head of the finance and management committee under the Board from March 2003 to June 2004, deputy chief accountant from June 2004 to June 2005 and chief economist from June 2005 to December 2006, of our Bank.

Mr. Guo completed an undergraduate course (by correspondence) in economics management and graduated from the Party School of the Central Committee of C.P.C. (中共中央黨校) in December 2000. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since December 2003.

5. **Ms. LIU Hong (劉泓)**, aged 52, has been appointed as our vice president since November 2009. She is managing the information technology department and the financial management department of the Bank.

Ms. Liu has over 20 years of experience in the banking industry. Ms. Liu worked as teacher at Jinzhou Teachers Training College (錦州師範高等專科學校) from August 1985 to December 1994 and was head of “Sanba” savings office (“三八”儲蓄所) of Chengnei sub-branch of Jinzhou branch of Industrial and Commercial Bank of China (中國工商銀行錦州分行城內支行) from December 1994 to April 1999. She served as head of our Bank’s marketing department and assistant to our president from March 2002 to August 2008 and from August 2008 to November 2009, respectively.

Ms. Liu completed an undergraduate course in political education (by correspondence) and graduated from Jinzhou Normal University (錦州師範學院) in Liaoning, the PRC in July 1991. She also completed a postgraduate course in political economics and graduated from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 2002. She has been accredited as a senior engineer by Personnel Department of Liaoning (遼寧省人事廳) since October 2008.

6. For biography of **Ms. ZHAO Jie**, please refer to section headed “Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors” of this Annual Report.

7. **Mr. LIU Wenzhong (劉文忠)**, aged 53, has been appointed as our vice president since April 2013, and as president of Beijing branch of our Bank since March 2011. He is currently in charge of the operation of Beijing branch of our Bank.

Mr. Liu has over 23 years of experience in the banking industry. Mr. Liu worked as clerk and section chief of the credit section in Lingyun Urban Credit Cooperative (凌雲城市信用社) from January 1992 to March 1996, vice president of Lingyun sub-branch of our Bank from March 1996 to March 2002, president of Lingyun sub-branch of our Bank from March 2002 to July 2011, and assistant to president of our Bank from March 2011 to May 2013. Mr. Liu worked as vice president of Beijing branch of our Bank from July 2011 to January 2012.

Mr. Liu completed a junior college course in electric automation and graduated from Liaoning Radio and TV University (遼寧廣播電視大學) in Liaoning, the PRC in July 1987. He also completed a postgraduate course in industrial economics and graduated from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC in July 2001. Mr. Liu has been accredited as an economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since February 1995.

8. **Mr. WANG Xin (王昕)**, aged 39, has been appointed as assistant to president of our Bank since February 2012. He is currently in charge of the credit management department, the credit review department, the corporate business department and the risk and compliance department of our Bank.

Mr. Wang has over 15 years of experience in the banking industry. He served successively as an employee in our Bank's bank card department from July 1999 to March 2000, and credit management department from March 2000 to March 2001, deputy head of our Bank's credit management department from March 2001 to July 2003, chief in our Bank's credit management department from January 2005 to January 2007 and assistant to president of Tianjin branch of our Bank from December 2008 to April 2010. Mr. Wang served as vice president of Tianjin branch of our Bank from April 2010 to February 2012.

Mr. Wang obtained a bachelor's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1999 and a master's degree in business administration from the Chicago branch campus of the University of Illinois in the United States in August 2008. Mr. Wang is currently studying at Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC for a doctor's degree in finance.

9. For biography of **Mr. WANG Jing**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this Annual Report.
10. **Ms. SONG Yaping (宋亞萍)**, aged 53, has been appointed as our chief accountant since December 2012. She is currently in charge of the internal audit department of the audit committee under the Board.

Ms. Song has over 25 years of experience in auditing. Ms. Song worked in Jinzhou Municipal Auditing Bureau (錦州市審計局) from June 1989 to December 2010. Ms. Song served as general auditor of our Bank from December 2010 to December 2012.

Ms. Song completed an undergraduate course in economics management and graduated from the Party School of C.P.C. of Liaoning Province (中共遼寧省委黨校) in Liaoning, the PRC in July 2005. She has been accredited as a senior auditor by Liaoning Provincial Audit Office (遼寧省審計廳) since August 1998.

11. For biography of **Ms. WANG Xiaoyu**, please refer to section headed “Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors” of this Annual Report.

#### **(IV) Biographies of Joint Company Secretaries**

1. **Mr. WANG Jing (王晶)**, was appointed as a joint company secretary of our Bank in October 2014. For his biography, please refer to section headed “Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors” of this Annual Report.
2. **Ms. LEUNG Wing Han Sharon (梁穎嫻)**, was appointed as a joint company secretary of our Bank in October 2014. Ms. LEUNG is a vice president of SW Corporate Services Group Limited, and she has over 10 years of experience in finance, accounting and company secretarial matters. Ms. Leung holds degrees of bachelor of business administration in accounting, bachelor of laws, and master of laws in international corporate and financial law. She is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in UK, and the Association of Chartered Certified Accountants in UK. She is also a member of the Hong Kong Institute of Certified Public Accountants.

## IV. Compensation of Directors and Supervisors and Five Individuals with the Highest Emoluments of our Bank

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in our Bank, please refer to notes 9 and 10 to financial statement included in this annual report.

## V. Employee, Employee Compensation Policy and Employee Training Program

### (I) Staff Composition

As at 31 December 2015, we had 4,086 full-time employees, of which 2,603 employees or 63.7% had bachelor's degrees or above, with the average age of 36.9.

In addition to full-time employees, as at 31 December 2015, we also had 1,408 contractors from third-party human resources agencies. These contractors are not our employees and enter into employment contracts with third-party human resources agencies.

### (II) Employee Training Program

We priority is to promote leadership of management members, improve job qualification and work performance of our employees. We will establish a training system for all employees by combining comprehensive training and target training, self-training and classroom training, on-the-job training and professional training. With our on-line college, internal trainer team and implementation of trainee management program, our employees have access to an optimal platform for learning and development, hence to promote staff development and enhance overall level of competitiveness of our Bank.

### (III) Employee Incentive Policies

We have been committed to establish total performance management system by effective combination of firm performance assessment and employee performance assessment, so as to decompose our strategic objectives into sub-objectives, and eventually into objectives for every employee to fill, to ensure unity of objectives in our Bank. In the aspect of applications of performance management, by positively exploration of the contents and functions of performance management tools such as Balanced Scorecard (BSC) and Key Performance Indicator (KPI), we are able to take full advantage of leading performance management tools, to promote the performance management level of our Bank. In addition, we concentrate our efforts to provide "Y"-type career development channel for our employees by an integration of supervisory sequence and professional sequence, to increase promotion opportunities and satisfy employees' requirements for career development, and fully encouraging employees to achieve self-value.

### (IV) Remuneration Policies for Employees

Our remuneration policies are in line with the implementation of our strategic goals, the enhancement of our competitiveness, talent cultivation and risk control. These policies are developed based on the principles that satisfy our corporate governance requirements, give consideration to both the competitiveness and sustainability of our Bank, are in line with our operating results adapted to risk cost and balance our short-term and long-term incentives. Remuneration of our employees comprises of fixed salary, variable compensation and allowance. Deferred payment and fixed term of payment are applied to senior management and key personnel to strengthen risk control.



**(V) Retirement and Benefits**

According to applicable laws in China, our male employees and female employees are eligible to retire when reaching the age of 60 and 55, respectively, and they will receive payment from the national social insurance instead of our Bank after their retirement. With respect to benefits, we make timely and full contribution to pension insurance, medical insurance, unemployment insurance, injury insurance, maternity insurance and housing provident fund for all in-service employees pursuant to applicable laws and regulations in China.

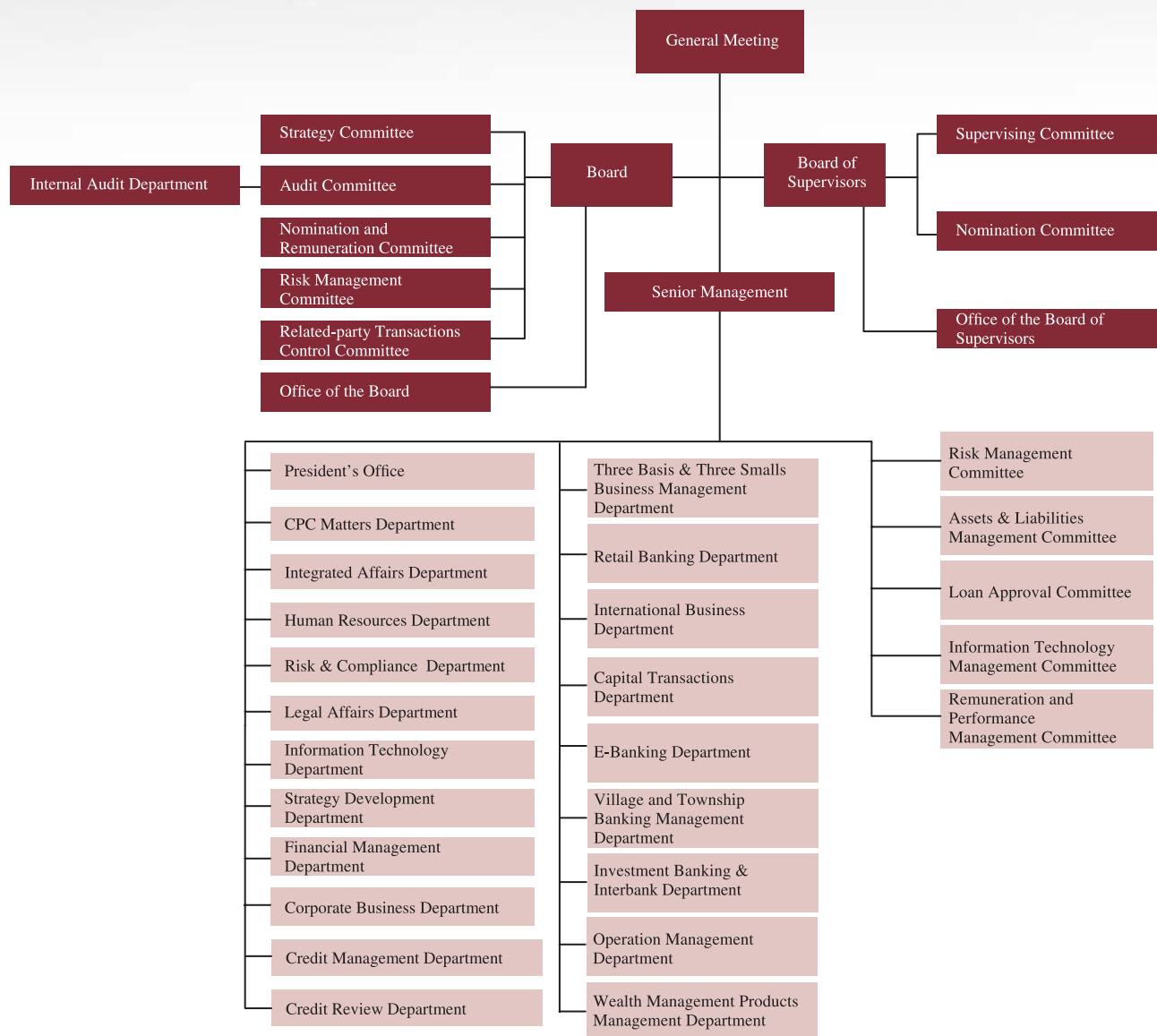
**VI. Branches and Subsidiaries**

Name of Branches/Subsidiaries	Location of Business	Remarks
Headquarters	No. 68 Keji Road, Jinzhou, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Beijing Branch	No. 5 Jianguomenbei Avenue, Dongcheng District, Beijing, the PRC	With 5 sub-branches
Bank of Jinzhou Co., Ltd., Tianjin Branch	No. 236 Nanjing Road, Heping District, Tianjin, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Shenyang Branch	No. 18 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	With 11 sub-branches
Bank of Jinzhou Co., Ltd., Dalian Branch	No. 23 Renmin Road, Zhongshan District, Dalian, Liaoning Province, the PRC	With 4 sub-branches
Bank of Jinzhou Co., Ltd., Harbin Branch	No. 381 Youyi Road, Daoli District, Harbin, Heilongjiang Province, the PRC	With 5 sub-branches
Bank of Jinzhou Co., Ltd., Dandong Branch	No. 111 Jinshan Avenue, Yuanbao District, Dandong, Liaoning Province, the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Fushun Branch	No. 13 Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province, the PRC	With 14 sub-branches
Bank of Jinzhou Co., Ltd., Anshan Branch	No. 15- S1, S2, S3, S4, S5, Shenglinan Road Tiedong District, Anshan, Liaoning Province, the PRC	With 4 sub-branches
Bank of Jinzhou Co., Ltd., Chaoyang Branch	No. 5 Xinhua Road (Section 2), Shuangta District, Chaoyang, Liaoning Province, the PRC	With 3 sub-branches
Bank of Jinzhou Co., Ltd., Fuxin Branch	Block D, No. 4 Yingbin Avenue, Xihe District, Fuxin, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Liaoyang Branch	No. 366-1 Xinhua Road, Baita District, Liaoyang, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 99 sub-branches
Bank of Jinzhou Co., Ltd., Small Enterprise Financial Service Centre	No. 25-1, 2 Zhongyang Avenue (Section 2), Linghe District, Jinzhou, Liaoning Province, the PRC	
Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.	No.29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City, Liaoning Province, the PRC	With 5 sub-branches
Liaoning Yi County Xianghe Village and Township Bank Co., Ltd.	No.38-21, Yingbin Road, Yizhou Town, Yi County, Jinzhou City, Liaoning Province, the PRC	With 3 sub-branches
Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.	No.1-4, Building One, Phase I, Furui Jiaxiang Campus, Chengxi Community, Beizhen Sub-district Office, Liaoning Province, the PRC	With 2 sub-branches
Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.	House No. 9-14 (Level 1-3), City East, South Side, Diwang Fudi, No. 194, Zhongda Central Road, Heishan Town First Street, Heishan County, Liaoning Province, the PRC	With 1 sub-branch
Liaoning Kazuo Jinhang Village and Township Bank Co., Ltd.	No. 01001, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	
Bank of Jinzhou Financial Leasing Co.,Ltd.	No.18, Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	



# CHAPTER 8 CORPORATE GOVERNANCE REPORT

## I. Organization Structure



## II. Corporate Governance Overview

The Bank strives to increase the transparency and accountability of corporate governance to ensure high standards of corporate governance for protecting the interest of Shareholders and enhancing the enterprise value and commitments. The Bank has adopted the Corporate Governance Code (“**Corporate Governance Code**”) of Appendix 14 to the Listing Rules, administrative measures for commercial banks in China, as well as the relevant requirements for corporate governance. The Bank has also established a satisfactory corporate governance system. The Bank has further improved the information disclosure standards, regulated the management of investor relations activities and enhanced the corporate transparency and governance standards persistently.

For the period from the Listing Date up to 31 December 2015, the Bank has fully complied with all code provisions contained in the Corporate Governance Code. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Corporate Governance Code.

The Bank will continue to enhance corporate governance to ensure the corporate governance of the Bank will continue to comply with the requirements of the Corporate Governance Code and satisfy the expectations of Shareholders and investors.

### III. General Meeting

The Bank has convened a total of three general meetings of Shareholders in 2015, the details are as follows:

The first extraordinary general meeting in 2015 was convened by the Bank on 16 January 2015. The resolutions on, inter alia, Shareholders' Communication Policy (Draft) (applicable after listing), the Commencement of Credit Asset Securitization business, Issuance of Tier 2 Capital Bonds, Changes in Registered Capital, Amendments to the Articles of Association and Re-election of Ms. Wang Xiaoyu as Director were considered and approved at the first extraordinary general meeting.

The second extraordinary general meeting in 2015 was convened by the Bank on 17 March 2015. The resolutions on, inter alia, the Commencement of Interbank Certificate of Deposit Business and Re-election of Mr. Wang Jing as Director were considered and approved at the second extraordinary general meeting.

The 2014 annual general meeting was convened by the Bank on 25 June 2015. The Work Report of the Board of Directors for 2014, the Work Report of the Supervisory Committee for 2014, the 2014 Annual Report, the 2015-2017 Strategic Development Plan, the Final Financial Accounts for 2014, the Proposed Financial Budget for 2015 and the Profit Distribution Plan for 2014 were considered and approved at the annual general meeting.

The above general meetings were convened in compliance with the procedures as required by the relevant laws and regulations.

### IV. Board of Directors and Special Committees

#### (I) Implementation of Resolutions of General Meetings by the Board of Directors

In 2015, the resolutions of the general meetings executed by the Board of Directors included the resolutions on the Initial Public Offering and Listing of Overseas Listed Foreign Shares (H Shares), the Commencement of Credit Asset Securitization Businesses, the Profit Distribution Plan for 2014 and the Proposed Financial Budget for 2015.

#### (II) Composition of the Board of Directors

As at the end of the Reporting Period, the Board of Directors consists of 14 Directors, including 5 Executive Directors who are Mr. Zhang Wei (Chairman), Ms. Chen Man, Ms. Zhao Jie, Mr. Wang Jing and Ms. Wang Xiaoyu, respectively; 4 Non-executive Directors who are Mr. Li Dongjun, Mr. Zhang Caiguang, Mr. Wu Zhengkui and Ms. Gu Jie, respectively; and 5 Independent Non-executive Directors who are Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihui, Ms. Jiang Jian and Mr. Choon Yew Khee, respectively.

The Board of Directors is responsible for establishing the management system of the Bank, supervision and control over important matters such as the decisions and performance of the business and financial policies of the Bank. The Board of Directors is accountable to the general meeting. The Board of Directors has delegated to the management the rights and duties of managing the Bank. In addition, the Board of Directors has also assigned to the Strategy Committee, Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Related-party Transactions Control Committee their respective responsibilities. Details about the above special committees are set out in this annual report.

The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Corporate Governance Code.

**(III) Relationships between Directors, Supervisors and Senior Management Members**

The Directors, Supervisors and Senior Management members of the Bank are not related to each other in respect of financial business, family or other material/relevant relationships.

**(IV) Changes of Directors**

For changes of Directors, please refer to the section headed “Directors, Supervisors, Senior Management Members, Employees and Basic Particulars of Branches – Changes in Directors, Supervisors and Senior Management Members” in this annual report.

**(V) Operation of the Board of Directors**

The Board of Directors shall convene at least 4 meetings per year and at least one meeting per quarter. The meetings of the Board of Directors are divided into regular meetings and extraordinary meetings. The regular meetings of the Board of Directors are convened by the Chairman, a notice in writing shall be delivered to all Directors and Supervisors 14 days prior to the date of convening the meeting. The notice of extraordinary meeting of the Board of Directors is 3 business days prior to the date of convening the meeting. In emergency circumstances, if an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of meeting may be issued through telephone or other verbal means, but the convener shall give an explanation at the meeting. The meeting of the Board of Directors will generally conduct voting at the meeting (including video conference) by way of a show of hands and voting by registered ballot.

Subject to sufficient protection is ensure for the expression of opinions by Directors, the extraordinary meeting of the Board of Directors may passed resolutions by communication voting to be signed by participating Directors. The conditions and procedure of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors.

The Board of Directors shall record the decisions on matters considered at the meetings in the minutes of meetings, the participating Directors and the recorder of minutes shall sign on the minutes of meeting. Directors attending the meeting are entitled to request an explanation on record to be made in respect of their verbal comments in the meetings.

The relevant senior management members are invited to attend meetings of the Board of Directors from time to time for providing explanations or answering queries. In the meetings of the Board of Directors, Directors may express their opinions freely, important decisions should be made after detailed discussions have been conducted. If any Director has a conflict of interest in a matter to be considered by the Board of Directors, the relevant Director shall avoid the discussion and abstain from voting on the relevant resolution, and such Director shall not be counted as quorum in voting for that resolution.

The Board of Directors has established an office for use as the operating arm of the Board of Directors, the office of the Board of Directors shall be responsible for the preparation of general meetings, meetings of the Board of Directors and meetings of all special committees, information disclosure and other daily duties.

**(VI) Functions and Authorities of the Board of Directors**

The Board of Directors exercises the following functions and authorities:

- (1) to convene the general meeting, and report to the general meeting;
- (2) to implement the resolutions of the general meeting;
- (3) to decide on the development plans of the Bank;
- (4) to decide on operation plans, investment plans and major assets disposal plans of the Bank;
- (5) to formulate annual financial budgets and final accounts of the Bank;
- (6) to formulate profit distribution plans and loss recovery plans of the Bank;
- (7) to formulate proposals on the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Bank;
- (8) to formulate proposals on major acquisitions by the Bank, acquisitions of the stock of the Bank or merger, division, dissolution and change of the corporate form;
- (9) to regularly evaluate and improve the Bank's corporate governance;
- (10) to decide on external investment, acquisition and disposal of assets, assets mortgage, external guarantee matters, related/connected transactions and other matters of the Bank, within the scope of authorization of the general meeting;
- (11) to determine arrangement plans for the Bank's internal management institutions, branches and personnel and positions of the managers;
- (12) to appoint or dismiss the president or secretary to the Board of Directors of the Bank according to the nomination of the Chairman of the Board of Directors; appoint or dismiss senior management personnel, such as the vice-president, assistant to president and financial chief, according to the nomination of the president;
- (13) to decide on remuneration and disciplinary measures of senior management personnel;
- (14) to formulate basic management system and explicate the working rules for the president;
- (15) to formulate proposal on amendments to the Articles of Association of the Bank;
- (16) to manage the information disclosure matters of the Bank;
- (17) to propose on the engagement or replacement of the accounting firm that audits the Bank to the general meeting;

- (18) to listen to the work report of the president of the Bank and check the work of the president;
- (19) to check the compliance with the Corporate Governance Code in the Listing Rules of the Hong Kong Stock Exchange by the Bank and the disclosure in the Corporate Governance Report; and
- (20) other functions and authorities granted by laws, administrative regulations, department rules or the Articles of Association of the Bank.

### (VII) Appointment of Directors

The Directors (including Non-executive Directors) have a term of office of three years. Upon expiry of the term, they may be re-elected. But the cumulative term of office for an Independent Non-executive Director must not exceed six years.

### (VIII) Meetings of the Board of Directors

During 2015, the Bank has convened eight meetings (including teleconference) of the Board of Directors, 45 resolutions have been considered and approved which are mainly related to the consideration and approval of matters for the listing of H Shares and profit distribution plan.

Attendance of all Directors at the meetings of the Board of Directors, meetings of special committees of the Board and general meetings in 2015 are set out in the table as follows:

Members of the Board of Directors	Number of meetings attended in person/attended by proxy/should be attended						
	Board of Directors	Strategy Committee	Risk Management Committee	Related-party Transactions Control Committee	Nomination and Remuneration Committee	Audit Committee	General Meeting of Shareholders
ZHANG Wei	8/0/8	4/0/4					3/0/3
CHEN Man	8/0/8	4/0/4		1/0/1			3/0/3
ZHAO Jie	8/0/8				1/0/1		3/0/3
WANG Jing <sup>(1)</sup>	7/0/7						3/0/3
WANG Xiaoyu <sup>(2)</sup>	8/0/8						3/0/3
LI Dongjun	8/0/8		2/0/2				3/0/3
ZHANG Caiguang	7/1/8		2/0/2				3/0/3
WU Zhengkui	7/1/8						3/0/3
GU Jie	7/1/8						3/0/3
JIANG Daxing	7/1/8			1/0/1			3/0/3
DENG Xiaoyang	7/1/8				1/0/1	4/0/4	3/0/3
NIU Sihu	8/0/8				1/0/1	4/0/4	3/0/3
JIANG Jian	8/0/8			1/0/1		4/0/4	3/0/3
CHOON Yew Khee	6/1/8						3/0/3
JIA Yuge <sup>(3)</sup>	8/0/8	4/0/4	2/0/2				3/0/3
Zhu Xiaohui <sup>(4)</sup>	0/0/0						0/0/1

Notes:

- (1) Mr. Wang Jing was appointed as executive Director on 17 March 2015.
- (2) Ms. Wang Xiaoyu was appointed as executive Director on 16 January 2015.
- (3) Ms. Jia Yuge resigned as independent non-executive Director on 23 December 2015.
- (4) Ms. Zhu Xiaohui resigned as non-executive Director on 19 January 2015.

**(IX) Independent Non-executive Directors**

The Board of Directors has complied with the requirements of the Listing Rules for the appointment of at least three Independent Non-executive Directors, representing at least one-third of the members of the Board of Directors, and at least one of these Independent Non-executive Directors has appropriate professional qualifications or expertise in accounting or financial management.

None of the Independent Non-executive Directors has any business or financial interests in the Bank, nor being a holder of any management position in the Bank. All current Independent Non-executive Directors are appointed through election for a term of three years, they may be re-elected upon expiry of the term but the cumulative term of officer shall not exceed six years.

During the Reporting Period, the Independent Non-executive Directors conscientiously participated in the meetings of the Board of Directors and meetings of all special committees, and provided independent and objective opinions in respect of all material decisions at the meetings of the Board of Directors and meetings of the special committees by utilizing their own professional abilities and industry experience and actively enhanced the communications with the senior management, specialized authorities and external auditor to acquire a deep understanding on the operation and management of the Bank. The Independent Non-executive Directors have duly performed the integrity and diligence obligations, and provided strong support to the scientific decisions of the Board of Directors and duly protected the interests of the Bank and all Shareholders.

**(X) Responsibilities assumed by the Directors in the preparation of financial statements**

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended 31 December 2015. The Directors are responsible for the supervision of the financial statements for the Reporting Period in accounting to ensure that the financial statements will reflect a true and fair view of the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements for the year ended 31 December 2015, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

**(XI) Continuing professional development plan for Directors**

All newly appointed Directors have been provided with comprehensive relevant materials at the first time when they are appointed to ensure they have proper understanding of the operation and business of the Bank and fully understand the duties and responsibilities of directors under requirements of the Listing Rules and the applicable laws and regulations.

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. During the Reporting Period, Mr. Zhang Wei, Ms. Chen Man, Ms. Zhao Jie, Mr. Wang Jing and Ms. Wang Xiaoyu, executive Directors; Mr. Li Dongjun, Mr. Zhang Caiguang, Mr. Wu Zhengkui and Ms. Gu Jie, non-executive Directors; Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihui, Ms. Jiang Jian and Mr. Choon Yew Khee, independent non-executive Directors, participated in training sessions provided by legal advisers engaged by the Bank on continuing obligations of the issuer and its directors in Hong Kong, connected transactions under the Listing Rules, the Corporate Governance Code, and the disclosure requirements of inside information. The Bank has provided briefings on the latest developments of the Listing Rules and other applicable regulatory requirements to the Directors from time to time, to ensure that the Directors will continue making contributions to the Board of Directors with comprehensive information in meeting the needs and comply with the Corporate Governance Code properly to enhance their awareness of good corporate governance practice.



**(XII) Corporate governance functions of the Board of Directors**

The Board of Directors is responsible for the establishment of sound corporate governance practice and procedures for the Bank. During the Reporting Period, the Board has:

- (1) developed and reviewed the Bank's policies and practices on corporate governance;
- (2) reviewed and monitored the training and continuing professional development of Directors and senior management;
- (3) reviewed and monitored the Bank's policies and practices on compliance with legal and regulatory requirements;
- (4) developed, reviewed and monitored the code of conduct for Directors and employees; and
- (5) reviewed the Bank's Compliance with the Corporate Governance Code and disclosure in the corporate governance report.

**(XIII) Special committees under the Board**

Five special committees, including the Strategy Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee, have been established under the Board of Directors.

**1. Strategy Committee**

As at the end of the Reporting Period, the Strategy Committee consists of two Directors, including Mr. Zhang Wei, an executive Director and the Chairman of the Board of Directors, who is the chairman of the committee, and Ms. Chen Man, an executive Director, who is the member of the committee. Ms. Jia Yuge, another member of committee, has resigned on 23 December 2015.

The primary duties of the Strategy Committee include: formulating the operation goals and long-term development strategies of our Bank; supervising and inspecting the implementation of annual operating plans and investment proposals; evaluating and making proposals on any major capital operations or asset operation projects of our Bank that is subject to approval of the Board of Directors; analysing and formulating proposals on any major events that may affect the development of our Bank; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Strategy Committee has held four meetings for the consideration of 10 proposals, including commencing underwriting business for non-financial corporate debt financing instruments, commencing interbank certificate of deposit business, Annual Report for 2014, Strategic Development Plan for 2015 – 2017, the establishment of subsidiary for wealth management business, the merger of the investment banking department, the interbank business department and others.



## 2. Risk Management Committee

As at the end of the Reporting Period, the Risk Management Committee consists of two Directors. After the resignation of Ms. Jia Yuge, the chairman of the committee, on 23 December 2015, re-election has not been carried out yet. Mr. Zhang Caiguang and Mr. Li Dongjun, non-executive Directors, are the members of the committee.

The primary duties of the Risk Management Committee include: supervising the control of credit risk, market risk, operation risk and other risks by senior management of the Bank; conducting regular assessment on the risk management status of our Bank, evaluating the work procedures and efficiency of the risk control department of our Bank, providing opinions on the improvement of risk management and internal control; determining the overall risk management strategies, ascertaining the overall risk limit and reviewing material risk policies; reviewing the asset and liability management policies of the entire Bank; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Risk Management Committee has convened two meetings for the consideration of 5 resolutions, including the Compliance and Risk Management Report for 2014, Information Technology Risk Assessment Report for 2014, Information Technology Outsourcing Risk Management Assessment Report for 2014 and Electronic Banking System Information Security Risk Assessment Report.

## 3. Related-party Transactions Control Committee

As at the end of the Reporting Period, the Related-party Transactions Control Committee consists of three Directors, including Mr. Jiang Daxing, an independent non-executive Director, who is the chairman of the committee, Ms. Jiang Jian, an independent non-executive Director, and Ms. Chen Man, an executive Director, who are members of the committee.

The primary duties of the Related-party Transactions Control Committee include: managing the related-party transactions of the Bank according to the requirements of laws and regulations, and formulating the corresponding related-party transactions management system; identifying related party transaction of the Bank according to the requirements of laws and regulations, and reporting to the Board of Directors, the Board of Supervisors and relevant China banking regulatory agencies; reviewing the related-party transactions of the Bank according to the requirements of laws and regulations and in accordance with commercial principles at arm's length; formulating written reports regarding fairness of major related-party transactions and particularly significant related-party transactions and the implementation status of our internal approval procedures by the independent non-executive Director; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Related-party Transactions Control Committee has convened one meeting for the consideration of 2 resolutions, including the Plan of Granting Credit Facilities to Related Enterprises for 2015 and the Removal of Dalian Nongken Beidahuang International Trade Co., Ltd. (大連農墾北大荒國際貿易有限公司) from the list of Related Enterprises.

**4. Nomination and Remuneration Committee**

As at the end of the Reporting Period, the Nomination and Remuneration Committee consists of three Directors, including Mr. Niu Sihui, an independent non-executive Director, who is the chairman of the committee, Mr. Deng Xiaoyang, an independent non-executive director, and Ms. Zhao Jie, an executive Director, who are members of the committee.

The primary duties of the Nomination and Remuneration Committee include: studying, formulating, reviewing and proposing the proposals in connection with the remuneration plans for Directors and senior management members, and supervising the implementation of such proposals; formulating the procedures and criteria for selecting and appointing Directors and senior management members; conducting preliminary reviews on the qualifications and conditions of candidates for Directors and senior management members and making proposals to the Board; formulating the appraisal criteria for Directors and senior management members, proceeding with implementation and making proposals to the Board; searching for qualified candidates for Directors and senior management members; and any other duties authorized by the Board.

During the Reporting Period, the Nomination and Remuneration Committee has convened one meeting for the consideration of 3 resolutions, including the re-election of Mr. Wang Jing as Director, the election of Ms. Jiang Jian as member of the Audit Committee and the appointment of Ms. Zhao Jie as vice president of the Bank.

The board diversification policy of members of the Bank is summarized as follows:

The Board of Directors is of the view that having a diversified composition of members in the Board of Directors will improve the decision-making capability of the Board of Directors more effectively to elevate the corporate governance level. The Board of Directors and the Nomination and Remuneration Committee will consider a range of factors in selecting candidates, including but not limited to sex, age, cultural and education background, race, professional experience, skills, knowledge and number of years of service, in order to achieve diversification in the membership of the Board of Directors. The Nomination and Remuneration Committee will report the composition of the Board of Directors from the perspective of diversification of the Board on annual basis and supervise the implementation of this policy.

As at the date of this annual report, the Board of Directors is comprising 14 Directors, including 5 female persons, 1 person who is a resident in Hong Kong. The Board of Directors has achieved diversification in terms of sex, nationality, professional background and skills of the Board members.

#### 5. Audit Committee

As at the end of the Reporting Period, the Audit Committee consists of three Directors, including Mr. Deng Xiaoyang, an independent non-executive Director, who is the chairman of the committee, Mr. Niu Sihua and Ms. Jiang Jian, both are independent non-executive Directors, who are members of the committee.

The primary duties of the Audit Committee include: inspecting the accounting policies, financial condition and financial reporting procedures of our Bank; assessing the risk and compliance status of our Bank; taking charge of the annual audit work of our Bank, formulation reports regarding the authenticity, integrity and accuracy of such audited information and reporting the same to the approval of the Board; reviewing the internal control system of our Bank and auditing major related-party transactions; and any other duties authorized by the Board.

During the Reporting Period, the Audit Committee has convened four meetings for the consideration of 8 resolutions, including the Internal Audit Work Report for 2014, Final Accounts for 2014 and Financial Budget for 2015, Profit Distribution Plan for 2014, Engagement of Auditor for the Financial Statements of 2015, Assets and Liabilities Report for 2014 and Half-year Financial Report for 2015.

## V. Board of Supervisors

### (I) Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors consists of 13 Supervisors, including 3 shareholders' representative Supervisors, being Mr. Tian Deying, Mr. He Baosheng and Ms. Zhao Lanying; 5 external Supervisors, being Mr. Jing Fei, Ms. Chen Yingmei, Ms. Nie Ying, Ms. Li Tongyu and Ms. Zhao Hongxia; and 5 employee representative Supervisors, being Mr. Ning Yongfang (Chairman of Board of Supervisors), Mr. Xu Fei, Ms. Luo Yan, Ms. Shi Hongmiao and Ms. Li Xiu.

### (II) Chairman of the Board of Supervisors

Mr. Ning Yongfang is the Chairman of the Board of Supervisors, and is responsible for organizing and performing the duties of the Board of Supervisors.

### (III) Changes of Supervisors

For changes of Supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Organizations – Changes in Directors, Supervisors and Senior Management Members" in this annual report.

**(IV) Meetings of the Board of Supervisors**

In 2015, eight meetings have been convened by the Board of Supervisors, primarily for the consideration and approval of 47 resolutions, including the Work Report of the Board of Supervisors for 2014, Annual Report for 2014, Compliance and Risk Management Report, Report of Final Accounts, Profit Distribution Plan and Performance Evaluation Report for Directors, Supervisors and senior management and others.

Members of the Board of Supervisors	Number of meetings attended in person/ attended by proxy/should be attended		
	Board of Supervisors	Nomination Committee	Supervising Committee
NING Yongfang	8/0/8		
XU Fei	8/0/8		
LUO Yan	8/0/8	1/0/1	
SHI Hongmiao	8/0/8		
LI Xiu	8/0/8		
TIAN Deying	8/0/8		6/0/6
HE Baosheng	8/0/8		
ZHAO Lanying	8/0/8		
JING Fei	8/0/8		6/0/6
CHEN Yingmei	8/0/8	1/0/1	
NIE Ying	8/0/8		6/0/6
LI Tongyu	8/0/8		
ZHAO Hongxia	8/0/8	1/0/1	

**(V) Committees under the Board of Supervisors**

The Bank has established two committees under the Board of Supervisors, being the Nomination Committee and the Supervising Committee. The committees will operate in accordance with the terms of reference formulated by the Board of Supervisors.

**1. Nomination Committee**

The Nomination Committee consists of three Supervisors, being Mr. Chen Yingmei, Ms. Zhao Hongxia and Ms. Luo Yan. The Chairman of the Nomination Committee is Ms. Chen Yingmei. The primary duties of the Nomination Committee include the following:

Making proposals to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors; studying the procedures and criteria for selecting and appointing Supervisors and making proposals to the Board of Supervisors; searching for qualified candidates for Supervisors; conducting preliminary reviews on the qualifications and conditions of candidates for Supervisors nominated by Shareholders and making proposals to the Board of Supervisors; and any other duties authorized by the Board of Supervisors.

During the Reporting Period, the Nomination Committee has convened one meeting for the consideration of 3 resolutions, including the re-election of Mr. Wang Jing as Director, the election of Ms. Jiang Jian as member of the Audit Committee, the appointment of Ms. Zhao Jie as the vice president of the Bank.

## 2. Supervising Committee

The Supervising Committee consists of three Supervisors, being Mr. JING Fei, Mr. TIAN Deying and Ms. NIE Ying. The Chairman of the Supervising Committee is Mr. JING Fei. The primary duties of the Supervising Committee include the following:

Drafting specific plans on supervising and examining our Bank's financial activities and implement such plans; supervising the Board to establish steady business operation principle and values as wells as practicable development strategy; drafting off-office auditing plans for Directors and senior management; conducting supervising and inspection on our Bank's business operation, risk management and internal control; and any other duties authorized by the Board of Supervisors.

During the Reporting Period, the Board of Supervisors has convened six meetings for the consideration of 15 resolutions, including Internal Audit Work Report and Financial Statements for 2014, Annual Report for 2014, Final Accounts for 2014 and Financial Budget for 2015, Profit Distribution Plan for 2014.

## (VI) Work performed by External Supervisors

During the Reporting Period, External Supervisors have worked for more than 15 days in the Bank, their participation in the number of meetings of the Board of Supervisors was in line with the relevant requirements in the "Guidance for the Independent Director and External Supervisor Systems for Joint Stock Commercial Banks (《股份制商業銀行獨立董事和外部監事制度指引》)" and the Articles of Association, they have conscientiously considered each of the resolutions, expressed their opinions independently, professionally and objectively; they have actively participated in the inspection and investigative research projects organized by the Board of Supervisors diligently in a responsible manner, and have performed well in their supervision duties.

## VI. Senior Management

The senior management is the executive organization of the Bank, and is responsible to the Board of Directors and supervised by the Board of Supervisors. The division of powers between the senior management and the Board of Directors is strictly executed in accordance with the corporate governance documents, including the Articles of Association.

The president, vice president, assistant to president, head of finance, secretary to the Board and other officers designated by the Board of Directors are the members of the senior management of the Bank.

The Bank has one executive vice president (acting for president's duties), who is nominated by the Chairman of the Board of Directors, appointed or dismissed by the Board of Directors, and exercises the following duties and authorities:

1. in charge of daily operation and management of the Bank, organizing the implementation of the resolutions of the Board of Directors and to report his/her work to the Board of Directors;
2. to arrange the implementation of the annual operation plans and investment proposals approved by the Board of Directors;
3. to draft plans for the establishment, dissolution or merger of our internal management structure and branches;
4. to formulate the basic management system and specific rules and procedures;

5. to propose to the Board of Directors the appointment or dismissal of other senior management members except for those shall be proposed by the Chairman of the Board of Directors and be appointed or dismissed by the Board of Directors;
6. to appoint or dismiss management members except for those shall be proposed by the Chairman of the Board of Directors and be appointed or dismissed by the Board of Directors;
7. to authorize senior management members, persons in charge of internal functional departments and branches to engage in operating activities;
8. to decide on the remuneration, welfares and disciplinary measures for the employees of the Bank;
9. to decide on the appointment and dismissal of employees of the Bank; and
10. other functions and powers as prescribed in the Articles of Association and authorized by the Board of Directors and the Chairman of the Board of Directors.

The president who is not a Director shall be present at meetings of the Board of Directors, but have no voting rights at such Board meetings.

Remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2015 is set out below:

Remuneration bands	Number of Persons
Below RMB1,000,000	5
RMB1,000,000 - RMB2,000,000	2

## VII. Delegation of Powers Authorized by the Board of Directors

The management represented by the Board of Directors and the president will perform their respective rights in accordance with the duties and responsibilities defined in the Articles of Association. In addition to executing resolutions of the Board of Directors, the management is responsible for daily operation and management activities. Significant capital expenditure projects may only be implemented after their annual budget proposals having been submitted to the Board of Directors and obtained approvals, for items not included in the budget or for items included in the budget but without breakdown in expenses, the operating management authorized by the Board of Directors will decide on such items.

## VIII. Chairman of The Board and the President

The roles and duties of the Chairman of the Board of Directors and the president of the Bank are assumed by different persons.

Mr. Zhang Wei, an executive Director, is the Chairman of the Board of Directors, he is responsible for the overall strategic planning and leadership of the Board of Directors to ensure the effective operation of the Board and conduct timely discussions on all significant matters. Mr. Huo Lingbo is the executive vice president (acting for President's duties) of the Bank, he is acting for president's duties during the period before the appointment of President by the Bank, he is responsible for business development and overall business operation and management. The president will be nominated by the Chairman of the Board of Directors, appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the provisions of the Articles of Association and the authorization by the Board of Directors. The roles of the Chairman of the Board and the president are established with inter-dependence and clear delineation of duties. The management is responsible for the daily operation and management.



## IX. Securities Transactions by Directors And Supervisors

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with such code of conduct during the period from the Listing Date to 31 December 2015.

## X. External Auditors and Remuneration of Auditors

The Bank engaged KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Bank for 2015, respectively. The fees as agreed to be paid by the Bank for the audit of the financial statements for the year ended 31 December 2015 are RMB3 million. During the Reporting Period, the Bank paid a fee of RMB8.8 million to KPMG for preparing the accountant report in respect of our H Shares Listing.

## XI. Internal Control

Internal control is participated by the Board of Directors, Board of Supervisors, senior management members and all employees of the Bank, through the formulation and implementation of systematic systems, flow processes and methods to realize the control over the dynamic process and mechanism of the targets. The Board of Directors supervises the risk management and internal control systems of the Bank on continuing basis, and will ensure the conducting of at least one review per annum on the effectiveness of risk management and internal control systems of the Bank and its subsidiaries, and the relevant review for 2015 has been completed.

The internal control of the Bank follows the principles of full coverage, balance of powers, prudence and matching to realize the following objectives: ensure the consistent implementation of the relevant laws, regulations and rules of the PRC and the various systems of the Bank; ensure the realization of the development strategies and operation targets of the Bank; ensure the effectiveness of risk management of the Bank; ensure the truth, accuracy, completeness and timeliness of the business records, accounting information, financial information and other management information of the Bank.

The Board of Directors is responsible for ensuring the establishment and implementation of a sufficiently effective internal control system by the Bank to ensure the prudent operation of the Bank within the legal and policy framework; responsible for the determination and establishment of acceptable risk levels and to ensure the taking of necessary risk control measures by the senior management members; responsible for supervising the senior management members to monitor and assess the sufficiency and effectiveness of the internal control system.

The Board of Supervisors is responsible for supervising the Board of Directors and the senior management members to improve the internal control system; responsible for supervising the Board of Directors, senior management members to perform internal control duties.

The senior management members is responsible for executing decisions of the Board of Directors; responsible for establishing systematic systems, flow processes and methods in accordance with the acceptable risk levels determined by the Board of Directors, and taking the corresponding risk control measures; responsible for establishing and improving the internal organization structure to ensure the effective performance of various internal control duties; responsible for arranging the monitoring and evaluation of the sufficiency and effectiveness of the internal control system.

The Risk & Compliance Department of the Bank is the functional department for internal control management, which leads the coordination and planning, organization and implementation, inspection and evaluation of the internal control system.



The Internal Audit Department of the Bank performs the supervision function of internal control, it is responsible for auditing the sufficiency and effectiveness of the internal control of the Bank, reporting timely on the problems discovered during auditing and supervising the implementation of rectifications.

The business departments of the Bank are responsible for participating in the formulation of the business systems and operation flow processes relevant to their own duties; responsible for strict implementation of the requirements of the relevant systems; responsible for organizing and commencing supervisory inspections; responsible for reporting deficiencies existing in internal control in accordance with the scheduled timelines and reporting routes and making arrangements for the implementation of rectification measures.

During the Reporting Period, the Board of Directors has also reviewed the effectiveness of the risk management and internal control systems of the Bank through the Risk Management Committee in accordance with code provisions C.2.1 and C.2.2 of the Corporate Governance Code, including whether the resources, the qualifications and experience of staff of the Bank in the accounting, internal auditing and financial reporting areas are sufficient, and whether the training programs for staff and the budget are sufficient.

## XII. Joint Company Secretaries

As at the end of the Reporting Period, the joint company secretaries, an executive Directors, are Mr. Wang Jing, an executive Director, and Ms. Leung Wing Han Sharon of SW Corporate Services Group Limited. The key contact person between the Bank and Ms. Leung Wing Han Sharon is Mr. Sun Jing, the head of our office of the president. Mr. Wang Jing is aware of the requirements of Rule 3.29 of the Listing Rules. In view of the fact that the H Shares of the Bank were listed on the Hong Kong Stock Exchange on 7 December 2015, Mr. Wang Jing will comply with that requirement since 2016, and his compliance for the year ending 31 December 2016 will be presented in the Corporate Governance Report of the 2016 Annual Report. According to Rule 3.29 of the Listing Rules, during the year ended 31 December 2015, Ms. Leung Wing Han Sharon has attended professional training of not less than 15 hours.

## XIII. Information Disclosure

### (I) Effective Communication with Shareholders

The Bank regards communication with Shareholders as highly important, and has enhanced understanding and interflow with Shareholders through a range of channels such as the general meeting, reception for visitors, paying on-site visits and telephone consultations.

### (II) Amendment to Articles of Association

The Bank received the "Approval Reply of the CBRC Liaoning Bureau (Liao Yin Jian Fu [2014] No.382 (中國銀監會遼寧監管局批覆(遼銀監覆 [2014] 382號))) on 4 November 2014 for approving the amendments to the Articles of Association. The amended Articles of Association became effective on the Listing Date. Following the partial exercise of the over-allotment option on 22 December 2015, the Bank made relevant amendments to its Articles of Association to reflect the issue and sales of additional Shares of the Bank and the increase in the registered capital of the Bank on 23 December 2015. Please refer to the announcement of the Bank dated 23 December 2015 for further details.

## XIV. Rights of Shareholders

### (I) Convening of extraordinary general meeting at the request of Shareholders

The Bank strictly adheres to the regulatory laws and regulations and the basic system of corporate governance to protect the rights of Shareholders in practice.

Shareholders who wish to convene an extraordinary general meeting or a class meeting may follow the procedures as set out below:

Shareholders who individually or jointly hold more than 10% of the shares of the Bank may sign one or more copies of a written request with the same format and content for submission to the Board of Directors requesting for the convening of an extraordinary general meeting or a class meeting of Shareholders, with a description on the issues to be addressed. The Board of Directors shall provide a written reply on its consent or disagreement to the convening of an extraordinary general meeting or a class meeting of Shareholders in response within 10 business days upon receipt of the request in accordance with the requirements of the laws, administrative regulations and Articles of Association;

If the Board of Directors has agreed to convene an extraordinary general meeting or a class meeting of Shareholders, it should issue a notice of general meeting or class meeting of Shareholders within 5 business days after the decision has been made by the Board of Directors, any change made to the original request in the notice should obtain consent from the relevant Shareholders;

If the Board of Directors has disagreed to convene an extraordinary general meeting or a class meeting of Shareholders, or has not issued a reply within 10 business days after receipt of the request, then Shareholders who individually or jointly hold more than 10% of the shares of the Bank are entitled to make a proposal to the Board of Supervisors to request for convening an extraordinary general meeting, and the proposal made to the Board of Supervisors must be in writing;

If the Board of Supervisors has agreed to convene an extraordinary general meeting or a class meeting of Shareholders, it should issue a notice of general meeting or class meeting of Shareholders within 5 business days after receipt of the request, any change made to the original request in the notice should obtain consent from the relevant Shareholders;

If the Board of Supervisors has not issued a notice of general meeting or class meeting of Shareholders within the prescribed period, the Board of Supervisors is deemed not to convene and preside over a general meeting or class meeting of Shareholders, Shareholders who individually or jointly hold more than 10% of the shares of the Bank for 90 days consecutively may convene and preside over a general meeting or class meeting by themselves.

### (II) Proposals for General Meetings

In general meetings of Shareholders convened by the Bank, the Board of Directors, Board of Supervisors and Shareholders who individually or jointly hold more than 3% of the Shares are entitled to submit resolution proposals to the Bank.

Shareholders who individually or jointly hold more than 3% of the Shares may submit a provisional proposal in writing to the convener 10 days before the date for convening the general meeting. The convener shall issue a supplementary notice of general meeting within two days after receipt of such proposal and make an announcement on the content of the provisional proposal.

## XV. Investor Relations

For enquiries made to the Board of Directors by Shareholders and investors, please contact to:

Office of the Board of Directors of Bank of Jinzhou Co., Ltd.

No. 68 Keji Road, Jinzhou City, Liaoning Province, PRC

Telephone: +86 (416) 3220002

Facsimile: +86 (416) 3220003

E-mail: [webmaster@jinzhoubank.com](mailto:webmaster@jinzhoubank.com)

Principal Place of Business in Hong Kong of Bank of Jinzhou Co., Ltd.: 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Investors may view this annual report on the website of the Bank ([www.jinzhoubank.com](http://www.jinzhoubank.com)) and the designated website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk))

## XVI. Enquires from Shareholders

If the Shareholders have any enquiries on matters relating to the H Shares held, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong

Telephone: (852) 28628555

Facsimile: (852) 28650990

If the Shareholders have any enquiries on matters relating to the Domestic Shares held, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Office of the Board of Directors of Bank of Jinzhou Co., Ltd.

No. 68 Keji Road, Jinzhou City, Liaoning Province, PRC

Telephone: +86 (416) 3220002

Facsimile: +86 (416) 3220003

# CHAPTER 9 DIRECTORS' REPORT

The Board is pleased to present the Directors' report together with the audited financial statements of the Bank for the year ended 31 December 2015.

## I. Principal Business Overview

The Bank is engaged in a range of banking services and related financial services. The information on business review of the Bank for the year ended 31 December 2015 is set out in "Management Discussion and Analysis" of this annual report.

## II. Profits and Dividend

The Bank's revenue for the year ended 31 December 2015 and the Bank's financial position as at the same date are set out in the financial statements of this annual report.

The Board has proposed the payment of a cash dividend of RMB0.135 per share (tax inclusive) for the year ended 31 December 2015 in aggregate amount of RMB780,518,117 (tax inclusive) to all Shareholders, subject to the Shareholders' approval at the annual general meeting of 2015. Such proposed dividend will be denominated in RMB. Dividends payable to holders of Domestic Shares shall be paid in RMB, whereas dividends payable to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to Hong Kong dollars to be adopted shall be the average middle exchange rates of the five business days preceding and including the date of declaration of such dividends at the annual general meeting as announced by the People's Bank of China. The dividend distribution plan will be submitted to the annual general meeting of 2015 for consideration and approval.

According to the Enterprise Income Tax Law of the PRC (中國企業所得稅法) and its Regulation on the Implementation effective from 1 January 2008, the Bank shall withhold and pay the enterprise income tax at a rate of 10% for the non-resident enterprise Shareholders who are entitled to receive the above dividend. For the requirements on tax relief, please refer to paragraph 26 of this section.

The amounts of cash dividends and ratios of cash dividends to profit for the year of the Bank for the past three years are as follows:

(Expressed in thousands of RMB, unless otherwise stated)	2014	2013	2012
Cash dividend (tax inclusive)	528,268	409,735	390,223
As a percentage of profit for the year (%)	25.0	30.3	33.4

### **III. Changes in the Reserves**

Details of our changes in the reserves and the distributable profit reserve for the year ended 31 December 2015 are set out in "Consolidated Statements of Changes in Equity" in this annual report.

### **IV. Summary of Financial Information**

The summary of the operating results and assets and liabilities of the Bank for the four years ended 31 December 2015 is set out in "Financial Highlights" of this annual report.

### **V. Donations**

For the year ended 31 December 2015, the Bank made charity and other donation of HK\$1 million in aggregate.

### **VI. Property and Equipment**

Details of the changes in property and equipment of the Bank for the year ended 31 December 2015 are set out in note 25 to the financial statements in this annual report.

### **VII. Retirement Benefits**

Details of the retirement benefits provided by the Bank to employees are set out in note 33 to the financial statements in this annual report.

### **VIII. Substantial Shareholders**

Particulars of the substantial Shareholders as at 31 December 2015 are set out in "Changes in Share Capital and Particulars of Shareholders-Interests and Short Positions of Substantial Shareholders and Other Persons" of this annual report.

## **IX. Purchase, Sale and Redemption of Listed Securities of the Bank**

During the period from the Listing Date to 31 December 2015, neither of the Bank and any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

## **X. Pre-emptive Rights**

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders. The Articles of Association provides that the Bank may increase its capital by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, issuing new Shares to specific targets, transferring capital reserve to increase capital or by any other ways permitted by laws and administrative regulations.

## **XI. Major Customers**

As at 31 December 2015, the five largest depositors and the five largest borrowers of the Bank accounted for less than 30% of total deposits and total loans and advances.

## **XII. Use of Proceeds**

On 7 December 2015 and 23 December 2015, the Bank issued 1,379,381,818 H Shares under the initial public offering (comprising 1,200,000,000 H Shares under the global offering and 179,381,818 H Shares issued upon partial exercise of the over-allotment option) with all proceeds used for supplementing the Bank's capital in accordance with the usage as disclosed in the Prospectus.

## **XIII. Share Capital**

Details of the changes in share capital of the Bank during the Reporting Period are set out in note 39 to the financial statements in this annual report.

## **XIV. Directors, Supervisors and Senior Management Members**

Particulars of the Directors, Supervisors and senior management members of the Bank are set out in "Directors, Supervisors, Senior Management, Employees and Organizations" of this annual report.

## **XV. Confirmation of Independence by the Independent Non-executive Directors**

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence, and was of the view that all of its independent non-executive Directors are independent pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules.



## XVI. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and its Associated Corporations

As at 31 December 2015, the interests or short positions of the Directors, the Supervisors and the chief executive of the Bank in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules are as follows:

Name	Position in the Bank	Class of Shares	Nature of interest	Number of Shares	Percentage of Domestic Shares (%) <sup>(1)</sup>	Percentage of the total share capital of the Bank (%) <sup>(1)</sup>
ZHANG Wei	Chairman and Executive Director	Domestic Shares	Beneficial owner	374,670(L) <sup>(2)</sup>	0.00879	0.00648
CHEN Man	Executive Director and vice president	Domestic Shares	Beneficial owner	374,670(L)	0.00879	0.00648
ZHAO Jie	Executive Director and vice president	Domestic Shares	Beneficial owner	119,065(L)	0.00279	0.00206
WANG Jing	Executive Director, secretary to the Board and assistant to president	Domestic Shares	Beneficial owner	81,679(L)	0.00192	0.00141
WANG Xiaoyu	Executive Director and head of finance	Domestic Shares	Beneficial owner	71,027(L)	0.00167	0.00123
LI Dongjun <sup>(3)</sup>	Non-executive Director	Domestic Shares	Interest of controlled corporation	213,507,565(L)	5.00687	3.69287
			Interest of controlled corporation	33,179,021(L)	0.77807	0.57387
HUO Lingbo	Executive vice president (acting for President's duties)	Domestic Shares	Beneficial owner	282,635(L)	0.00663	0.00489
			Interest of spouse <sup>(4)</sup>	86,472(L)	0.00203	0.00150
XU Fei	Vice chairman of Board of Supervisors and Employee representative Supervisor	Domestic Shares	Beneficial owner	70,770(L)	0.00166	0.00122
LUO Yan	Employee representative Supervisor	Domestic Shares	Beneficial owner	75,596(L)	0.00177	0.00131
SHI Hongmiao	Employee representative Supervisor	Domestic Shares	Beneficial owner	15,257(L)	0.00036	0.00026
LI Xiu	Employee representative Supervisor	Domestic Shares	Beneficial owner	55,958(L)	0.00131	0.00097
TIAN Deying <sup>(5)</sup>	Shareholder representative Supervisor	Domestic Shares	Interest of controlled corporation	100,642,000(L)	2.36011	1.74072

### Notes:

- (1) As at 31 December 2015, the Bank had a total of 5,781,615,684 Shares in issue, including 4,264,295,684 Domestic Shares and 1,517,320,000 H Shares
- (2) L represents long position.

- (3) Such Shares are held by Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司) and Dalian Changxing Island Green-city Development Co., Ltd. (大連長興島綠城發展有限公司) as to 213,507,565 shares and 33,179,021 shares, respectively. 99% equity interests in Jincheng International Logistics Group Co., Ltd. is held by Mr. Li Dongjun. Dalian Changxing Island Green-city Development Co., Ltd. is wholly-owned by Jinlian Asset Management Co., Ltd. (錦聯資產管理有限公司), which is in turn wholly-owned by Jinlian Investment Group Co., Ltd. (錦聯控股集團有限公司), whose 90% equity interests in turn is owned by Mr. Li Dongjun. Under the SFO, Mr. Li Dongjun is taken or deemed to be interested in all the shares held by Jincheng International Logistics Group Co., Ltd. and Dalian Changxing Island Green-city Development Co., Ltd.
- (4) Under the SFO, Mr. Huo Lingbo is taken or deemed to be interested in all the shares held by his spouse.
- (5) Such Shares are held by Beizhen Deying Oil Shale Processing Co., Ltd. (北鎮德營油母頁岩油有限公司), which is controlled by Mr. Tian Deying. Under the SFO, Mr. Tian is taken or deemed to be interested in all the shares held by Beizhen Deying Oil Shale Processing Co., Ltd.

Save as disclosed above, none of the Directors, the Supervisors and the chief executive of the Bank held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 31 December 2015.

## **XVII. Relationships between Directors, Supervisors and Senior Management Members**

There are no relationships between each of the Directors, Supervisors and senior management members of the Bank, including financial, business, family or other material/relevant relationships.

## **XVIII. Arrangements to Purchase Shares or Debentures**

At no time during the Reporting Period was the Bank, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

## **XIX. Interests of Directors and Supervisors in Material Transactions, Arrangements or Contracts and Service Contracts**

Saved for the continuing connected transactions and material related party transactions disclosed in this annual report, none of the Directors or Supervisors (or their connected entities) had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Bank or its subsidiaries subsisting during or at the end of the Reporting Period. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank or its subsidiaries within one year without payment of compensation (other than statutory compensation).

## **XX. Management Contract**

During the Reporting Period, there was no any contract in relation to the management or administration of the whole or any substantial part of business of the Bank or its subsidiaries.

## **XXI. Interests of Directors and Supervisors in Competing Businesses**

None of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, directly or indirectly, with the business of the Bank.

## **XXII. Corporate Governance**

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

## **XXIII. Connected Transactions**

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) and certain third parties specified under the Listing Rules constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, as such connected transactions were entered into in the ordinary and usual course of business and on normal commercial terms or better, they can be fully exempted from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all of its connected transactions and confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in note 46 to the financial statements in this annual report also constitute fully exempt connected transactions or continuing connected transactions as defined under the Listing Rules, but none constitute any discloseable connected transaction as defined under the Listing Rules.

## **XXIV. Remuneration Policies for Directors, Supervisors and Senior Management Members**

Under the guidance of the relevant policies of the PRC, the Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members.

The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and interests, combining incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with the relevant reform and promoting the marketization, monetization and standardization of the income allocation of the Bank's senior management. The Bank implements the remuneration system with the remuneration comprising basic salary, performance bonus, mid-to-long term incentives and allowances.

## **XXV. Public Float**

Based on the public information available to the Bank and to the knowledge of the Directors, as at the date of this annual report, the Bank has maintained sufficient public float as required by the Listing Rules.

## XXVI. Tax Relief (H Shareholders)

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay the individual income tax for non-resident individual Shareholders.

For those non-resident individual Shareholders who reside in Hong Kong, Macau and other countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of 10% (applicable in the case of distributing cash dividends to the residents thereof), the Bank shall withhold the individual income tax at the rate of 10% for such Shareholders.

For those non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of less than 10% (applicable in the case of distributing cash dividends to the residents thereof), the Bank shall withhold the individual income tax at the rate of 10% for such Shareholders. Should such Shareholders demand that amount in excess of the individual income tax payable under the taxation treaty be refunded, the Bank shall apply for the refund from the relevant inland revenue departments, provided however that such Shareholders have submitted relevant documents in accordance with the requirements of the Administrative Measures on Enjoying Treatment under Taxation Treaties by Non-residents (Trial) (非居民享受稅收協議待遇管理辦法(試行)) (Guo Shui Fa [2009] No. 124) within a stipulated time frame.

For non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of more than 10% but less than 20% (applicable in the case of distributing cash dividends to the residents thereof), the Bank shall withhold and pay the individual income tax for such Shareholders at the applicable rate as stipulated in the said taxation treaty.

For non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of 20% (applicable in the case of distributing cash dividends to the residents thereof) or that have not entered into any taxation treaty with the PRC and otherwise, the Bank shall withhold and pay the personal income tax at a rate of 20% for such Shareholders.

## XXVII. Auditors and Review of Annual Results

KPMG Huazhen LLP was engaged by the Bank as the auditors for the PRC general accepted accounting principles ("PRC GAAP") financial statements of the Bank for 2015. KPMG was engaged by the Bank as the auditors for the International Accounting Standards ("IAS") financial statements of the Bank upon listing of H Shares.

### XXVIII. Permitted Indemnity Provision

There is no permitted indemnity provision was or is in effect which benefit for the Directors of the Bank (whether entered into by the Bank or not) or its associates (entered into by the Bank) at any time during the financial year and up to the date of this annual report.

### XXIX. Major Risks and Uncertainties

Major risks and uncertainties faced by the Bank include credit risk, operational risk, market risk and liquidity risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Bank has effectively enhanced its risk management capability. For details, see "Management Discussion and Analysis-Risk Management" of this annual report.

### XXX. Future Development of Business

Please refer to "Management Discussion and Analysis-Environment and Outlook" and "Management Discussion and Analysis-Development Strategies" of this annual report for further details.

### XXXI. Key Financial Performance Indicators and Analysis

As at 31 December 2015, the total assets of the Bank amounted to RMB361,660 million, representing a year-on-year increase of 44.3%; the gross loans and advances to customers amounted to RMB101,174 million, representing a year-on-year increase of 13.9%; the non-performing loan ratio remained low at 1.03%; the deposits from customers balance of the Bank amounted to RMB170,179 million, representing a year-on-year increase of 42.5%; the operating income of the Bank amounted to RMB11,517 million, representing a year-on-year increase of 98.8%; and the net profit amounted to RMB4,908 million, representing a year-on-year increase of 131.2%. As at 31 December 2015, the Bank's capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio was increased to 10.50%, 8.97% and 8.96%, respectively.

### XXXII. Environmental Protection Policy and Implementation

The Bank places great emphasis on its own environmental and social performance by integrating the banking operation and management with social responsibilities dynamically, actively supporting green credit business, increasing its support on green economy, low-carbon economy and recycling economy and strictly controlling the "High-pollution, High-energy-consumption and Overcapacity(兩高一剩)" industries. In addition, the Bank implements initiatives including green office, energy-saving building, green procurement and water and electricity saving, adheres to the philosophy of "Thrift business operation (勤儉辦行)", promotes energy saving and emission reduction and practices economy to enhance the level of intensive management.

### XXXIII. Compliance with Laws and Regulations

The Board paid close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. The Bank has engaged domestic and overseas legal counsels ensure that transactions and business of the Bank are carried out under applicable laws that have significant impact on the Bank. Relevant employees and operation units will update the Bank's rules on a timely basis upon changes in laws and policies.

#### **XXXIV. Relationship with Significant Individuals**

The Bank places utmost emphasis on the enterprise cultural construction, employee management and training and endeavors to build stable and harmonious employment relations. The Bank always treasures employees as one of its most important and valuable assets and cherishes employees' contribution and support. The Bank endeavors to create a harmonious and comfortable working environment, provide sound welfare and compensation system and reasonable career promotion channel for its employees. By means of appropriate trainings and opportunity offering, the Bank helps employees in career development and promotion.

The Bank actively provides deposit customers, loan customers and interbank fund customers with diversified financial services and enhances product and service innovation in order to improve the level of customer satisfaction and win customers' understanding, trust and support, thus maintaining sound relationship with customers. For loan customers, especially those related customers, the Bank insists on the market principle and will not provide credit support to them on a priority basis.

#### **XXXV. Debts Securities**

For the year ended 31 December 2015, the information of our issued debt securities are as follows:

On 17 September 2010, the Bank issued fixed rate subordinated debts in an aggregate principal amount of RMB500 million. The debts have a term of ten years and coupon rate of 5.90%. The Bank has an option to redeem the debts at the nominal amount on 17 September 2015. If the debts are not redeemed by the Bank, the coupon rate will increase to 8.90% for the five years from 17 September 2015. The Bank redeemed all these debts as per their book values pursuant to the exercise of the right of redemption on 17 September 2015.

The Bank issued the fixed rate tier-two capital debts of RMB1,500 million with write-down clauses on 24 January 2014. The coupon rate is 7.00%. The Bank has an option to redeem the debts at the nominal amount on 28 January 2019.

#### **XXXVI. Equity-linked Agreement**

During the year ended 31 December 2015, the Bank did not enter into any equity-linked agreement.

#### **XXXVII. Subsequent Events**

Please refer to note 54 to the financial statement included in this annual report for details of the subsequent events.



# CHAPTER 10 SUPERVISORS' REPORT

## I. Report on Major Work

**Convening of the Meetings:** During the Reporting Period, the Board convened eight Board of Supervisors meetings, at which 47 resolutions were reviewed and considered, including the work report of the Board of Supervisors, report on the mutual evaluation of external supervisors, internal audit work report, compliance risk management report, financial budget and final accounts report, profit distribution plan, report on assets and liabilities as well as the appraisal report on the performance of Directors and Supervisors; totally seven meetings of the supervising committee and the nomination committee under the Board of Supervisors were called to consider 18 resolutions, including diligent duty performance, financial management, profit distribution, risk management, internal control and other business matters. In addition, Supervisors also observed the Shareholders' general meetings and the meetings of the Board of Directors, received the resolutions of the Shareholders' general meetings and supervised the matters to be considered and approved at the Board of Directors meetings and the relevant procedures.

**Establishment of Systems:** During the Reporting Period, the Board of Supervisors amended and improved the Procedures for Meetings of the Board of Supervisors of Bank of Jinzhou Co., Ltd. (《錦州銀行股份有限公司監事會議事規則》) and the Terms of Reference of the Supervising Committee under the Board of Supervisors of Bank of Jinzhou Co., Ltd. (《錦州銀行股份有限公司監事會監督委員會工作細則》) in accordance with the Guidelines on Corporate Governance of Commercial Banks(《商業銀行公司治理指引》) and the Listing Rules, which provided system support for the performance of duties and effective functioning of the Board of Supervisors.

**Supervision on Performance of Duties:** During the Reporting Period, the Board of Supervisors prudently performed its duties in accordance with the Company Law and the Articles of Association. In the principle of maintaining the interests of the Bank and its Shareholders, the Board of Supervisors diligently attended all previous Shareholders' general meetings and observed the meetings of the Board and the senior management to further strengthen the comprehensive supervision on the performance of Directors and the senior management. The Board of Supervisors supervised the decision-making process, operation and management, internal control, risk management and other matters of the Bank by means of grass-root inspection tour, retrieval of information, department interviews and communication with the external auditors, which led the Board of Supervisors to play its functional role effectively.

**Daily Supervision:** In order to fully playing its functional role, the Board of Supervisors enhanced supervision efficiency and performed supervision functions by making full use of meetings, audit reports and comprehensive analysis. Firstly, the Board of Supervisors kept itself fully aware of the risk profile of the Bank through the reviewing of internal audit reports and risk analysis reports to supervise and guide the establishment of internal audit and risk management. Secondly, the Board of Supervisors took full advantage of the joint system between the Board Office, the Office of the Board of Supervisors and the president's office to enhance the dissemination of all kinds of information, advise on the decisions with respect to operation and management, monitor the implementation of rectifications, coordinate and solve difficult problems, conduct regular communication with the Board and the senior management in relation to important tasks and timely circulate a notice to the relevant departments and branches. Thirdly, the Board of Supervisors accomplished information collection and relevant supervision work, periodically summarized such information with designated persons and timely conducted relevant analysis and dynamic tracking, which ensured the smooth functioning of the Board of Supervisors.

**Self-reinforcement of the Board of Supervisors:** According to the duties of the Board of Supervisors and the requirements for performance of duties after the listing, the Board of Supervisors organised and developed the training programs regarding the Supervisors' performance of duties and actively participated in the special trainings on corporate governance in all respects given by intermediary institutions for listing to comprehensively improve its theoretical level and ability to perform its duties and expand the breadth and depth of corporate governance expertise, which facilitated the establishment of the Bank's corporate governance system.



## II. Independent Opinions on Relevant Matters

### (I) Performance of Duties by the Board of Directors and the Senior Management

During the Reporting Period, the Board of Directors and the senior management prudently performed their duties according to the Guidelines on Corporate Governance of Commercial Banks and the Articles of Association. In the listing of H Shares as well as in making major business decisions, they worked concertedly and industriously in a cautious and prudent manner to overcome various obstacles and difficulties, and led the Bank to achieve excellent performance. The senior management continued to enhance their capabilities on the execution of strategic decisions and prudently formulated and implemented various measures, ensuring that all tasks of the Bank were fully completed.

### (II) Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank operated its businesses in compliance with laws. Its decision-making procedures complied with laws, regulations and the provisions of the Articles of Association. The Directors and the senior management were faithful, honest and diligent in carrying out their duties. There occurred no acts in material violation of laws and regulations and detrimental to the interests of Shareholders

### (III) True Status of Financial Reporting

The 2015 financial report of the Bank was prepared according to the International Financial Reporting Standards and it was audited by KPMG according to the Hong Kong Standards on Auditing, and KPMG issued an audit report with no qualified opinions. The financial report fairly and truly reflects our financial position as at 31 December 2015 and the financial performance and cash flow in 2015.

### (IV) Use of Proceeds

During the Reporting Period, the Bank issued 1,517,320,000 Shares. All funds raised were used to replenish its capital, which was consistent with the descriptions set out in the Prospectus.

### (V) Connected Transactions

During the Reporting Period, the pricing of the Bank's connected transactions were fair and reasonable, not detrimental to the interests of Shareholders or the benefits of the Bank.

### (VI) Internal Control

During the Reporting Period, the Bank continued to strengthen and improve its internal control. The comprehensiveness and effectiveness of the Bank's internal control were continuously improved. The Board of Supervisors was not aware of any material defect in the Bank's internal control system or its implementation.

### (VII) Implementation of the Resolutions of General Meetings

During the Reporting Period, the Board of Supervisors had no objection to all such reports and resolutions submitted by the Board of Directors to the general meeting for consideration and approval in 2015. The Board of Supervisors supervised the implementation of the resolutions of the general meetings and considered that the Board of Directors had prudently implemented the resolutions of the general meetings.

## CHAPTER 11 SOCIAL RESPONSIBILITY REPORT

In 2015, by adhering to the mission of “Satisfying our customers, Enhancing value for Shareholders and Taking social responsibility” and strengthening management on social responsibility, Bank of Jinzhou achieved good performance in the development of business under the guidelines of “Adjustment in assets structure, Switch of mode for growth, Strengthening of risk management and Persistent in steady operation”, while taking initiatives to perform social responsibilities and to facilitate economic and social harmony in an effort for sustainable development and contribution to the society.

Firstly, to take up economic responsibility. The Bank attaches great importance to protecting Shareholders’ interests, achieving steady development in all businesses, enhancing profitability persistently and creating long-term value for Shareholders; the Bank actively implements the strategy of serving the country, raises the economic standard of service entities, and focuses on “Three Basis and Three Smalls” business, steps up international business and offers help to “Three Rural” economies for boosting sound economic development of entities. Besides, the Bank offers diversified business platform to the customers by expanding the channels of customer service, stepping up construction of physical network, self-service banks and electronic banks. The Bank aims at actively deepening innovation of products and services and provision of integrated and comprehensive financial services of high quality and efficiency to the satisfaction of customers. The Bank carries out in-depth events of popularizing and promoting knowledge on finance, raising customers’ awareness of safe financing and the ability of application of financial products in order to build a safe and sound financial environment.

Secondly, to take up social responsibility. The Bank always adheres to the theory of talents, optimizes on an ongoing basis allocation of resources, strengthens the nurturing of talents, and making available rooms for development so that the career ideal of each of our staff is in line with the development of the Bank through the effort of protecting staff’s legal interest, smoothing the career development path, improving the education and training system, caring the healthy development of staff, as well as endeavoring to providing safe and steady working environment for the staff; while the Bank is achieving rapid self-development, it has, as always, made practical efforts in corporate social responsibility by participating in charity and public welfare events and voluntary activities, thereby establishing a good social image, and by contributing towards establishing a harmonic society.

Thirdly, to take up environmental responsibility. The Bank has been driving actively green development by practicably incorporating ecological civilization construction into all spectrum and procedures of operational management across the Bank. In advocating green credit policy, the Bank supports, in the first priority, the green credit policy, increases granting of credit facilities for environmental projects such as energy conservation and discharge reduction and new energy application, limits loan to industries of “high pollution, high energy consumption and overcapacity”, and promotes the grant of credit facilities in an environmental-friendly way; implement a bank-wide policy of green office by unremitting efforts in carrying out green and earth-friendly practices, from saving in paper, power and water consumption to promoting electronic office work and video conferencing in our daily routines in order to minimize the impacts caused by our operation on the environment; diversifies modes of service, develops electronic banking business, steps up construction of electronic service platform, and reduces the impacts of a financial business on environment; commits to carry out environmental-friendly and public welfare activities, such as afforestation and “Green Life”, to build a home with green environment.

In 2016, the Bank will further its step on management of social responsibility, contribute to the society sincerely through practical actions, establish an amicable and harmonic relationship with the stakeholders, organize the economic, social and environmental benefits and perform corporate social responsibilities.

# CHAPTER 12 INTERNAL CONTROL AND INTERNAL AUDIT

## I. Internal Control System and Control Activities

### (I) Internal Control Organization System

The Bank has established an independent internal control organization structure. Pursuant to the relevant laws and regulations of PRC and the Articles of Association, a corporate governance structure and the rules of procedures have been established to delineate the duties and authorities in the areas of decision-making, implementation and supervision, and a more scientific and effective division of duties and a balancing mechanism have been formed.

On the establishment and implementation of internal control, the Board of Directors shall be responsible for establishing sound and effective measures: it is responsible to ensure the establishment and implementation of a sufficient and effective internal control system; and is responsible for supervising the senior management to conduct supervision and evaluation on the effectiveness of internal control to ensure that continuous and effective improvements will be made to the system. The senior management is responsible for organizing and leading the daily operation of internal control in the Bank: it is responsible for executing the relevant decisions of the Board of Directors on internal control, conducting supervision and evaluation on the effectiveness of internal control; responsible for establishing and improving the internal organization structure to ensure the effective performance of the various functions of internal control. The Risk & Compliance Department, being a functional department for internal control management, will lead the coordination and planning, organization and implementation, and inspection and evaluation of the internal control system. All business departments are responsible for participating in the formulation of the business systems and operation flow processes relevant to their own duties; responsible for strict implementation of the requirements of the relevant systems; responsible for organizing and commencing supervisory inspections; responsible for reporting deficiencies existing in internal control in accordance with the scheduled timelines and reporting routes and making arrangements for the implementation of rectification measures. Branches and sub-branches are responsible to implement the overall requirements of internal control according to the instructions of their superior institution, as well as to carry out the daily work of establishment and implementation of internal control within its own organization.

On supervision and evaluation of internal control, the Board of Supervisors will be responsible for overseeing the Board of Directors in the establishment and implementation of internal control, supervising the Directors and members of the senior management to perform their duties in accordance with the laws and rectifying any acts which are harmful to the interest of the Bank. The Audit Committee under the Board of Directors is responsible for supervising the effective implementation of internal control and the evaluation of internal control, and coordinating internal control audits and other related matters. The Internal Audit Department, the functional department for internal control management and the business departments are responsible for performing supervision and inspection on internal control, and establishing a supervision and inspection system covering branches of all levels, all products and all business flow processes according to division of work with coordination and cooperation. A rectification mechanism for problems of internal control will be established by the Bank to determine the departments responsible for rectification, to regulate the rectification work flow process, and to ensure that rectification measures are duly implemented. For any material deficiency discovered in the course of supervision and inspection, the Internal Audit Department is entitled to report directly to the Board of Directors and its Audit Committee and the Board of Supervisors; regular evaluation on the effectiveness of internal control will be carried out, and an internal control evaluation report will be issued according to the evaluation result.

## (II) The Internal Control System

The Bank attaches high importance to system establishment, a uniform amendment to the codification of the overall system on bank-wide basis will be carried out every year led by the Risk & Compliance Department of the Headquarters. The Headquarters has established a mail box for submitting system proposals by anyone in the Bank and collecting proposals for all line systems. The Risk & Compliance of the Headquarters is responsible for collecting proposals and communicating with the relevant departments, and performs follow-up work on the proposed system improvement measures to provide timely feedback to the proposing entity, forming a smooth communication mechanism between the Headquarters and the branches on system establishment. On the other hand, problems discovered in the auditing process by the Internal Audit Department of the Headquarters, such as system deficiencies, defects or obsolescence, will be reflected in the audit report, and rectifications will be implemented under the supervision of the Risk & Compliance Department of the Headquarters. Through continuous improvements and experience accumulated over the years, the Bank has formed a relatively comprehensive and dynamic system management mechanism to ensure the maximum integrity of various systems and operation flow processes through a range of proven effective management measures and methods. In January 2015, the Bank has completed the latest round of amendment to the system codification, a total of 119 new systems have been added, significant amendments have been made to 60 systems, and 22 systems have been discarded. The new edition of the system codification consists of 730 systems of 22 departments in the Headquarters, with a total of 3,550,000 words, and covers the critical segments of all business processes and each business activity, the points of risks have been managed effectively, responsibilities of the departments and individuals are clearly determined, blind spots of supervision have been eliminated, and perfection of a system will be the basis for the implementation and good effects of the system.

## (III) The Establishment of Internal Control

In 2015, the Bank continued to follow closely the guidance of “adjusting asset structure, changing methods of growth, strengthening risk management and insisting on stable and sound operation”, and adhered to the principles of “priority for internal control” and “prudent operation”, amendments and improvements were made to the overall system of the Bank continuously according to regulatory requirements, operation and management needs, risk management needs and the requirements under the Measures for the Management of the System of Rules and Regulations of the Bank of Jinzhou (《錦州銀行規章制度管理辦法》). The amended system covers all business lines, all operation positions and each employee, and the improved rules and regulations are announced timely on the intranet, and published in booklets for distribution to all branches and sub-branches to ensure the execution of the rules and regulations by employees. The Bank has established a training system with multiple channels for three levels, namely headquarters, branches and sub-branches, as well as a network university based on the E-learning platform. All employees may participate in the learning programs offered on the E-learning platform in a systematic manner. Publicity through newsletters and journals of the Bank and office automation systems has been generated to promote sufficient awareness among employees on the importance of internal control and their participation in control activities. Our rectification tracking mechanism linked to the relevant departments has been operating effectively to tackle various types of problems discovered in inspections, such as the President’s Office is responsible for supervision and control of the operating effect of rectification tracking and the penalty mechanism, the Internal Audit Department is responsible for the initiation of rectification tracking and initial determination of the responsible person for non-compliance acts, the Risk & Compliance Department is responsible for organizing and coordinating rectification tracking, the Human Resources Department is responsible for the execution of penalties and compliance performance appraisal, and the departments in charge of all business lines are responsible for confirming the rectification for problems discovered in internal auditing, realizing the sharing

of information among departments at the Headquarters and timely acknowledge the existing condition of business operations, deficiencies in the system and inadequacy in implementation and other issues of the Bank. For non-compliance acts, the Bank will impose strict liability according to the Measures of Punishment on Financial Non-compliance Acts by Employees of the Bank of Jinzhou (《錦州銀行員工金融違規行為處罰辦法》) and the Detailed Rules of Compliance Appraisal of the Bank of Jinzhou (《錦州銀行合規考核細則》), punishment will be imposed without preferential treatment. During the Reporting Period, compliance appraisal will continue to be regarded as an important integral part of the performance appraisal on branches, accounting for 25%, leading to the emphasis on compliance and risk management within the organization. Risk prevention and legal compliance will be placed in the top priority position in the course of development so as to eliminate imprudent operating behavior encouraged by or arising from improper performance appraisal policy at its source.

#### (IV) Supervision and Appraisal of Internal Control

During the Reporting Period, the Internal Audit Department of the Bank has conducted an independent review on the soundness and effectiveness of the internal control system according to the requirements of the Basic Norms of Corporate Internal Control (《企業內部控制基本規範》) and Provisional Measures for Internal Control Appraisal of the Bank of Jinzhou (《錦州銀行內部控制評價試行辦法》) on the basis of self-evaluation in all business departments, branches and sub-branches, no material deficiency has been discovered in the establishment and implementation of internal control in the Bank, and the internal control system of the Bank is regarded as complete, reasonable and effective. Pursuant to the Measures for Inspection and Punishment for the Implementation of the System of Rules and Regulations of the Bank of Jinzhou (《錦州銀行規章制度執行情況檢查和處罰辦法》), the Bank has implemented a regular inspection mechanism on the effective operation and implementation of the system at the levels of Headquarters, branches and sub-branches, monthly self-inspections have been conducted by sub-branches, quarterly inspections have been conducted on business lines of branches, and half-yearly inspections have been conducted on business lines at the Headquarters, together with a risk-oriented internal audit performed on annual basis and inspections conducted by the compliance department, thus effective implementation of the regulatory requirements and the various rules and regulations of the Bank has been ensured, problems and potential hazards existing in the respective organs have been timely discovered, investigations are conducted to find out the causes and practicable measures are adopted, followed by rectification tracking. Through self-inspection and rectification, the compliance capability and internal control standards of the Bank have been enhanced comprehensively.

#### (V) Building an Internal Control Culture

Through the promotions of a series of campaigns, such as the "Year of Risk Management", the "Year of Compliance Establishment" and the "Year of System Implementation", the compliance awareness throughout the Bank has been enhanced over the years. The concepts of compliance have been repeatedly emphasized, such as "Compliance is the cornerstone of development", "Compliance is the duty of everyone", "Compliance creates value", "Compliance starts from senior management" and "Be proactive in compliance", and such concepts are deeply rooted in the hearts of everyone, the compliance and risk management mechanism of the Bank has been operating in an orderly manner. All employees of the Bank, under the influence of corporate culture, have established good working practice for a long term, they respect their jobs and industry, they are willing to contribute, work diligently and live a simple life, a culture of compliance in "learning regulations, knowing regulations, conforming to regulations and applying regulations" has been formed gradually, which has played a key and positive role in maintaining a zero record of non-compliance case by the Bank persistently over many years.



## II. Internal Audit

The Bank has established an independent and sound internal audit management structure. The Audit Committee is formed under the Board of Directors to conduct audit and supervision on the progress of internal audit work. The Internal Audit Department is accountable to the Board of Directors and the Audit Committee, and has laid the foundation for carrying out independent and objective internal audit work. The Internal Audit Department of the Bank is authorized by the Board of Directors to conduct internal audits independently, without interference from other departments and individuals, and it will not participate in the operating activities within the scope of duties of other departments. The Bank has established a comprehensive internal audit system adapted to its own current development conditions, and the concept of “circular auditing” has been implemented consistently. Audit projects are conducted strictly according to the audit manual, the scope of audit covers all business lines and branches and sub-branches of the Bank, and the audits are carried out according to the auditing process and reporting system. Opinions and proposals will be provided to tackle deficiencies in internal control discovered in the course of auditing, tracking on the implementation of rectifications will continue to facilitate the transformation of audit result into the realization of value-added auditing.

During the Reporting Period, the Internal Audit Department of the Bank continued to further establish the internal audit management system, with enhancing risk management and elevating the standard of internal control as major working objectives, regulatory developments and actual developments of the Bank as the guiding directions, the scope and meticulousness of audit had been increasing. Based on the completion of the annual auditing tasks qualitatively and efficiently, three large-scale self-inspection special projects were conducted on bank-wide basis according to regulatory requirements, so that the internal audit work of the Bank became highly consistent with the regulatory guidelines. The linkage between supervision and auditing was further developed to capture the pulse of regulatory guidance. While completing regular audit projects, the Internal Audit Department of the Bank also emphasized on the implementation of special audit projects by conducting regular audit projects on business lines with high risk and areas of key concern to the regulatory authorities. By learning interbank experience through the training model of “going out and inviting to come”, and through innovative auditing models and auditing methods, continuous optimization in audit report template and division of work among employees, utilizing the audit system platform fully and increasing efforts in off-site inspections and upgrading system functions regularly, not only operation compliance of branches and sub-branches could be monitored on real time basis to provide powerful data support for on-site auditing, the flow process of audit project management was also optimized, providing powerful support for the commencement of audit work.



## CHAPTER 13 IMPORTANT EVENTS

### I. Related-party Transactions

No material related-party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

### II. Material Litigation and Arbitration

As at the end of the Reporting Period, the pending litigations to which the Bank was a defendant involved RMB103.914 million which in the opinion of the Bank would have no material impact on the Bank's business operations. During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations. For detail of the pending litigations to which the Bank was involved, please refer to the disclosures in the Prospectus.

### III. Penalties Imposed on the Bank and its Directors, Supervisors and Senior Management Members

During the Reporting Period, the Bank, all Directors, Supervisors and senior management members had no record of being subject to inspections, administrative penalties and circulating criticisms by China Securities Regulatory Commission or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that caused significant impact on the Bank's operation.

### IV. Material Contracts and Their Performance

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

### V. Material Acquisition and Disposal of Subsidiaries, Associates, Assets and Business/Enterprises Merger

During the Reporting Period, the Bank had no material acquisition and disposal of material subsidiaries, associates, assets and merger of business/enterprises.

### VI. Engagement of External Auditors

KPMG Huazhen LLP was engaged by the Bank as the auditors for the PRC GAAP financial statements of the Bank for 2015. KPMG was engaged by the Bank as the auditors for the IAS financial statements of the Bank upon listing of H Shares.

### VII. Appropriation of Profits During the Reporting Period

In accordance with the resolution passed at the Bank's annual general meeting on 25 June 2015, the Shareholders approved the following profit appropriations for the year ended 31 December 2014:

Appropriation of statutory surplus reserve amounted to RMB211 million, based on 10% of the net profit of the Bank.

Appropriation of general reserve amounted to RMB960 million.

Declaration of cash dividend of RMB1.20 per 10 shares before tax and in aggregation amount of RMB528 million to all Shareholders.

### VIII. Publication of Annual Report

This annual report is prepared in both English and Chinese versions, in the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

# CHAPTER 14 INDEPENDENT AUDITOR'S REPORT

## **Independent auditor's report to the Shareholders of Bank of Jinzhou Co., Ltd.**

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

We have audited the consolidated financial statements of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 124 to 228, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## **Directors' responsibility for the consolidated financial statements**

The directors of the Bank are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG  
Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

23 March 2016

## CHAPTER 15 FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Interest income		21,819,437	13,582,488
Interest expense		(11,015,124)	(7,954,065)
<b>Net interest income</b>	4	<b>10,804,313</b>	5,628,423
Fee and commission income		556,083	183,105
Fee and commission expense		(55,293)	(66,782)
<b>Net fee and commission income</b>	5	<b>500,790</b>	116,323
Net trading gains	6	97,164	470
Dividend income		6,440	6,360
Net gains arising from investment securities	7	2,896	8,396
Foreign exchange gain		85,895	7,872
Other net operating income		19,886	26,765
<b>Operating income</b>		<b>11,517,384</b>	5,794,609
<b>Operating expenses</b>	8	<b>(2,724,872)</b>	(2,213,490)
<b>Operating profit before impairment</b>		<b>8,792,512</b>	3,581,119
Impairment losses on assets	11	(2,296,943)	(793,469)
<b>Profit before taxation</b>		<b>6,495,569</b>	2,787,650
Income tax	12	(1,587,513)	(664,473)
<b>Profit for the year</b>		<b>4,908,056</b>	2,123,177
<b>Attributable to:</b>			
Equity shareholders of the Bank		4,898,761	2,115,715
Non-controlling interests		9,295	7,462
<b>Profit for the year</b>		<b>4,908,056</b>	2,123,177
<b>Basic and diluted earnings per share (in RMB)</b>	13	<b>1.09</b>	0.54

The notes on pages 131 to 228 form part of these financial statements.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
<b>Profit for the year</b>		<b>4,908,056</b>	2,123,177
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale financial assets:			
–Change in fair value recognized in the Capital Reserve		577,968	1,043,201
–Reclassified to the profit or loss upon disposal		(879)	33,432
–Related income tax effect	26(b)	(144,272)	(269,158)
Items that will not be reclassified to profit or loss:			
– Remeasurement of defined benefit obligation	33(b)	1,315	(3,916)
<b>Other comprehensive income for the year</b>		<b>434,132</b>	803,559
<b>Total comprehensive income for the year</b>		<b>5,342,188</b>	2,926,736
<b>Attributable to:</b>			
Equity shareholders of the Bank		5,332,893	2,919,274
Non-controlling interests		9,295	7,462
<b>Total comprehensive income for the year</b>		<b>5,342,188</b>	2,926,736

The notes on pages 131 to 228 form part of these financial statements.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December	
		2015	2014
<b>Assets</b>			
Cash and deposits with the central bank	14	30,099,321	30,170,499
Deposits with banks and other financial institutions	15	14,954,990	12,520,605
Placements with banks and other financial institutions	16	649,360	—
Financial assets at fair value through profit or loss	17	15,560,208	9,990,252
Positive fair value of derivatives	18	10,678	—
Interests receivable	19	2,571,972	1,560,158
Loans and advances to customers	20	97,313,206	86,548,794
Available-for-sale financial assets	21	19,278,073	17,256,245
Held-to-maturity investments	22	7,711,333	7,339,592
Debt securities classified as receivables	23	166,482,385	79,256,458
Property and equipment	25	5,468,880	5,097,505
Deferred tax assets	26	700,822	399,966
Other assets	27	858,685	552,646
<b>Total assets</b>		<b>361,659,913</b>	<b>250,692,720</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank		—	190,000
Deposits from banks and other financial institutions	29	116,351,178	82,457,624
Placements from banks and other financial institutions	30	3,855,808	3,044,677
Financial liabilities at fair value through profit or loss		15,426,941	9,932,205
Negative fair value of derivatives	18	10,217	—
Financial assets sold under repurchase agreements	31	20,244,100	10,259,000
Deposits from customers	32	170,178,722	119,402,997
Accrued staff costs	33	246,861	277,945
Taxes payable	34	665,332	412,794
Interests payable	35	5,345,766	3,346,861
Debts securities issued	36	1,500,000	2,000,000
Other liabilities	37	1,563,674	3,491,481
<b>Total liabilities</b>		<b>335,388,599</b>	<b>234,815,584</b>

The notes on pages 131 to 228 form part of these financial statements.



	Note	31 December	
		2015	2014
<b>Equity</b>			
Share capital	39	5,781,616	4,402,234
Capital reserve	40	9,152,898	4,962,627
Surplus reserve	41	1,292,031	802,364
General reserve	41	4,801,449	3,159,078
Retained earnings	42	4,570,467	2,332,012
Total equity attributable to equity shareholders of the Bank		25,598,461	15,658,315
Non-controlling interests		672,853	218,821
<b>Total equity</b>		<b>26,271,314</b>	<b>15,877,136</b>
<b>Total liabilities and equity</b>		<b>361,659,913</b>	<b>250,692,720</b>

Approved and authorised for issue by the board of directors on 23 March 2016.

**Zhang Wei**  
*Chairman*

**Wang Finglei**  
*Chief Financial Officer*

**Wang Xiaoyu**  
*Executive Director*

**Bank of Jinzhou Co., Ltd.**

The notes on pages 131 to 228 form part of these financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total	
	Note	Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings			Sub-total
Balance at 1 January 2015		4,402,234	4,962,627	802,364	3,159,078	2,332,012	15,658,315	218,821	15,877,136
Changes in equity for the year:									
Total comprehensive income		—	434,132	—	—	4,898,761	5,332,893	9,295	5,342,188
Changes in share capital									
– Capital contributed by equity shareholders	39	1,379,382	3,756,139	—	—	—	5,135,521	—	5,135,521
– Capital contribution by non-controlling interests		—	—	—	—	—	—	450,100	450,100
Appropriation of profits	42								
– Appropriation to surplus reserve		—	—	489,667	—	(489,667)	—	—	—
– Appropriation to general reserve		—	—	—	1,642,371	(1,642,371)	—	—	—
– Appropriation to shareholders		—	—	—	—	(528,268)	(528,268)	(5,363)	(533,631)
Balance at 31 December 2015		5,781,616	9,152,898	1,292,031	4,801,449	4,570,467	25,598,461	672,853	26,271,314
Balance at 1 January 2014		3,902,234	2,909,068	591,654	2,198,771	1,797,049	11,398,776	110,539	11,509,315
Changes in equity for the year:									
Total comprehensive income		—	803,559	—	—	2,115,715	2,919,274	7,462	2,926,736
Changes in share capital									
– Capital contributed by equity shareholders	39	500,000	1,250,000	—	—	—	1,750,000	—	1,750,000
– Capital contribution by non-controlling interests		—	—	—	—	—	—	100,820	100,820
Appropriation of profits	42								
– Appropriation to surplus reserve		—	—	210,710	—	(210,710)	—	—	—
– Appropriation to general reserve		—	—	—	960,307	(960,307)	—	—	—
– Appropriation to shareholders		—	—	—	—	(409,735)	(409,735)	—	(409,735)
Balance at 31 December 2014		4,402,234	4,962,627	802,364	3,159,078	2,332,012	15,658,315	218,821	15,877,136

The notes on pages 131 to 228 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

	Years ended 31 December	
	2015	2014
<b>Cash flows from operating activities</b>		
Net profit	4,908,056	2,123,177
<i>Adjustments for:</i>		
Impairment losses on assets	2,296,943	793,469
Depreciation and amortization	349,408	325,884
Unwinding of discount	(21,570)	(6,180)
Dividend income	(6,440)	(6,360)
Unrealized foreign exchange gains	(38,786)	(103)
Net gains on disposal of investment securities	(2,896)	(8,396)
Net gains on disposal of trading securities	(21,478)	(923)
Revaluation (gains)/losses on financial instruments at fair value through profit or loss	(75,686)	453
Interest expense on debts securities issued	125,979	126,733
Net gains on disposal of property and equipment	(175)	(7,853)
Income tax	1,587,513	664,473
	<b>9,100,868</b>	<b>4,004,374</b>
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank, banks and other financial institutions	(2,045,404)	(10,567,250)
Net (increase)/decrease in placements with banks and other financial institutions	(649,360)	1,909,254
Net increase in loans and advances to customers	(12,607,947)	(10,526,994)
Net increase in financial assets at fair value through profit or loss	(5,438,620)	(9,927,769)
Net increase in other operating assets	(1,238,583)	(865,748)
	<b>(21,979,914)</b>	<b>(29,978,507)</b>
<i>Changes in operating liabilities</i>		
Net (decrease)/increase in borrowing from central bank	(190,000)	163,000
Net increase in deposits from banks and other financial institutions	33,893,554	30,066,448
Net increase in placements from banks and other financial institutions	811,131	14,787
Net increase in financial assets sold under repurchase agreements	9,985,100	1,224,600
Net increase in financial liabilities designated at fair value through profit or loss	5,438,620	9,932,205
Net increase in deposits from customers	50,775,725	26,638,409
Income tax paid	(1,815,020)	(616,956)
Net (decrease)/increase in other operating liabilities	(26,248)	858,742
	<b>98,872,862</b>	<b>68,281,235</b>
<b>Net cash flows generated from operating activities</b>	<b>85,993,816</b>	<b>42,307,102</b>

The notes on pages 131 to 228 form part of these financial statements.

	Note	Years ended 31 December	
		2015	2014
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of investments		656,946,918	82,426,921
Dividends received		6,440	6,360
Proceeds from disposal of property and equipment and other assets		111,411	11,942
Payments on acquisition of investments		(746,378,641)	(127,258,324)
Payments on acquisition of property and equipment, intangible assets and other assets		(920,353)	(1,334,494)
<b>Net cash flows used in investing activities</b>		<b>(90,234,225)</b>	<b>(46,147,595)</b>
<b>Cash flows from financing activities</b>			
Proceeds from capital contribution by equity shareholders		5,135,521	1,750,000
Capital contribution by non-controlling interests		450,100	100,820
Proceeds from issue of new debt securities		—	1,500,000
Repayment of debts securities issued		(500,000)	—
Interest paid on debts securities issued		(134,500)	(29,500)
Dividends paid		(422,615)	(382,590)
<b>Net cash flows generated from financing activities</b>		<b>4,528,506</b>	<b>2,938,730</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>29,706</b>	<b>(2,491)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	45(a)	<b>317,803</b>	<b>(904,254)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>4,485,158</b>	<b>5,389,412</b>
<b>Cash and cash equivalents as at 31 December</b>	45(b)	<b>4,802,961</b>	<b>4,485,158</b>
Interest received		20,754,733	12,690,958
Interest paid (excluding interest expense on debts securities issued)		(8,881,719)	(6,458,714)

The notes on pages 131 to 228 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 Background information

The Bank, formerly known as Jinzhou City Cooperative Bank Co., Ltd., is a joint stock commercial bank established on 22 January 1997 with approval of the People's Bank of China (the "PBOC") (YinFu 1997 No.29).

On 29 September 1998, pursuant to YinFa 1998 No. 94 jointly issued by the PBOC and the State Administration of Industry and Commerce (the "SAIC"), the Bank changed its name from Jinzhou City Cooperative Bank Co., Ltd. to Jinzhou City Commercial Bank Co., Ltd.. On 14 April 2008, pursuant to YinJianFu 2008 No. 137 approved by the China Banking Regulatory Commission (the "CBRC"), the Bank further changed its name from Jinzhou City Commercial Bank Co., Ltd. to Bank of Jinzhou Co., Ltd..

The Bank obtained its finance permit No. B0127H221070001 from the CBRC. The Bank obtained its business license No. 210700004032898 from the SAIC. The legal representative is Zhang Wei and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 0416). As at 31 December 2015, the share capital of the Bank is RMB5,781.62 million.

As at 31 December 2015, the Bank has 12 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin and Liaoyang. The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC ("Hong Kong"), the Macau Special Administration Region of the PRC ("Macau") and Taiwan.

## 2 Significant accounting policies

### (1) Statement of compliance and basis of preparation

The financial statements set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs") and related interpretations, issued by the International Accounting Standards Board (the "IASB"), as well as with the applicable disclosure provisions of the Hong Kong Companies Ordinance. The financial statements also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Group.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 2(24).

## 2 Significant accounting policies (continued)

### (1) Statement of compliance and basis of preparation (continued)

The measurement basis used in the preparation of the financial statements is historical cost, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(6).

### (2) Change in accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards (“IASs”)) that are effective in 2015 and relevant to the Group’s operation.

Amendments to IAS 19	<i>Employee benefits “Defined benefit plans: Employee contributions”</i>
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Annual Improvements to IFRSs 2010-2012 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle

The principal effects of adopting these amended IFRSs are as follows:

#### **Amendments to IAS 19 Employee benefits “Defined benefit plans: Employee contributions”**

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions meet the criteria set out in the amendments, a company is permitted (but not required) to recognize the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation.

The adoption does not have any material impact on the financial position and the financial result of the Group.

#### **Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle**

The 2010-2012 cycle of annual improvement contains amendments to seven standards with consequential amendments to other standards and interpretations including IFRS 2 Share based payment, IFRS 3 Business combinations, IFRS 8 Operating segments, IFRS 13 Fair value measurement, IAS 24 Related party disclosures, IAS 16 Property, plant and equipment and IAS 38 Intangible assets.

The 2011-2013 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 3 Business combinations, IFRS 13 Fair value measurement, IAS 40 Investment property.

The adoption of these annual improvements will not have any material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.



## 2 Significant accounting policies (continued)

### (3) Basis of consolidation

The financial statements comprises financial statements of the Bank and its subsidiaries. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized profit arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests are presented separately in the consolidated statements of financial position within equity as well as in the consolidated statements of profit or loss and other comprehensive income within net profit and total comprehensive income. Where losses attributable to the non-controlling interests of a subsidiary exceed the non-controlling interests in the equity of the subsidiary, the excess, and any further losses attributable to the non-controlling interests, are allocated against the equity attributable to the Bank.

In the Bank's statements of financial position, investments in subsidiaries are stated at cost less provision for impairment losses (note 2(14)).

### (4) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the reporting period. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in capital reserve.

### (5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

## 2 Significant accounting policies (continued)

### (6) Financial instruments

#### (i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorized as follows:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading).

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognized in profit or loss.

## 2 Significant accounting policies (continued)

### (6) Financial instruments (continued)

#### (i) Recognition and measurement of financial assets and liabilities (continued)

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

- (a) those that the Group, upon initial recognition, designates at fair value through profit or loss or as available-for-sale; or
- (b) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are stated at amortized cost using the effective interest method.

- Loans and receivables

Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

- (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;
- (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or
- (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Loans and receivables mainly comprise loans and advances to customers, debt securities classified as receivables, deposits and placements with banks and other financial institutions and financial assets held under resale agreements. Subsequent to initial recognition, loans and receivables are stated at amortized cost using the effective interest method.

## 2 Significant accounting policies (continued)

### (6) Financial instruments (continued)

#### (i) Recognition and measurement of financial assets and liabilities (continued)

- Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, are recognized directly in other comprehensive income. Investments in available-for-sale equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment losses, if any. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is reclassified to the profit or loss.

- Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

#### (ii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of each of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

## 2 Significant accounting policies (continued)

### (6) Financial instruments (continued)

#### (ii) Impairment of financial assets (continued)

Objective evidence includes the following loss event:

- significant financial difficulty of the issuer or borrower;
  - a breach of contract, such as a default or delinquency in interest or principal payments;
  - it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
  - disappearance of an active market for financial assets because of financial difficulties;
  - significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
  - a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- Loans and receivables  
The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

#### *Individual assessment*

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognized in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralized loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

## 2 Significant accounting policies (continued)

### (6) Financial instruments (continued)

#### (ii) Impairment of financial assets (continued)

- Loans and receivables (continued)

##### *Collective assessment*

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

##### *Homogeneous groups of loans not considered individually significant*

For homogeneous groups of loans that are not considered individually significant, the Group adopts a flow rate methodology to collectively assess impairment losses. This methodology utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgement based on management's historical experience.

##### *Individually assessed loans and receivables with no objective evidence of impairment on an individual basis*

Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of each of the reporting period but which will not be individually identified as such until sometime in the future.

The collective impairment loss is assessed after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics;
- the emergence period between a loss occurring and that loss being identified; and
- the current economic and credit environments and the judgment on inherent loss based on management's historical experience.



## 2 Significant accounting policies (continued)

### (6) Financial instruments (continued)

#### (ii) Impairment of financial assets (continued)

- Loans and receivables (continued)

*Individually assessed loans and receivables with no objective evidence of impairment on an individual basis (continued)*

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

When the Group determines that loans and receivables have no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loans and receivables are written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loans and receivables written off are recovered, the amount recovered is recognized in profit or loss through impairment losses.

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

## 2 Significant accounting policies (continued)

### (6) Financial instruments (continued)

#### (ii) Impairment of financial assets (continued)

- Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

- Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognized.

The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost net of any principal repayment and amortization and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized on available-for-sale debt instruments, the fair value of the assets increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. An impairment loss recognized for an equity instrument classified as available-for-sale is not reversed through profit or loss but recognized directly in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset, and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Impairment losses for equity instruments carried at cost are not reversed.

## 2 Significant accounting policies (continued)

### (6) Financial instruments (continued)

#### (iii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the reporting period. Where other pricing models are used, inputs are based on market data at the end of each of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

#### (iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

## 2 Significant accounting policies (continued)

### (6) Financial instruments (continued)

#### (iv) Derecognition of financial assets and financial liabilities (continued)

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

#### (v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

### (7) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

### (8) Investment in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(2).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognized at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (Note 2(14)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.

## 2 Significant accounting policies (continued)

### (9) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(14)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	4%	2.4%

### (10) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(14)). Construction in progress is stated in the statements of financial position at cost less impairment loss (Note 2(14)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognized as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

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

## 2 Significant accounting policies (continued)

### (10) Property and equipment and construction in progress (continued)

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	4%	2.4%
Motor vehicles	5 years	5%	19.0%
Others	5-10 years	0%-5%	9.5%-20.0%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

### (11) Operating leases

Payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### (12) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (Note 2(14)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

Computer software	10 years
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### (13) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

## 2 Significant accounting policies (continued)

### (14) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of each of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- construction in progress
- intangible assets
- investment property measured using a cost model
- investment in subsidiaries

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit (“CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset’s fair value less costs to sell is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognized accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognized in prior periods.



## 2 Significant accounting policies (continued)

### (15) Employee benefits

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

#### (i) Retirement benefits

##### *Defined contribution plans - social pension schemes*

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

##### *Supplementary retirement benefits*

The Group provides a supplementary retirement benefits to its eligible employee under the defined benefit plan for post-employment to periods of service and recognize the long term benefit obligations under the defined benefit plan for long-term paid leave plan when the plan was approved, with the corresponding charge to the profit or loss. The calculation of defined benefit obligations is performed annually by a qualified actuary using the expected cumulative unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

## 2 Significant accounting policies (continued)

### (15) Employee benefits (continued)

#### (ii) Housing fund and other social insurances

In addition to the retirement benefits, the Group has joined defined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the amounts stipulated by the relevant government organizations. The contributions are charged to profit or loss on an accrual basis.

### (16) Income tax

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items that are recognized in other comprehensive income, in which case the relevant amounts are recognized in other comprehensive income.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the period, and any adjustment to tax payable in respect of previous periods.

At the end of each of the reporting period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the end of each of the reporting period, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realized or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of each of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of each of the reporting period, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to net off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either intend to settle the current tax liabilities and assets on a net basis, or to simultaneously realize the assets and settle the liabilities in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2 Significant accounting policies *(continued)*

### (17) Financial guarantees, provisions and contingent liabilities

#### (i) Financial guarantees

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognized as deferred income in other liabilities. The deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognized in the statements of financial position as stated in Note 2(17) (ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

#### (ii) Other provisions and contingent liabilities

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

### (18) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

## 2 Significant accounting policies (continued)

### (19) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders. Income is recognized in profit or loss when it is probable that the economic benefits will flow to the Group, the income and costs can be measured reliably and the following respective conditions are met:

#### (i) Interest income

Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

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

Interest on the impaired assets is recognized using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

#### (ii) Fee and commission income

Fee and commission income is recognized in profit or loss when the corresponding service is provided.

#### (iii) Other income

Other income is recognized on an accrual basis.

### (20) Expenses recognition

#### (i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

#### (ii) Other expenses

Other expenses are recognized on an accrual basis.

## 2 Significant accounting policies (continued)

### (21) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of each of the reporting period are not recognized as a liability at the end of each of the reporting period but disclosed separately in the notes to the financial statements.

### (22) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 2 Significant accounting policies (continued)

### (23) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### (24) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

#### (i) Impairment losses of loans and advances and debt securities classified as receivables

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

#### (ii) Impairment losses of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

#### (iii) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.



## 2 Significant accounting policies *(continued)*

### (24) Significant accounting estimates and judgements *(continued)*

**(iv) The classification of the held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

**(v) Income taxes**

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

**(vi) Impairment of non-financial assets**

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

**(vii) Depreciation and amortization**

Investment properties, property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.



## 2 Significant accounting policies *(continued)*

### (24) Significant accounting estimates and judgements *(continued)*

#### (viii) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(1) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 43.

#### (ix) Defined benefit plan

The Group has established liabilities in connection with supplementary retirement benefits and other long term benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, mortality rates, demission rates and other factors. Management has made significant estimates when made these assumptions. The changes in assumptions may affect the Group's expenses related to its employee defined benefit obligations.

## 3 Taxes

The Group's main applicable taxes and tax rates are as follows:

#### (1) Business tax

Business tax is charged at 3%-5% on taxable income.

#### (2) Urban maintenance and construction tax

Urban maintenance and construction tax is calculated as 1%-7% of business tax.

#### (3) Education surcharge

Education surcharge is calculated as 3% of business tax.

#### (4) Local education surcharge

Local education surcharge is calculated as 2% of business tax.

#### (5) Income tax

The income tax is calculated on taxable income. The statutory income tax rate is 25%.

(Expressed in thousands of Renminbi, unless otherwise stated)

**4 Net interest income**

	Years ended 31 December	
	2015	2014
<b>Interest incomes arising from</b>		
Deposits with the central bank	442,343	397,552
Deposits with banks and other financial institutions	660,314	1,068,921
Placements with banks and other financial institutions	5,241	96,531
Financial assets at fair value through profit or loss	954,041	227,495
Loans and advances to customers (Note)		
– Corporate loans and advances	6,409,056	5,681,013
– Personal loans and advances	691,526	488,929
– Discounted bills	52,772	25,263
Financial assets held under resale agreements	16,850	35,770
Available-for-sale debt investment	775,604	799,179
Held-to-maturity investment	394,406	269,866
Debt securities classified as receivables	11,417,284	4,491,969
Sub-total	21,819,437	13,582,488
<b>Interest expenses arising from</b>		
Borrowing from the central bank	2,444	3,820
Deposits from banks and other financial institutions	5,574,446	4,428,983
Placements from banks and other financial institutions	34,003	76,610
Financial liabilities at fair value through profit or loss	744,791	608,270
Deposits from customers		
– Corporate customers	2,520,817	1,261,837
– Individual customers	1,576,920	1,112,426
Financial assets sold under repurchase agreements	435,724	335,386
Debts securities issued	125,979	126,733
Sub-total	11,015,124	7,954,065
<b>Net interest income</b>	<b>10,804,313</b>	<b>5,628,423</b>

Note: Interest income arising from impaired financial assets for the years ended 31 December 2015 and 2014 amounted to RMB21.57 million and RMB6.18 million, respectively.

## 5 Net fee and commission income

	Years ended 31 December	
	2015	2014
<b>Fee and commission income</b>		
Underwriting and advisory fees	187,691	8,456
Wealth management service fees	121,198	16,675
Settlement and clearing fees	118,975	97,002
Agency services fees	97,790	20,759
Bank card service fees	17,672	14,222
Others	12,757	25,991
Sub-total	556,083	183,105
<b>Fee and commission expense</b>		
Settlement and clearing fees	10,992	12,582
Others	44,301	54,200
Sub-total	55,293	66,782
<b>Net fee and commission income</b>	<b>500,790</b>	<b>116,323</b>

## 6 Net trading gains

	Years ended 31 December	
	2015	2014
Trading financial instruments		
– Debt securities	(712)	4,905
– Derivative financial instruments	25,312	—
– Precious metals	(1,174)	—
Sub-total	23,426	4,905
Financial instruments designated at fair value through profit or loss	73,738	(4,435)
Total	97,164	470

(Expressed in thousands of Renminbi, unless otherwise stated)

**7 Net gains arising from investment securities**

	Years ended 31 December	
	2015	2014
Net gains on disposal of available-for-sale financial assets	2,017	41,438
Net revaluation gains/(losses) reclassified from other comprehensive income on disposal	879	(33,432)
Net gains on disposal of debt securities classified as receivables	—	390
<b>Total</b>	<b>2,896</b>	<b>8,396</b>

**8 Operating expenses**

	Years ended 31 December	
	2015	2014
Staff costs		
– Salaries and bonuses	767,274	668,847
– Staff welfares	49,950	42,859
– Pension	123,498	115,446
– Housing allowances	60,025	52,752
– Supplementary retirement benefits	1,718	1,519
– Other long-term staff welfares	16,420	8,967
– Other short-term staff welfares	86,754	73,193
<b>Sub-total</b>	<b>1,105,639</b>	<b>963,583</b>
Premises and equipment expenses		
– Depreciation of property and equipment	268,698	231,799
– Amortization of intangible assets	19,805	16,030
– Amortization of other long-term assets	60,905	78,055
– Rental and property management expenses	63,584	55,236
<b>Sub-total</b>	<b>412,992</b>	<b>381,120</b>
Business tax and surcharges	493,952	402,131
Other general and administrative expenses (Note)	712,289	466,656
<b>Total</b>	<b>2,724,872</b>	<b>2,213,490</b>

Note: Auditors' remuneration for the years ended 31 December 2015 and 2014 was RMB3.00 million and RMB1.80 million, respectively.

## 9 Directors' and supervisors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2015						
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
<b>Executive directors</b>							
Zhang Wei	—	468	1,440	1,908	553	223	2,684
Chen Man	—	462	1,000	1,462	440	251	2,153
Zhao Jie	—	240	480	720	219	135	1,074
Wang Jing (appointed on 17 March 2015)	—	155	400	555	171	117	843
Wang Xiaoyu (appointed on 16 January 2015)	—	113	411	524	158	99	781
<b>Non-executive directors</b>							
Li Dongjun	—	—	—	—	—	—	—
Zhang Caiguang	—	—	—	—	—	—	—
Wu Zhengkui	—	—	—	—	—	—	—
Zhu Xiaohui (resigned on 19 January 2015)	—	—	—	—	—	—	—
Gu Jie	—	—	—	—	—	—	—
<b>Independent directors</b>							
Jiang Daxing	210	—	—	210	—	—	210
Deng Xiaoyang	210	—	—	210	—	—	210
Niu Sihui	210	—	—	210	—	—	210
Jia Yuge (resigned on 23 December 2015)	210	—	—	210	—	—	210
Jiang Jian	210	—	—	210	—	—	210
Choon Yew Khee	—	—	—	—	—	—	—
<b>Supervisors</b>							
Ning Yongfang	—	468	1,200	1,668	494	236	2,398
Xu Fei	—	240	480	720	219	135	1,074
Luo Yan	—	113	628	741	224	132	1,097
Shi Hongmiao	—	113	627	740	154	124	1,018
Li Xiu	—	84	350	434	133	93	660
Tian Deying	—	—	—	—	—	—	—
He Baosheng	—	—	—	—	—	—	—
Zhao Lanying	—	—	—	—	—	—	—

(Expressed in thousands of Renminbi, unless otherwise stated)

**9 Directors' and supervisors' emoluments (continued)**

	Year ended 31 December 2015						
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
<b>External supervisors</b>							
Jing Fei	210	—	—	210	—	—	210
Chen Yingmei	210	—	—	210	—	—	210
Nie Ying	39	—	—	39	—	—	39
Li Tongyu	39	—	—	39	—	—	39
Zhao Hongxia	39	—	—	39	—	—	39
<b>Total</b>	<b>1,587</b>	<b>2,456</b>	<b>7,016</b>	<b>11,059</b>	<b>2,765</b>	<b>1,545</b>	<b>15,369</b>

	Year ended 31 December 2014						
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
<b>Executive directors</b>							
Zhang Wei	—	468	1,440	1,908	553	223	2,684
Chen Man	—	432	899	1,331	402	234	1,967
Zhao Jie	—	240	480	720	219	136	1,075
Wang Jing (resigned on 14 October 2014)	—	116	400	516	158	100	774
Wang Xiaoyu (resigned on 14 October 2014)	—	85	234	319	97	67	483
<b>Non-executive directors</b>							
Li Dongjun	—	—	—	—	—	—	—
Zhang Caiguang	—	—	—	—	—	—	—
Wu Zhengkui	—	—	—	—	—	—	—
Zhu Xiaohui (appointed on 14 October 2014)	—	—	—	—	—	—	—
Wang Chunjie (appointed on 14 October 2014 and resigned on 8 December 2014)	—	—	—	—	—	—	—
Gu Jie (appointed on 14 October 2014)	—	—	—	—	—	—	—
He Baosheng (resigned on 14 October 2014)	—	—	—	—	—	—	—
Zeng Gang (resigned on 14 October 2014)	—	—	—	—	—	—	—

## 9 Directors' and supervisors' emoluments (continued)

	Year ended 31 December 2014							Total
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares		
<b>Independent Directors</b>								
Jiang Daxing	210	—	—	210	—	—	210	
Deng Xiaoyang	210	—	—	210	—	—	210	
Niu Sihui	210	—	—	210	—	—	210	
Jia Yuge	210	—	—	210	—	—	210	
Jiang Jian	210	—	—	210	—	—	210	
Choon Yew Khee (appointed on 14 October 2014)	—	—	—	—	—	—	—	
<b>Supervisors</b>								
Ning Yongfang	—	505	1,200	1,705	495	201	2,401	
Xu Fei	—	180	320	500	153	98	751	
Luo Yan (appointed on 14 October 2014)	—	28	125	153	47	29	229	
Shi Hongmiao (appointed on 14 October 2014)	—	27	99	126	38	26	190	
Li Xiu	—	85	337	422	130	92	644	
Xiao Yufen (resigned on 14 October 2014)	—	180	504	684	207	118	1,009	
Zhang Yuping (resigned on 14 October 2014)	—	85	291	376	116	83	575	
Tian Deying	—	—	—	—	—	—	—	
He Baosheng (appointed on 14 October 2014)	—	—	—	—	—	—	—	
Zhao Lanying (appointed on 14 October 2014)	—	—	—	—	—	—	—	
Liu Hongsheng (resigned on 14 October 2014)	—	—	—	—	—	—	—	
Cheng Chunmei (resigned on 14 October 2014)	100	—	—	100	—	—	100	
Peng Xiaobiao (resigned on 14 October 2014)	100	—	—	100	—	—	100	
Xu Fuchun (resigned on 14 October 2014)	—	—	—	—	—	—	—	
Yang Xiaofang (resigned on 14 October 2014)	—	—	—	—	—	—	—	
Zhang Weibin (resigned on 14 October 2014)	—	—	—	—	—	—	—	
Zhao Min (resigned on 14 October 2014)	—	—	—	—	—	—	—	



(Expressed in thousands of Renminbi, unless otherwise stated)

**9 Directors' and supervisors' emoluments (continued)**

	Year ended 31 December 2014						
	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
<b>External supervisors</b>							
Jing Fei	210	—	—	210	—	—	210
Chen Yingmei	210	—	—	210	—	—	210
Nie Ying (appointed on 14 October 2014)	—	—	—	—	—	—	—
Li Tongyu (appointed on 14 October 2014)	—	—	—	—	—	—	—
Zhao Hongxia (appointed on 14 October 2014)	—	—	—	—	—	—	—
<b>Total</b>	<b>1,670</b>	<b>2,431</b>	<b>6,329</b>	<b>10,430</b>	<b>2,615</b>	<b>1,407</b>	<b>14,452</b>

There was no amount paid during the reporting period to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the reporting period.

**10 Individuals with highest emoluments**

Of the five individuals with the highest emoluments, one (2014: two) is director whose emoluments is disclosed in note 9. The aggregate of the emoluments in respect of the other four (2014: three) individuals are as follows:

	Years ended 31 December	
	2015	2014
Salaries and other emoluments	614	860
Discretionary bonuses	8,604	4,604
Contributions to pension schemes	1,844	929
Others	1,105	504
<b>Total</b>	<b>12,167</b>	<b>6,897</b>

The emoluments of the four (2014: three) individuals with the highest emoluments are within the following bands:

	Years ended 31 December	
	2015	2014
HKD2,000,001-2,500,000	—	1
HKD2,500,001-3,000,000	—	—
HKD3,000,001-3,500,000	2	2
HKD3,500,001-4,000,000	1	—
HKD4,000,001-4,500,000	1	—

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the reporting period.

## 11 Impairment losses on assets

	Years ended 31 December	
	2015	2014
Loans and advances to customers	1,867,757	706,266
Debt securities classified as receivables	429,003	78,266
Others	183	8,937
<b>Total</b>	<b>2,296,943</b>	<b>793,469</b>

## 12 Income tax

### (a) Income tax:

	Note	Years ended 31 December	
		2015	2014
Current tax		2,032,641	901,519
Deferred tax	26(b)	(445,128)	(237,046)
<b>Total</b>		<b>1,587,513</b>	<b>664,473</b>

### (b) Reconciliations between income tax and accounting profit are as follows:

	Years ended 31 December	
	2015	2014
Profit before tax	6,495,569	2,787,650
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	1,623,892	696,913
Non-deductible expenses		
– Staff costs	3,324	3,723
– Others	4,557	5,519
	7,881	9,242
Non-taxable income		
– Interest income from the PRC government bonds	(38,951)	(38,845)
– Others	(5,309)	(2,837)
<b>Income tax</b>	<b>1,587,513</b>	<b>664,473</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13 Basic and diluted earnings per share

	Years ended 31 December	
	2015	2014
Weighted average number of ordinary shares (in thousands)	4,485,070	3,943,901
Net profit attributable to equity shareholders of the Bank	4,898,761	2,115,715
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	1.09	0.54

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the reporting period.

	Years ended 31 December	
	2015	2014
Number of ordinary shares as at 1 January (in thousands)	4,402,234	3,902,234
New added weighted average number of ordinary shares (in thousands)	82,836	41,667
Weighted average number of ordinary shares (in thousands)	4,485,070	3,943,901

### 14 Cash and deposits with the central bank

	Note	31 December	
		2015	2014
Cash on hand		482,284	555,363
Deposits with the central bank			
– Statutory deposit reserves	14(a)	26,626,961	26,148,798
– Surplus deposit reserves	14(b)	2,754,493	3,254,340
– Fiscal deposits		235,583	211,998
Sub-total		29,617,037	29,615,136
Total		30,099,321	30,170,499

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 31 December 2015 and 2014, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December	
	2015	2014
Reserve ratio for RMB deposits	14.0%	17.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

## 15 Deposits with banks and other financial institutions

Analyzed by type and location of counterparty

	31 December	
	2015	2014
Deposits in mainland China		
– Banks	14,849,824	12,252,290
– Other financial institutions	3,031	3,000
Sub-total	14,852,855	12,255,290
Deposits outside mainland China		
– Banks	102,135	265,315
Sub-total	102,135	265,315
Total	14,954,990	12,520,605

## 16 Placements with banks and other financial institutions

	31 December	
	2015	2014
Placements in mainland China		
– Banks	649,360	—

## 17 Financial assets at fair value through profit or loss

		31 December	
	Note	2015	2014
Debt securities held for trading	17(a)	63,965	62,483
Financial assets designated at fair value through profit or loss	17(b)	15,496,243	9,927,769
Total		15,560,208	9,990,252

(Expressed in thousands of Renminbi, unless otherwise stated)

**17 Financial assets at fair value through profit or loss (continued)****(a) Debt securities held for trading**

		31 December	
		2015	2014
Issued by institutions in mainland China			
– Banks and other financial institutions		63,965	62,483
Total	Note	63,965	62,483
Unlisted		63,965	62,483
Total		63,965	62,483

Note: As at the end of the reporting period, no investments were subject to material restrictions on the realization.

**(b) Financial assets designated at fair value through profit or loss**

Financial assets designated at fair value through profit or loss represented investments in debt securities assets with proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under financial liabilities designated at fair value through profit or loss.

**18 Derivatives**

Derivative financial instruments include forward contracts undertaken by the Group in foreign currency markets. Starting from the period ended 31 December 2015, the Group uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

**(a) Analysed by nature of contract****The Group and the Bank**

	At 31 December 2015		
	Notional amount	Fair value Assets	Liabilities
Currency derivatives			
– Foreign exchange forward	636,742	10,678	(10,217)

## 18 Derivatives (continued)

### (b) Analysed by credit risk-weighted amounts

The Group and the Bank

	At 31 December 2015
Currency derivatives	
– Foreign exchange forward	3,980

Note: The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions, which are calculated with reference to the guidelines issued by the CBRC.

## 19 Interests receivable

	31 December	
	2015	2014
Interests receivable from investments	1,722,850	753,797
Interests receivable from loans and advances to customers	471,179	357,350
Interests receivable from deposits and placements with banks and other financial institutions	377,943	449,011
Total	2,571,972	1,560,158

## 20 Loans and advances to customers

### (a) Analyzed by nature

	31 December	
	2015	2014
Corporate loans and advances	91,234,544	81,151,769
Personal loans and advances		
– Personal business loans	8,644,513	6,692,572
– Personal consumption loans	579,399	480,359
– Residential and commercial mortgage loans	390,091	230,712
– Credit cards	88,548	71,323
– Others	589	787
Sub-total	9,703,140	7,475,753
Discounted bills	236,726	171,738
Gross loans and advances to customers	101,174,410	88,799,260
Less: Provision for impairment losses		
– Individually assessed	(746,732)	(546,880)
– Collectively assessed	(3,114,472)	(1,703,586)
Total provision for impairment losses	(3,861,204)	(2,250,466)
Net loans and advances to customers	97,313,206	86,548,794



## 20 Loans and advances to customers (continued)

### (b) Analyzed by industry sector

	31 December 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	30,199,593	29.85%	16,763,886
Manufacturing	23,238,642	22.97%	13,006,202
Real estate	11,183,248	11.05%	10,528,538
Leasing and commercial services	8,633,996	8.53%	6,880,978
Construction	3,197,190	3.16%	1,857,090
Education	2,751,812	2.72%	278,010
Transportation, storage and postal services	1,790,687	1.77%	1,214,446
Public management and social organization	1,620,780	1.60%	505,990
Water, environment and public utility management	1,470,634	1.45%	1,439,834
Agriculture, forestry, animal husbandry and fishery	1,334,995	1.32%	754,095
Others	5,812,967	5.76%	4,074,410
Sub-total of corporate loans and advances	91,234,544	90.18%	57,303,479
Personal loans and advances	9,703,140	9.59%	7,259,199
Discounted bills	236,726	0.23%	—
Gross loans and advances to customers	101,174,410	100.00%	64,562,678
Less: Provision for impairment losses			
– Individually assessed	(746,732)		
– Collectively assessed	(3,114,472)		
Total provision for impairment losses	(3,861,204)		
Net loans and advances to customers	97,313,206		

(Expressed in thousands of Renminbi, unless otherwise stated)

**20 Loans and advances to customers (continued)****(b) Analyzed by industry sector (continued)**

	31 December 2014		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	27,762,920	31.26%	17,200,858
Manufacturing	19,885,409	22.39%	9,891,307
Real estate	9,426,185	10.62%	8,967,185
Leasing and commercial services	5,466,601	6.16%	3,786,486
Construction	4,363,220	4.91%	2,647,420
Education	2,749,777	3.10%	64,150
Water, environment and public utility management	2,371,600	2.67%	1,300,650
Transportation, storage and postal services	2,345,794	2.64%	1,189,298
Agriculture, forestry, animal husbandry and fishery	1,207,849	1.36%	536,049
Public management and social organization	850,490	0.96%	331,990
Others	4,721,924	5.32%	2,788,145
Sub-total of corporate loans and advances	81,151,769	91.39%	48,703,538
Personal loans and advances	7,475,753	8.42%	5,308,978
Discounted bills	171,738	0.19%	—
Gross loans and advances to customers	88,799,260	100.00%	54,012,516
Less: Provision for impairment losses			
– Individually assessed	(546,880)		
– Collectively assessed	(1,703,586)		
Total provision for impairment losses	(2,250,466)		
Net loans and advances to customers	86,548,794		

## 20 Loans and advances to customers (continued)

### (b) Analyzed by industry sector (continued)

As at the end of each of the reporting period and during the respective periods, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	31 December 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	600,131	(486,527)	(1,082,799)	(697,095)	—
Wholesale and retail trade	332,061	(193,601)	(502,725)	(411,609)	—
Real estate	12,243	(6,745)	(719,892)	(429,677)	—

	31 December 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	601,357	(402,800)	(579,787)	(288,477)	—
Wholesale and retail trade	156,897	(76,190)	(244,855)	(45,787)	—
Real estate	26,128	(11,095)	(383,204)	(287,565)	—

### (c) Analyzed by type of collateral

	31 December	
	2015	2014
Unsecured loans	6,282,693	7,129,487
Guaranteed loans	30,329,039	27,657,257
Secured loans		
– By tangible assets other than monetary assets	49,416,132	41,546,242
– By monetary assets	15,146,546	12,466,274
Gross loans and advances to customers	101,174,410	88,799,260
Less: Provision for impairment losses		
– Individually assessed	(746,732)	(546,880)
– Collectively assessed	(3,114,472)	(1,703,586)
Total provision for impairment losses	(3,861,204)	(2,250,466)
Net loans and advances to customers	97,313,206	86,548,794

(Expressed in thousands of Renminbi, unless otherwise stated)

**20 Loans and advances to customers (continued)****(d) Overdue loans analyzed by overdue period**

	31 December 2015				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	2,302	1,603	181	463	4,549
Guaranteed loans	398,474	265,685	411,576	64,308	1,140,043
Secured loans					
– By tangible assets other than monetary assets	849,536	557,265	48,071	119,735	1,574,607
– By monetary assets	9,500	126,000	64,829	1,275	201,604
<b>Total</b>	<b>1,259,812</b>	<b>950,553</b>	<b>524,657</b>	<b>185,781</b>	<b>2,920,803</b>
As a percentage of gross loans and advances to customers	1.25%	0.94%	0.52%	0.18%	2.89%

	31 December 2014				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	31,074	147	178	546	31,945
Guaranteed loans	377,822	214,435	253,879	49,369	895,505
Secured loans					
– By tangible assets other than monetary assets	482,021	178,002	32,813	134,984	827,820
– By monetary assets	80,400	39,826	—	2,094	122,320
<b>Total</b>	<b>971,317</b>	<b>432,410</b>	<b>286,870</b>	<b>186,993</b>	<b>1,877,590</b>
As a percentage of gross loans and advances to customers	1.09%	0.49%	0.32%	0.21%	2.11%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

## 20 Loans and advances to customers (continued)

### (e) Loans and advances and provision for impairment losses

	31 December 2015			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	100,128,388	1,046,022	101,174,410	1.03%
Less: Provision for impairment losses	(3,114,472)	(746,732)	(3,861,204)	
Net loans and advances to customers	97,013,916	299,290	97,313,206	

	31 December 2014			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	87,920,613	878,647	88,799,260	0.99%
Less: Provision for impairment losses	(1,703,586)	(546,880)	(2,250,466)	
Net loans and advances to customers	86,217,027	331,767	86,548,794	

Note:

- (i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.
- (iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 48(a).

**20 Loans and advances to customers (continued)****(f) Movements of provision for impairment losses**

	Provision for loans and advances which are collectively assessed	2015 Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	(1,703,586)	(546,880)	(2,250,466)
Charge for the year	(1,410,886)	(558,057)	(1,968,943)
Release for the year	—	101,186	101,186
Recoveries	—	(816)	(816)
Unwinding of discount	—	21,570	21,570
Disposal	—	236,265	236,265
As at 31 December	(3,114,472)	(746,732)	(3,861,204)

	Provision for loans and advances which are collectively assessed	2014 Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	(1,031,202)	(513,257)	(1,544,459)
Charge for the year	(672,384)	(154,912)	(827,296)
Release for the year	—	121,030	121,030
Recoveries	—	(5,921)	(5,921)
Unwinding of discount	—	6,180	6,180
As at 31 December	(1,703,586)	(546,880)	(2,250,466)

## 20 Loans and advances to customers (continued)

### (g) Analyzed by geographical sector

	31 December 2015		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	58,026,034	57.35%	34,847,056
Northeastern China	23,063,564	22.80%	17,121,707
Northern China	20,084,812	19.85%	12,593,915
Gross loans and advances to customers	101,174,410	100.00%	64,562,678

	31 December 2014		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	52,113,914	58.69%	29,360,385
Northeastern China	21,145,843	23.81%	15,229,009
Northern China	15,539,503	17.50%	9,423,122
Gross loans and advances to customers	88,799,260	100.00%	54,012,516

As at the end of each of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

	31 December 2015		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	292,047	(183,337)	(1,919,332)
Northeastern China	389,665	(354,553)	(752,051)
Northern China	364,310	(208,842)	(443,089)



**20 Loans and advances to customers (continued)****(g) Analyzed by geographical sector (continued)**

	Impaired loans and advances	31 December 2014	
		Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	279,186	(160,174)	(1,085,737)
Northeastern China	445,821	(319,565)	(439,847)
Northern China	153,640	(67,141)	(178,002)

The definitions of the regional distributions are set out in Note 47(b).

**21 Available-for-sale financial assets**

	Note	31 December	
		2015	2014
Available-for-sale debt investments	21(a)	19,219,823	17,197,995
Available-for-sale equity investments	21(b)	58,250	58,250
<b>Total</b>		<b>19,278,073</b>	<b>17,256,245</b>
Unlisted		19,278,073	17,256,245
<b>Total</b>		<b>19,278,073</b>	<b>17,256,245</b>

**(a) Available-for-sale debt investments**

All available-for-sale debt investments were stated at fair value and issued by the following institutions:

	31 December	
	2015	2014
In mainland China		
– Government	2,014,765	—
– Banks and other financial institutions	13,428,811	12,986,626
– Corporations	3,776,247	4,211,369
<b>Total</b>	<b>19,219,823</b>	<b>17,197,995</b>

As at the end of each of the reporting period, part of the available-for-sale financial assets was pledged for repurchase agreements (Note 28(a)).

## 21 Available-for-sale financial assets (continued)

### (b) Available-for-sale equity investments

Available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less impairment losses, if any.

## 22 Held-to-maturity investments

### Analyzed by type and location of issuers

	Note	31 December 2015	2014
Debt securities issued by the following institutions in mainland China			
– Government		4,749,402	4,770,545
– Banks and other financial institutions		2,942,193	2,519,397
– Corporations		19,738	49,650
Total carrying value	22(a)	7,711,333	7,339,592
Unlisted		7,711,333	7,339,592
Fair value		7,976,975	7,283,142

Note:

- (a) As at the end of each of the reporting period, part of the held-to-maturity investments was pledged as security for repurchase agreements (Note 28(a)).
- (b) The Group has not disposed of any held-to-maturity debt investments prior to their maturity dates during the reporting period.

## 23 Debt securities classified as receivables

	Note	31 December	
		2015	2014
Wealth management products issued by financial institutions	23(a)	—	2,773,195
Beneficial interest transfer plans	23(b)/(c)	<b>166,989,654</b>	76,561,529
Gross balance		<b>166,989,654</b>	79,334,724
Less: Provision for impairment losses		<b>(507,269)</b>	(78,266)
Net balance		<b>166,482,385</b>	79,256,458

Note:

- (a) Wealth management products issued by financial institutions are fixed-term products.
- (b) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, security companies, insurance companies and asset management companies. In 2015, the Group disposed of certain amount of its investments in the beneficial interest transfer plans, via a number of transactions, with an aggregate outstanding balances of RMB30,813 million and associated interest receivables of RMB134 million, respectively. The total considerations received by the Group from such disposals amounted to RMB30,947 million. Out of which, the Group subsequently bought back part of the aforementioned investments in the beneficial interest transfer plans with an aggregated amount of RMB9,785 million, at a consideration of RMB9,846 million, before the year ended 31 December 2015.
- (c) As at the end of 2015 and 2014, part of investments in beneficial interest transfer plans held by the Bank were under forward sale contracts with financial institutions in mainland China, the notional amount of which was RMB250 million and RMB4,860 million.
- (d) The fair values of investments mentioned in note (a), (b) and (c) approximate to their carrying amounts.
- (e) As at the end of each of the reporting period, part of the debt securities classified as receivables was pledged for repurchase agreements (Note 28(a)).

## 24 Investments in subsidiaries

### The Bank

	Note	31 December 2015	2014
Taihe Yimin Village Bank Co., Ltd. (“錦州太和益民村鎮銀行股份有限公司”)	24(a)	60,450	60,450
Yixian Xianghe Village Bank Co., Ltd. (“遼寧義縣祥和村鎮銀行股份有限公司”)	24(b)	63,240	63,240
Beizhen Yimin Village Bank Co., Ltd. (“錦州北鎮益民村鎮銀行股份有限公司”)	24(c)	49,290	49,290
Heishan Jinhang Village Bank Co., Ltd. (“遼寧黑山錦行村鎮銀行股份有限公司”)	24(d)	57,750	57,750
Kazuo Jinhang Village Bank Co., Ltd. (“遼寧喀左錦行村鎮銀行股份有限公司”)	24(e)	49,900	—
Bank of Jinzhou Financial Leasing Co., Ltd. (“錦銀金融租賃有限責任公司”)	24(f)	600,000	—
<b>Total</b>		<b>880,630</b>	<b>230,730</b>

#### Note:

- (a) Taihe Yimin Village Bank Co., Ltd. (“Taihe Yimin”) was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Yimin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Yimin. The financial statements of Taihe Yimin for the years ended 31 December 2015 and 2014 were audited by KPMG Huazhen LLP.
- (b) Yixian Xianghe Village Bank Co., Ltd. (“Yixian Xianghe”) was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB108.49 million. The principal activities of Yixian Xianghe are the provision of corporate and retail banking services. The Bank holds 58.29% of equity interest and voting rights of Yixian Xianghe. The financial statements of Yixian Xianghe for the years ended 31 December 2015 and 2014 were audited by KPMG Huazhen LLP.
- (c) Beizhen Yimin Village Bank Co., Ltd. (“Beizhen Yimin”) was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Yimin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Yimin. The financial statements of Beizhen Yimin for the years ended 31 December 2015 and 2014 were audited by KPMG Huazhen LLP.
- (d) Heishan Jinhang Village Bank Co., Ltd. (“Heishan Jinhang”) was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinhang are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 66.59% of voting rights of Heishan Jinhang. The financial statements for the years ended 31 December 2015 and 2014 were audited by KPMG Huazhen LLP.
- (e) Kazuo Jinhang Village Bank Co., Ltd. (“Kazuo Jinhang”) was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinhang are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinhang. The financial statements for the year ended 31 December 2015 were audited by KPMG Huazhen LLP.
- (f) Bank of Jinzhou Financial Leasing Co., Ltd. (“Jinyin Leasing”) was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. The Bank holds 60.00% of equity interest and voting rights of Jinyin Leasing. The financial statements for the year ended 31 December 2015 were audited by KPMG Huazhen LLP.

(Expressed in thousands of Renminbi, unless otherwise stated)

## 25 Property and equipment

	Premises	Investment properties	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
<b>Cost</b>							
As at 1 January 2014	3,882,597	64,823	306,611	61,366	119,807	450,865	4,886,069
Additions	534,643	—	597,441	5,174	3,355	73,866	1,214,479
Transfers in/(out) of construction in progress	628,547	—	(638,692)	—	10,145	—	—
Transfers (out)/in of investment properties	(3,440)	3,440	—	—	—	—	—
Transfers out to other assets	—	—	(22,763)	—	—	—	(22,763)
Disposals	(6,501)	—	—	(941)	—	(7,050)	(14,492)
As at 31 December 2014	5,035,846	68,263	242,597	65,599	133,307	517,681	6,063,293
As at 1 January 2015	5,035,846	68,263	242,597	65,599	133,307	517,681	6,063,293
Additions	94,372	—	598,223	3,285	7,449	78,326	781,655
Transfers in/(out) of construction in progress	417,715	—	(438,488)	—	20,773	—	—
Transfers in/(out) of leasehold improvements	736	—	—	—	(775)	—	(39)
Transfers in/(out) of investment properties	68,263	(68,263)	—	—	—	—	—
Transfers out to other assets	—	—	(30,346)	—	—	—	(30,346)
Disposals	(113,764)	—	—	(1,421)	—	(4,650)	(119,835)
As at 31 December 2015	5,503,168	—	371,986	67,463	160,754	591,357	6,694,728
<b>Accumulated depreciation</b>							
As at 1 January 2014	(437,423)	(10,561)	—	(36,698)	(27,685)	(232,282)	(744,649)
Charge for the year	(135,835)	(1,705)	—	(8,236)	(13,413)	(72,610)	(231,799)
Transfers out/(in) of investment properties	816	(816)	—	—	—	—	—
Disposals	3,049	—	—	893	—	6,718	10,660
As at 31 December 2014	(569,393)	(13,082)	—	(44,041)	(41,098)	(298,174)	(965,788)
As at 1 January 2015	(569,393)	(13,082)	—	(44,041)	(41,098)	(298,174)	(965,788)
Charge for the year	(174,305)	(1,285)	—	(7,313)	(15,743)	(70,052)	(268,698)
Transfers out of leasehold improvement	—	—	—	—	39	—	39
Transfers (in)/out of investment properties	(14,367)	14,367	—	—	—	—	—
Disposals	3,166	—	—	1,012	—	4,421	8,599
As at 31 December 2015	(754,899)	—	—	(50,342)	(56,802)	(363,805)	(1,225,848)
<b>Net book value</b>							
As at 31 December 2014	4,466,453	55,181	242,597	21,558	92,209	219,507	5,097,505
As at 31 December 2015	4,748,269	—	371,986	17,121	103,952	227,552	5,468,880

## 25 Property and equipment (continued)

As at 31 December 2015 and 2014, title deeds were not yet finalised for the premises with a carrying amount of RMB1,606 million and RMB1,602 million, respectively. Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB832 million and RMB540 million. According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises.

The net book values of premises at the end of each of the reporting period are analyzed by the remaining terms of the leases as follows:

	31 December 2015	2014
Held in mainland China		
– Long term leases (over 50 years)	85,882	86,755
– Medium term leases (10 - 50 years)	4,653,488	4,370,462
– Short term leases (less than 10 years)	8,899	9,236
<b>Total</b>	<b>4,748,269</b>	<b>4,466,453</b>

The net book values of investment properties at the end of each of the reporting period are analyzed by the remaining terms of the leases as follows:

	31 December 2015	2014
Held in mainland China		
– Medium term leases (10 - 50 years)	—	55,067
– Short term leases (less than 10 years)	—	114
<b>Total</b>	<b>—</b>	<b>55,181</b>

## 26 Deferred tax assets and liabilities

### (a) Analyzed by nature

	31 December 2015	2014
Deferred tax assets	700,822	399,966

**26 Deferred tax assets and liabilities (continued)****(b) Movements of deferred tax**

	Provision for impairment losses Note (i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
1 January 2014	139,167	53,297	237,070	2,544	432,078
Recognized in profit or loss	233,914	707	113	2,312	237,046
Recognized in other comprehensive income	—	—	(269,158)	—	(269,158)
31 December 2014	373,081	54,004	(31,975)	4,856	399,966
Recognized in profit or loss	<b>483,160</b>	<b>(10,362)</b>	<b>(19,410)</b>	<b>(8,260)</b>	<b>445,128</b>
Recognized in other comprehensive income	—	—	<b>(144,272)</b>	—	<b>(144,272)</b>
31 December 2015	<b>856,241</b>	<b>43,642</b>	<b>(195,657)</b>	<b>(3,404)</b>	<b>700,822</b>

Note:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realized.



## 27 Other assets

	31 December	
	2015	2014
Long-term deferred expense	203,509	193,246
Intangible assets	134,405	113,506
Repossessed assets	23,938	77,020
Prepayments for acquisition of property and equipment	179,411	52,302
Deferred expense	68,091	55,514
Land use right	87,798	29,673
Other receivables	161,533	31,385
<b>Total</b>	<b>858,685</b>	<b>552,646</b>

## 28 Pledged assets

### (a) Assets pledged as collateral

Financial assets pledged by the Group as collateral for liabilities or contingent liabilities mainly include debt securities, interbank certificates of deposit and beneficial interest transfer plans, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collateral as at 31 December 2015 and 2014 is RMB23,397 million and RMB10,376 million, respectively.

### (b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the reporting period, the Group did not hold any resale agreement under which collaterals were permitted to be sold or replended in the absence of the counterparty's default.

## 29 Deposits from banks and other financial institutions

### Analyzed by type and location of counterparty

	31 December	
	2015	2014
Deposits in mainland China		
– Banks	81,401,343	49,665,269
– Other financial institutions	34,949,835	32,792,355
<b>Total</b>	<b>116,351,178</b>	<b>82,457,624</b>

### 30 Placements from banks and other financial institutions

#### Analyzed by type and location of counterparty

	31 December	
	2015	2014
Placements in mainland China		
– Banks	3,855,808	3,044,677

### 31 Financial assets sold under repurchase agreements

#### (a) Analyzed by type and location of counterparty

	31 December	
	2015	2014
In mainland China		
– Banks	17,514,100	9,573,000
– Other financial institutions	2,730,000	686,000
Total	20,244,100	10,259,000

#### (b) Analyzed by collateral

	31 December	
	2015	2014
Debt securities	13,551,100	10,259,000
Interbank certificates of deposit	750,000	—
Others	5,943,000	—
Total	20,244,100	10,259,000

## 32 Deposits from customers

	31 December	
	2015	2014
Demand deposits		
– Corporate customers	25,466,543	24,109,326
– Individual customers	11,710,048	10,695,799
Sub-total	37,176,591	34,805,125
Time deposits		
– Corporate customers	51,332,787	31,417,909
– Individual customers	45,081,735	33,795,940
Sub-total	96,414,522	65,213,849
Pledged deposits		
– Acceptances	19,433,971	13,956,452
– Letters of credit	2,484,179	1,462,614
– Letters of guarantees	730,815	755,769
– Others	21,589	6,697
Sub-total	22,670,554	16,181,532
Inward and outward remittances	39,415	36,291
Structured deposits		
– Corporate customers	10,729,510	3,136,200
– Individual customers	3,148,130	30,000
Total	170,178,722	119,402,997

### 33 Accrued staff costs

	Note	31 December 2015	2014
Salary and welfare payable		80,468	104,100
Pension payable	33(a)	33,415	32,600
Supplementary retirement benefits payable	33(b)	24,452	24,409
Other long-term staff welfare payable	33(c)	108,526	116,836
<b>Total</b>		<b>246,861</b>	<b>277,945</b>

#### (a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

#### (b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the reporting period. The Group's obligations in respect of the SRB were assessed using expected cumulative unit credit method by qualified staff (a member of society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

##### (i) The balances of SRB of the Group are as follows:

	31 December 2015	2014
Present value of SRB obligation	24,452	24,409

#### (b) Supplementary retirement benefits ("SRB")

##### (ii) Movements of SRB of the Group are as follows:

	2015	2014
As at 1 January	24,409	19,425
Service cost	692	512
Interest cost	1,026	1,007
Actuarial (gains)/losses	(1,315)	3,916
Payments made	(360)	(451)
<b>As at 31 December</b>	<b>24,452</b>	<b>24,409</b>

Interest cost was recognized in staff costs, see Note 8.

### 33 Accrued staff costs (continued)

#### (b) Supplementary retirement benefits ("SRB") (continued)

(iii) Principal actuarial assumptions of the Group are as follow:

	31 December	
	2015	2014
Discount rate	3.75%	4.25%
Mortality	CLA 00-03	CLA 00-03
Demission Rate	2.00%	2.00%
Normal retirement age		
Male	60	60
Female	55	55

(iv) Sensitivity analysis:

	31 December 2015		31 December 2014	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(4,087)	5,333	(3,965)	5,152
Demission rate (1% movement)	(1,597)	1,859	(1,618)	1,881

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

#### (c) Other long-term staff welfare payable

The Group pays compensation for long-term absence of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the reporting period. The Group's obligations in respect of other long-term staff welfare payable were assessed using expected cumulative unit credit method by qualified staff (a member of society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of other long-term staff welfare payable of the Group are as follows:

	31 December	
	2015	2014
Present value of other long-term staff welfare payable obligation	108,526	116,836

**33 Accrued staff costs (continued)****(c) Other long-term staff welfare payable (continued)****(ii) Movements of other long-term staff welfare of the Group are as follows:**

	2015	2014
As at 1 January	116,836	127,553
Service cost	8,334	4,283
Interest cost	3,729	5,257
Actuarial losses/(gains)	4,357	(573)
Payments made	(24,730)	(19,684)
As at 31 December	108,526	116,836

Interest cost was recognized in staff costs, see Note 8.

**(iii) Principal actuarial assumptions of the Group are as follow:**

	31 December	
	2015	2014
Discount rate	2.75%	3.50%
Mortality	CLA 00-03	CLA00-03
Early retirement wage growth rate	4.00%	4.00%

**(iv) Sensitivity analysis:**

	31 December 2015		31 December 2014	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(5,126)	5,679	(5,181)	5,731
Early retirement wage growth rate (1% movement)	5,551	(5,114)	4,982	(4,595)

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

Except as mentioned in (a), (b) and (c) above, the Group has no significant responsibilities to pay any other retirement benefits to retired employees.

**34 Taxes payable**

	31 December	
	2015	2014
Business tax and surcharges payable	133,984	106,893
Income tax payable	503,233	285,611
Others	28,115	20,290
Total	665,332	412,794

### 35 Interests payable

	31 December	
	2015	2014
Interests payable arising from:		
– Deposits from customers	4,205,914	2,741,879
– Deposits from banks and other financial institutions	1,042,331	485,360
– Others	97,521	119,622
<b>Total</b>	<b>5,345,766</b>	<b>3,346,861</b>

### 36 Debt securities issued

	Note	31 December	
		2015	2014
Subordinated debts issued	36(a)	—	500,000
Tier two capital debts issued	36(b)	1,500,000	1,500,000
<b>Total</b>		<b>1,500,000</b>	<b>2,000,000</b>

#### (a) Subordinated debts issued

	31 December	
	2015	2014
Subordinated fixed rate debts maturing in September 2020	—	500,000

Fixed rate subordinated debts of RMB500 million with a term of ten years were issued on 17 September 2010. The coupon rate is 5.90% for the first five years. The Group redeemed such debts in full on 17 September 2015 at the nominal amount.

#### (b) Tier two capital debts issued

	Note	31 December	
		2015	2014
Fixed rate tier two capital debts maturing in January 2024	(i)	1,500,000	1,500,000

Note:

- (i) Fixed rate Tier Two capital debts of RMB1,500 million with a term of ten years was issued on 24 January 2014. The coupon rate is 7.00%. The Group has an option to redeem the debts on 28 January 2019 at the nominal amount.
- (ii) As at 31 December 2015, the fair value of tier two capital debts issued amounts to RMB1,615million.



(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 Other liabilities

		31 December	
		2015	2014
Wealth management fund	Note	—	3,132,450
Dividend payable		157,884	46,868
Payment and collection clearance accounts		51,909	39,608
Deferred income		216,808	1,520
Asset backed security payable		150,379	—
Capital payable		535,986	—
Others		450,708	271,035
<b>Total</b>		<b>1,563,674</b>	<b>3,491,481</b>

Note: The Group accounts for the proceeds received from customers for acquisition of principal guaranteed wealth management products issued by the Group which are not managed or measured at the fair value as other liabilities. The corresponding assets are presented in respective line items of the statement of financial position.

### 38 Movement in components of equity

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the reporting period are set out below:

	Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total
Balance at 1 January 2015	4,402,234	4,962,149	802,364	3,159,078	2,315,421	15,641,246
Changes in equity for the year:						
Total comprehensive income	—	434,132	—	—	4,896,674	5,330,806
Changes in share capital						
– Capital contributed by equity shareholders	1,379,382	3,756,139	—	—	—	5,135,521
Appropriation of profits						
– Appropriation to surplus reserve	—	—	489,667	—	(489,667)	—
– Appropriation to general reserve	—	—	—	1,642,371	(1,642,371)	—
– Appropriation to shareholders	—	—	—	—	(528,268)	(528,268)
<b>Balance at 31 December 2015</b>	<b>5,781,616</b>	<b>9,152,420</b>	<b>1,292,031</b>	<b>4,801,449</b>	<b>4,551,789</b>	<b>25,579,305</b>

### 38 Movement in components of equity (continued)

	Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total
Balance at 1 January 1 2014	3,902,234	2,908,590	591,654	2,198,771	1,789,074	11,390,323
Changes in equity for the year:						
Total comprehensive income	—	803,559	—	—	2,107,099	2,910,658
Changes in share capital						
– Capital contributed by equity shareholders	500,000	1,250,000	—	—	—	1,750,000
Appropriation of profits						
– Appropriation to surplus reserve	—	—	210,710	—	(210,710)	—
– Appropriation to general reserve	—	—	—	960,307	(960,307)	—
– Appropriation to shareholders	—	—	—	—	(409,735)	(409,735)
Balance at 31 December 2014	4,402,234	4,962,149	802,364	3,159,078	2,315,421	15,641,246

### 39 Share capital

Share capital of the Group as at 31 December 2015 and 2014 represented share capital of the Bank, which is fully paid.

Share capital as at the end of the reporting period are as follows:

	31 December	
	2015	2014
Number of shares authorised, issued and fully paid at par value (in thousands)	5,781,616	4,402,234

Note:

- In November 2014, the Bank issued 500,000,000 ordinary shares with a par value of RMB1 at RMB3.5 per share. The premium arising from the issuance of new shares amounting to RMB1,250 million was recorded in capital reserve.
- On 7 December 2015, the Bank issued 1,200,000,000 new H-shares with a par value of RMB1 at an offering price of HKD4.66 per share and on 23 December 2015, the Bank partially exercised the over-allotment option and issued 179,381,818 new H-shares with a par value of RMB1 at an offering price of HKD4.66 per share. The premium arising from these offerings amounting to RMB3,756 million was recorded in capital reserve.

## 40 Capital reserve

	31 December	
	2015	2014
Share premium	8,614,318	4,858,179
Fair value changes on available-for-sale financial assets	530,208	97,391
Changes on remeasurement of defined benefit liabilities	223	(1,092)
Others	8,149	8,149
<b>Total</b>	<b>9,152,898</b>	<b>4,962,627</b>

## 41 Surplus reserve and general reserve

### (a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 31 December 2015 and 2014 is RMB1,280 million and RMB790 million, respectively, while other surplus reserve is RMB12 million at 31 December 2015 correspondingly. The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

### (b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Bank is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

## 42 Appropriation of profits

- (a) In accordance with the resolution at the Bank's Annual General Meeting on 24 June 2014, the shareholders approved the following profit appropriations for the year ended 31 December 2013:
- Appropriation of statutory surplus reserve amounted to RMB132.68 million, based on 10% of the net profit of the Bank.
  - Appropriation of general reserve amounted to RMB850.40 million.
  - Declaration of cash dividend of RMB1.05 per 10 shares before tax and in aggregation amount of RMB409.74 million to all shareholders.

## 42 Appropriation of profits (continued)

- (b) In accordance with the resolution at the Bank's Annual General Meeting on 25 June 2015, the shareholders approved the following profit appropriations for the year ended 31 December 2014:
- Appropriation of statutory surplus reserve amounted to RMB210.71 million, based on 10% of the net profit of the Bank.
  - Appropriation of general reserve amounted to RMB960.31 million.
  - Declaration of cash dividend of RMB1.20 per 10 shares before tax and in aggregation amount of RMB528.27 million to all shareholders.
- (c) In accordance with the resolution of the Bank's Board of directors meeting on 23 March 2016, the proposed profit appropriations for the year ended 31 December 2015 is listed as follows:
- Appropriate statutory surplus reserve amounted to RMB489.67 million, based on 10% of the net profit of the Bank.
  - Appropriate general reserve amounted to RMB1,642.37 million.
  - Declaration of cash dividend of RMB0.135 per shares before tax and in aggregation amount of RMB780.52 million to all shareholders.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

## 43 Involvement with unconsolidated structured entities

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include entities set up for wealth management products and beneficial interest transfer plans ("Asset management plans"). The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognized as at 31 December 2015 and 2014:

	Carrying amount 31 December	
	2015	2014
Debt securities classified as receivables	166,482,385	79,256,458

As at 31 December 2015 and 2014, the carrying amounts of the asset management plans are equal to the maximum exposures.

### 43 Involvement with unconsolidated structured entities *(continued)*

**(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:**

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2015 and 2014, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at 31 December 2015 and 2014, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB13,497 million and RMB2,923 million, respectively.

In addition, unconsolidated structured entities sponsored by the Group also include asset-backed securities. In March 2015, the Group transferred a portfolio of customer loans with book value of RMB3,122.5 million to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. As at 31 December 2015, the balances of these asset-backed securities held by the Group are RMB103.9 million. There were no asset-backed securities sponsored by the Group in 2014.

Under the servicing arrangements with the independent trust company, the Group collects the cash flows of the transferred assets on behalf of the unconsolidated securitization vehicle. In return, the Group receives a fee that is expected to compensate the Group for servicing the related assets.

**(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2015 and 2014:**

For the year of ended 31 December 2015 and 2014, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December amounted to RMB5,694 million and RMB497 million, respectively.

## 44 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since 1 January 2013, the Group started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC. As at and prior to 31 December 2012, the Group computed its capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. During the reporting period, the Group has complied with all its externally imposed capital requirements.

(Expressed in thousands of Renminbi, unless otherwise stated)

**44 Capital management (continued)**

The Group's capital adequacy ratios as at 31 December 2015 and 2014 calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC are as follows:

	31 December 2015	31 December 2014
Total core tier-one capital		
– Share capital	5,781,616	4,402,234
– Qualifying portion of capital reserve	9,152,898	4,962,627
– Surplus reserve	1,292,031	802,364
– General reserve	4,801,449	3,159,078
– Retained earnings	4,570,467	2,332,012
– Qualifying portions of non-controlling interests	318,993	152,562
Core tier-one capital deductions		
– Other intangible assets other than land use right	(134,405)	(113,506)
Net core tier-one capital	25,783,049	15,697,371
Other tier-one capital	6,642	2,824
Net tier-one capital	25,789,691	15,700,195
Tier-two capital		
– Instruments issued and share premium	1,500,000	1,900,000
– Surplus provision for loan impairment	2,890,504	1,371,819
– Qualifying portions of non-controlling interests	13,284	9,569
Net capital base	30,193,479	18,981,583
Total risk weighted assets	287,662,070	181,710,777
Core tier one capital adequacy ratio	8.96%	8.64%
Tier one capital adequacy ratio	8.97%	8.64%
Capital adequacy ratio	10.50%	10.45%

**45 Notes to consolidated cash flow statements****(a) Net increase/(decrease) in cash and cash equivalents**

	Years ended 31 December	
	2015	2014
Cash and cash equivalents as at 31 December	4,802,961	4,485,158
Less: Cash and cash equivalents as at 1 January	(4,485,158)	(5,389,412)
Net increase/(decrease) in cash and cash equivalents	317,803	(904,254)



## 45 Notes to consolidated cash flow statements (continued)

### (b) Cash and cash equivalents

	31 December	
	2015	2014
Cash on hand	482,284	555,363
Deposits with the central bank	2,754,493	3,254,340
Deposits with banks and other financial institutions	1,566,184	675,455
Total	4,802,961	4,485,158

## 46 Related party relationships and transactions

### (a) Related parties of the Group

There is no immediate and ultimate controlling party of the Group during the reporting period. Related parties of the group during the reporting period are disclosed as follows:

Related party	Relationship with the Group
– Jinlian Investment Group Co., Ltd. (「錦聯控股集團有限公司」)	Enterprise under the control of directors
– Jincheng Logistics International Group Co., Ltd. (「錦程國際物流集團股份有限公司」)	Enterprise under the control of directors
– Dalian Changxing Island Green-city Development Co., Ltd. (「大連長興島綠城發展有限公司」)	Enterprise under the control of directors
– Dalian Jincheng Logistics Network Service Co., Ltd. (「大連錦程物流網絡技術有限公司」)	Enterprise under the control of directors
– Jincheng International Air Freight Service. Co., Ltd. (「錦程國際航空貨運服務有限公司」)	Enterprise under the control of directors
– Shenyang Longxi Real Estate Development Co., Ltd. (「瀋陽龍壘房地產開發有限公司」)	Enterprise under the control of directors
– Panjin Jialun Zhiye Co., Ltd. (「盤錦加倫置業有限公司」)	Enterprise under the control of directors
– Jinzhou Jinhua Co., Ltd. (「錦州錦華股份有限公司」)	Enterprise under the control of directors
– Jinzhou Shunda Petrochemical Commercial and Trading Co., Ltd. (「錦州順達石化經貿有限公司」)	Enterprise under the control of supervisors
– Jinzhou Asphalt Factory (「錦州市瀝青廠」)	Enterprise under the control of supervisors
– Beizhen Deying oil Shale Processing Co., Ltd. (「北鎮德營油母葉岩油有限公司」)	Enterprise under the control of supervisors
– Jinzhou Huaxin Asset Managementv (Group) Co., Ltd. (「錦州華信資產經營(集團)有限公司」)	Enterprise under the control of supervisors
– Liaoning Dongya Seed Industry Co., Ltd. (「遼寧東亞種業有限公司」)	Enterprise under the control of supervisors
– Liaoning Fuyou Seed Industry Co., Ltd. (「遼寧富友種業有限公司」)	Enterprise under the control of supervisors
– Liaoning Fuyou Fertilizer Co., Ltd. (「遼寧富友肥業有限公司」)	Enterprise under the control of supervisors
– Liaoning Fuyou Feed Co., Ltd. (「遼寧富友飼料有限公司」)	Enterprise under the control of supervisors
– Liaoning Donglijia Animal husbandry Co., Ltd. (「遼寧東利佳牧業有限公司」)	Enterprise under the control of supervisors
– Liaoning Meifeng Seed Industry Co., Ltd. (「遼寧美鋒種業有限公司」)	Enterprise under the control of supervisors

Note: The official names of these related parties are in Chinese. The English translation is for reference only.

## 46 Related party relationships and transactions (continued)

### (b) Transactions with related parties other than key management personnel

#### (i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on combination and therefore are not disclosed in this note.

#### (ii) Transactions between the Group and other related parties:

	Years ended 31 December	
	2015	2014
Transactions during the year:		
Interest income	107,573	123,096
Interest expense	95	89
	At 31 December	
	2015	2014
Balances at end of the year:		
Loans and advances to customers	1,849,690	2,032,190
Interests receivable	3,270	4,284
	1,852,960	2,036,474
Deposits from customers	13,692	931
Interests payable	4	—
Other liabilities	1,730	1,730
	15,426	2,661

### (c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

#### (i) Transactions between the Group and key management personnel

	Years ended 31 December	
	2015	2014
Transactions during the year:		
Interest income	771	789
Interest expense	1,315	138

## 46 Related party relationships and transactions (continued)

### (c) Key management personnel (continued)

#### (i) Transactions between the Group and key management personnel(continued)

	At 31 December	
	2015	2014
Balances at end of the year:		
Loans and advances to customers	12,801	13,524
Interests receivable	19	62
Deposits from customers	7,781	9,146
Interests payable	140	1

#### (ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Years ended 31 December	
	2015	2014
Short-term staff benefits	20,726	20,315
Retirement benefits		
– Basic social pension insurance	4,809	4,768

#### (d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383(1) (d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Years ended 31 December	
	2015	2014
Aggregate amount of relevant loans outstanding at the year end	12,801	13,524
Maximum aggregate amount of relevant loans outstanding during the reporting period	13,901	14,219

## 47 Segment reporting

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

### Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

### Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

### Treasury business

This segment covers the Group's treasury operations. The treasury business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including the issuance of debts.

### Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

## 47 Segment reporting (continued)

### (a) Segment results, assets and liabilities

	Year ended 31 December 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	3,924,357	(1,476,845)	8,356,801	—	10,804,313
Internal net interest (expense)/income	(171,264)	2,470,195	(2,298,931)	—	—
Net interest income	3,753,093	993,350	6,057,870	—	10,804,313
Net fee and commission income	224,414	93,797	182,579	—	500,790
Net trading gains	—	—	97,164	—	97,164
Dividend income	—	—	6,440	—	6,440
Net gains arising from investment securities	—	—	2,896	—	2,896
Foreign exchange gain	48,702	62	36,960	171	85,895
Other net operating income	—	—	—	19,886	19,886
Operating income	4,026,209	1,087,209	6,383,909	20,057	11,517,384
Operating expenses	(1,284,355)	(520,164)	(909,797)	(10,556)	(2,724,872)
Operating profit before impairment	2,741,854	567,045	5,474,112	9,501	8,792,512
Impairment losses on assets	(1,680,191)	(187,566)	(429,003)	(183)	(2,296,943)
Profit before tax	1,061,663	379,479	5,045,109	9,318	6,495,569
Segment assets	88,500,160	9,858,784	255,773,910	6,826,237	360,959,091
Deferred tax assets	—	—	—	700,822	700,822
Total assets	88,500,160	9,858,784	255,773,910	7,527,059	361,659,913
Segment liabilities	116,881,258	72,117,521	144,026,142	2,205,794	335,230,715
Dividend payable	—	—	—	157,884	157,884
Total liabilities	116,881,258	72,117,521	144,026,142	2,363,678	335,388,599
Other segment information					
– Depreciation and amortization	(164,692)	(66,700)	(116,663)	(1,353)	(349,408)
– Capital expenditure	438,282	177,504	310,466	3,602	929,854

(Expressed in thousands of Renminbi, unless otherwise stated)

**47 Segment reporting (continued)****(a) Segment results, assets and liabilities (continued)**

	Year ended 31 December 2014				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	4,425,512	(741,096)	1,944,007	—	5,628,423
Internal net interest (expense)/income	(1,720,395)	1,587,411	132,984	—	—
Net interest income	2,705,117	846,315	2,076,991	—	5,628,423
Net fee and commission income	91,914	23,029	1,380	—	116,323
Net trading gains	—	—	470	—	470
Dividend income	—	—	6,360	—	6,360
Net gains arising from investment securities	—	—	8,396	—	8,396
Foreign exchange gain/(loss)	10,613	5	(2,746)	—	7,872
Other net operating income	—	—	—	26,765	26,765
Operating income	2,807,644	869,349	2,090,851	26,765	5,794,609
Operating expenses	(1,056,721)	(450,019)	(699,895)	(6,855)	(2,213,490)
Operating profit before impairment	1,750,923	419,330	1,390,956	19,910	3,581,119
Impairment losses on assets	(649,752)	(56,515)	(78,266)	(8,936)	(793,469)
Profit before tax	1,101,171	362,815	1,312,690	10,974	2,787,650
Segment assets	79,518,322	7,740,749	156,828,527	6,205,156	250,292,754
Deferred tax assets	—	—	—	399,966	399,966
Total assets	79,518,322	7,740,749	156,828,527	6,605,122	250,692,720
Segment liabilities	77,013,199	51,770,124	101,969,776	4,015,617	234,768,716
Dividend payable	—	—	—	46,868	46,868
Total liabilities	77,013,199	51,770,124	101,969,776	4,062,485	234,815,584
Other segment information					
– Depreciation and amortization	(155,577)	(66,255)	(103,043)	(1,009)	(325,884)
– Capital expenditure	639,430	272,311	423,512	4,148	1,339,401

## 47 Segment reporting (continued)

### (b) Geographical information

The Group operates principally in Jinzhou, Northeastern China and Northern China.

Non-current assets include property and equipment, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jinzhou” refers to the head quarter of the Bank, Jinzhou branch and the four subsidiaries of the Group.
- “Northeastern China” refers to the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin and the two subsidiaries of the Group.
- “Northern China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income	
	Year ended 31 December	
	2015	2014
Jinzhou	7,713,867	3,012,681
Northeastern China	1,348,687	1,247,664
Northern China	2,454,830	1,534,264
<b>Total</b>	<b>11,517,384</b>	<b>5,794,609</b>

	Non-current assets	
	At 31 December	
	2015	2014
Jinzhou	2,238,080	2,143,925
Northeastern China	2,599,948	2,229,825
Northern China	749,104	774,725
<b>Total</b>	<b>5,587,132</b>	<b>5,148,475</b>



## 48 Risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyze the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

#### Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Credit Approval Department, Credit Management Department, and Risk and Compliance Department, and the Group dispatch Risk Management Officer and Credit Officer to the first-level branches. The Risk and Compliance Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk and Compliance Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments such as the Corporate Banking Department and the Retail Banking Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. The Group has further enhanced the parallel operating mechanism. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

## 48 Risk management (continued)

### (a) Credit risk (continued)

#### Credit business (continued)

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

#### Treasury Business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

**48 Risk management (continued)****(a) Credit risk (continued)****(i) Maximum credit risk exposure**

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the reporting period.

**(ii) Financial assets analyzed by credit quality are summarized as follows:**

	31 December 2015			
	Loans and advances	Deposits/ Placements with banks and other financial institutions	Investments (*)	Others (**)
<i>Impaired</i>				
Individually assessed gross amount	1,046,022	—	—	12,588
Provision for impairment losses	(746,732)	—	—	(12,588)
Sub-total	299,290	—	—	—
<i>Overdue but not Impaired</i>				
Less than three months (inclusive)	1,223,070	—	—	—
Between three months and six months (inclusive)	323,042	—	—	—
More than six months	328,669	—	—	—
Gross amount	1,874,781	—	—	—
Provision for impairment losses	(125,587)	—	—	—
Sub-total	1,749,194	—	—	—
<i>Neither overdue nor impaired</i>				
Gross amount	98,253,607	15,604,350	209,481,018	2,923,594
Provision for impairment losses	(2,988,885)	—	(507,269)	—
Sub-total	95,264,722	15,604,350	208,973,749	2,923,594
Total	97,313,206	15,604,350	208,973,749	2,923,594

## 48 Risk management (continued)

### (a) Credit risk (continued)

#### (ii) Financial assets analyzed by credit quality are summarized as follows: (continued)

	Loans and advances	31 December 2014 Deposits/ Placements with banks and other financial institutions	Investments (*)	Others (**)
<i>Impaired</i>				
Individually assessed gross amount	878,647	—	—	12,405
Provision for impairment losses	(546,880)	—	—	(12,405)
Sub-total	331,767	—	—	—
<i>Overdue but not Impaired</i>				
Less than three months (inclusive)	939,344	—	—	—
Between three months and six months (inclusive)	55,986	—	—	—
More than six months	16,244	—	—	—
Gross amount	1,011,574	—	—	—
Provision for impairment losses	(82,488)	—	—	—
Sub-total	929,086	—	—	—
<i>Neither overdue nor impaired</i>				
Gross amount	86,909,039	12,520,605	113,862,563	1,643,845
Provision for impairment losses	(1,621,098)	—	(78,266)	—
Sub-total	85,287,941	12,520,605	113,784,297	1,643,845
Total	86,548,794	12,520,605	113,784,297	1,643,845

\* Investments comprise financial assets at fair value through profit or loss, available-for-sale debt investments, held-to-maturity investments and debt securities classified as receivables.

\*\* Others comprise interests receivable, prepayments for acquisition of property and equipment, other receivables in other assets and positive fair value of derivatives.

## 48 Risk management (continued)

### (a) Credit risk (continued)

#### (iii) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as at the end of each of the reporting period are as follows:

	31 December	
	2015	2014
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	23,098,687	21,906,604
– AA- to AA+	2,647,400	2,463,508
– A- to A+	218,881	229,958
– unrated	1,088,403	—
<b>Total</b>	<b>27,053,371</b>	<b>24,600,070</b>

### (b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its treasury business. The Treasury Transaction Department is responsible for carrying out capital investments and transactions. The Finance Management Department and the International Business Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Risk and Compliance Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the major tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the major tools used by the Group to measure and monitor the market risk of its non-trading businesses.

## 48 Risk management (continued)

### (b) Market risk (continued)

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

#### Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

#### Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

## 48 Risk management (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

##### Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

- (i) The following tables indicate the assets and liabilities as at the end of each of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	Total	31 December 2015				More than five years
		Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	
<b>Assets</b>						
Cash and deposits with the central bank	30,099,321	482,284	29,617,037	—	—	—
Deposits with banks and other financial institutions	14,954,990	—	9,122,424	4,678,066	1,154,500	—
Placements with banks and other financial institutions	649,360	—	—	649,360	—	—
Loans and advances to customers (Note (i))	97,313,206	—	25,901,958	35,008,329	35,211,865	1,191,054
Investments (Note (ii))	209,031,999	58,250	20,991,656	77,799,692	100,573,260	9,609,141
Others	9,611,037	9,600,359	10,678	—	—	—
<b>Total assets</b>	<b>361,659,913</b>	<b>10,140,893</b>	<b>85,643,753</b>	<b>118,135,447</b>	<b>136,939,625</b>	<b>10,800,195</b>
<b>Liabilities</b>						
Deposits from banks and other financial institutions	116,351,178	—	22,887,926	60,832,752	32,480,500	150,000
Placements from banks and other financial institutions	3,855,808	—	3,517,039	338,769	—	—
Financial assets sold under repurchase agreements	20,244,100	—	20,244,100	—	—	—
Deposits from customers	170,178,722	39,415	71,969,350	48,203,992	49,949,166	16,799
Debt securities issued	1,500,000	—	—	—	1,500,000	—
Others	23,258,791	7,688,655	6,255,172	9,314,964	—	—
<b>Total liabilities</b>	<b>335,388,599</b>	<b>7,728,070</b>	<b>124,873,587</b>	<b>118,690,477</b>	<b>83,929,666</b>	<b>166,799</b>
<b>Asset-liability gap</b>	<b>26,271,314</b>	<b>2,412,823</b>	<b>(39,229,834)</b>	<b>(555,030)</b>	<b>53,009,959</b>	<b>10,633,396</b>



## 48 Risk management (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

#### Trading interest rate risk (continued)

#### (i) (continued)

	31 December 2014					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	30,170,499	555,363	29,615,136	—	—	—
Deposits with banks and other financial institutions	12,520,605	—	6,209,105	5,657,000	654,500	—
Loans and advances to customers (Note (i))	86,548,794	—	38,263,290	33,863,999	14,187,962	233,543
Investments (Note (ii))	113,842,547	58,250	6,792,676	42,021,825	54,667,999	10,301,797
Others	7,610,275	7,610,275	—	—	—	—
<b>Total assets</b>	<b>250,692,720</b>	<b>8,223,888</b>	<b>80,880,207</b>	<b>81,542,824</b>	<b>69,510,461</b>	<b>10,535,340</b>
<b>Liabilities</b>						
Borrowing from the central bank	190,000	—	40,000	150,000	—	—
Deposits from banks and other financial institutions	82,457,624	—	14,657,494	35,765,250	32,034,880	—
Placements from banks and other financial institutions	3,044,677	—	2,165,833	878,844	—	—
Financial assets sold under repurchase agreements	10,259,000	—	10,259,000	—	—	—
Deposits from customers	119,402,997	29,140	60,629,926	35,910,626	21,832,774	1,000,531
Debt securities issued	2,000,000	—	—	500,000	1,500,000	—
Others	17,461,286	4,255,386	3,139,050	10,066,850	—	—
<b>Total liabilities</b>	<b>234,815,584</b>	<b>4,284,526</b>	<b>90,891,303</b>	<b>83,271,570</b>	<b>55,367,654</b>	<b>1,000,531</b>
<b>Asset-liability gap</b>	<b>15,877,136</b>	<b>3,939,362</b>	<b>(10,011,096)</b>	<b>(1,728,746)</b>	<b>14,142,807</b>	<b>9,534,809</b>

Note:

- (i) As at 31 December 2015 and 2014, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB2,048 million and RMB1,253 million, respectively.
- (ii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

## 48 Risk management (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

##### Trading interest rate risk (continued)

#### (ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit and equity. As at 31 December 2015 and 2014, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to decrease RMB485 million and decrease RMB103 million, and the Group's equity to decrease RMB911 million and decrease RMB534 million; a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to increase RMB445 million and increase RMB103 million, and the Group's equity to increase RMB898 million and increase RMB562 million.

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the reporting period apply to non-derivative financial instruments of the Group.
- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months.
- There is a parallel shift in the yield curve with the changes in interest rates.
- There are no other changes to the assets and liabilities portfolio.
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

#### Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

## 48 Risk management (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

Trading interest rate risk (continued)

#### (ii) Interest rate sensitivity analysis (continued)

Foreign currency risk (continued)

The Group's currency exposures as at the end of each of the reporting period are as follows:

	At 31 December 2015			
	RMB	USD	Others	Total
	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	29,974,881	122,989	1,451	30,099,321
Deposits with banks and other financial institutions	14,123,930	111,086	719,974	14,954,990
Placements with banks and other financial institutions	—	649,360	—	649,360
Interests receivable	2,515,987	55,698	287	2,571,972
Loans and advances to customers	91,166,643	6,095,582	50,981	97,313,206
Others	215,614,575	51,949	404,540	216,071,064
<b>Total assets</b>	<b>353,396,016</b>	<b>7,086,664</b>	<b>1,177,233</b>	<b>361,659,913</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	115,578,427	772,751	—	116,351,178
Placements from banks and other financial institutions	—	3,812,200	43,608	3,855,808
Deposits from customers	168,339,236	1,829,056	10,430	170,178,722
Interests payable	5,322,486	23,038	242	5,345,766
Others	39,260,742	377,629	18,754	39,657,125
<b>Total liabilities</b>	<b>328,500,891</b>	<b>6,814,674</b>	<b>73,034</b>	<b>335,388,599</b>
<b>Net position</b>	<b>24,895,125</b>	<b>271,990</b>	<b>1,104,199</b>	<b>26,271,314</b>
Off-balance sheet credit commitments	63,828,288	2,746,991	68,321	66,643,600

(Expressed in thousands of Renminbi, unless otherwise stated)

**48 Risk management (continued)****(b) Market risk (continued)****Interest rate risk (continued)**

Trading interest rate risk (continued)

## (ii) Interest rate sensitivity analysis (continued)

## Foreign currency risk (continued)

	At 31 December 2014			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	29,989,334	180,260	905	30,170,499
Deposits with banks and other financial institutions	12,246,781	259,051	14,773	12,520,605
Interests receivable	1,471,606	88,520	32	1,560,158
Loans and advances to customers	78,888,360	7,651,925	8,509	86,548,794
Others	119,892,664	—	—	119,892,664
<b>Total assets</b>	<b>242,488,745</b>	<b>8,179,756</b>	<b>24,219</b>	<b>250,692,720</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	82,457,624	—	—	82,457,624
Placements from banks and other financial institutions	—	3,037,221	7,456	3,044,677
Deposits from customers	115,772,719	3,625,308	4,970	119,402,997
Interests payable	3,294,189	52,639	33	3,346,861
Others	25,346,896	1,206,868	9,661	26,563,425
<b>Total liabilities</b>	<b>226,871,428</b>	<b>7,922,036</b>	<b>22,120</b>	<b>234,815,584</b>
<b>Net position</b>	<b>15,617,317</b>	<b>257,720</b>	<b>2,099</b>	<b>15,877,136</b>
Off-balance sheet credit commitments	37,166,035	256,169	5,571	37,427,775

As the net position of the Group's foreign currency is immaterial, the foreign currency risk is immaterial.

## 48 Risk management (continued)

### (c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Finance Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the bank. It is also responsible for managing and forecasting the working capital on a regular basis together with the Treasury Transaction Department, and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Treasury Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

(Expressed in thousands of Renminbi, unless otherwise stated)

**48 Risk management (continued)****(c) Liquidity risk (continued)**

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of each of the reporting period:

	31 December 2015							Total
	Indefinite Note(i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	26,862,543	3,236,778	—	—	—	—	—	30,099,321
Deposit with banks and other financial institutions	—	1,074,184	5,728,000	2,320,240	4,678,066	1,154,500	—	14,954,990
Placement with banks and other financial institutions	—	—	—	—	649,360	—	—	649,360
Loans and advances to customers	1,394,696	653,789	5,930,019	10,557,147	40,056,859	37,465,799	1,254,897	97,313,206
Investments	58,250	—	10,256,229	10,735,427	77,799,692	100,573,260	9,609,141	209,031,999
Others	7,028,387	58,149	423,162	618,990	1,231,420	250,929	—	9,611,037
<b>Total assets</b>	<b>35,343,876</b>	<b>5,022,900</b>	<b>22,337,410</b>	<b>24,231,804</b>	<b>124,415,397</b>	<b>139,444,488</b>	<b>10,864,038</b>	<b>361,659,913</b>
<b>Liabilities</b>								
Deposits from banks and other financial institutions	—	1,147,926	12,880,000	8,860,000	60,832,752	32,480,500	150,000	116,351,178
Placements from banks and other financial institutions	—	—	1,905,093	1,611,946	338,769	—	—	3,855,808
Financial assets sold under repurchase agreements	—	—	18,244,100	2,000,000	—	—	—	20,244,100
Deposit from customers	—	43,427,010	15,882,369	12,699,386	48,203,992	49,949,166	16,799	170,178,722
Debt securities issued	—	—	—	—	—	1,500,000	—	1,500,000
Others	—	2,264,093	3,780,094	2,711,045	9,259,408	124,576	5,119,575	23,258,791
<b>Total liabilities</b>	<b>—</b>	<b>46,839,029</b>	<b>52,691,656</b>	<b>27,882,377</b>	<b>118,634,921</b>	<b>84,054,242</b>	<b>5,286,374</b>	<b>335,388,599</b>
<b>Long/(short) position</b>	<b>35,343,876</b>	<b>(41,816,129)</b>	<b>(30,354,246)</b>	<b>(3,650,573)</b>	<b>5,780,476</b>	<b>55,390,246</b>	<b>5,577,664</b>	<b>26,271,314</b>

## 48 Risk management (continued)

### (c) Liquidity risk (continued)

	31 December 2014							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	26,360,795	3,809,704	—	—	—	—	—	30,170,499
Deposit with banks and other financial institutions	—	450,455	2,999,640	2,759,010	5,657,000	654,500	—	12,520,605
Loans and advances to customers	945,645	385,770	3,094,592	9,801,340	45,946,348	25,818,058	557,041	86,548,794
Investments	58,250	—	1,560,932	4,973,609	41,456,360	55,435,423	10,357,973	113,842,547
Others	5,966,430	1,517	137,348	823,324	664,898	12,971	3,787	7,610,275
<b>Total assets</b>	<b>33,331,120</b>	<b>4,647,446</b>	<b>7,792,512</b>	<b>18,357,283</b>	<b>93,724,606</b>	<b>81,920,952</b>	<b>10,918,801</b>	<b>250,692,720</b>
<b>Liabilities</b>								
Borrowing from the central bank	—	—	40,000	150,000	—	—	—	190,000
Deposits from banks and other financial institutions	—	2,062,494	4,050,000	8,545,000	35,765,250	32,034,880	—	82,457,624
Placements from banks and other financial institutions	—	—	1,964,402	895,704	184,571	—	—	3,044,677
Financial assets sold under repurchase agreements	—	—	10,259,000	—	—	—	—	10,259,000
Deposit from customers	—	41,867,614	6,791,748	11,999,704	35,910,626	21,832,774	1,000,531	119,402,997
Debt securities issued	—	—	—	—	500,000	1,500,000	—	2,000,000
Others	—	377,310	1,240,687	3,252,631	10,960,862	1,550,675	79,121	17,461,286
<b>Total liabilities</b>	<b>—</b>	<b>44,307,418</b>	<b>24,345,837</b>	<b>24,843,039</b>	<b>83,321,309</b>	<b>56,918,329</b>	<b>1,079,652</b>	<b>234,815,584</b>
<b>Long/(short) position</b>	<b>33,331,120</b>	<b>(39,659,972)</b>	<b>(16,553,325)</b>	<b>(6,485,756)</b>	<b>10,403,297</b>	<b>25,002,623</b>	<b>9,839,149</b>	<b>15,877,136</b>

Note (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.



(Expressed in thousands of Renminbi, unless otherwise stated)

**48 Risk management (continued)****(c) Liquidity risk (continued)**

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments at the end of each of the reporting period:

	31 December 2015							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Deposits from banks and other financial institutions	116,351,178	125,317,743	1,148,825	12,998,861	8,995,357	63,067,692	38,924,852	182,156
Placements from banks and other financial institutions	3,855,808	3,870,162	—	1,910,424	1,615,790	343,948	—	—
Financial assets sold under repurchase agreements	20,244,100	20,382,645	—	18,317,823	2,064,822	—	—	—
Deposits from customers	170,178,722	173,576,368	43,427,010	16,279,830	13,070,277	49,529,784	51,252,224	17,243
Debt securities issued	1,500,000	1,920,000	—	105,000	—	—	1,815,000	—
Other financial liabilities	17,902,808	18,540,442	2,229,006	3,816,850	2,756,393	9,577,011	48,021	113,161
<b>Total non-derivative financial liabilities</b>	<b>330,032,616</b>	<b>343,607,360</b>	<b>46,804,841</b>	<b>53,428,788</b>	<b>28,502,639</b>	<b>122,518,435</b>	<b>92,040,097</b>	<b>312,560</b>
Loan commitments and credit card commitments	—	1,381,575	1,002,294	95,383	38,378	224,560	20,960	—

## 48 Risk management (continued)

### (c) Liquidity risk (continued)

	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	31 December 2014				
				Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	190,000	191,047	—	—	40,340	150,707	—	—
Deposits from banks and other financial institutions	82,457,624	94,298,388	2,063,988	4,108,532	8,746,803	37,510,782	41,868,283	—
Placements from banks and other financial institutions	3,044,677	3,049,819	—	1,966,465	898,126	185,228	—	—
Financial assets sold under repurchase agreements	10,259,000	10,280,799	—	10,280,799	—	—	—	—
Deposits from customers	119,402,997	121,409,077	41,867,614	6,953,731	12,287,283	36,922,569	22,353,486	1,024,394
Debt securities issued	2,000,000	2,554,500	—	105,000	—	529,500	1,920,000	—
Other financial liabilities	14,114,425	14,761,092	359,031	2,508,277	1,249,800	10,476,521	56,150	111,313
<b>Total non-derivative financial liabilities</b>	<b>231,468,723</b>	<b>246,544,722</b>	<b>44,290,633</b>	<b>25,922,804</b>	<b>23,222,352</b>	<b>85,775,307</b>	<b>66,197,919</b>	<b>1,135,707</b>
Loan commitments and credit card commitments	—	1,796,277	1,363,757	100,590	27,000	147,100	157,830	—

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

## 48 Risk management (continued)

### (d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

## 49 Fair value

### (a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

#### (i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

#### (ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

## 49 Fair value *(continued)*

### (a) Methods and assumptions for measurement of fair value *(continued)*

#### (iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

#### (iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts is determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

### (b) Fair value measurement

#### (i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 22, 23.

#### (ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, financial liabilities designated at fair value through profit or loss, deposits from customers and subordinated debts issued.

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 36. The carrying amounts of other financial liabilities approximate their fair value.

(Expressed in thousands of Renminbi, unless otherwise stated)

**49 Fair value (continued)****(c) Fair value hierarchy**

The following table presents the carrying value of financial instruments measured at fair value in the statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

	31 December 2015			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
– debt securities held for trading	—	63,965	—	63,965
– debt instruments	—	63,965	—	63,965
– Financial assets designated at fair value through profit or loss	—	1,300,600	14,195,643	15,496,243
<i>Available-for-sale financial assets</i>				
– debt instruments	—	19,145,247	74,576	19,219,823
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	—	10,678	—	10,678
<b>Total</b>	<b>—</b>	<b>20,520,490</b>	<b>14,270,219</b>	<b>34,790,709</b>
<b>Liabilities</b>				
<i>Financial liabilities designated at fair value through profit or loss</i>				
– foreign currency derivatives	—	—	15,426,941	15,426,941
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	—	10,217	—	10,217
<b>Total</b>	<b>—</b>	<b>10,217</b>	<b>15,426,941</b>	<b>15,437,158</b>

## 49 Fair value (continued)

### (c) Fair value hierarchy (continued)

	31 December 2014			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
– debt securities held for trading				
– debt instruments	—	62,483	—	62,483
– Financial assets designated at fair value through profit or loss	—	4,308,679	5,619,090	9,927,769
<i>Available-for-sale financial assets</i>				
– debt instruments	—	17,197,995	—	17,197,995
<b>Total</b>	<b>—</b>	<b>21,569,157</b>	<b>5,619,090</b>	<b>27,188,247</b>
<b>Liabilities</b>				
<i>Financial liabilities designated at fair value through profit or loss</i>				
	—	—	9,932,205	9,932,205
<b>Total</b>	<b>—</b>	<b>—</b>	<b>9,932,205</b>	<b>9,932,205</b>

During the reporting period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

## 49 Fair value (continued)

## (c) Fair value hierarchy (continued)

The movement during the years ended 31 December 2015 and 2014 in the balance of Level 3 fair value measurements are as follows:

	Available- for-sale financial assets	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
1 January 2015	—	5,619,090	5,619,090	(9,932,205)	(9,932,205)
Total gains or losses					
– in profit or loss for the year:	—	133,573	133,573	(56,116)	(56,116)
– in other comprehensive income	3,733	—	3,733	—	—
Purchases	70,843	25,711,230	25,782,073	(27,011,830)	(27,011,830)
Settlements	—	(17,268,250)	(17,268,250)	21,573,210	21,573,210
31 December 2015	74,576	14,195,643	14,270,219	(15,426,941)	(15,426,941)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period	—	133,573	133,573	(56,116)	(56,116)

	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
1 January 2014	—	—	—	—
Total gains or losses in profit or loss for the year	(21,740)	(21,740)	13,585	13,585
Purchases	8,908,820	8,908,820	(13,813,780)	(13,813,780)
Settlements	(3,267,990)	(3,267,990)	3,867,990	3,867,990
31 December 2014	5,619,090	5,619,090	(9,932,205)	(9,932,205)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period	(21,740)	(21,740)	13,585	13,585

During the years ended 31 December 2015 and 2014, there were no significant transfers into or out of Level 3.



## 50 Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 31 December	
	2015	2014
Entrusted loans	150,508,040	51,380,803
Entrusted funds	150,508,040	51,380,803

## 51 Commitments and contingent liabilities

### (a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 31 December	
	2015	2014
Loan commitments		
– Original contractual maturity within one year	163,070	216,024
– Original contractual maturity more than one year (inclusive)	726,912	1,144,270
Credit card commitments	491,593	435,983
Sub-total	1,381,575	1,796,277
Acceptances	57,702,403	33,369,528
Letters of guarantees	6,724,348	1,782,946
Letters of credit	835,274	479,024
Total	66,643,600	37,427,775

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(Expressed in thousands of Renminbi, unless otherwise stated)

**51 Commitments and contingent liabilities (continued)****(b) Operating lease commitments**

As at the end of each of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	At 31 December	
	2015	2014
Within one year (inclusive)	63,685	42,920
After one year but within two years (inclusive)	81,887	47,415
After two years but within three years (inclusive)	80,903	47,376
After three years but within five years (inclusive)	155,663	155,567
After five years	55,175	140,728
<b>Total</b>	<b>437,313</b>	<b>434,006</b>

**(c) Capital commitments**

As at the end of each of the reporting period, the Group's authorized capital commitments are as follows:

	31 December	
	2015	2014
Contracted but not paid for		
– Purchase of property and equipment	106,283	218,830
Authorized but not contracted		
– Purchase of property and equipment	74,480	—
<b>Total</b>	<b>180,763</b>	<b>218,830</b>

**(d) Outstanding litigations and disputes**

As at 31 December 2015 and 2014, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB67.86 million and RMB70.45 million, respectively

The Bank was also involved in a shareholding dispute litigation with a former shareholder since July 2012 where the former shareholder requested the court to (i) order the Bank to issue to it a 12-year term warrants that are convertible into such numbers of shares equal to 9.16% of the Bank's total share capital in August 2012, and (ii) together with 2 other defendants jointly indemnify it with an amount of RMB103.9 million plus 9.16% of the Bank's profit recorded in its respective financial statements from 2010 to the date of court judgment. If the court judgment is unfavourable to the Bank and, in such event, shareholders' shareholdings in the Bank may be diluted, which would represent approximately 5.9% of the Bank's total share capital as of 31 December 2015 after the hypothetical issue and full exercise of the warrants, rendering the former shareholder become the Bank's single largest shareholder. The Bank's directors and its legal advisor in this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this shareholding dispute litigation is low.

No provisions have been made by the Group for the estimated losses of such litigations and disputes at the end of each of the Relevant Periods after consulting the opinions of the Group's internal and external legal counsels.

## 52 Company-level Statement of Financial Position

(Expressed in thousands of Renminbi, unless otherwise stated)

	31 December	
	2015	2014
<b>Assets</b>		
Cash and deposits with the central bank	29,618,894	29,804,734
Deposits with banks and other financial institutions	14,317,073	12,318,214
Placements with banks and other financial institutions	649,360	—
Financial assets at fair value through profit or loss	15,862,138	9,990,252
Positive fair value of derivatives	10,678	—
Interests receivable	2,563,449	1,555,194
Loans and advances to customers	94,916,897	85,022,175
Available-for-sale financial assets	19,278,073	17,256,245
Held-to-maturity investments	7,711,333	7,339,592
Debt securities classified as receivables	166,182,385	79,256,458
Investments in subsidiaries	880,630	230,730
Property and equipment	5,287,561	4,958,379
Deferred tax assets	684,765	389,170
Other assets	837,440	551,027
<b>Total assets</b>	<b>358,800,676</b>	<b>248,672,170</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Deposits from banks and other financial institutions	117,139,312	82,730,289
Placements from banks and other financial institutions	3,855,808	3,044,677
Financial liabilities at fair value through profit or loss	15,726,914	9,932,205
Negative fair value of derivatives	10,217	—
Financial assets sold under repurchase agreements	20,244,100	10,259,000
Deposits from customers	167,008,345	117,581,236
Accrued staff costs	240,285	270,384
Taxes payable	656,761	405,484
Interests payable	5,291,482	3,317,033
Debts securities issued	1,500,000	2,000,000
Other liabilities	1,548,147	3,490,616
<b>Total liabilities</b>	<b>333,221,371</b>	<b>233,030,924</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**52 Company-level Statement of Financial Position (continued)***(Expressed in thousands of Renminbi, unless otherwise stated)*

	31 December	
	2015	2014
<b>Equity</b>		
Share capital	5,781,616	4,402,234
Capital reserve	9,152,420	4,962,149
Surplus reserve	1,292,031	802,364
General reserve	4,801,449	3,159,078
Retained earnings	4,551,789	2,315,421
<b>Total equity</b>	<b>25,579,305</b>	<b>15,641,246</b>
<b>Total liabilities and equity</b>	<b>358,800,676</b>	<b>248,672,170</b>

Approved and authorised for issue by the board of directors on 23 March 2016.

**Zhang Wei**  
*Chairman*

**Wang Fenglei**  
*Chief Financial Officer*

**Wang Xiaoyu**  
*Executive Director*

**Bank of Jinzhou Co., Ltd.**

### 53 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

	Effective for accounting period beginning on or after
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
Amendments to IAS 7, Disclosure initiative	1 January 2017
Amendments to IAS 12, Income taxes - Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial Instruments (2014)	1 January 2018
IFRS 16, Leases	1 January 2019

## 53 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015 *(continued)*

The Group is in the process of assessing the impact of these new standards and amendments on the financial statements. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements except for the following:

### IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, the standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowance.

### IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is currently assessing the impact of IFRS 16 and it is not practicable to quantify the effect as at the date of the publication of these financial statements.

## 54 Non-adjusting events after the reporting period

The profit appropriation of the Bank was proposed in accordance with the resolution of the board of directors meeting as disclosed in Note 42(c)

## 55 Comparative figures

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2015.

# CHAPTER 16 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

## 1 Liquidity coverage ratio and leverage ratio (%)

	As at 31 December 2015	Average for the year ended 31 December 2015
Liquidity coverage ratio (RMB and foreign currency)	237.41%	309.23%

	As at 31 December 2014	Average for the year ended 31 December 2014
Liquidity coverage ratio (RMB and foreign currency)	381.05%	246.92%

### Leverage Ratio

	As at 31 December 2015
Leverage Ratio	6.22%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.



## 2 Currency concentrations

	At 31 December 2015			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	7,086,664	1,110,924	66,309	8,263,897
Spot liabilities	(6,814,674)	(7,552)	(65,482)	(6,887,708)
Net long position	271,990	1,103,372	827	1,376,189
Net structural position	—	—	—	—

	31 December 2014			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	8,179,756	2,031	22,188	8,203,975
Spot liabilities	(7,922,036)	(1,925)	(20,195)	(7,944,156)
Net long position	257,720	106	1,993	259,819
Net structural position	—	—	—	—

## 3 International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

### 3 International claims (continued)

	As at 31 December 2015		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,497,383	6,146,563	7,643,946
– of which attributed to Hong Kong	6,284	—	6,284
Europe	12,312	—	12,312
North and South America	79,640	—	79,640
	<b>1,589,335</b>	<b>6,146,563</b>	<b>7,735,898</b>

	As at 31 December 2014		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	195,700	7,660,434	7,856,134
– of which attributed to Hong Kong	3,275	—	3,275
Europe	7,195	—	7,195
North and South America	249,555	—	249,555
	<b>452,450</b>	<b>7,660,434</b>	<b>8,112,884</b>

### 4 Loans and advances overdue for more than 90 days by geographical segments

	31 December	
	2015	2014
Jinzhou	430,443	338,117
Northeastern China	858,131	446,208
Northern China	372,417	121,948
Total	<b>1,660,991</b>	<b>906,273</b>

## 5 Gross amount of loans and advances overdue for more than 90 days

	31 December	
	2015	2014
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	377,295	277,549
– between 6 months and 1 year (inclusive)	573,258	154,861
– between 1 year and 3 years (inclusive)	524,657	286,870
– over 3 years	185,781	186,993
<b>Total</b>	<b>1,660,991</b>	<b>906,273</b>
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.37%	0.31%
– between 6 months and 1 year (inclusive)	0.57%	0.17%
– between 1 year and 3 years (inclusive)	0.52%	0.32%
– over 3 years	0.18%	0.21%
<b>Total</b>	<b>1.64%</b>	<b>1.01%</b>

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At 31 December 2015 and 2014, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB1,661 million and RMB906 million, respectively. The covered portion of these overdue loans and advances were RMB733 million and RMB217 million respectively. The fair value of collateral held against these loans and advances amounted to RMB811 million and RMB249 million, respectively.

## 6 Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. As at 31 December 2015 and 2014, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.





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