



郑州银行

BANK OF ZHENGZHOU

鄭州銀行股份有限公司

BANK OF ZHENGZHOU CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號 STOCK CODE: 6196



2015年報

ANNUAL REPORT

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* This annual report was prepared in both Chinese and English versions. Where there is discrepancy between the Chinese and English version, the Chinese version shall prevail.

CHAPTER I CORPORATE INFORMATION

1.1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司 ¹ (Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. ¹ (Abbreviation: ZHENGZHOU BANK)
Legal representative:	Mr. Wang Tianyu
Authorised representatives:	Mr. Wang Tianyu, Mr. Fu Chunqiao
Board secretary:	Mr. Fu Chunqiao
Joint company secretaries:	Mr. Fu Chunqiao, Ms. Leung Wing Han Sharon
Stock exchange on which H Shares are listed:	The Stock Exchange of Hong Kong Limited
Stock abbreviation and stock code:	Stock abbreviation: ZHENGZHOU BANK Stock code: 6196
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Principal place of business in Hong Kong:	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Tel:	+86-0371-67009199
Fax:	+86-0371-67009898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Auditor:	KPMG
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Compliance advisor:	BOCOM International (Asia) Limited
H Share Registrar:	Computershare Hong Kong Investor Services Limited
Trustee agency for Domestic Shares:	China Securities Depository and Clearing Corporation Limited

- 1 The Bank is not an authorised 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 authorised to carry on relevant banking/deposit-taking business in Hong Kong.

1.2 COMPANY PROFILE

The Bank of Zhengzhou is a regional joint stock commercial bank incorporated in November 1996 upon the approval by the People's Bank of China, based on 48 city credit cooperatives in Zhengzhou City. The Bank was renamed as Zhengzhou Commercial Bank Co., Ltd. in February 2000 and Bank of Zhengzhou Co., Ltd. in 2009.

The Bank holds a financial licence (number B1036H241010001) approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Henan Province to obtain a corporate legal person business licence with registration number 410000100052554.

As at December 31, 2015, Bank of Zhengzhou had total assets of RMB265.623 billion and established 8 branches and 117 front offices (including the operation division of the headquarters, operation divisions of the 8 branches and 108 sub-branches). It promoted the establishment of 4 county banks including Zhengyin Zhongmu County Bank Co., Ltd., Zhengyin Xinmi County Bank Co., Ltd., Zhengyin Yanling Country Bank Co., Ltd. and Fugou County Bank. Bank of Zhengzhou has long been focusing on the area of small and micro enterprises, serving the real economy and adhering to the development path with uniqueness and differentiation. Its operating and management ability continues to improve, its business develops steadily and soundly and its overall strength enhances steadily, receiving wide recognition from various sectors of the community. In the ranking of top 1,000 world banks by the UK magazine The Banker, the Bank ranked the 376th, 66 places up year-on-year.

1.3 MAJOR AWARDS IN 2015

In January 2015, the Bank was awarded "Excellent Proprietary Institution Prize in the China Bond Market for 2015" by China Securities Depository and Clearing Co., Ltd.

In March 2015, the Bank's "Ding Rong Yi" Internet financial service platform was awarded "The Best Business Model Innovation" by the 6th session of China Internet Banking Union.

In May 2015, the Bank was accredited as Class A for implementation of foreign currency regulation for 2015 by the State Administration of Foreign Exchange Henan Branch.

In September 2015, the Bank was named "The Best City Commercial Bank" and "No. 1 in Competitiveness among City Commercial Banks with Assets Exceeding RMB200 Billion" for 2014 jointly by The Banker and Institute of Finance and Banking of the Chinese Academy of Social Sciences.

In October 2015, the Bank was named "Outstanding Nation-wide Banking Institution for Offering Financial Services to Small and Micro Enterprises" by the CBRC.

In December 2015, the Bank's "Ding Rong Yi" Internet financial service platform was awarded "The Best China Brand in Internet Finance" by China Internet Weekly of the Chinese Academy of Sciences.

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

In respect of the financial statements of the Bank prepared under the PRC GAAP (China Accounting Standards) and those under the International Financial Reporting Standards (the “IFRSs”), there is no difference between the net profit attributable to shareholders for the year ended December 31, 2015 and net profit attributable to shareholders as at the end of the Reporting Period.

	For the year ended December 31,				
	2015	2014	Year-on-year change between 2015 and 2014	2013	2012
	(Expressed in millions of Renminbi, unless otherwise stated)				
Operating Results			Rate of Change (%)		
Net interest income	6,906	5,284	30.70	4,102	3,190
Net fee and commission income	713	348	104.89	162	62
Operating income	7,861	5,505	42.80	4,257	3,578
Operating expenses	(2,252)	(1,842)	22.26	(1,386)	(1,342)
Impairment losses on assets	(1,298)	(497)	161.17	(400)	(328)
Profit before taxation	4,362	3,203	36.18	2,507	1,923
Net profit	3,356	2,463	36.26	1,902	1,460
Net profit attributable to equity shareholders of the Bank	3,357	2,463	36.30	1,902	1,460
Calculated on a per share basis (RMB)			Rate of Change (%)		
Net assets per share attributable to equity shareholders of the Bank	3.46	2.89	19.72	2.42	1.95
Earnings per share	0.85	0.62	37.10	0.48	0.37
Profitability Indicators (%)			Change		
Return on average total assets ⁽¹⁾	1.43	1.39	0.04	1.50	1.67
Return on average equity ⁽²⁾	22.99	23.52	(0.53)	22.10	21.04
Net interest spread ⁽³⁾	2.95	3.07	(0.12)	3.30	3.99
Net interest margin ⁽⁴⁾	3.12	3.31	(0.19)	3.50	4.00
Net fee and commission income to operating income	9.07	6.32	2.75	3.81	1.74
Cost-to-income ratio ⁽⁵⁾	23.27	27.72	(4.45)	27.06	32.89
Capital adequacy ratio indicators⁽⁶⁾ (%)			Change		
Calculated based on Capital Administrative Measures					
Core Tier-one capital adequacy ratio	10.09	8.66	1.43	10.28	N/A
Tier-one capital adequacy ratio	10.09	8.66	1.43	10.28	N/A
Capital adequacy ratio	12.20	11.12	1.08	12.08	N/A
Calculated based on Capital Adequacy Measures					
Core capital adequacy ratio	N/A	N/A	N/A	N/A	12.79
Capital adequacy ratio	N/A	N/A	N/A	N/A	15.26
Total equity to total assets	6.71	5.58	1.13	6.39	7.40

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

	For the year ended December 31,				
	2015	2014	Year-on-year change between 2015 and 2014	2013	2012
(Expressed in millions of Renminbi, unless otherwise stated)					
Asset quality indicators (%)			Change		
Non-performing loan ratio ⁽⁷⁾	1.10	0.75	0.35	0.53	0.47
Allowance to non-performing loans ⁽⁸⁾	258.55	301.66	(43.11)	425.54	425.28
Allowance to total loans ⁽⁹⁾	2.85	2.26	0.59	2.24	2.01
Other indicator (%)			Change		
Loan-to-deposit ratio	55.73	58.83	(3.10)	61.65	67.19
Scale indicators			Rate of Change (%)		
Total assets	265,623	204,289	30.02	149,334	103,734
Of which: Net loans and advances to customers	91,604	76,226	20.17	61,536	49,153
Total liabilities	247,799	192,884	28.47	139,798	96,063
Of which: deposits from customers	169,195	132,561	27.64	102,097	74,654
Share capital	5,142	3,942	30.44	3,942	3,942
Equity attributable to equity shareholders of the Bank	17,795	11,405	56.03	9,536	7,671
Non-controlling interests	29	—	N/A	—	—
Total equity	17,824	11,405	56.28	9,536	7,671

Notes:

- (1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.
- (2) Calculated by dividing net profit attributable to equity shareholders of the Bank for the period by average balance of total equity attributable to equity shareholders of the Bank at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
- (6) The China Banking Regulatory Commission (the "CBRC") published the Capital Administrative Measures on June 7, 2012, which became effective on January 1, 2013 and replaced the Capital Adequacy Measures.
- (7) Calculated by dividing total non-performing loans by total loans to customers.
- (8) Calculated by dividing allowance for impairment losses on loans to customers by total non-performing loans.
- (9) Calculated by dividing allowance for impairment losses on loans to customers by total loans to customers.

CHAPTER III CHAIRMAN'S STATEMENT

In 2015, faced with the complicated circumstances such as the mounting pressure from the downturn of the domestic economy, accelerating progress in financial disintermediation, further advance towards market-oriented interest rates, the robust development of Internet finance and more intensive competition among the peers in the financial sector, Bank of Zhengzhou actively adopted to the new norms, aligned with the new trends and adhered to reform and innovation to promote transformation and upgrade. The Bank achieved excellent performance and successfully got listed on the Main Board of the Hong Kong Stock Exchange, marking another milestone in the development history of Bank of Zhengzhou.

This year was the year that Bank of Zhengzhou achieved great success after making enormous efforts. On December 23, 2015, after a period of 8 months, the Bank successfully got listed on the Main Board of the Hong Kong Stock Exchange with the shortest time and highest efficiency, becoming the first corporate bank from Henan Province to have a presence on an international capital market and the 10th city commercial bank that got listed in China. The Bank completed a grand transformation from being close to withdrawing from the capital market to being listed, creating a legend in China's financial development history. The successful listing of the Bank replenished capital in a timely and efficient manner, enhanced shareholding structure and boosted brand profile and reputation. Since then, Bank of Zhengzhou has entered a new era of development.

This year was the year that Bank of Zhengzhou rose from strength, and 2015 was the concluding year of the Five-Year Plan of 2011-2015. During these five years, the Bank maintained around 30% of growth per year in all performance indicators. Planned targets were over-achieved and overall strength was significantly enhanced. As at the end of 2015, the Bank's asset scale reached RMB265.623 billion, deposit balance was RMB169.195 billion and loan balance was RMB94.294 billion. In the local banking system, the market shares in the deposit market and loan market reached 9.43% and 8.2% respectively. In particular, its deposit scale has exceeded that of all the joint stock banks. In 2015, the Bank achieved net profits of RMB3.356 billion, Return on Assets (ROA) of 1.43% and Return on Equity (ROE) of 22.99%. Meanwhile, leveraging the consistent principle of prudent operation, the Bank's capital adequacy ratio was 12.20%, provision coverage ratio was 258.55% and the annual Non-performing Loan (NPL) ratio was contained at 1.10%. Regulatory ratings went up to 2B from 2C, reaching the highest current rating among the domestic commercial banks. With stronger overall strength, Bank of Zhengzhou has ventured into the first-tier group among the domestic city commercial banks.

This year was the year that Bank of Zhengzhou achieved brand building. The satisfactory performance of its operations and the continuous breakthroughs in various work sectors greatly boosted the Bank's profile and influence. In the ranking of top 1,000 world banks by the UK magazine "The Banker" in 2014, the Bank ranked the 440th and the 376th in terms of tier 1 capital and asset scale respectively, up by 40 and 66 places year-on-year respectively, and the Bank was among the top 500 world banks. In the GYROSCOPE evaluation system for China's commercial banks by the China Banking Association (CBA), the Bank ranked the 3rd and the 5th in competitiveness and service ability respectively among the domestic city commercial banks. The Bank was named "The Best City Commercial Bank" and "No. 1 in Competitiveness among City Commercial Banks with Assets Exceeding RMB200 Billion" jointly by the magazine "The Banker" and Institute of Finance and Banking of the Chinese Academy of Social Sciences. The Bank also ranked the 10th in company value among regional development banks nationwide by "The Banker of Today".

Going on another journey with our past, 2016 is the 20th anniversary of the establishment of Bank of Zhengzhou as well as the first year to implement the new Five-Year Plan. Standing on a new starting point of history, the Bank will fully capture macro-economic and financial development trends, adhere to transformation-oriented development, lay emphasis on the uniqueness of Bank of Zhengzhou, focus on management foundations and tighten risk management. The Bank will use its best efforts to overcome challenges and follow the trend with an aggressive approach to push forward the betterment of and make breakthroughs in various work sectors to scale new heights. The Bank will strive to achieve notable results in its operations in return for the trust and support from Shareholders, investors and various sectors of the community.

Wang Tianyu
Chairman

CHAPTER IV PRESIDENT'S STATEMENT

In 2015, faced with the tough and complicated economic and financial environment, Bank of Zhengzhou placed its focus on the keynote “laying foundation, strengthening management, shaping a strong headquarters and promoting transformation development” in its work under the correct leadership by the Board of Directors. In a united and pragmatic manner, the Bank pushed forward various reforms innovatively and efficiently, presented decent achievements in operation management, achieved a great leap forward in business development and gained excellent results in its operations, successfully achieving the strategic targets of the 2011-2015 Five-Year Plan.

- (I) Overall strength was significantly enhanced. As at the end of 2015, the Bank's asset scale increased by RMB61.334 billion or 30.02% to RMB265.623 billion from the beginning of the year; deposit balance increased by RMB36.634 billion or 27.64% to RMB169.195 billion from the beginning of the year; loan balance rose by RMB16.308 billion or 20.91% to RMB94.294 billion from the beginning of the year; profits before provision increased by RMB1.960 billion or 52.97% to RMB5.660 billion year-on-year; net profits increased by RMB893 million or 36.26% to RMB3.356 billion year-on-year. The capital adequacy ratio was 12.20%, the NPL ratio was 1.10% and the provision coverage ratio was 258.55%. Major regulatory indicators met regulatory requirements.

In 2015, Bank of Zhengzhou significantly enhanced its overall strength, gaining wide attention and recognition from the financial industry, regulators and various sectors of the community. The Bank was named “The Best City Commercial Bank” and “No. 1 in Competitiveness among City Commercial Banks with Assets Exceeding RMB200 Billion” jointly by the magazine “The Banker” and Institute of Finance and Banking of the Chinese Academy of Social Sciences. In the ranking of top 1,000 world banks by the UK magazine “The Banker” in 2014, the Bank ranked the 440th and the 376th in terms of tier 1 capital and asset scale respectively, a great leap from the ranking in the previous year, and the Bank was among the top 500 world banks. The Bank ranked the 10th in company value among regional development banks nationwide by The Banker of Today. In the GYROSCOPE evaluation system for China's commercial banks by the CBA, the Bank ranked the 3rd and the 5th in competitiveness and service ability respectively among the domestic commercial banks.

- (II) New business qualifications were added. The Bank obtained business qualifications such as the first-class dealer for the open market business, member of the state treasury cash tender for 2015-2017, member of foreign currency trade of China Foreign Exchange Trading System, trader of foreign exchange forwards and issuer of certificates of deposit, laying foundations for its business development and transformation.
- (III) Transformation in development was successful. The Bank completed its top-level structural design of a commercial and logistics bank, established a more comprehensive supply chain financial service mechanism; businesses such as industrial investment funds, debt financing instruments, asset-backed securities and issuance of interbank certificates of deposit advanced rapidly; wealth management products added the “Juxin” line for private banks and the “Tonghui” line for banking organizations. The Bank's bond trading volume ranked the 37th among domestic banks and the 10th among city commercial banks. The Bank launched Internet finance products such as Xintianli, Yuetianli and Ritianli, completing the full network coverage of smart counters. The Bank further strengthened its competitive edges in the small and micro enterprise market, and launched products such as internet loan and guaranteed insurance loan. The “Credit Workshop” and mobile work platform came online. Financial service centres for small enterprises were established in branches. A financial service brand “Easy Disbursement” for small and micro enterprises was rolled out. All these continued to enhance the financial service standards for small and micro enterprises.

- (IV) Continued enhancement in management ability. The Bank established automobile finance centre, lease financing centre, insurance and claims centre and Internet finance centre. Remote banking department was renamed electronic banking department and accounting and clearing department was renamed operation management department. The Bank completed the overhaul of departmental responsibilities, positions and duties to make the establishment more rational and the functions of various lines clearer, independent approval system and tier-based management system were implemented. The internal control and operational risk management system (GRC) was adopted to improve asset and liabilities management, capital pricing policy, procedures, model and internal control mechanism. The Bank developed and completed 207 technological projects, including 75 medium and large projects. During the Asian annual conference of DRI International (DRI), the Bank was awarded DRI2015 "The Best IT-DR Infrastructure of the Year", the only city commercial bank in the country that received the award.
- (V) Rapid expansion of outlets. In Luohe and Xinyang, 2 branches were set up, and 19 micro and sub-branches were established in Dahe Industrial Zone and Jinshui Lu. Approvals for the establishment of 15 sub-branches in Xinzheng Jiefang Lu, Luoyang Yibin and Nanyang Tanghe were obtained; 5 outlets were relocated, 7 outlets were expanded and 34 self-servicing banks were added.
- (VI) Effective risk control and prevention. Through strengthening corporate leadership, appraisal and supervision, and innovating management and control measures, the Bank better maintained its asset quality with an NLP ratio lower than the average levels of the city commercial banks in the country and in Henan Province. The Bank continued to launch internal control compliance inspection and education, enhance complaint and reputation risk control, and had zero case of major security incident in 2015.

All the above achievements came from the relentless efforts of the staff and the strong support from the clients, investors and various sectors of the community. On behalf of Bank of Zhengzhou, I express my genuine gratitude to those in the community who care about and support the development of Bank of Zhengzhou.

The year 2016 is the first year under the new five-year strategic plan of Bank of Zhengzhou, as well as the first year after the listing of H Shares. We will further lay a solid foundation, implement stricter management, build a stronger headquarters, push forward transformation in development, lay emphasis on innovation, differential operation and risk control and prevention, create core competitiveness and build the brand and culture of the Bank of Zhengzhou to turn over a new chapter for the sustainable and sound development of Bank of Zhengzhou.

Shen Xueqing
President

CHAPTER V MANAGEMENT DISCUSSION AND ANALYSIS

1 PAST ECONOMY AND ENVIRONMENT AND FUTURE PROSPECTS

In 2016, the world economy will continue to grow in a more complex environment due to the combined effect of structural and cyclical factors. As to China, the economy will continue to be subject to a greater downside pressure or to slow down moderately. As China needs to adapt itself to the new normal pattern of economic development, to continue its reform and open-door policy and to retain the general tone of seeking progress while maintaining stability, it will continue to apply a looser fiscal policy and a prudent monetary policy. Through the establishment and implementation of innovative, coordinated, green, open and sharing development concepts, structural reforms will be carried out on the supply side to improve the quality of development and boost stable economic growth. As China is implementing the “One Belt, One Road” strategy, Henan, a vital point of connection under the strategy, will further expand its open-door policy. The in-depth implementation of the three major strategies for the Food Core Area, the Central Plains Economic Zone and Zhengzhou Airport Economic Experimental Zone, as well as the implementation of a strategy for building Zhengzhou into an international city of business will provide the Group with tremendous market space for development.

Along with the near completion of market-oriented interest rates de-regulation and the continuous furthering of reforms for the exchange rate formation mechanism in 2016, the financial industry will become increasingly diversified and there will be a growing trend towards financial disintermediation, thus posing severe challenges to traditional banking services and marketing patterns. As bank performance will be significantly differentiated, there will be a general trend towards comprehensive operations in the banking industry, formation of alliance of financial institutions, integral regulation of the financial industry and refined management with a focus on customer base, products, channels and of process.

The year 2016 marks the startup of the Bank of Zhengzhou following its listing on the Hong Kong Stock Exchange. The Group will further consolidate its foundation, tighten up its management and push forward transformation and development. By placing its focus on carrying out differentiated business operations, creating its core competitiveness and building a Bank of Zhengzhou brand and culture, the Group will continue to optimise the structure of its assets, liabilities, profits, customers and channels, and place emphasis on the Bank’s three featured businesses comprising commerce and logistics bank, financing expert for small and medium enterprises and boutique banking for residents. Furthermore, the Group will continue its comprehensive business operations by applying for more business licenses for various kinds of business, will strengthen its asset and liability management by boosting the rapid growth of low-cost debts, promoting securitisation of credit assets, and highlighting the innovation-driven approach, will speed up the distribution of offices by expanding regional operations, will highlight risk prevention and control by tightening up risk management, making a firm development baseline and continuing to strengthen audit checks to prevent all kinds of risk.

2 OVERALL OPERATION OVERVIEW

The year of 2015 was an extraordinary year in the history of development of Bank of Zhengzhou. Amid the mounting downside pressure in the domestic economy, the increasingly complex financial environment, the tightening financial regulatory policies and the intensifying competition in the financial industry, the Bank, under the correct leadership of the Board and the effective supervision of the board of supervisors, has consolidated its foundation, tightened up its management, built a strong head office and proceeded with transformation and development. During the Reporting period, the Bank was able to maintain relatively fast business growth, implement various reforms steadily, continue transformation and development, strengthen risk management and control, gradually enhance management and substantially improve its comprehensive strength.

During the Reporting Period, the Bank achieved breakthrough in its upgrade and transformation of businesses and our businesses developed faster when compared to 2014. **Corporate business** recorded a steady growth. The design of the top-level structure of commerce and logistics bank was preliminarily completed and the amount of corporate deposits reached RMB122.10 billion, representing a rise of 29.18%. **International business** continued to advance. The Bank established 18 overseas agencies and established cooperation relationships with 28 overseas banks, further expanding its international business channel. **Micro and small enterprise business** recorded another brilliant result. A series of new products was released and 3 micro and small enterprise branches were set up, with the small and micro enterprise loans recording a balance of RMB49.50 billion, ranking the first in Zhengzhou's small and micro enterprise loan market and the third in Henan Province's market. **Personal business** offered wide-ranging and efficient products, including new offerings of "Xin Tian Li (薪添利)" and "Yue Tian Li (月添利)", with the savings deposits recording a balance of RMB47.00 billion, a growth of 23.80%. **Financial market business** flourished in different aspects: investment banking business succeeded in launching industrial investment fund of RMB4.77 billion while the businesses of financial leasing business, non-standard credit asset securitisation, bond underwriting and distribution and registered and issued debt financing tools amounted to RMB1.10 billion, RMB4.97 billion, RMB26.225 billion and RMB7.10 billion respectively, and its business layout began to take shape. The trading volume of bond business reached RMB4.72 trillion, ranking the 37th among national banks, the 10th among city commercial banks and the first among financial institutions in its province. The development of (**internet finance**) accelerated. The research centre for internet finance was set up and the "Ding Rong Yi" (鼎融易) mobile apps was launched, realising the online reselling business of letters of credit.

Meanwhile, in 2015, the Bank became a member of first-class dealer for open market, a member of the state treasury cash tender for 2015-2017 and a lending and borrowing member the China Foreign Exchange Trade System, with professional qualifications to conduct sale and purchase of forward foreign currencies against RMB and to issue certificates of deposit. As such, the pace of launching new businesses and new products were significantly accelerated, laying a foundation for the improvement of the Bank's customer service and business competitiveness.

As at December 31, 2015, the Group's total assets amounted to RMB265,623 million, representing an increase of RMB61,334 million from the beginning of the year; various balances of deposits amounted to RMB169,195 million, representing an increase of RMB36,634 million from the beginning of the year; various balances of loans amounted to RMB94,294 million, representing an increase of RMB16,308 million from the beginning of the year; non-performing loan ratio was 1.10%; net profit for 2015 amounted to RMB3,356 million, representing an increase of RMB893 million as compared to the same period last year.

3 ANALYSIS OF INCOME STATEMENT

	For the year ended December 31,			
	2015	2014	Change	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Interest income	12,664	9,602	3,062	31.89
Interest expense	(5,758)	(4,318)	(1,440)	33.35
Net interest income	6,906	5,284	1,622	30.70
Fee and commission income	745	382	363	95.03
Fee and commission expense	(32)	(34)	2	(5.88)
Net fee and commission income	713	348	365	104.89
Net trading gain/(loss)	127	(186)	313	(168.28)
Net gains arising from investments	27	38	(11)	(28.95)
Other operating income	88	21	67	319.05
Operating income	7,861	5,505	2,356	42.80
Operating expenses	(2,252)	(1,842)	(410)	22.26
Impairment losses on assets	(1,298)	(497)	(801)	161.17
Operating profit	4,311	3,166	1,145	36.17
Share of profits of associates	51	37	14	37.84
Profit before taxation	4,362	3,203	1,159	36.18
Income tax expense	(1,006)	(740)	(266)	35.95
Net profit	3,356	2,463	893	36.26
Net profit attributable to:				
Equity shareholders of the Bank	3,357	2,463	894	36.30
Non-controlling interests	(1)	—	(1)	N/A

In 2015, the Bank recorded profit before taxation and net profit of RMB4,362 million and RMB3,356 million, representing an increase of 36.18% and 36.26% as compared to the same period last year, respectively.

3.1 Net interest income, net interest spread and net interest margin

In 2015, the Bank recorded net interest income of RMB6,906 million, representing an increase of RMB1,622 million or 30.70% as compared to the same period last year. Among this, a net interest income growth of RMB1,738 million was attributable to the expansion of the Bank's business scale and a decline in net interest income of RMB116 million was attributable to the changes in yield or cost rate.

The following tables set forth, for the periods indicated, the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities.

	For the year ended December 31,					
	Average balance ⁽⁶⁾	2015 Interest income	Average yield (%)	Average balance ⁽⁶⁾	2014 Interest income	Average yield (%)
	(Expressed in millions of Renminbi, unless otherwise stated)					
Interest-earning assets						
Loans and advances to customers	86,791	6,163	7.10	71,804	5,072	7.06
Investment securities and other financial assets ⁽¹⁾	96,010	5,764	6.00	57,843	3,783	6.54
Deposits with central bank	25,627	397	1.55	21,030	329	1.56
Amounts due from banks and other financial institutions ⁽²⁾	12,631	340	2.69	8,938	418	4.68
Total interest-earning assets	221,059	12,664	5.73	159,615	9,602	6.02

For the year ended December 31,

	Average balance ⁽⁶⁾	2015 Interest expense	Average cost (%)	Average balance ⁽⁶⁾	2014 Interest expense	Average cost (%)
(Expressed in millions of Renminbi, unless otherwise stated)						
Interest-bearing liabilities						
Deposits from customers	145,677	3,196	2.19	111,195	2,550	2.29
Amounts due to banks and other financial institutions ⁽³⁾	43,532	1,814	4.17	29,608	1,476	4.99
Debt securities issued	17,622	748	4.24	5,862	289	4.93
Amounts due to central bank	—	—	N/A	68	3	4.41
Total interest-bearing liabilities	206,831	5,758	2.78	146,733	4,318	2.95
Net interest income		6,906			5,284	
Net interest spread ⁽⁴⁾			2.95			3.07
Net interest margin ⁽⁵⁾			3.12			3.31

Notes:

- (1) Consists of our financial assets at fair value through profit or loss for the current period, available-for-sale financial assets, held-to-maturity investments, and financial investments classified as loans and receivables.
- (2) Consists of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
- (3) Consist of deposits and placements from banks and other financial institutions and financial asset sold under repurchase agreements.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of total interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (6) Calculated as the average of the daily balances.

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

	For the year ended December 31 2015 vs. 2014		
	Increase/(decrease) due to Volume ⁽¹⁾	Rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
	(Expressed in millions of RMB)		
Interest-earning assets			
Loans and advances to customers	1,059	32	1,091
Investment securities and other financial assets	2,496	(515)	1,981
Deposits with central bank	72	(4)	68
Amounts due from banks and other financial institutions	173	(251)	(78)
Changes in interest income	3,800	(738)	3,062
Interest-bearing liabilities			
Deposits from customers	791	(145)	646
Amounts due to banks and other financial institutions	694	(356)	338
Debt securities issued	580	(121)	459
Amounts due to central bank	(3)	—	(3)
Change in interest expense	2,062	(622)	1,440

Notes:

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

3.2 Interest income

In 2015, the Bank's interest income increased by RMB3,062 million or 31.89% to RMB12,664 million as compared to the same period last year, which was primarily attributable to (i) the increase in the volume for loans and advances to customers, (ii) the increase in the volume of investment securities and other financial assets.

3.2.1 Interest income from loans and advances to customers

In 2015, interest income from loans and advances to customers of the Bank increased by RMB1,091 million or 21.51% to RMB6,163 million as compared to the same period last year, primarily as a result of the increase in average balance of loans and advances to customers, which in turn was primarily attributable to the overall growth of the Bank's loan business.

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

	2015			2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
(Expressed in millions of Renminbi, unless otherwise stated)						
Corporate loans	59,117	4,281	7.24	47,757	3,417	7.15
Personal loans	22,698	1,639	7.22	18,776	1,353	7.21
Discounted bills	4,976	243	4.88	5,271	302	5.73
Total loans and advances to customers	86,791	6,163	7.10	71,804	5,072	7.06

3.2.2 Interest income from investment securities and other financial assets

In 2015, interest income from investment in securities and other financial assets of the Bank increased by RMB1,981 million or 52.37% to RMB5,764 million as compared to the same period last year, principally attributable to the increase in average balance of investment in securities and other financial assets. The increase in the average balance of investment in securities and other financial assets was primarily attributable to the increase in holding of debt securities issued by corporate issues, investment products under trust schemes and investment products managed by securities companies, which had higher yield. The decline in average yield was attributable to the fluctuation of market interest rate.

3.2.3 Interest income from balances with central bank

In 2015, interest income from balances with central bank of the Bank increased by RMB68 million or 20.67% to RMB397 million as compared with the same period last year, primarily attributable to the increase in the average balance of cash and balances with central bank year by year, and among which, primarily due to the increase in statutory deposit reserve along with the growth of deposits from customers.

3.2.4 Interest income from amounts due from banks and other financial institutions

In 2015, interest income from amounts due from banks and other financial institutions of the Bank decreased by RMB78 million or 18.66% to RMB340 million as compared with the same period last year, primarily attributable to the increase in the average balance and the decline in average yield. The increase in the average balance of these assets was primarily attributable to the increase in the amounts due from banks and other financial institutions, whereas the change in average yield was primarily attributable to the decline in market interest rate, which reflected the increase in market liquidity.

3.3 Interest expense

In 2015, the Bank's interest expense increased by RMB1,440 million or 33.35% to RMB5,758 million as compared to the same period last year, primarily attributable to (i) the increase in the volume of deposits from customers, (ii) the increase in the volume of amounts due to banks and other financial institutions, (iii) the increase in the volume of debt securities issued.

3.3.1 Interest expense on Deposits from Customers

In 2015, the Bank's interest expense on deposits from customers increased by RMB646 million or 25.33% to RMB3,196 million as compared to the same period last year, primarily attributable to the continuous growth of the Bank's deposit business and the increase in the proportion of term deposits. The growth of average balance of total deposits from customers primarily reflects the overall business growth and the expansion of branch network of the Bank, while the decline in the average cost of deposits from customers were primarily attributable to the downward adjustment of benchmark rate.

	For the year ended December 31,					
	2015			2014		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
(Expressed in millions of RMB, except percentages)						
Corporate deposits						
Demand	51,137	277	0.54	40,037	252	0.63
Time	29,264	1,225	4.19	19,598	902	4.60
Subtotal	80,401	1,502	1.87	59,635	1,154	1.94
Personal deposits						
Demand	10,750	47	0.44	9,528	47	0.49
Time	31,239	1,149	3.68	23,211	849	3.66
Subtotal	41,989	1,196	2.85	32,739	896	2.74
Others	23,287	498	2.14	18,821	500	2.66
Total deposits from customers	145,677	3,196	2.19	111,195	2,550	2.29

3.3.2 Interest expense on amounts due to banks and other financial institutions

In 2015, the Bank's interest expense on amounts due to banks and other financial institutions increased by RMB338 million or 22.90% to RMB1,814 million as compared with the same period last year, primarily attributable to the increase in the average balance of the amounts due to banks and other financial institutions and the decline in the average cost. The increase in the average balance of the amounts due to banks and other financial institutions primarily reflected the Bank's comprehensive consideration of the need to match assets and liabilities by increasing liabilities from banks, while the decline in the average cost was primarily because of the increase in market liquidity and the decline in interest rate resulted from the successive downward adjustments of interest rate by the People's Bank of China.

3.3.3 Interest expense on debt securities issued

In 2015, the Bank's interest expense on debt securities issued increased by RMB459 million or 158.82% to RMB748 million as compared with the same period last year. Debt securities issued included (i) the issuance of fixed rate financial bonds on May 16, 2013, (ii) the issuance of fixed rate tier-two capital bonds on December 12, 2014, and (iii) the issuance of interbank certificates of deposit for 2015, which was primarily attributable to the increase in average balance of debt securities issued and the decline in the average cost. The average balance of the debt securities issued increased primarily because of the issuance of interbank certificates of deposit for 2015, leading to an increase in the average balance of debt securities issued from RMB5,862 million as of 2014 by 200.61% to RMB17,622 million as of 2015. The decline in the average cost was primarily attributable to the increase in liquidity and the decline in market interest rate given the successive downward interest rate by the People's Bank of China.

3.3.4 Net interest spread and net interest margin

The Group's net interest spread decreased from 3.07% for last year to 2.95% for the current year, while the Bank's net interest margin decreased from 3.31% for last year to 3.12% for the current year. The declines in net interest spread and net interest margin were primarily attributable to (i) the decline in the average yield of investment in securities and other financial assets and Amounts due from banks and other financial institutions; (ii) the decline of the proportion of loans and advances to customers with higher yield to total assets; and (iii) the increase in the amount Amounts due to banks and other financial institutions, which was of higher interest rate, as well as the proportion of debt securities issued to total liabilities.

3.4 Non-interest income

3.4.1 Net fee and commission income

In 2015, the Bank's net fee and commission income increased by RMB365 million or 104.89% to RMB713 million as compared with the same period last year, primarily attributable to the increase in fee and commission income, which in turn reflected the overall growth of the Bank's fee and commission businesses.

For the year ended December 31,				
	2015	2014	Change	Rate of change (%)
(Expressed in millions of Renminbi, unless otherwise stated)				
Fee and commission income				
Agency and custody services fees	332	172	160	93.02
Underwriting and advisory fees	194	44	150	340.91
Acceptance and guarantee services fees	136	133	3	2.26
Settlement and clearing services fees	38	4	34	850.00
Bank card services fees	33	25	8	32.00
Others	12	4	8	200.00
Fee and commission expense	(32)	(34)	2	(5.88)
Net fee and commission income	713	348	365	104.89

In 2015, the Bank's agency and custody services fees income reached RMB332 million, up RMB160 million or 93.02% as compared with the same period last year, primarily attributable to the Bank's continuous development of agency and custodian business with increase in the scale of agency and custodian services offered.

The Group realized securities underwriting and consultancy business fee income of RMB194 million for 2015, up by RMB150 million or 340.91% as compared with the same period last year, primarily as a result of the increase in scale of consultancy services offered and the number of bonds underwritten.

The Group realized acceptance and guarantee fee of RMB136 million for 2015, up by RMB3 million as compared with the same period last year.

In 2015, the Bank realized Settlement and clearing services fees income of RMB38 million, up RMB34 million or 850% as compared with the same period last year, primarily attributable to the significant increase in factoring fee income.

In 2015, the Bank's Bank card services fees income was RMB33 million, up RMB8 million or 32% as compared with the same period last year, primarily attributable to the increase in the number of bank cards issued and the growth in transaction amount using the Bank's bank cards.

Other fees and commission income amounted to RMB12 million, up RMB8 million or 200% as compared with the same period last year.

3.4.2 Net trading gain

In 2015, the Bank's net trading gain increased by RMB313 million to RMB127 million as compared with the same period last year, primarily attributable to the expansion of the Bank's trading assets portfolio and the increase in the trading volume of the Bank.

3.4.3 Net income on financial assets

In 2015, the Bank's net income on financial assets decreased by RMB11 million or 28.95% to RMB27 million as compared with the same period last year, primarily attributable to the adjustment of investment structure according to the bond market conditions.

3.4.4 Other operating income

In 2015, the Bank's other operating income increased by RMB67 million or 319.05% to RMB88 million as compared with the same period last year.

3.5 Operating expenses

In 2015, the Bank's operating expenses increased by RMB410 million or 22.26% to RMB 2,252 million as compared with the same period last year primarily attributable to growth in staff costs and business tax and surcharges.

	For the year ended December 31,			
	2015	2014	Change in amount	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Staff costs	949	775	174	22.45
Depreciation and amortisation	157	117	40	34.19
Rental and property management expenses	145	101	44	43.56
Office expenses	78	84	(6)	(7.14)
Business tax and surcharges	424	316	108	34.18
Other general and administrative expenses	499	449	50	11.14
Total operating expenses	2,252	1,842	410	22.26

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

For the year ended December 31,				
	2015	2014	Change	Rate of change (%)
(Expressed in millions of Renminbi, unless otherwise stated)				
Staff costs				
Salaries, bonuses and allowances	614	482	132	27.39
Social insurance and annuity	129	105	24	22.86
Staff welfare	115	94	21	22.34
Housing allowances	38	29	9	31.03
Supplementary retirement benefits	7	37	(30)	(81.08)
Others	46	28	18	64.29
Total staff costs	949	775	174	22.45

In 2015, the staff costs of the Bank were RMB949 million, up RMB174 million or 22.45% as compared with the same period last year, primarily attributable to the increase in salary, bonus and staff allowance. Staff costs represented the largest component of the Bank's operating expenses, and accounted for 42.14% and 42.07% of the total operating expenses in 2015 and 2014.

In 2015, depreciation and amortisation expenses were RMB157 million, up RMB40 million or 34.19% as compared with the same period last year, primarily as a result of the increase in the provision for depreciation and amortisation of fixed assets and intangible assets given the expansion of branch network and upgrading of information technology.

In 2015, rental and property management expenses were RMB145 million, up RMB44 million or 43.56%, primarily attributable to the expansion of branch network.

In 2015, work expenses were RMB78 million, down RMB6 million or 7.14% as compared with the same period last year, primarily as a result of the Bank's efforts on reducing operating fees.

In 2015, the Bank's business tax and surcharges were RMB424 million, up RMB108 million or 34.18% as compared with the same period last year, primarily attributable to the increase in the operating income subject to business tax and surcharges.

In 2015, other general and administrative expenses were RMB499 million, up RMB50 million or 11.14% as compared with the same period last year. Other general and administrative expenses primarily included entertainment fees, marketing expenses, postal and telecommunication expenses, travelling expenses, assets disposal fees and certain other fees.

3.6 Impairment losses

In 2015, the Bank's impairment losses increased by RMB801 million or 161.17% to RMB1,298 million as compared with the same period last year, primarily attributable to the increase in the provision for impairment losses of Loans and advances to customers.

	For the year ended December 31,			
	2015	2014	Change	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Loans and advances to customers	1,125	408	717	175.74
Financial investments classified as loans and receivables	130	89	41	46.07
Others	43	—	43	N/A
Total provision for assets impairment losses	1,298	497	801	161.17

3.7 Income tax expenses

In 2015, the Bank's income tax increased by RMB266 million or 35.95% to RMB1,006 million, which was primarily attributable to the increase in the Bank's Profit before taxation.

	For the year ended December 31,			
	2015	2014	Change	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Current income tax	1,252	836	416	49.76
Deferred income tax	(244)	(86)	(158)	183.72
Adjustments for prior years	(2)	(10)	8	(80.00)
Total income tax expenses	1,006	740	266	35.95

4 ANALYSIS OF KEY ITEMS OF FINANCIAL POSITION

4.1 Assets

As at December 31, 2015, the Bank's total assets increased by RMB61,334 million or 30.02% to RMB265,623 million from the end of last year. The principal components of the Bank's assets consist of (i) loans to customers (net) and (ii) investment securities and other financial assets, up by RMB15,378 million and RMB30,716 million respectively compared with the end of last year.

The following table sets forth, as at the dates indicated, the components of the Bank's total assets.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Gross loans to customers	94,294		77,986	
Allowance for impairment losses	(2,690)		(1,760)	
Loans to customers, net	91,604	34.49	76,226	37.31
Investment securities and other financial assets	113,215	42.62	82,499	40.38
Cash and deposits with central bank	33,008	12.43	33,855	16.57
Deposits with banks and other financial institutions	7,679	2.89	1,835	0.90
Placements with banks and other financial institutions	5,520	2.08	—	—
Financial assets held under resale agreements	9,716	3.66	6,576	3.22
Other assets	4,881	1.83	3,298	1.62
Total assets	265,623	100.00	204,289	100.00

4.1.1 Loans to Customers

As at December 31, 2015, the Bank's total loans to customers increased by RMB16,308 million to RMB94,294 million, representing an increase of 20.91% as compared with the end of last year. Our loans to customers consist primarily of corporate loans, personal loans and discounted bills.

The following table sets forth, as at the dates indicated, a breakdown of the Bank's loans by business line.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Corporate loans	67,009	71.07	51,671	66.26
Personal loans	22,842	24.22	21,395	27.43
Discounted bills	4,443	4.71	4,920	6.31
Total loans to customers	94,294	100.00	77,986	100.00

(1) Corporate loans

The corporate loans are the largest component of the Bank's loan portfolio. As at December 31, 2015, the Bank's corporate loans increased by RMB15,338 million to RMB67,009 million or 71.07% of the Bank's total loans to customers, representing an increase of 29.68% as compared with the end of last year, mainly due to (i) the Bank's continued commitment to meet the capital requirements of the rapidly-growing wholesale and retail industry and to develop the loan business for small and micro enterprises, (ii) the Bank's efforts to continue to strengthen the business cooperation with core quality clients in various sectors to sustain the growth of the relevant loan balance.

The following table sets forth, as at the dates indicated, a breakdown of the Bank's corporate loans by collateral.

	As at December 31,			
	2015		2014	
	Loan amount	% of total	Loan amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Unsecured loans	783	1.17	2,444	4.73
Guaranteed loans	32,212	48.07	28,255	54.68
Loans secured				
by mortgages	18,510	27.62	11,631	22.51
Loans secured by pledges	15,504	23.14	9,341	18.08
Total corporate loans	67,009	100.00	51,671	100.00

(2) Personal loans

As at December 31, 2015, the Bank's personal loans increased by RMB1,447 million to RMB22,842 million, representing an increase of 6.76% as compared with the end of last year. The continued growth of the Bank's personal loans was mainly attributable to the growth of the Bank's personal consumption and business loans, reflecting the increase in the Bank's credit support for the personal consumption loan business and owner of small enterprises.

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

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Personal business loans	12,025	52.65	11,352	53.07
Personal residential mortgage loans	5,828	25.51	6,047	28.26
Personal consumption loans	3,710	16.24	2,823	13.19
Auto loans	772	3.38	1,105	5.16
Credit card balances	507	2.22	68	0.32
Total personal loans	22,842	100.00	21,395	100.00

As at December 31, 2015, personal business loans, personal consumption loans and credit card balances increased as compared with the end of last year, representing an increase of 5.93%, 31.42% and 645.59%, respectively.

(3) Discounted bills

As at December 31, 2015, the Bank's discounted bills decreased by RMB477 million to RMB4,443 million, representing a decrease of 9.70% as compared with the end of last year. In 2015, the Bank flexibly adjusted the scale of bill financing according to the business development requirements and clients' financing needs.

4.1.2 Investment securities and other financial assets

As at December 31, 2015, the total amount of the Bank's investment securities and other financial assets increased by RMB30,716 million to RMB113,215 million, representing an increase of 37.23% as compared with the end of last year. The increase in such assets of the Bank for 2015 was mainly due to the increase in our holding of investment products managed by securities companies, debt securities and investment products under trust schemes, reflecting the Bank's continued efforts to diversify our investment portfolio to expand income sources.

The following table sets forth, as at the dates indicated, a breakdown of the Bank's investment securities and other financial assets by investment intentions.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Investments classified as loans and receivables	65,106	57.51	45,502	55.15
Held-to-maturity investments	23,902	21.11	22,065	26.75
Available-for-sale financial assets	11,206	9.90	3,965	4.81
Financial assets at fair value through profit or loss	13,001	11.48	10,967	13.29
Total investment securities and other financial assets	113,215	100.00	82,499	100.00

Our investment securities and other financial assets are classified into fixed-income securities and equity instruments. During the Reporting Period, substantially all of our investment securities and other financial assets were fixed-income securities. The following table sets forth, as at the dates indicated, the distribution of the Bank's investment securities and other financial assets by fixed-income securities and equity instruments.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Government bonds	11,982	10.56	7,159	8.67
Debt securities issued by policy banks	21,228	18.71	16,191	19.60
Debt securities issued by banks and other financial institutions	3,048	2.69	2,386	2.89
Debt securities issued by corporate issuers	7,483	6.60	10,146	12.28
Subtotal	43,741	38.56	35,882	43.44
Investment products under trust schemes	29,146	25.69	27,892	33.77
Investment products managed by securities companies	31,329	27.62	17,152	20.77
Others	9,226	8.13	1,670	2.02
Total	113,442	100.00	82,596	100.00
Less: allowance for impairment losses	(235)		(105)	
Total fixed-income instruments	113,207		82,491	
Equity instruments	8		8	
Total investment securities and other financial assets	113,215		82,499	

As at December 31, 2015, the Bank's fixed-income securities totaled RMB113,207 million, an increase by RMB30,716 million or 37.24% as compared with the end of last year. The continued growth of the fixed-income securities held by the Bank was mainly attributable to the increase in the bonds held by the Bank, investment products under trust schemes and investment products managed by securities companies.

4.1.3 Other components of the Bank's assets

Other components of the Bank's assets primarily consist of (i) cash and deposits with central bank, (ii) deposits and placements with banks and other financial institutions and (iii) financial assets held under resale agreements.

As at December 31, 2015, the Bank's cash and deposits with central bank decreased by RMB847 million to RMB33,008 million, representing a decrease of 2.50% as compared with the end of last year, mainly due to the lowering in reserve requirement ratio by the People's Bank of China.

As at December 31, 2015, the Bank's deposits and placements with banks and other financial institutions increased by RMB11,364 million to RMB13,199 million, representing an increase of 619.29% as compared with the end of last year, mainly due to the increase in deposits and placements with banks under our foreign currency business.

As at December 31, 2015, the Bank's financial assets held under resale agreements increased by RMB3,140 million to RMB9,716 million, representing an increase of 47.75% as compared with the end of last year. The changes in such assets were mainly attributable to adjustments made by the Bank after taking into consideration the need for assets and liabilities matching and the changes in market liquidity.

4.2 Liabilities

As at December 31, 2015, the Bank's total liabilities increased by RMB54,915 million to RMB247,799 million, representing an increase of 28.47% as compared with the end of last year.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Deposits from customers	169,195	68.28	132,561	68.73
Deposits from banks and other financial institutions	21,453	8.66	32,187	16.69
Placements with banks and other financial institutions	5,820	2.35	1,003	0.52
Financial assets sold under repurchase agreements	19,603	7.91	15,783	8.18
Debt securities issued	27,039	10.91	8,504	4.41
Other liabilities ⁽¹⁾	4,689	1.89	2,846	1.47
Total liabilities	247,799	100.00	192,884	100.00

Note:

- (1) Consists of interest payables, payment and collection clearance accounts, tax payable, accrued staff costs, dormant accounts, dividend payable, provisions, and certain other liabilities.

4.2.1 Deposits from customers

As at December 31, 2015, the Bank's deposits from customers increased by RMB36,634 million to RMB169,195 million, representing an increase of 27.64% as compared with the end of last year. The increase in the Bank's deposits from customers was primarily attributable to the general business growth of the Bank and the expansion of our branch network.

The following table sets forth, as at the dates indicated, the Bank's deposits from customers by product type and maturity profile of deposits.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Corporate deposits				
Demand	62,771	37.10	49,757	37.54
Time	34,241	20.24	24,368	18.38
Subtotal	97,012	57.34	74,125	55.92
Personal deposits				
Demand	12,976	7.67	10,603	8.00
Time	34,106	20.16	27,420	20.68
Subtotal	47,082	27.83	38,023	28.68
Others	25,101	14.83	20,413	15.40
Total	169,195	100.00	132,561	100.00

4.2.2 Deposits from banks and other financial institutions

As at December 31, 2015, the deposits from banks and other financial institutions decreased by RMB10,734 million to RMB21,453 million, representing a decrease of 33.35% as compared with the end of last year. The decrease in such deposits mainly reflected other sufficient capital sources of the Bank other than the deposits from banks and other financial institutions.

4.2.3 Placements with banks and other financial institutions

Placements with banks and other financial institutions mainly consisted of borrowings from the currency market. As at December 31, 2015, the balance of placements with banks and other financial institutions of the Bank increased by RMB4,817 million to RMB5,820 million, representing an increase of 480.26% as compared with the end of last year. The changes in the placements with banks and other financial institutions mainly reflected the changes in the Bank's liquidity requirements.

4.2.4 Financial assets sold under repurchase agreements

As at December 31, 2015, the Bank's financial assets sold under repurchase agreements increased by RMB3,820 million to RMB19,603 million, representing an increase of 24.20% as compared with the end of last year. The changes in the Bank's financial assets sold under repurchase agreements reflected adjustments to the proportion of financial assets sold under repurchase agreements to the Bank's liabilities based on market liquidity and the Bank's capital needs after taking into consideration the need for assets and liabilities matching.

4.3 Shareholders' Equity

As at December 31, 2015, the Bank's shareholders' equity increased by RMB6,419 million to RMB17,824 million, representing an increase of 56.28% as compared with the end of last year. As at December 31, 2015, equity attributable to shareholders of the parent company increased by RMB6,390 million to RMB17,795 million, representing an increase of 56.03% as compared with the end of last year. The increase in shareholders' equity was mainly due to the increase in the Bank's profits and the proceedings of the initial public offering.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Share capital	5,142	28.85	3,942	34.56
Capital reserve	2,662	14.93	100	0.88
Surplus reserve	1,238	6.95	902	7.91
General reserve	3,163	17.75	2,313	20.28
Investment revaluation reserve	11	0.06	2	0.02
Deficit on remeasurement of net defined benefit liability	(55)	(0.31)	(27)	(0.24)
Retained earnings	5,634	31.61	4,173	36.59
Total equity attributable to shareholders of the Bank	17,795	99.84	11,405	100.00
Non-controlling interests	29	0.16	—	—
Total equity	17,824	100.00	11,405	100.00

5 OFF-BALANCE SHEET COMMITMENTS

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

	As at December 31,	
	2015	2014 (Expressed in millions of Renminbi)
Credit commitments:		
Bank acceptances	41,389	26,565
Letters of credit	2,295	2,618
Letters of guarantees	1,035	839
Unused credit card commitments	463	94
Total	45,182	30,116

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

6 ANALYSIS ON LOAN QUALITY

During the Reporting Period, the Bank continued to strengthen credit risk management, improve credit investigation and credit approvals and strengthen post-loan management measures to step up the efforts on collection and disposal of non-performing loans, so that the loan quality was generally kept at a manageable level. However, due to continued economic downturn, steady growth was hard to maintained; and high pressure of the adjusting structure led to overcapacity; while insufficient valid demands led to insufficient internal drive for economic growth. As a result, the economy showed no sign of bottoming in the short term.

As at December 31, 2015, the balance of non-performing loans amounted to RMB1,040 million. The non-performing loan ratio was 1.10%, up 35 bps as compared with the end of last year.

6.1 Distribution of Loans by Five-Category Loan Classification

The following table sets forth, as at the dates indicated, the Bank's loans to customers by the Bank's five-category loan classification.

	As of December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Normal	91,079	96.59	76,263	97.79
Special mention	2,175	2.31	1,140	1.46
Substandard	869	0.92	483	0.62
Doubtful	171	0.18	100	0.13
Loss	—	—	—	—
Total loans to customers	94,294	100.00	77,986	100.00
Non-performing loans and non-performing loan ratio⁽¹⁾	1,040	1.10	583	0.75

Note:

(1) Calculated by dividing total non-performing loans by total loans to customers.

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

6.2 Distribution of Loans and Non-Performing Loans by Product Type

The following table sets forth, as at the dates indicated, the Bank's loans and non-performing loans by product types.

	As at December 31,							
	2015				2014			
	Amount	% of total	NPL Amount	NPL ratio (%)	Amount	% of total	NPL Amount	NPL ratio (%)
(Expressed in millions of Renminbi, unless otherwise stated)								
Corporate loans								
Short-term loans	48,225	51.15	815	1.69	40,520	51.95	468	1.15
Medium and long-term loans	18,784	19.92	175	0.93	11,151	14.30	100	0.90
Discounted bills	4,443	4.71	—	—	4,920	6.31	—	—
Subtotal	71,452	75.78	990	1.39	56,591	72.56	568	1.00
Personal loans								
Personal business loans	12,025	12.75	38	0.32	11,352	14.56	14	0.12
Residential mortgage	5,828	6.18	2	0.03	6,047	7.75	1	0.02
Personal consumption loans	3,710	3.93	9	0.24	2,823	3.62	—	—
Auto loans	772	0.82	—	—	1,105	1.42	—	—
Credit card	507	0.54	1	0.20	68	0.09	—	—
Other	—	—	—	N/A	—	—	—	N/A
Subtotal	22,842	24.22	50	0.22	21,395	27.44	15	0.07
Total	94,294	100.00	1,040	1.10	77,986	100.00	583	0.75

In 2015, the Bank actively responded to the national policies by strengthening the adjustment of loans structure and continuing to develop microcredit business (corporate loans to small enterprises and personal loans). At the end of the Reporting Period, the NPL ratio of corporate loans rose to 1.39% due to the fact that continued economic downturn has adversely affected the operation of enterprises in general as evidenced by serious overcapacity, relatively high pressure in destocking and decrease in both sales volume and prices, making it difficult for enterprises to continue their operations. The NPL ratio of personal loans rose to 0.22% also as a result of the economic downturn which has led to the relatively fast growth in the amount of non-performing personal business loans. However, risks are controllable in general and a relatively low non-performing loans ratio of 0.32% was maintained.

6.3 Distribution of Loans and Non-Performing Loans by Industry

The following table sets forth, as at the dates indicated, the distribution of the Bank's loans and non-performing loans by industry.

	As at December 31,							
	2015				2014			
	Amount	% of total	NPL	NPL ratio (%)	Amount	% of total	NPL	NPL ratio (%)
(Expressed in millions of Renminbi, unless otherwise stated)								
Wholesale and retail	23,618	25.05	365	1.55	16,945	21.73	216	1.27
Manufacturing	14,101	14.95	493	3.50	12,801	16.42	321	2.51
Real estate	7,349	7.79	—	—	4,697	6.02	—	—
Construction	7,279	7.72	111	1.52	5,572	7.15	10	0.18
Agriculture, forestry, animal husbandry and fishery	3,866	4.10	3	0.08	2,078	2.66	—	—
Mining	1,849	1.96	—	—	1,538	1.97	—	—
Leasing and commercial services	1,412	1.50	3	0.21	1,209	1.55	5	0.41
Water, environment and public facility management	1,331	1.41	—	—	1,038	1.33	—	—
Public administration, public security and social organisations	1,260	1.34	—	—	1,290	1.65	—	—
Accommodation and catering	1,231	1.31	2	0.16	931	1.19	8	0.86
Transportation, storage and postal services	1,133	1.20	10	0.88	1,171	1.50	8	0.68
Production and supply of electric and heating power, gas and water	941	1.00	—	—	743	0.95	—	—
Culture, sports and entertainment	435	0.46	3	0.69	761	0.98	—	—
Others	1,204	1.28	—	—	897	1.15	—	—
Total corporate loans	67,009	71.07	990	1.48	51,671	66.25	568	1.10
Total personal loans	22,842	24.22	50	0.22	21,395	27.44	15	0.07
Discounted bills	4,443	4.71	—	—	4,920	6.31	—	—
Total	94,294	100.00	1,040	1.10	77,986	100.00	583	0.75

As at December 31, 2015, the non-performing corporate loans of the Bank concentrated in the manufacturing industry, the wholesale and retail industry and the construction industry, with NPL ratio of 3.50%, 1.55% and 1.52%, respectively.

6.4 Distribution of Loans and Non-Performing Loans by Collateral

The following table sets forth, as at the dates indicated, the distribution of the Bank's loans and non-performing loans by collateral.

	As at December 31,							
	2015				2014			
	Amount	% of total	NPL	NPL ratio	Amount	% of total	NPL	NPL ratio
(Expressed in millions of Renminbi, unless otherwise stated)								
Unsecured loans	1,316	1.40	1	0.08	2,533	3.25	—	—
Guaranteed loans	39,179	41.55	868	2.22	34,957	44.82	393	1.12
Loans secured								
by mortgages	30,194	32.02	167	0.55	23,527	30.17	190	0.81
Loans secured by pledges	23,605	25.03	4	0.02	16,969	21.76	—	—
Total	94,294	100.00	1,040	1.10	77,986	100.00	583	0.75

6.5 Borrowers Concentration

As at December 31, 2015, the Bank was in compliance with the lending limit of 10% of the Bank's net capital to any single borrower.

The following table sets forth, as at December 31, 2015, the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance.

		As at December 31, 2015		
	Industry	Balance (Expressed in millions of Renminbi, unless otherwise stated)	% of total loans	% of net capital
Borrower A	Construction	794	0.84	3.75
Borrower B	Real estate	700	0.74	3.30
Borrower C	Public administration, public security and social organisations	600	0.64	2.83
Borrower D	Manufacturing	588	0.62	2.78
Borrower E	Real estate	565	0.60	2.67
Borrower F	Leasing and commercial services	500	0.53	2.36
Borrower G	Transportation, storage and postal services	500	0.53	2.36
Borrower H	Mining	500	0.53	2.36
Borrower I	Wholesale and retail	486	0.52	2.29
Borrower J	Public administration, public security and social organisations	480	0.51	2.27
Total		5,713	6.06	26.97

6.6 Overdue loans

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

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Current loans	91,401	96.93	76,111	97.60
Loans past due ⁽¹⁾ for:				
1 to 90 days	1,748	1.86	1,257	1.61
91 to 360 days	840	0.89	448	0.57
361 days or more	305	0.32	170	0.22
Subtotal	2,893	3.07	1,875	2.40
Total loans	94,294	100.00	77,986	100.00

As at December 31, 2015, the amount of overdue loans totaled RMB2,893 million, up RMB1,018 million as compared with the end of last year. Overdue loans accounted for 3.07% of the total loans, up 0.67% as compared with the end of last year. The increase in overdue loans was mainly a result of continued economic downturn which has adversely affected the operation of enterprises general as evidenced by serious overcapacity, relatively high pressure in destocking and decrease in both sales volume and prices, making it difficult for enterprises to continue their operations. The shortage of cash flow in turn led to overdue interests.

Note:

(1) Represents the principal amount of the loans on which principal or interest is overdue.

7 BUSINESS SEGMENT REPORT

The table below sets forth the Bank's operating income by business segments for the periods as indicated:

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Corporate banking business	3,406	43.33	2,801	50.88
Retail banking business	1,306	16.61	1,046	19.00
Treasury business	3,062	38.95	1,637	29.74
Others ⁽¹⁾	87	1.11	21	0.38
Total operating income	7,861	100.00	5,505	100.00

Note:

- (1) Consists primarily of equity investment and the corresponding income, and expenses that are not directly attributable to any specific segment.

8 ANALYSIS ON CAPITAL ADEQUACY RATIO

The Group continued to optimise its business structure and strengthen its capital management. As at December 31, 2015, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Bank were 12.20%, 10.09% and 10.09%, respectively, and up 108bp, 143bp and 143bp, respectively, as compared with the end of last year, which fulfilled the requirements provided in the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBRC for the transition period. The changes in capital adequacy ratio were mainly due to the initial public offering on the Hong Kong Stock Exchange in December 2015 and the net profit obtained in 2015, however, the effect of which on the capital adequacy ratio was partially offset by the increase in risk-weighted assets.

In accordance with Administrative Measures for the Capital of Commercial Banks (Provisional) (the “New Measures”) issued by CBRC, the capital adequacy ratio of the Bank was as follows:

	As at December 31,	
	2015	2014
	(Expressed in millions of Renminbi, unless otherwise stated)	
Core tier-one capital		
Share capital	5,142	3,942
Valid portion of capital reserve	2,618	75
Surplus reserve	1,238	902
General reserve	3,163	2,313
Retained earnings	5,634	4,173
Valid portion of minority interests	23	—
Total Core tier-one capital	17,818	11,405
Core tier-one capital deductions	(284)	(213)
Net core tier-one capital	17,534	11,192
Net tier-one capital	17,534	11,192
Tier-two capital		
Qualifying portions of tier-two capital instruments issued	2,000	2,000
Surplus provision for loan impairment	1,649	1,176
Net tier-two capital	3,649	3,176
Net capital base	21,183	14,368
Total risk-weighted assets	173,697	129,223
Core tier-one capital adequacy ratio	10.09%	8.66%
Tier-one capital adequacy ratio	10.09%	8.66%
Capital adequacy ratio	12.20%	11.12%

9 BUSINESS OPERATION

9.1 Corporate banking

9.1.1 Corporate Deposit and Loan Business

Corporate Deposits

During the Reporting Period, by proactively responding to the macroeconomic situation and the change in policy environment, the Bank achieved a rapid and steady growth in corporate deposit. The Bank advanced the development of trading and financing business and investment banking business to carry forward the transformation and upgrading of its businesses. It also leveraged on its portfolio of liability products and innovation capability to enhance the efficiency of corporate deposit. Further cooperation with provincial and municipal governments also resulted in comprehensive improvement of the quality of deposit related to financial businesses.

During the Reporting Period, the balance of corporate deposit amounted to RMB122.113 billion, accounting for 72.17% of the balance of all deposits, representing an increase of RMB27.575 billion or 29.18%. Meanwhile, in 2015, the Bank proactively developed business cooperation with institutions including the Finance Department of Henan Province and the Social Security Bureau of Henan Province to further achieve central capital management of financial customers and consolidate customer resources, enhancing the overall contribution of corporate customers.

According to the data of PBoC Zhengzhou Central Sub-branch, during the Reporting Period, the balance of the Bank's corporate deposit in Zhengzhou region amounted to RMB99.385 billion, ranking first among the region; accounting for 11.05% of RMB corporate deposit in Zhengzhou region, representing a rise of 0.53 percentage point as compared with the end of last year (i.e. 10.52%).

Corporate Loans

During the Reporting Period, the Bank's corporate loans to corporate customers totaled RMB71.452 billion, an increase of RMB14.861 billion or 26.26% from the end of last year.

During the Reporting Period, the Bank's total corporate loan (exclude discounted bills) amounted to RMB67.009 billion, an increase of RMB15.338 billion or 29.68%, accounting for 93.78% of the total loans, a rise of 2.47 percentage points from the end of last year, mainly attributable to the Banks' rational adjustment of its credit structure and offering of greater credit support to loan clients of key industries in response to the economic situation and regulatory environments.

9.1.2 Customer Management and Team Building

Customer Management

In 2015, the Bank advanced its customer management works in full-scale and enhanced its integrated servicing capability towards customers. Meanwhile, it also initiated marketing efforts targeting customers in a comprehensive, unified, highly efficient, layered and segmented manner by leveraging on its customer relationship management (CRM) system, thereby strengthening its systematic management of customers to further consolidate its customer base, as well as effectively enhancing its management efficiency of customer relationship and customer managers. Taking advantage of its operation layout and network resources, the Bank's number of corporate customers continued its upward trend. As at the end of 2015, the number of effective corporate customers surpassed 81,700, a year-on-year increase of 2.46%.

Team Building for Sales Teams

By introducing a leveled management system for corporate customer managers, the Bank promoted the accreditation of customer managers to sustainably improve the performance evaluation and target management methodology for customer managers. By integrating stringent evaluation on the performance of customer managers, business standard and moral standard, it initiated dynamic management of customer managers to further enhance the team structure of customer managers and stimulate their work attitude, thereby building a professional customer manager team that is highly energetic and service-oriented with strong professional ethics. By consistently improving the management system of corporate customer managers, the Bank facilitated the sustained and steady development of its businesses.

9.2 Small and micro enterprise loan business

In 2015, the Bank continuously strengthened its efforts in its mechanism reform and the innovation of financial products and services, and further increased its credit disbursements to support financial services to small and micro enterprises, aiming to “control risks by leveraging emerging opportunities and formulate plans in a scientific manner to achieve sound operations with long-term vision and according to the actual conditions” and striving for comprehensive, coordinated and sustainable development of the small and micro enterprise loan business.

During the Reporting Period, while establishing and improving dedicated management departments, operating institutes, marketing team and operating procedures, the Bank also formulated a set of systematic mechanisms covering various aspects including authorisation, approval, management, accounting, assessment, accountability and training. The Bank also established a small business financial service centre at branch level, under which 16, 10 and 8 small business financial service branch centres were set up for retail banking sub-branches, small and micro enterprise sub-branches and prefecture and city-level branches, respectively. In addition, the Bank separately established a dedicated team comprising nearly 200 customer managers to serve small and micro customers, accounting for more than one third of the total number of customer managers. The dedicated team was given differentiated assessment policy to provide special and professional services to small and micro customers. As at December 31, 2015, the Bank had 16,408 small and micro corporate customers, representing an increase of 5.42% as compared with that at the end of the previous year.

In response to the “short-term, small-sized, frequent and urgent” nature of small enterprise financing, the Bank constantly explored and launched more than 20 types of products with targeted customers, including “Ji Su Dai (集速貸)” and “Xiao E Bao (小額寶)”. The Bank also rolled out “guaranteed and insured loans (保證保險貸)”, “loans secured by accounts receivable (應收賬款質押貸)” and other innovative products to effectively address the difficulties of small and micro enterprises in obtaining financing due to inability to provide sufficient guarantee(s) or at all.

During the Reporting Period, the Bank aggressively carried out innovation campaign by launching the “Credit Workshop (信貸工廠)” project, in an effort to improve credit approval efficiency and precisely identify and measure risks associated with loans to small and micro enterprises through drawing upon the scale benefits brought about by batched, standard, special and streamlined operation. The Bank also launched a mobile platform-based work station to provide batch services to small and micro enterprises, and introduced the financial service brand “Easy Disbursement (簡單派)” for small and micro enterprises by increasing efforts to build brands targeting small and micro enterprises. In addition, the Bank established a technology-supported team to enhance the technology-based service capability, strengthened system application management to improve capability of serving sub-branches, developed an assessment model for customer applications and constantly enhanced its behaviour assessment model system.

During the Reporting Period, the Bank enhanced its risk control capability and effectively prevented the rebound of non-performing loans. The Bank constructed an omni-directional risk management model for small and micro enterprises, which covers entities from sub-branches up to the headquarter and loans from early alerts to non-performing and is supported by the risk management team for small and micro enterprises, risk management posts at sub-branches and third-party legal service platforms, thereby basically formulating a risk management system “driving business growth with appropriate supervision and supported by legal service platforms”.

During the Reporting Period, in recognition of its outstanding financial services to small and micro enterprises, the Bank was selected as “Excellent Institutional Provider of Quality Data for the Personal Credit Information System (個人徵信系統數據質量工作優秀機構)” by PBoC Zhengzhou Central Sub-branch and was honoured as “Advanced Financial Services Provider to Small and Micro Enterprises Among Financial Institutions in China Banking Industry (全國銀行業金融機構小微企業金融服務先進單位)” by CBRC. In addition, the Bank was also awarded as “Advanced Financial Services Provider to Small and Micro Enterprises in Henan Banking Industry for 2014 (2014年度河南省銀行業機構小微企業金融服務工作先進單位)”.

9.3 Personal Banking Business

During the Reporting Period, the Bank continued to innovate new products, enrich its personal loan system, perfect its customer structure, with an aim to rapidly develop its personal banking business.

9.3.1 Personal Deposits

As a local financial institute in Zhengzhou, the Bank adhered to its unique positioning as a “bank of the people”. Focusing on the main business theme of serving personal customers, the Bank insisted on consolidating cross sales, consumer finance and wealth management. The Bank continued to upgrade the quality of its financial services closely related to local residents by launching new products, perfecting the service system, enhancing customer values and establishing outstanding teams. The Bank also strived to enhance the quality of business development and the influence of its brand to constantly motivate the development of its personal loan business. During the Reporting Period, total personal deposit amounted to RMB47.083 billion, representing an increase of RMB9.060 billion or 23.83% from the end of last year. The Bank’s personal deposit business was ranked top among its regional peers in terms of total balance, increment and market share.

9.3.2. Personal Loans

In 2015, the personal loan business of the Bank demonstrated a steady growth with the personal business loan segment showing rapid development. The Bank continued to enhance its loan structure and launch innovative personal loan products, resulting in a drop in non-performing loan ratio as the quality of personal loan products improved. As at December 31, 2015, the balance of personal loans amounted to RMB22.842 billion, representing an increase of RMB1,447 million or 6.76% from the beginning of the year, of which the balance of personal business loans amounted to RMB12.025 billion, representing an increase of RMB673 million or 5.93% as compared with the end of last year. The non-performing loan ratio of the whole bank reached 0.22%, representing an increase of 0.15 percentage point as compared with the end of last year.

9.3.3 Bank Cards

In addition to the basic version of debit cards named “Shangding Card (商鼎卡)”, the Bank also issued special themed cards such as “Shangding Zodiac Card (商鼎生肖卡)”, “Shangding Beauty Card (商鼎麗人卡)” and “Shangding Logistics Card (商鼎物流卡)”. In 2015, the Bank issued the first financial IC card in Henan for use on public transportation – the Henan Province Labour Union Membership Card, becoming the only financial institution in Henan Province incorporating the application of “Lvchengtong (綠城通)”. As the functionality of its Financial IC Card continued to improve, the Bank successively issued a number of special Financial IC cards including the “Property Card (物業通卡)”, the “Safe Trip Card (安途卡)” and the “Housing Security Card (住房保障卡)” with outstanding functions, gaining widespread recognitions from the market and customers. As at December 31, 2015, the Bank has issued a total of 2,860.6 thousand debit cards, with 581.4 thousand new cards issued during the year.

Since the launch of its first Shangding credit card in October 2014, a total of 23,508 Shangding credit cards have been issued as at December 31, 2015, with aggregate transaction amount and aggregate operation revenue amounting to RMB2.908 billion and RMB12 million, respectively.

9.4 Treasury business

9.4.1 Money market transactions

During the Reporting Period, in view of decelerated growth and significant downward pressure of the PRC economy, the central bank adopted a relatively prudent monetary policy to guide downward adjustments to the market lending rate by taking various measures. As a result, funding generally eased up. By closely monitoring liquidity conditions and movements in capital cost in the monetary market in 2015, the Bank aggressively grasped market opportunities to improve profitability while ensuring safe liquidity. As at December 31, 2015, the total balance of the Bank's deposits/placements with banks and other financial institutions and financial assets held under resale agreements amounted to RMB22,915 million, representing 8.63% of the Bank's total assets; and the total balance of the Bank's deposits/placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB46,876 million, representing 18.92% of the Bank's total liabilities.

9.4.2 Investment in securities and other financial assets

During the Reporting Period, the Bank made timely adjustments to its operating strategy and leveraged swing trading opportunities by closely monitoring changes in economic policies and environment and proactively studying market conditions, so as to enhance investment business portfolio and improve return on assets.

As at December 31, 2015, the total securities investments and other financial assets of the Bank's financial markets department amounted to RMB113,442 million, representing an increase of RMB30,846 million or 37.35% as compared with that at the end of the previous year. Specifically, the total amount of the Bank's bond investments was RMB43,741 million, representing a year-on-year increase of 21.90%, and the total amount of the Bank's investments in bond instruments issued by financial institutions was RMB60,475 million, representing a year-on-year increase of 34.26%.

9.4.3 Wealth management business

During the Reporting Period, the Bank had 82 ongoing wealth management products with a size of RMB25,313 million, representing an increase of RMB14,047 million or 124.67% as compared with that as the beginning of the year. In 2015, the daily average size of ongoing wealth management products amounted to RMB19.9 billion, representing an increase of RMB13.7 billion or 221% as compared with that at the beginning of the year.

During the Reporting Period, the Bank smoothly operated two series of conventional wealth management products, “Dingcheng (鼎誠)” and “Jujin (聚金)”, and three series of tailored wealth management products, “Chang Xiang (暢享)”, “Juxin (聚鑫)” and “Tonghui (同惠)”. Throughout the year, the Bank issued a total of 210 wealth management products with accumulated proceeds of RMB61.8 billion; averagely, the Bank issued 18 wealth management products with accumulated proceeds of RMB5.15 billion per month. The number of issued products and the gross proceeds increased by 114% and 91% respectively as compared with the figures for 2014.

9.5 Distribution Channels

9.5.1 Physical Outlets

During the Reporting Period, the Bank has established its head office in Zhengzhou and eight branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe and Xinyang were granted approvals to commence operation. As at December 31, 2015, a total of 109 sub-branches were established within Henan Province. The Bank operates mainly in Henan Province of the PRC.

As at December 31, 2015, the Bank had a total of 116 intra-branch self-service facilities, including 75 banks in Zhengzhou urban districts, 8 branches and 33 county outlets. The Bank also had a total of 90 extra-branch self-service facilities in Henan Province, including 66 banks in Zhengzhou urban districts and 22 county outlets. The Bank’s network of self-service outlets also covered other counties, including Nanyang, Xinxiang, Luoyang, Zhongmu, Dengfeng, Xinmi, Xinzheng.

9.5.2 Electronic Banking

Self-service Banking

The Bank’s self-service banking infrastructure covers automatic teller machines, automatic cash withdrawal and deposit machines, smart counters, online banking terminals, easy payment terminals and “Cash Island” units, with an aim to provide customers with a wide range of services ranging from cash withdrawal and deposit, account inquiry, bill payment, PIN change and fund transfer with a higher efficiency. Adhering to our customer-oriented strategy, we have been developing and upgrading our self-service banking facilities with new functions, while the growing smart counter business resulted in better customer flow management and reduced the burden at the frontline. As at the end of 2015, we had 1,056 sets of self-service banking facilities, including 316 automatic teller machines, 268 automatic cash withdrawal and deposit machines, 132 smart counters, 199 online banking terminals, 139 easy payment terminals and 2 “Cash Island” units. The total number of cash withdrawal and deposit transactions amounted to 10,710,000, representing a year-on-year increase of 12%, while the transaction amount totaled RMB17.6 billion, recording a year-on-year increase of 13%.

Online Banking

Our online banking service was introduced to the market in October 2010. In 2015, our mobile banking segment registered 100,000 new accounts, representing a year-on-year increase of 11.26%, among which 94,300 were new personal accounts and 5,700 were new corporate accounts. The number of transfer transactions reached 2,920,300, recording a year-on-year increase of 22.13%, while the transaction amount totaled RMB259.254 billion, representing a year-on-year increase of 18.97%. As at the end of December 2015, the total number of online banking accounts reached 306,500, among which 288,700 were personal accounts and 17,800 were corporate accounts.

Mobile Banking

Our mobile banking service was offered to the market on January 9, 2013. In 2015, our mobile banking segment registered 107,300 new accounts, representing a year-on-year increase of 65.06%, while the number and amount of transactions amounted to 682,800 and RMB2.814 billion respectively, representing a year-on-year increase of 97.43% and 160.83% respectively. As at December 31, 2015, the total number of mobile banking accounts reached 208,500 while the aggregate number and amount of transactions amounted to 1,165,400 and RMB4.203 billion respectively.

On November 11, 2015, our upgraded mobile banking service was introduced as an authentic mobile banking offering supplemented with social networking features, with the integration of the existing “Peer Group” function. The highlights and key functions of this offering include fund transfer among peers, bill payment, fund transfer via mobile phone numbers, large amount fund transfer, fund transfer reservation and purchase of financial products, credit card service and personal loans, by which our customers are provided with enhanced banking services and brand-new user experience.

Online Payment

Our online payment platform was introduced to the market in July 2012. In 2015, 91,000 new users registered on our platform, representing a year-on-year increase of 30.37%, while the number and amount of transactions amounted to 2,967,100 and RMB841,000,000 respectively, representing a year-on-year increase of 106.25% and 158.53%, respectively. As at December 31, 2015, the total number of users on our online payment platform reached 213,600 while the aggregate number and amount of transactions amounted to 4,771,200 and RMB1.221 billion respectively.

In late October 2015, our Alipay - Express Payment version 6.0 was officially launched subsequent to its upgrade and modification, featuring our IC Card’s brand-new Express Payment function and a notable upward adjustment to the credit limit. This upgrade and modification allowed us to better satisfy the needs of our cardholders with an enhanced user experience, which gave rise to a heightened interest from our customers in the service.

Telephone Banking

We offer 7 days x 24 hours telephone banking services to our customers through the nation-wide customer service hotline “4000-967585”. Our services include account inquiries, loss reporting, bill payment, loan business, investment and wealth management, PIN services, credit card business, customer service inquiries and outbound calls. The customer service centre continued to enhance user experience and actively expand the business scope based on the customers’ needs. As at December 31, 2015, our telephone banking handled a total of 1,711,600 cases.

WeChat Banking (微信銀行)

Since the launch of the Bank’s WeChat Banking on October 25, 2013, the Bank’s WeChat Banking business has recorded a total of 22,626 followers as at December 31, 2015. WeChat Banking can answer customers’ inquiries on account balance, transaction details and the Bank’s investment updates.

Ding Rong Yi (鼎融易)

In 2015, the Bank’s internet financial service platform “Ding Rong Yi” (鼎融易) was fast growing with the focus on the five core functions covering electronic accounts, utilities payment, investment, e-financing and B2B e-commerce. The enhancement of payment platform and the launch of mobile Apps provided comprehensive online and offline coverage for cross-regional development, supply-chain finance, online investment and financing, payment and settlement, and the diversified channels of financial services were well received by clients. As at December 31, 2015, the total number of Ding Rong Yi customers reached 71,000, with an aggregate number of transactions of 126,000 and total transaction amount of RMB1.83 billion.

9.6 Operations of subsidiaries

9.6.1 Operations of subsidiaries

As at the end of the Reporting Period, the Bank held 50.2% equity interest in Fugou County Bank, a subsidiary of the Bank with a registered capital of RMB60 million. The principal businesses of which include: (I) taking deposits from the public; (II) extending short-term, medium-term and long-term loans; (III) effecting domestic settlements; (IV) accepting and discounting bills; (V) interbank borrowings; (VI) debt-card business; (VII) acting as the issuing agent, cashing agent and the underwriter of government bonds; (VIII) collecting agent; (IX) other businesses approved by the banking regulatory authorities (involving the operations authorised under valid permits or licensed operations).

Fugou County Bank is featured by its short decision-making chain, flexible credit policy, and the capability to adapt its operation process to match the financial needs of the agricultural industry. Since its operation of business on December 8, 2015 to the end of 2015, the bank has accumulated total assets of RMB66,874,800, total liabilities of RMB8,282,300, total loans of RMB700,000 and total deposits of RMB7,827,200 and the non-performing loan ratio was zero, while major indicators were in compliance with the regulatory requirements.

9.6.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 19.7%, 20.0% and 30.0% equity interests in Zhongmu Zhengyin County Bank, Xinmi Zhengyin County Bank and Yanling Zhengyin County Bank, respectively. The total asset value of the three county banks reached RMB12.913 billion, total deposits reached RMB11.497 billion and total loans reached RMB6.237 billion.

Since the establishment of Zhengyin Zhongmu County Bank in 2009, it has been committed to providing services to the three rural sectors (“San Nong”) with a market position targeting small- and medium-size customers. Led by the gradual expansion of the asset size, a more balanced structure of deposits and loans and stronger support to the agricultural sector, the return on equity improved every year. Therefore, Zhengyin Zhongmu County Bank was renowned as one of the leading industry players among all county banks in the country in terms of comprehensive strength.

9.7 Risk Management

During the Reporting Period, the Bank focused on the philosophy of work which emphasised “consolidating foundation, tightening up management, building a strong head office and proceeding with transformation and development” to further reinforce our comprehensive risk management as well as the institutional, system and risk culture build-up so that the risk management capability was enhanced steadily.

9.7.1 Credit Risk

Credit risk refers to the risk of loss from the failure by an obligator or counterparty to meet its obligations in accordance with agreed terms. We are exposed to credit risk primarily through our loan portfolio, investment portfolio, guarantees and other on-and off-balance sheet credit risk exposures.

We have built an all-round credit risk management infrastructure to cover our entire credit business processes, with established policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. We have established a bank-wide standardised authorisation and credit extension management system. We seek to improve our overall credit risk management capabilities through building up an internal customer rating system, upgrading credit risk management information system, and further tightening our credit review and monitoring.

9.7.2 Market Risk

Market risk is the risk of loss in on- and off-balance-sheet positions arising from movements in market prices. We are exposed to market risks through our banking portfolio and trading portfolio. The primary market risks associated with our banking portfolio are interest rate risk and exchange rate risk. The primary risk associated with our trading portfolio is fluctuations in the market value of our trading positions, which are affected by movements in observable market variables such as interest rates and exchange rates. We seek to control potential market losses within acceptable limits based on our risk appetite while we seek to maximise risk-adjusted returns.

Our organisational structure for market risk management covers the front, middle and back offices. Our Board bears the ultimate responsibility for supervising our market risk management. Our senior management is responsible for the implementation of market risk management strategies and policies approved by our Board. Market risk management is led by the risk management department, while the functions of market risk management are actually distributed among the risk management department, the financial planning department, the financial markets department, the interbank department, the trade finance department and the asset management department. To effectively perform its market risk management function, the risk management department has appointed designated market risk management personnel to the financial markets department to participate in the middle office management of the bond trading business in the financial markets department. Our market risk management consists of the identification, measuring, monitoring and control of market risk. We also set different authorised risk limits for various products based on factors such as our overall market risk tolerance level, business strategy as well as market conditions for specific products. We set different exposure limits and employ different quantitative measures to manage different types of market risk arising from our banking book and trading book.

Market risk associated with banking book

1. Interest rate risk

Interest rate risk associated with our banking book primarily refers to the risk of loss caused to the overall earnings and economic value of banking book due to adverse movements in various factors such as interest rate level and maturity mix. By carrying out proactive management, appropriate hedging and other means, the Bank keeps the negative impact of interest rate fluctuations on the earnings and economic value of banking book under control within an acceptable limit.

2. Exchange rate risk

Exchange rate risk refers to the risk arising from the time and regional differences in exchange rate fluctuations as well as the mismatch between currency and maturity mix. We are exposed to exchange rate risk primarily through trading risk and conversion risk. Trading risk refers to the risk of loss caused to the Bank due to exchange rate fluctuations when customers are carrying out spot or forward foreign exchange trading, lending, investment and exchange activities. Conversion risk refers to foreign exchange gains and losses due to exchange rate fluctuations when assets and liabilities in foreign currencies in the Bank's balance sheet are converted into Renminbi at the end of an accounting period.

As at the end of 2015, since the Bank held a small total amount of foreign currency assets and the foreign exchange settlement business was in the early stage, the overall foreign exchange risk was small and could be controlled within an acceptable limit.

Market risk associated with trading book

Market risk associated with our trading book mainly refers to the changes in the asset value of the financial products in the trading book caused by the changes in market interest rates. By setting the interest rate-sensitive indicators, cut-loss limits and other market risk limits, the Bank revalues the market value of the assets in the trading book on a daily basis and conducts stress tests on a regular basis so that the market risk associated with the trading book is overall controllable.

9.7.3 Operational Risk

Operational risk refers to the risk of loss that may be incurred due to inadequate or failed internal procedures, personnel or information technology systems, or external events. We are exposed to operational risk primarily through internal and external frauds, worksite safety failures, business interruptions, damage of tangible assets and failure in information technology system. Our operational risk management objectives are to establish a sound operational risk management framework to carry out effective management of operational risks and to minimise losses from operational risk.

The organisational structure of our operational risk management consists of the Board, the Board of Supervisors, senior management, the compliance department, the risk management department, the internal audit office and various departments and branches. The Board, the Board of Supervisors and senior management lead and supervise our operational risk management. The Board bears the ultimate responsibility for the effectiveness of operational risk management. Our senior management leads the day-to-day operational risk management across the Bank. Our business departments, functional departments, branches and sub-branches, the compliance department and the risk management department, and internal audit office constitute the “three lines of defence” for our operational risk management. We have maintained close coordination and communications among our “three lines of defence”, each also focusing on its own designated responsibilities. Our business departments, functional departments and branches and sub-branches, as the first line of defence, are directly responsible for operational risk management. The compliance department and risk management department at our head office, being the second line of defence, are responsible for establishing operational risk management policies and procedures, and coordinating, supporting and supervising operational risk management. The internal audit office, as the third line of defence, is responsible for evaluating the adequacy and effectiveness of our operational risk management policies and procedures.

We have established a bottom-up operational risk reporting system. The compliance department submits periodical and ad hoc reports covering operational risks to the Board, the Board of Supervisors and senior management. The reports are required to include our operational risk profile, operational risk incidents and relevant data analysis, trends and early warning analysis, remediation measures, steps for future improvements. Significant operational risk incidents should be promptly reported to the senior management or, pursuant to applicable regulatory requirements, to the regulatory authorities by relevant sub-branches, business and functional departments.

9.7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to acquire sufficient funds in time or failure to acquire sufficient funds at a reasonable cost to fulfil payment obligations. Factors affecting our liquidity include the maturity mix of our assets and liabilities and changes to banking regulations, such as changes in the requirements relating to loan-to-deposit ratio and statutory deposit reserve ratio. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our cash flow positions. The objectives of our liquidity risk management are to ensure the availability of adequate funding at all times to meet our payment obligations and fund our business operations on a timely basis.

Our organisational structure for liquidity risk management is formed on the basis of separation of the responsibilities for the formulation, implementation and supervision of liquidity risk management policies and procedures. The Board bears the ultimate responsibility for our liquidity risk management. The Risk Management Committee under the Board is responsible for approving the liquidity risk management policies and strategies developed by the senior management. The Asset and Liability Management Committee under our senior management is responsible for the management of liquidity risk across the Bank, specifically, responsible for formulating our liquidity management policies and leading the implementation of these policies. The Board of Supervisors is responsible for supervising the Board and senior management in carrying out liquidity risk management on a day-to-day basis. Relevant departments, such as the financial planning department, the financial markets department, the interbank department and the asset management department, are responsible for liquidity risk management on a day-to-day basis.

We manage our liquidity risk mainly through monitoring the maturities of our assets and liabilities to ensure that we have sufficient funds to fulfil obligations as they become due. We have stepped up our efforts to improve our liquidity risk management after CBRC issued the “Notice on Further Strengthening the Supervision on Liquidity Risks of Commercial Banks” (《關於進一步加強商業銀行流動性風險監管的通知》) in February 2010 and the “Measures for Liquidity Risk Management of Commercial Banks (Trial)” (《商業銀行流動性風險管理辦法(試行)》), effective March 1, 2014. We have implemented the heightened regulatory requirements through closely monitoring various liquidity ratios, formulating contingency plans and strengthening liquidity risk management and stress tests. At present, we manage our liquidity risk through liquidity stress tests, liquidity limit system, the second generation of China National Advanced Payment System, position reporting and certain other tools. We are developing the cash flow analysis and management tools.

9.7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of our use of information technology. Our objectives for information technology risk management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous and stable environment. We seek to operate our business in a safe and robust information technology environment and drive business innovation with advanced information technologies. The Information Technology Management Committee under our senior management is responsible for coordinating on the performance of various responsibilities for information technology management, to ensure the allocation of adequate human and financial resources, and maintaining a stable and secure information technology environment. The information technology department is responsible for the implementation of information technology risk management policies and procedures.

Under the leadership of the Board and senior management, we have established a tiered information technology risk management framework based on the “three lines of defence”, namely, the business, risk management and audit. In addition, we seek to establish effective infrastructures to identify, monitor and control information technology risk and facilitate the safe, continuous and stable operation of our information technology system and to improve our sustainability. We establish a comprehensive information technology risk management system through the development, operation and maintenance of information system, management of information security and business continuity. In respect of the operation and maintenance management of our information technology system, we seek to improve the overall stability and availability of our information technology system by improving its structure and preventive maintenance. In respect of information security, we seek to build up an information security control mechanism and technology protection methodologies through establishing effective processes for management of user authentication and access control, rigorously implementing standard operation processes, managing transactions and activity logs and employing encryption techniques. In respect of business continuity, we have built a local application disaster recovery centre in Zhengzhou and a non-local disaster recovery data centre in Dongguan to ensure business continuity and reliability.

9.7.6 Reputational Risk

Reputational risk refers to the risk of negative publicity and comments on the Bank due to our operations, management and other activities or external events. Our objectives for reputational risk management are to identify, monitor, control and eliminate reputational risk by establishing a positive, reasonable and effective mechanism for reputational risk management in order to build and maintain our good corporate image and boost our sustainable development.

We have established a tiered organisational framework for reputational risk management. The Board bears the ultimate responsibility for reputation risk management and our senior management is responsible for our reputational risk management. We have set up a Reputational Risk Management Committee under our senior management to ensure the normal and effective operation of the reputational risk management system. The general office at the head office takes the lead in managing our reputation risk and is responsible for the day-to-day management of reputational risk.

9.7.7 Implementation of the New Basel Capital Accord

Since the beginning of 2013, the Bank has been committed to implementing the New Basel Capital Accord by selecting a development plan which matches the Bank's business strategy, scale and complexity, and by actively formulating and implementing the Foundation IRB Approach for capital measurement in accordance with the Measures Governing the New Capital of Commercial Banks (Trial Implementation) and other regulatory policies. By enhancing corporate governance structure, establishing a sound risk management system and improving information technology system, the Bank aimed to meet all the regulatory requirements. Following the commencement of a comprehensive risk management project in 2013, the Bank has currently completed the establishment of an application scorecard system for the retail credit business, a collateral management system, a standard approach to operational risk and GRC system, and completed the consultation on liquidity risk management, the development of a credit rating model for debts of the treasury business and the development of a scoring model for credit cards. The establishment of an interest rate risk system for bank accounts will soon be completed. The Bank is also active in other projects such as the standard approach to market risk, RWA and ICAAP which are scheduled to start in 2016.

CHAPTER VI CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN SHARE CAPITAL OF THE BANK

	December 31, 2014		Changes during the Reporting Period	December 31, 2015	
	Number (shares)	Proportion (%)	Number (shares)	Number (shares)	Proportion (%)
Domestic Shares	3,941,931,900	100.00	(120,000,000) ¹	3,821,931,900	74.33
Overseas listed foreign Shares	—	—	1,320,000,000	1,320,000,000	25.67
Total number of Shares	3,941,931,900	100.00		5,141,931,900	100.00

2 INFORMATION ON SHAREHOLDERS

2.1 Total number of Shareholders during the Reporting Period

As at December 31, 2015, the Bank had a total of 3,626 holders of Domestic Shares.

¹ In accordance with the *Reply of the Ministry of Finance of the People's Republic of China on Relevant Issues on the Listing of H Shares, Management and Conversion of State-owned Shares of Bank of Zhengzhou Co., Ltd.* (Cai Jin Han [2015] No. 154), and the *Letter of the NSSF on Relevant Issues on the Disposal and Conversion of State-owned Shares upon the Listing of Bank of Zhengzhou Co., Ltd. in Hong Kong from the National Council for Social Security Fund ("NSSF")* (NSSF Fa [2015] No. 176), 58 state-owned shareholders including Zhengzhou Development and Investment Group Co., Ltd. converted their 120,000,000 state-owned shares to H Shares and disposed of them on behalf of NSSF, with the proceeds to be remitted to the account specified by NSSF after deducting the relevant issuance expenses.

2.2 Shareholdings of Shareholders

Shareholdings of Top 10 Shareholders of Non-Overseas Listed Domestic Shares

At December 31, 2015, shareholdings of top 10 shareholders of non-overseas listed Domestic Shares were as follows:

Number	Name of Shareholder	Nature of Shareholder	No. of shares held at the end of the period (shares)	Shareholding percentage of total no. of issued shares	Type of shares	Pledged or frozen (shares)
1	Zhengzhou Finance Bureau (鄭州市財政局)	State-owned	490,904,755	9.55	Domestic Shares	220,900,000
2	Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non-state-owned legal person	262,000,000	5.10	Domestic Shares	262,000,000
3	Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non-state-owned legal person	250,000,000	4.86	Domestic Shares	124,999,990
4	Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic non-state-owned legal person	226,000,000	4.40	Domestic Shares	225,000,000
5	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	218,172,838	4.24	Domestic Shares	115,000,000
6	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Domestic non-state-owned legal person	205,000,000	3.99	Domestic Shares	205,000,000
7	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	199,046,474	3.87	Domestic Shares	195,000,000
8	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	116,023,488	2.26	Domestic Shares	—
9	Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non-state-owned legal person	100,000,000	1.94	Domestic Shares	—
10	Henan Masahiro Properties Limited (河南正弘置業有限公司)	Domestic non-state-owned legal person	100,000,000	1.94	Domestic Shares	49,999,990

¹ Among the top 10 shareholders of non-overseas listed Domestic Shares, except for the 205,000,000 judicially frozen shares of Zhongyuan Trust Co., Ltd., the shares of other shareholders with pledged or frozen shares were pledged shares.

Interests and short positions of substantial Shareholders and other persons in the Shares and underlying Shares

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

Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares held directly or indirectly	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
Zhengzhou Finance Bureau (鄭州市財政局)	Domestic Shares	Long	Beneficial owner Interest of controlled corporation ¹	702,306,483	18.38	13.66
Zhongzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司)	Domestic Shares	Long	Beneficial Owner Interest of controlled corporation ²	161,407,728	4.22	3.14
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic Shares	Long	Beneficial owner	262,000,000	6.86	5.10
Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司)	Domestic Shares	Long	Interest of controlled corporation ³	262,000,000	6.86	5.10
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic Shares	Long	Beneficial owner	250,000,000	6.54	4.86
Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司)	Domestic Shares	Long	Interest of controlled corporation ⁴	250,000,000	6.54	4.86
ZHANG Huiqi (張惠琪)	Domestic Shares	Long	Interest of controlled corporation ⁴	250,000,000	6.54	4.86
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic Shares	Long	Beneficial owner ⁵	226,000,000	5.91	4.40
DU Liling (杜麗玲)	Domestic Shares	Long	Interest of controlled corporation ⁶	226,000,000	5.91	4.40

Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
WANG Meilan (王梅蘭)	Domestic Shares	Long	Interest of controlled corporation ⁶	226,000,000	5.91	4.40
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Domestic Shares	Long	Beneficial owner ⁷	218,172,838	5.71	4.24
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Domestic Shares	Long	Beneficial owner	205,000,000	5.36	3.99
Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司)	Domestic Shares	Long	Interest of controlled corporation ⁸	205,000,000	5.36	3.99
Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司)	Domestic Shares	Long	Interest of controlled corporation ⁸	205,000,000	5.36	3.99
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Domestic Shares	Long	Beneficial owner ⁹ Interest of controlled corporation	295,807,289	7.74	5.75
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic Shares	Long	Beneficial owner ¹⁰	199,046,474	5.21	3.87
Lightning Triumph Limited	H Shares	Long	Beneficial owner	254,500,000	19.28	4.95
CCCC Financial Limited (中國城市國際金融控股集團有限公司)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	19.28	4.95
China City Construction Development International Co., Limited (中國城建開發國際有限公司)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	19.28	4.95
China City Construction Development Co., Limited (中國城建開發有限公司)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	19.28	4.95

CHAPTER VI CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
China City Construction Holding Group Company (中國城市建設控股集團有限公司)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	19.28	4.95
China City Construction International Technology Development (Beijing) Co., Limited (中城建國際開發科技發展(北京)有限公司)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	19.28	4.95
China City Development Academy International Co., Limited (中國城市發展研究院國際有限公司)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	19.28	4.95
China City Development Academy Co., Ltd. (中國城市發展研究院有限公司)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	19.28	4.95
China Real Estate Research Association (中國房地產研究會)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	19.28	4.95
Orient Best Investments Limited	H Shares	Long	Beneficial owner	254,500,000	19.28	4.95
JIANG Lei (蔣磊)	H Shares	Long	Interest of controlled corporation ¹²	254,500,000	19.28	4.95
Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	100,000,000	7.58	1.94
Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation ¹³	100,000,000	7.58	1.94

Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)	H Shares	Long	Interest of controlled corporation ¹³	100,000,000	7.58	1.94
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation ¹³	100,000,000	7.58	1.94
Jiangsu Jinhe Electricity and Fuel Limited (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation ¹³	100,000,000	7.58	1.94
Ruimaotong Supply Chain Management Co., Limited (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation ¹³	100,000,000	7.58	1.94
Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation ¹³	100,000,000	7.58	1.94
Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司)	H Shares	Long	Interest of controlled corporation ¹³	100,000,000	7.58	1.94
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation ¹³	100,000,000	7.58	1.94
Zhengzhou Zhengdong Construction Investment Corporation (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ¹⁴	100,000,000	7.58	1.94

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Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
Citigroup Global Markets Limited	H Shares	Short	Interest of controlled corporation ¹⁵	69,000,000	5.23	1.34
Citigroup Global Markets Holding Bahamas Limited	H Shares	Short	Interest of controlled corporation ¹⁵	69,000,000	5.23	1.34
Citigroup Financial Products Inc.	H Shares	Short	Interest of controlled corporation ¹⁵	69,000,000	5.23	1.34
Citigroup Global Markets Holdings Inc.	H Shares	Short	Interest of controlled corporation ¹⁵	69,000,000	5.23	1.34
Citigroup Inc.	H Shares	Short	Interest of controlled corporation ¹⁵	69,000,000	5.23	1.34
Huinong Fund International Investments Ltd. (惠農基金國際投資有限公司)	H Shares	Long	Others ¹⁶	129,000,000	9.77	2.51
Ningbo Huinong Gangwan Equity Investment Partnership (L.P.) (寧波惠農港灣股權投資合夥企業 (有限合夥))	H Shares	Long	Interest of controlled corporation ¹⁶	129,000,000	9.77	2.51
Shenzhen Ronghui Xincheng Investment Co., Ltd. (深圳融惠信誠投資管理有限公司)	H Shares	Long	Interest of controlled corporation ¹⁷	129,000,000	9.77	2.51
Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ^{17,18}	129,000,000	9.77	2.51
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ^{17,18}	129,000,000	9.77	2.51
Beijing Huinong Investment Fund (L.P.) (北京惠農投資基金 (有限合夥))	H Shares	Long	Interest of controlled corporation ¹⁷	69,000,000	5.23	1.34
Beijing Huinong Investment Management Centre (L.P.) (北京惠農投資管理中心 (有限合夥))	H Shares	Long	Interest of controlled corporation ¹⁷	69,000,000	5.23	1.34
Beijing CHNC Corporation (北京惠農資本管理有限公司)	H Shares	Long	Interest of controlled corporation ¹⁷	69,000,000	5.23	1.34
Beijing Fengnong Investment Consulting Co., Ltd. (北京豐農投資諮詢有限公司)	H Shares	Long	Interest of controlled corporation ¹⁷	69,000,000	5.23	1.34

Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
BOCOM International Securities Limited (交銀國際證券有限公司)	H Shares	Long/Short	Beneficial owner	198,000,000	15.00	3.85
BOCOM International Holdings Company Limited (交銀國際控股有限公司)	H Shares	Long/Short	Interest of controlled corporation ¹⁹	198,000,000	15.00	3.85
Bank of Communications (Nominee) Company Limited (交通銀行(代理人)有限公司)	H Shares	Long/Short	Interest of controlled corporation ¹⁹	198,000,000	15.00	3.85
Bank of Communications Co., Ltd. (交通銀行股份有限公司)	H Shares	Long/Short	Interest of controlled corporation ¹⁹	198,000,000	15.00	3.85
CCB International Capital Limited	H Shares	Short	Beneficial owner	198,000,000	15.00	3.85
CCB International (Holdings) Limited	H Shares	Short	Interest of controlled corporation ²⁰	198,000,000	15.00	3.85
CCB Financial Holdings Limited	H Shares	Short	Interest of controlled corporation ²⁰	198,000,000	15.00	3.85
CCB International Group Holdings Limited	H Shares	Short	Interest of controlled corporation ²⁰	198,000,000	15.00	3.85
China Construction Bank Corporation	H Shares	Long	Interest of controlled corporation ²⁰	198,000,000	15.00	3.85
Central Huijin Investment Ltd.	H Shares	Long	Interest of controlled corporation ²⁰	198,000,000	15.00	3.85
CITIC Securities Company Limited	H Shares	Long/Short	Beneficial owner	198,000,000	15.00	3.85
Henan Hongbao Group Company Limited	H Shares	Long	Beneficial owner	99,000,000	7.50	1.93
YUAN Guibao	H Shares	Long	Interest of controlled corporation ²¹	99,000,000	7.50	1.93
Henan Yuhong Property Company Limited	H Shares	Long	Beneficial owner	74,000,000	5.61	1.44
LIU Zhanwei	H Shares	Long	Interest of controlled corporation ²²	74,000,000	5.61	1.44
Luoyang City Development Investment Group Co., Ltd.	H Shares	Long	Beneficial owner	74,000,000	5.61	1.44

- 1 The 74,409,412 Shares, 50,000,000 Shares, 85,133,944 Shares, 1,858,372 Shares are held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, each of which is directly or indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). By virtue of SFO, Zhengzhou Finance Bureau (鄭州市財政局) is deemed to be interested in the Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司). FAN Yuto (樊玉清), our non-executive Director, is the chief economist of Zhengzhou Finance Bureau (鄭州市財政局).
- 2 The 161,401,728 Shares are directly or indirectly held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), including 74,409,412 Shares directly held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and 85,133,944 Shares and 1,858,372 Shares held by Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, each of which is indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). By virtue of SFO, Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司) is deemed to be interested in the Shares held by Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司).
- 3 Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) is wholly-owned by Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司), which in turn was owned by XU Jianxin (徐建新) as to 80% of its shares at the end of the Reporting Period. By virtue of SFO, Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司) and XU Jianxin (徐建新) were deemed to be interested in the Shares held by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司). As at the end of the Reporting Period, XU Jianxin (徐建新) was the chairman of the board of directors of Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司).
- 4 Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) is owned by Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) as to 97.8%. Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) is in turn owned by ZHANG Huiqi (張惠琪) as to 90%. By virtue of SFO, Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) and ZHANG Huiqi (張惠琪) are deemed to be interested in the Shares held by Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司). ZHANG Huiqi (張惠琪) is the daughter, being above the age of 18, of ZHANG Jianguo (張敬國), our non-executive Director.
- 5 MA Jinwei (馬金偉), our non-executive Director, is the general manager of Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).
- 6 Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司) is owned as to 50% and 50% by DU Liling (杜麗玲) and WANG Meilan (王梅蘭). By virtue of SFO, each of DU Liling (杜麗玲) and WANG Meilan (王梅蘭) is deemed to be interested in the Shares held by Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).
- 7 LIANG Songwei (梁嵩巍), our non-executive Director, is the general manager of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司).
- 8 Zhongyuan Trust Co., Ltd. (中原信託有限公司) is owned by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) as to approximately 48.42% and 33.28%, respectively. Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) is owned by Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) as to approximately 45.09%. By virtue of SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) and Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) are deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). JI Hongjun (姬宏俊), our non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
- 9 These 295,807,289 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 90,807,289 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 205,000,000 Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司) which is owned as to approximately 48.42% by Henan Investment Group Co., Ltd. (河南投資集團有限公司). By virtue of SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司).

- ¹⁰ Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% by ZHU Zhihui (朱志暉), our Supervisor, and 10% by his spouse, WANG Linhui (王林輝). By virtue of SFO, ZHU Zhihui (朱志暉) is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). ZHU Zhihui (朱志暉), our Supervisor, is the chairman of the board of directors of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).
- ¹¹ The 254,500,000 Shares are directly held by Lightning Triumph Limited (“Lightning Triumph”), which is wholly-owned by CCCC Financial Limited (中國城市國際金融控股集團有限公司) (“CCCC Financial”). CCCC Financial is wholly-owned by China City Construction Development International Co., Limited (中國城建開發國際有限公司) (“CCCD International”), which is in turn wholly-owned by China City Construction Development Co., Limited (中國城建開發有限公司) (“CCC Development”). CCC Development is wholly-owned by China City Construction Holding Group Company (中國城市建設控股集團有限公司) (“China City Construction”), which is in turn wholly-owned by China City Construction International Technology Development (Beijing) Co., Limited (中城建國際科技發展(北京)有限公司) (“CCC IT”). CCC IT is wholly-owned by China City Development Academy International Co., Limited (中國城市發展研究院國際有限公司) (“CCDA International”), which is in turn wholly-owned by China City Development Academy Co., Limited (中國城市發展研究院有限公司) (“China City Development”). China City Development is a wholly-owned subsidiary of China Real Estate Research Association (中國房地產研究會) (“CRERA”), which is in turn controlled by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部). By virtue of SFO, each of CCCC Financial, CCCD International, CCC Development, China City Construction, CCC IT, CCDA International, China City Development and CRERA is deemed to be interested in the Shares held by Lightning Triumph.
- ¹² Orient Best Investments Limited is wholly-owned by JIANG Lei (蔣磊). By virtue of SFO, JIANG Lei (蔣磊) is deemed to be interested in the Shares held by Orient Best Investments Limited.
- ¹³ Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司) (“Hong Kong Xingrui”) is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司) (“Xingrui Industrial”), which is owned as to 51% and 49% by Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司) (“Zhengzhou Xinggang”), being a state-owned company under the Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平臺服務有限公司) (“Ruimaotong”) Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Limited (江蘇晉和電力燃料有限公司) (“Jiangsu Jinhe”), being a company listed on the Shanghai Stock Exchange, which is in turn wholly-owned by Ruimaotong Supply Chain Management Co., Limited (瑞茂通供應鏈管理股份有限公司) (“Ruimaotong Supply Chain Management”). Ruimaotong Supply Chain Management is owned as to 60.76% by Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司) (“Zhengzhou Ruimaotong”). Zhengzhou Ruimaotong is wholly-owned by Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司) (“Henan Zhongrui”), which is owned as to 70% by WAN Yongxing (萬永興). By virtue of SFO, Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Henan Zhongrui and WAN Yongxing (萬永興) are deemed to be interested in the Shares held by Hong Kong Xingrui.
- ¹⁴ Zhengzhou Zhengdong Construction Investment Corporation is established by the Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會).
- ¹⁵ Citigroup Global Markets Limited has agreed to purchase 69,000,000 Shares as cornerstone investor under the Global Offering. Prior to the Listing Date, Citigroup Global Markets Limited have entered into a cash settled derivative transaction (“Derivative Transaction”) with Huinong Fund International Investments Ltd. (惠農基金國際投資有限公司) (“Huinong”), pursuant to which Citigroup Global Markets Limited intends to transfer the full economic exposure in 69,000,000 Shares to Huinong and, as such, Citigroup Global Markets Limited will have a short position in such number of Shares.

Citigroup Inc. holds voting rights in Citigroup Global Markets Limited through a chain of companies, namely, Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Bahamas Limited where it holds more than one-third of their voting rights (Citigroup Inc., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Bahamas Limited are together referred to as the “Citigroup Entities”). By virtue (and for the purposes) of Part XV of the SFO, the Citigroup Entities are deemed to be interested (both long and short positions) in the Shares which Citigroup Global Markets Limited holds after completion of the Global Offering.

- ¹⁶ Citigroup Global Markets Limited entered into the Derivative Transaction with Huinong prior to the Listing Date, pursuant to which Citigroup Global Markets Limited has transferred its full economic exposure in the 69,000,000 Shares purchased by it as a cornerstone investor to Huinong. Huinong is a wholly-owned special investment vehicle of Ningbo Huinong Gangwan Equity Investment Partnership (L.P.) (寧波惠農港灣股權投資合夥企業) (“Ningbo Gangwan Equity”). Therefore, each of Huinong and Ningbo Gangwan Equity is deemed to be interested in the Shares by virtue of SFO.
- ¹⁷ Pursuant to the Derivative Transaction, Huinong and Ningbo Gangwan Equity are deemed to be interested (both long and short positions) in the Shares which Citigroup Global Markets Limited holds upon the completion of the Global Offering. Ningbo Gangwan Equity is owned as to 0.1% by Shenzhen Ronghui Xincheng Investment Co., Ltd. (深圳融惠信誠投資管理有限公司) (“Shenzhen Ronghui”) as the general partner and as to 99.9% by Beijing Huinong Investment Fund (L.P.) (北京惠農投資基金(有限合夥)) (“Beijing Huinong”) as the limited partner. Shenzhen Ronghui is wholly-owned by Beijing Shang Finance Management Co., Ltd (北京尚融資本管理有限公司) (“Shang Finance”), which is owned as to, among others, 99.83% by WEI Lidong (尉立東). Beijing Huinong is owned as to, among others, 1% by Beijing Huinong Investment Management Centre (L.P.) (北京惠農投資管理中心(有限合夥)) (“Beijing Huinong Investment Management Centre”), which is owned as to, among others, 49% by Beijing CHNC Corporation (北京惠農資本管理有限公司) (“CHNC”) as the limited partner and as to 1% by Beijing Fengnong Investment Consulting Co., Ltd. (北京豐農投資諮詢有限公司) (“Beijing Fengnong”) as the general partner. CHNC is owned as to, among others, 98% by Shang Finance. Beijing Fengnong is owned as to, among others, 99% by WEI Lidong (尉立東). Therefore, Shenzhen Ronghui, Shang Finance, WEI Lidong (尉立東), Beijing Huinong, Beijing Huinong Investment Management Centre, CHNC and Beijing Fengnong are also deemed to be interested in the Shares held by Citigroup Global Markets Limited.
- ¹⁸ Tech Flourish Enterprises Limited (科貿企業有限公司), which holds 60,000,000 Shares, is wholly-owned by Shangrong Financial Holdings Co., Limited (尚融金融控股有限公司) (“Shangrong”). Shangrong is wholly-owned by Ningbo Gangwan Jinkong Equity Investment Limited Company (寧波港灣金控股權投資有限公司), which is in turn owned as to 90% by Shang Finance and as to 10% by CHNC. CHNC is in turn owned as to 98% by Shang Finance. Therefore, each of Shang Finance and its controlling shareholder, WEI Lidong (尉立東), is deemed to be interested in the Shares held by Tech Flourish Enterprises Limited by virtue of SFO.
- ¹⁹ BOCOM International Securities Limited (交銀國際證券有限公司) is wholly-owned by BOCOM International Holdings Company Limited (交銀國際控股有限公司) and BOCOM International Holdings Company Limited is wholly-owned by Bank of Communications (Nominee) Company Limited (交通銀行(代理人)有限公司), which is wholly-owned by Bank of Communications Co., Ltd (交通銀行股份有限公司). By virtue of SFO, BOCOM International Holdings Company Limited, Bank of Communications (Nominee) Company Limited and Bank of Communications Co., Ltd. are deemed to be interested in the Shares held by BOCOM International Securities Limited.
- ²⁰ CCB International Capital Limited is wholly-owned by CCB International (Holdings) Limited, CCB International (Holdings) Limited is wholly-owned by CCB Financial Holdings Limited and CCB Financial Holdings Limited is wholly-owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is wholly-owned by China Construction Bank Corporation, which is owned as to 57.31% by Central Huijin Investment Ltd. By virtue of SFO, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd. are deemed to be interested in the Shares held by CCB International Capital Limited.
- ²¹ Henan Hongbao Group Company Limited is owned by Yuan Guibao as to 39%. By virtue of SFO, Yuan Guibao is deemed to be interested in the Shares held by Henan Hongbao Group Company Limited.
- ²² Henan Yuhong Property Company Limited is owned by Liu Zhanwei as to 94%. By virtue of SFO, Liu Zhanwei is deemed to be interested in the Shares held by Henan Yuhong Property Company Limited.

Save as disclosed above, as at December 31, 2015, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

3 HOLDERS WITH 5% OR MORE SHAREHOLDING IN THE BANK

As at the end of the Reporting Period, Zhengzhou Finance Bureau and Yutai International (Henan) Real Estate Development Co., Ltd. directly held 490,904,755 Shares and 262,000,000 Shares respectively, accounting for 9.55% and 5.10% of the total issued shares of the Bank.

4. PLEDGE OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,723,263,980 shares of the Bank were subject to pledge (accounting for 33.51% of the total issued shares of the Bank), of which 20,000,000 Shares were subject to freezing and no Shares were subject to judicial auction.

CHAPTER VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AS AT DECEMBER 31, 2015

Directors

Name	Gender	Date of birth	Position in the Bank	Term of Office
Mr. WANG Tianyu (王天宇)	M	March 1966	Chairman, Executive Director	2015.6.18-2018.6.18
Mr. SHEN Xueqing (申學清)	M	July 1965	President, Executive Director	2015.6.18-2018.6.18
Mr. ZHANG Rongshun (張榮順)	M	June 1959	Vice chairman, Executive Director	2015.6.18-2018.6.18
Mr. FAN Yutao (樊玉濤)	M	May 1966	Non-executive Director	2015.9.8-2018.6.18
Mr. XU Jianxin ⁽¹⁾ (徐建新)	M	August 1953	Vice chairman, Non-executive Director	2015.6.18-2016.4.16
Mr. ZHANG Jingguo (張敬國)	M	July 1963	Non-executive Director	2015.6.18-2018.6.18
Mr. LIANG Songwei (梁嵩巍)	M	August 1968	Non-executive Director	2015.6.18-2018.6.18
Mr. MA Jinwei (馬金偉)	M	January 1976	Non-executive Director	2015.9.8-2018.6.18
Mr. JI Hongjun (姬宏俊)	M	June 1963	Non-executive Director	2015.6.18-2018.6.18
Mr. MA Lei ⁽²⁾ (馬磊)	M	December 1968	Non-executive Director	2015.6.18-2016.3.26
Mr. WANG Shihao (王世豪)	M	April 1950	Independent non-executive Director	2015.6.18-2018.6.18
Mr. LI Huaizhen (李懷珍)	M	June 1957	Independent non-executive Director	2015.9.8-2018.6.18
Mr. XIE Taifeng (謝太峰)	M	August 1958	Independent non-executive Director	2015.9.8-2018.6.18
Mr. WU Gei (吳革)	M	May 1967	Independent non-executive Director	2015.9.8-2018.6.18
Ms. CHAN Mei Bo Mabel (陳美寶)	F	November 1971	Independent non-executive Director	2015.9.8-2018.6.18

(1) Mr. XU Jianxin ceased to be the vice chairman, non-executive Director and member of the Strategic Development Committee of the Bank on April 16, 2016.

(2) Mr. MA Lei resigned from the positions of non-executive Director and member of the Risk Management Committee of the Bank on March 26, 2016.

Supervisors

Name	Gender	Date of Birth	Position in the Bank	Term of Office
Mr. FAN Dalu ⁽³⁾ (范大路)	M	October 1964	Chairman of the Board of Supervisors and Shareholder Supervisor	2015.6.18-2016.3.28
Ms. MENG Jun (孟君)	F	November 1971	Shareholder Supervisor	2015.6.18-2018.6.18
Mr. ZHU Zhihui (朱志輝)	M	August 1969	Shareholder Supervisor	2015.6.18-2018.6.18
Mr. TANG Yunwei (湯雲為)	M	November 1944	External Supervisor	2015.6.18-2018.6.18
Mr. LIU Yuhui (劉煜輝)	M	October 1970	External Supervisor	2015.6.18-2018.6.18
Mr. ZHANG Shengping ⁽⁴⁾ (張聖平)	M	August 1965	External Supervisor	2015.6.18-2018.6.18 ⁽⁴⁾
Ms. DUAN Ping (段萍)	F	April 1966	Employee Supervisor	
Ms. ZHANG Chungge (張春閣)	F	December 1968	Employee Supervisor	
Ms. CUI Huarui (崔華瑞)	F	May 1967	Employee Supervisor	

(3) Mr. FAN Dalu resigned from the positions of Supervisor and chairman of the Board of Supervisors of the Bank on March 28, 2016.

(4) Mr. ZHANG Shengping notified the Board of Supervisors on March 28, 2016 that he would resign from the position of external Supervisor of the Bank. Such resignation will become effective when the new external Supervisor takes office.

Senior Management

Name	Gender	Date of Birth	Position in the Bank
Mr. Shan Xueqing (申學清)	M	July 1965	President
Mr. XIA Hua (夏華)	M	August 1967	Vice president
Ms. ZHAO Lijuan ⁽⁵⁾ (趙麗娟)	F	September 1962	Vice president
Mr. BAI Xiaofeng (白效鋒)	M	August 1967	Vice president
Mr. GUO Zhibin (郭志彬)	M	October 1968	Vice president
Mr. ZHANG Wenjian (張文建)	M	June 1965	Assistant to president
Mr. SUN Haigang (孫海剛)	M	August 1977	Assistant to president
Ms. MAO Yuezhen (毛月珍)	F	April 1963	Chief accountant
Mr. FU Chunqiao (傅春喬)	M	October 1973	Secretary of the Board of Directors

(5) Ms. ZHAO Lijuan resigned from the positions of vice president of the Bank on March 26, 2016.

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2.1 Changes of Directors during the Reporting Period

Following the election at the 2014 annual general meeting of the Bank held on June 18, 2015, Mr. WANG Tianyu, Mr. ZHANG Rongshun and Mr. SHEN Xueqing were re-elected as the Executive Directors of the Bank. Mr. XU Jianxin, Mr. ZHANG Jingguo, Mr. LIANG Songwei, Mr. JI Hongjun and Mr. MA Lei were re-elected as the Non-Executive Directors of the Bank, and Mr. WANG Shihao was re-elected as the Independent Non-Executive Director of the Bank.

Following the election at the 2014 annual general meeting of the Bank held on June 18, 2015, Mr. FAN Yutao and Mr. MA Jinwei were elected as the Non-Executive Directors of the Bank, and Mr. LI Huaizhen, Mr. XIE Taifeng, Mr. WU Ge, Ms. CHAN Mei Bo Mabel were elected as the Independent Non-Executive Directors of the Bank. The eligibility of the six Directors above was approved by the China Banking Regulatory Commission Henan Office on September 8, 2015. Their term of office is the same as that of the fifth session of the Board of Directors, effective from the date of approval and expected to cease on the date of the 2017 annual general meeting.

At the end of the 2014 annual general meeting, Mr. QIAO Jun'an, Mr. LIU Rui, WANG Zhenmin and Mr. WEI Xin ceased to be the Directors of the Bank.

2.2 Changes of Supervisors during the Reporting Period

Following the second meeting of the second session of the staff union committee of the Bank held on May 28, 2015, Ms. DUAN Ping and Ms. ZHANG Chungge were re-elected as the employee representative supervisors of the Bank, and Ms. CUI Huarui was elected as the employee representative supervisor of the Bank.

Following the election at the 2014 annual general meeting of the Bank held on June 18, 2015, Mr. FAN Dalu and Ms. MENG Jun were re-elected as the Shareholder Supervisors of the Bank, and Mr. TANG Yunwei and Mr. LIU Yuhui were re-elected as the external supervisors of the Bank; Mr. ZHU Zhihui was re-elected as the Shareholder Supervisor of the Bank and Mr. ZHANG Shengping was elected as the external supervisor of the Bank.

2.3 Change of Directors after the Reporting Period

On March 26, 2016, Mr. MA Lei resigned as non-executive director of the Bank due to change of work allocation. Mr. YU Zhanglin was approved by the Board to be proposed to be appointed as non-executive director of the Bank and the proposal was submitted to the 2015 annual general meeting of the Bank for approval. For details of the resignation of Mr. MA Lei and the proposed appointment of Mr. YU Zhanglin, please refer to the announcement of the resignation of non-executive director and the proposed appointment of non-executive director published on March 26, 2016.

On April 16, 2016, Mr. XU Jianxin passed away due to illness and ceased to be the vice chairman and non-executive Director of the Bank.

2.4 Change of Supervisors after the Reporting Period

On March 28, 2016, Mr. FAN Dalu resigned as supervisor of the Bank due to change of work allocation and Mr. ZHANG Shengping notified the Board of Supervisors of the Bank that he would resign from the position of supervisor of the Bank due to relevant national restriction requirements. Ms. ZHAO Lijuan and Mr. XU Changsheng were approved by the Board of Supervisors to be proposed to be appointed as supervisors of the Bank and the proposal was submitted to the 2015 annual general meeting of the Bank for approval. For details of the resignation of Mr. FAN Dalu and Mr. ZHANG Shengping and the proposed appointment of Ms. ZHAO Lijuan and Mr. XU Changsheng, please refer to the announcement of the change of supervisors published on March 28, 2016.

2.5 Change of Senior Management

The Bank had received the Approval on the Eligibility of Mr. Guo Zhibin (Yu Yin Jian Fu [2015] No.484) from the CBRC Henan Bureau. According to the relevant regulation, the CBRC Henan Bureau had approved the eligibility of Mr. Guo Zhibin to serve as a vice president of the Bank. The term of office of Mr. Guo Zhibin as a vice president commenced from December 30, 2015.

The Bank made an announcement on March 28, 2016, announcing that Ms. Zhao Lijuan had tendered her resignation as a vice president of the Bank due to work allocation. With effect from March 26, 2016, Ms. Zhao ceased to perform her duties as a vice president of the Bank.

3 BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Mr. WANG Tianyu, aged 50, was appointed as an executive Director of the Bank in February 2012 and appointed as the chairman of the Bank in March 2011, being primarily responsible for the overall operations and strategic management of the Bank. In addition, Mr. WANG served as the president of the Bank from September 2005 to December 2011 and has served as the chairman of Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司) (“Zhongmu County Bank”) since May 2012.

Mr. WANG has nearly 23 years of experience in banking business operations and management. He joined the Bank in August 1996 and had successively served as the president of Jingwu Road sub-branch and the vice president of the Bank from August 1996 to September 2005. Prior to that, Mr. WANG had served as the deputy director of Henan Province Yugong Urban Credit Cooperatives (河南省豫工城市信用社) from May 1993 to May 1996.

Mr. WANG graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1988, majoring in public finance, and obtained a bachelor's degree in economics. He obtained a master's degree in business administration from National University of Singapore (Singapore) in June 2006 and an executive master's degree in business administration from Tsinghua University (Beijing, China) in January 2015. He has been attending a program of advanced economics course for further studies (高級經濟學課程進修班) at School of Economics of Huazhong University of Science and Technology (Hubei, China) since July 2015. He has been a senior accountant accredited by the People's Government of Henan Province since December 1998. In addition, Mr. WANG has been a member of the 12th Congress of the People's Congress of Henan Province (第十二屆河南省人民代表大會) since January 2013 and was awarded the title of “National Model Worker” (全國勞動模範) in April 2015.

Mr. ZHANG Rongshun, aged 56, was appointed as an executive Director of the Bank in February 2012 and appointed as a vice chairman of the Bank in August 1996. He was appointed as the chairman of Fugou County Bank (扶溝村鎮銀行), a subsidiary of the Bank, in November 2015. He is primarily responsible for the operations of the internal audit office of the Board. In addition, Mr. ZHANG had served as the president of the Bank from August 1996 to August 1998.

Mr. ZHANG has over 34 years of experience in banking business operations and management. He joined the Bank in August 1996. Prior to joining the Bank, he had served successively as the deputy director and the director of Zhengzhou City Credit Cooperatives (鄭州市城市信用合作社聯合社) from June 1989 to August 1996, the chief of savings section of the railway office, the deputy director of the general office and the deputy chief of financial management section of PBoC Zhengzhou office from December 1979 to September 1985 and from June 1987 to June 1989.

Mr. ZHANG graduated from Zhengzhou University (Henan, China) in June 1987, majoring in finance. He graduated from Henan University (Henan, China) in December 1995, majoring in finance and investment and graduated from Beijing Institute of Technology (Beijing, China) in August 1998, majoring in business administration, and obtained a master's degree in business administration. He has been a senior economist accredited by the People's Government of Henan Province since March 1997.

Mr. SHEN Xueqing, aged 50, was appointed as an executive Director of the Bank in February 2012 and appointed as the president of the Bank in December 2011. He is primarily responsible for the daily operations and management of the Bank.

Mr. SHEN has nearly 20 years of experience in banking business operations and management. He joined the Bank in December 2011. Prior to joining the Bank, he held a number of positions in Guangdong Development Bank Co., Ltd. (廣東發展銀行股份有限公司) (currently known as China Guangfa Bank Co., Ltd., 廣發銀行股份有限公司) from June 1996 to November 2011. He had served successively as the deputy manager and the manager of general office, the director of operations department and the assistant to sub-branch president of Huayuan Road sub-branch, Zhengzhou branch from June 1996 to October 2000, the assistant to sub-branch president, the vice president and the president of Dongming Road sub-branch, Zhengzhou branch from October 2000 to July 2004, the general manager of No.3 corporate banking department and the general manager of general office of Zhengzhou branch from July 2004 to April 2006, the president of Anyang sub-branch from April 2006 to September 2009, and the vice president of Changsha branch from October 2009 to November 2011. Prior to that, he had worked in Financial and Trade Commission of Pingdingshan City, Henan Province (河南省平頂山市財政貿易委員會) from July 1990 to June 1996 and had served as the deputy chief of information investigation section since May 1995.

Mr. SHEN graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1990, majoring in public finance, and obtained a bachelor's degree in economics. He obtained an executive master's degree in business administration degree from Xi'an Jiaotong University (Shaanxi, China) in December 2008, and an executive master's degree in business administration from Tsinghua University (Beijing, China) in July 2015. He has been a senior economist accredited by the People's Government of Henan Province since December 2005.

Mr. FAN Yutao, aged 49, was appointed as a non-executive Director of the Bank in June 2015.

Mr. Fan has served as the deputy secretary of Zhengzhou Finance Bureau since February 2016. Prior to that, Mr. FAN had served as the staff member of budget section of Zhengzhou Finance Bureau from July 1988 to June 1994, the deputy chief of budget section of Zhengzhou Finance Bureau from June 1994 to April 2002, the chief of budget section of Zhengzhou Finance Bureau from April 2002 to April 2006 and the chief of treasury section of Zhengzhou Finance Bureau from April 2006 to July 2009, and the chief economist of Zhengzhou Finance Bureau between July 2009 and February 2016.

Mr. FAN graduated from Information Engineering College of the People's Liberation Army of the PRC (中國人民解放軍信息工程學院) (Henan, China) in July 1988, majoring in computer science and engineering, and obtained a bachelor's degree in engineering. He also obtained a completion certificate in accounting from Graduate School of Institute of Public Finance Science of the Ministry of Finance (財政部財政科學研究所研究生部) (Beijing, China) in July 2001.

Mr. ZHANG Jingguo, aged 52, was appointed as a non-executive Director of the Bank in February 2012.

Mr. ZHANG has served as the chairman and the chief executive officer of Henan Zensun Property Co., Ltd. (河南正商置業有限公司) since January 2001. He has served as the chairman, the executive director and the chief executive director of ZH International Holdings Ltd. (formerly known as Heng Fai Enterprises Limited, listed on the Hong Kong Stock Exchange, stock code: 00185) since July 2015. Prior to that, he had served as the general manager of Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) from April 1995 to April 2001.

Mr. ZHANG graduated from the Zhengzhou University (Henan, China) in June 1983, majoring in wireless communication, and obtained a bachelor's degree in science. He also obtained a completion certificate in international trade from Renmin University of China (Beijing, China) in July 2001 and obtained an executive master's degree in business administration from Peking University (Beijing, China) in July 2013. He has been a senior engineer accredited by the People's Government of Henan Province since August 1997.

Mr. MA Jinwei, aged 40, was appointed as a non-executive Director of the Bank in June 2015.

Mr. MA has served as the general manager of Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司) since May 2014. Prior to that, he had successively served as the chief accountant of financial department, the deputy manager of financial department, the group financial manager, the financial director, the deputy general manager and the director of Henan Yinji Real Estate Development Co., Ltd. (河南銀基房地產開發有限公司) from October 2004 to May 2014.

Mr. MA graduated from Northeastern University (Liaoning, China) in June 2011, majoring in project management. He has been an intermediate level accountant accredited by the Ministry of Finance of the PRC since May 2002.

Mr. LIANG Songwei, aged 47, was appointed as a non-executive Director of the Bank in February 2012.

Mr. LIANG has served as the general manager of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) since November 2008 and the director of the aforesaid company since December 2009, and the assistant to the general manager of Zhengzhou Baiwen Co., Ltd. (Group) (鄭州百文股份有限公司(集團)) since November 2001. Prior to that, he had served as the director and the deputy general manager of Zhengzhou Baiwen Group Co., Ltd. (鄭州百文集團有限公司) from August 2006 to October 2008.

Mr. LIANG graduated from Graduate School of Chinese Academy of Social Sciences (Beijing, China) in December 1998, majoring in literature and art. He graduated from University of International Business and Economics (Beijing, China) in June 2005, majoring in international trade.

Mr. Ji Hongjun, aged 52, was appointed as a non-executive Director of the Bank in February 2012.

Mr. Ji has successively served as the deputy general manager and the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司) since December 2003, and the director of Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) since December 2008. Prior to that, he had served as the deputy chief of finance department of Henan Province Development and Planning Commission (河南省發展計劃委員會) from August 2000 to September 2003 (serving as the deputy chief of No. 1 credit loan section of Henan Branch of China Development Bank (國家開發銀行河南省分行) from September 2002 to September 2003), the deputy chief of fixed asset investment department of Henan Province Planning Commission (河南省計劃委員會) from February 1999 to August 2000, the deputy chief of senior officer department of Henan Province Planning Commission from April 1997 to February 1999, the principal staff member of foreign economy department of Henan Province Planning Economy Commission (河南省計劃經濟委員會) and Henan Province Planning Commission from April 1993 to April 1997, the deputy chief staff member of foreign economy department of Henan Province Planning Economy Commission from August 1991 to April 1993, the staff member of foreign economy department of Henan Province Planning Economy Commission from January 1989 to August 1991, the clerk of the finance department of Henan Province Planning Economy Commission from September 1987 to January 1989, and the staff of the finance and trade department of Henan Province Planning Economy Commission and finance department of Henan Province Planning Economy Commission from July 1984 to September 1987.

Mr. Ji graduated from School of Communist Party of China Henan Province Committee (中共河南省委黨校) (Henan, China) in July 1994, majoring in economics (part-time courses). He obtained a completion certificate of a program of post-graduate course for further studies in finance (金融學專業研究生課程進修班) from Business School of Wuhan University (Hubei, China) in June 2004 and a master's degree in business administration from the Asia International Open University (Macau) (Macau, China) in November 2010. He has been a financial planner accredited by Beijing Finance Training Centre (北京金融培訓中心) since October 2007.

Mr. Ji has served as the non-executive director of Bank of China Travel Services Co., Ltd. Jiaozuo (焦作中旅銀行股份有限公司) ("Bank of CTS Jiaozuo") since November 2012. Bank of CTS Jiaozuo is a financial institution providing banking services mainly in Jiaozuo city in Henan Province to local customers, with a business focus on providing finance to the tourism industry. Bank of CTS Jiaozuo only had 27 sub-branches as of September 30, 2015, all located within Jiaozuo city in Henan Province while our Bank provides banking services with a business focus on the commerce and logistics industries and had 117 branches and sub-branches, located in nine cities in Henan Province. The Bank has not established any branch in Jiaozuo city. Although Bank of CTS Jiaozuo and our Bank provide similar deposit-taking and loan-granting banking services, the potential competition in business is very limited in terms of geographic coverage and business focus. On the basis that (i) Mr. Ji, as a non-executive director of Bank of CTS Jiaozuo, does not participate in the daily operation and management of Bank of CTS Jiaozuo, (ii) Bank of CTS Jiaozuo has a management team independent of the Bank, and (iii) Mr. Ji is the non-executive Director and does not participate in the day-to-day management, we and the Directors consider that the roles of Mr. Ji acting as the non-executive director of Bank of CTS Jiaozuo and our non-executive Director at the same time do not have an impact on the business operation of the Bank. In addition, if a Director or any of his close associates has a material interest in the matter proposed to be resolved at the Board meetings, he shall not exercise his voting rights on such resolution, in accordance with the relevant requirements of the Articles of Association, the rules of procedure of the Board meetings of the Bank and Corporate Governance Guidelines.

Mr. WANG Shihao, aged 66, was appointed as an independent non-executive Director of the Bank in February 2012. He was appointed as the director-general of Funds Clearing Centre for City Commercial Banks (城市商業銀行資金清算中心) in September 2002 and had served as the legal representative of Funds Clearing Centre for City Commercial Banks from July 2002 to August 2013. He has served as the independent non-executive director of Huishang Bank Corporation Limited (listed on Hong Kong Stock Exchange, stock code: 3698) from October 2011 to December 2015. Prior to that, he had served as the vice president of Shanghai City Cooperation Commercial Bank (上海城市合作商業銀行) (currently known as Bank of Shanghai) from December 1995 to May 2010, the director of Shanghai City Credit Cooperatives (上海市城市信用合作社聯社) from February 1991 to December 1995. In addition, he had been appointed as the special expert for decision consulting of the Shanghai People's Government (上海市人民政府決策諮詢特聘專家) from March 2008 to February 2010 and from December 2010 to November 2012. He had served as the part-time professor of Shanghai National Accounting Institute since July 2010, the part-time professor of Overseas Education College of Shanghai Jiao Tong University since January 2011, the visiting professor (2012-2014) of School of Economics of Fudan University from June 2012 to December 2014 and the part-time professor of the College of Business of Shanghai University of Finance and Economics since May 2013.

Mr. WANG graduated from Fudan University (Shanghai, China) in July 1984, majoring in financial management. He completed a joint program of executive master's of business administration organised by Shanghai National Accounting Institute (Shanghai, China) and Arizona State University (U.S.) in June 2005, and obtained a master's degree in business administration from Arizona State University (U.S.). He has been a senior economist accredited by PBoC since July 1993.

Mr. LI Huaizhen, aged 58, was appointed as an independent non-executive Director of the Bank in June 2015. He has served as the president of China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) since July 2014, and the director of CM International Capital Limited (中民國際資本有限公司) since November 2014. He has been serving as a director of CM Investment International Holdings Limited (中民投國際控股有限公司) since April 2015. Prior to that, he had served as the vice chairman of the board of supervisions of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) from April 2012 to June 2014. He had successively served in CBRC as a member of preparatory team of Shandong office, the vice director of Shandong office, the director of Hubei office, and the director of financial accounting department from July 2003 to 2012, the vice president of PBoC Jinan office and the deputy director of SAFE Jinan office from November 1998 to September 2003, the vice president of PBoC Henan office and the deputy director of SAFE Henan office from January 1997 to November 1998. He had successively served in PBoC as the staff member of Zhoukou region branch planning section, the deputy director and the director of Zhoukou region branch office, the vice president of Luohe branch, and the president of Zhengzhou branch from September 1983 to January 1997, and the staff member of PBoC Zhoukou region branch statistics section from March 1980 to September 1981.

Mr. LI graduated from Henan Banking School (河南銀行學校) (Henan, China) in March 1980 and graduated from Zhengzhou University (Henan, China) in September 1983, majoring in finance and obtained a master's degree in economics from Dongbei University of Finance and Economics (Liaoning, China) in December 1997. He has been a senior economist accredited by PBoC since February 1996.

Mr. XIE Taifeng, aged 57, was appointed as an independent non-executive Director of the Bank in June 2015. He has served as the independent director of Woori Bank (China) Limited (友利銀行(中國)有限公司) since September 2013 and the professor of School of Finance of Capital University of Economics and Business since July 2005. Prior to that, he had served as the independent director of China Haohua Chemical Group Co., Ltd. (中國昊華化工集團股份有限公司) from March 2013 to June 2015, the deputy dean, and the dean and PhD supervisor of School of Finance of Capital University of Economics and Business from January 2006 to March 2015. He had served as the professor of Business Administration Branch School of Beijing Machinery Industry Institute (北京機械工業學院) from July 2000 to July 2005, and the teaching assistant of Economics Department, the lecturer of Economics Department, the associate professor of Business School, the dean of Finance Department, the deputy dean of Business School, the professor and the deputy dean of Business School of Zhengzhou University from January 1982 to July 2000.

Mr. XIE graduated from Zhengzhou University (Henan, China) in December 1981, majoring in politics and economics, and obtained a bachelor's degree in economics. He graduated from the Southwestern University of Finance and Economics (Sichuan, China) in July 1986, majoring in monetary banking, and obtained a master's degree in economics in January 1989. He obtained a doctoral degree in economics from Southwestern University of Finance and Economics (Sichuan, China) in January 2000. He has been a professor accredited by the People's Government of Henan Province since May 1996.

Mr. WU Ge, aged 48, was appointed as an independent non-executive Director of the Bank in June 2015. He has served as the director and the legal representative of Beijing Zhongwen Law Firm (北京市中聞律師事務所) since November 2013. In addition, he has served as a part-time researcher of human rights education and research centre of the Southwestern University of Politics and Law, being the national base of human rights education and training, since April 2015. He has been a member of the 11th Henan Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆河南省委員會) since January 2013, the director of the third and the fourth sessions of Chinese Overseas Friendship Association (中華海外聯系會) since September 2008. He has served as the tutor of juris master of Central University of Finance and Economics since December 2005, the part-time researcher of the Institute of Criminal Law Science of Beijing Normal University since August 2006, and the part-time professor of Law School of China University of Political Science and Law from May 2007 to May 2010. He was awarded the outstanding joint tutor of juris master of Law School of Tsinghua University (清華大學法學院優秀法律碩士聯合導師) in March 2007.

Mr. WU graduated from Renmin University of China (Beijing, China) in January 2000, majoring in juris master, and obtained a master's degree in law. He obtained a completion certificate of post-graduate course in finance from School of Economics of Peking University (Beijing, China) in December 2002.

Ms. CHAN Mei Bo Mabel, aged 44, was appointed as an independent non-executive Director of the Bank in June 2015. She established Mabel Chan & Co. (陳美寶會計師事務所) (an accounting firm, formerly known as Mabel M.B. Chan Certified Public Accountant) in February 1999 and became the deputy managing partner of Grant Thornton Limited in 2015. She had served as the independent non-executive director of Code Agriculture (Holdings) Limited (formerly known as China Chief Cable TV Group Limited, listed on Hong Kong Stock Exchange, stock code: 08153) from October 2009 to April 2012, the independent non-executive director of Hong Kong Education (Int'l) Investments Ltd. (formerly known as Modern Education Group Limited, listed on Hong Kong Stock Exchange, stock code: 01082) from July 2011 to September 2012, the independent non-executive director of Kingmaker Footwear Holdings Ltd. (listed on Hong Kong Stock Exchange, stock code: 01170) since August 2011, the independent non-executive director of China Weaving Materials Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 03778) from December 2011 to December 2014, and the independent non-executive director of South China Land Limited (listed on Hong Kong Stock Exchange, stock code: 08155) since May 2013. She has served as the council member of Association of Women Accountants HK Ltd. (香港女會計師協會) since January 2006, and served as the president in 2010. She had served as the vice president of the Society of Chinese Accountants and Auditors (香港華人會計師公會) from December 2008 to December 2009 and president of the aforesaid society from December 2009 to December 2010, member of Barristers Disciplinary Tribunal Panel of Hong Kong (香港大律師紀律審裁團) since May 2010, member of the Financial Reporting Review Panel of Financial Services and the Treasury Bureau of Hong Kong (香港財經事務及庫務局財務匯報檢討委員會) from July 2010 to July 2015, member of the Vetting Committee of CreateSmart Initiative appointed by the Secretary for Commerce and Economic Development of Hong Kong (香港商務及經濟發展局局長委任的創意智優計劃審核委員會) from August 2011 to July 2013 and since August 2015, member of Council of Hong Kong Baptist University since January 2013, member of the Appeal Panel (Housing) of Hong Kong (香港上訴委員會(房屋)) since April 2014.

Ms. CHAN obtained a master's degree in business administration from Hong Kong University of Science and Technology (Hong Kong) in November 2000. She has been a member of the Chartered Association of Certified Accountants (英國特許公認會計師公會) since November 1996, a certified public accountant accredited by Hong Kong Institute of Certified Public Accountants (香港會計師公會) and a member of Hong Kong Society of Accountants (香港會計師公會) since January 1997, a member of the Society of Chinese Accountants & Auditors (香港華人會計師公會) since December 2002, and a member of the Institute of Chartered Accountants in England and Wales (英格蘭和威爾斯特許會計師公會) since February 2008.

Supervisors

Mr. ZHU Zhihui, aged 46, was appointed as a shareholder Supervisor of the Bank in June 2015. He has served as the chairman of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) since December 2005, the chairman of Zhengzhou Huida Industry (Group) Co., Ltd. (鄭州暉達實業(集團)有限公司) from May 1998 to December 2014, and the general manager of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) since March 1993, and the chairman of the aforesaid company since November 2011.

Mr. ZHU graduated from School of Communist Party of China Henan Province Committee (中共河南省委黨校) (Henan, China) in December 1996, majoring in economic management (correspondence education), and obtained a completion certificate in business strategy advanced program (經營方略高級研修班) from Peking University (Beijing, China) in April 2010.

Ms. MENG Jun, aged 44, was appointed as a shareholder Supervisor of the Bank in February 2012. She has served as the vice president of Henan Zhenghong Property Co., Ltd. (河南正弘置業有限公司) and the general manager of financial management centre since July 2013. Prior to that, she had successively served as the assistant to president, the financial director and the deputy general manager of Henan Zhenghong Property Co., Ltd. from June 1996 to June 2013.

Ms. MENG graduated from Henan Institute of Finance of Economics (河南財經學院) (Henan, China) in December 1992, majoring in accounting. She graduated from Central South University (Hunan, China) in January 2007, majoring in accounting (internet education). She has been a senior international financial manager accredited by International Financial Management Association (國際財務管理協會) since January 2010, an intermediate accountant accredited by Ministry of Finance of the PRC since May 2004 and certified financial planner accredited by the Institute of Chinese Certified Financial Planners (中國註冊理財規劃師協會) from July 2012 to July 2015.

Mr. TANG Yunwei, aged 71, was appointed as an external Supervisor of the Bank in February 2012. He has been a member of Accounting Standards Committee of Ministry of Finance of the PRC since October 1998 and a member of Auditing Standards Committee of Chinese Institute of Certified Public Accountants (中國註冊會計師協會) from January 2007 to January 2009. He had served as the independent non-executive director of Ping An Insurance (Group) Company of China Ltd. (listed on Hong Kong Stock Exchange, stock code: 02318; listed on Shanghai Stock Exchange, stock code: 601318) from June 2009 to June 2015, the independent director of Tung Kong Security Printing Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002117) from August 2009 to September 2012, the independent director of Jiangsu Zhongnan Construction Group Holding Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000961) from August 2010 to March 2014, the independent director of Shanghai Bairun Flavour & Fragrance Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002568) from November 2011 to November 2014, and the independent non-executive director of China National Building Material Co. Ltd. (listed on Hong Kong Stock Exchange, stock code: 03323) since October 2014. Prior to that, he had served as the legal representative of Shanghai Association of Accounting (上海市會計學會) from August 2002 to July 2012, and had served as a partner in Ernst & Young from January 2002 to December 2006. He had served as the acting vice principal of Shanghai University of Finance and Economics from March 1991 to September 1993 and the principal of Shanghai University of Finance and Economics from October 1993 to January 1999. He was elected as the honorary member of Association of Chartered Certified Accountants (英國公認會計師公會) in July 2001, and was awarded the title of “returned overseas student with outstanding contribution to socialist modernisation construction” (在社會主義現代建設中突出貢獻的回國留學人員) by the State Education Commission and Ministry of Personnel in January 1991.

Mr. TANG graduated from Shanghai College of Finance and Economics (Shanghai, China) in July 1968, majoring in accounting. He graduated from the Shanghai University of Finance and Economics (Shanghai, China) in November 1983, majoring in accounting, and obtained a master’s degree in economics. He obtained a doctoral degree in economics from the Shanghai University of Finance and Economics (Shanghai, China) in January 1988.

Mr. LIU Yuhui, aged 45, was appointed as an external Supervisor of the Bank in June 2011. He has served as the researcher of Finance Institute of Chinese Academy of Social Sciences since December 2011. He has served as the independent director of Central China Land Media Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000719) since December 2014.

Mr. LIU obtained a doctoral degree in economics from Graduate School of Chinese Academy of Social Sciences (Beijing, China) in June 2003.

Mr. ZHANG Shengping, aged 50, was appointed as an external Supervisor of the Bank in June 2015 and he had submitted written resignation to the Board of Supervisors of the Bank on March 28, 2016 resigning from the position as external supervisor of the Bank. He has been serving as the vice dean of Guanghua School of Management, Peking University since July 2015 and the associate professor and PhD supervisor of the Department of Finance of Guanghua School of Management, Peking University since August 2002. He served as the independent non-executive director of Hisense Kelon Electrical Holdings Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 00921; listed on Shenzhen Stock Exchange, stock code: 000921) from June 2006 to June 2012, the independent director of Yinzuo Group Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600858) from June 2006 to December 2012, the independent director of Guangdong Jinma Travel Group Holding Co., Ltd. (formerly listed on Shenzhen Stock Exchange, stock code: 000602, delisted since August 14, 2013) since August 2011, the independent director of Huizhou SPEED Wireless Technology Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300322) since January 2012, the independent non-executive Director of Harbin Bank Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 06138) since June 2012, and the independent director of Guangdong No. 2 Hydropower Engineering Bureau Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002060) since December 2013. Prior to that, he had undertaken research at applied economics post-doctoral mobile station of Guanghua School of Management, Peking University from July 2000 to June 2002.

Mr. ZHANG graduated from Nankai University (Tianjin, China) in July 2000, majoring in world economics, and obtained a doctoral degree in economics. He has been an associate professor accredited by Peking University since August 2002.

Ms. DUAN Ping, aged 50, was appointed as an employee Supervisor of the Bank in February 2012 and appointed as the director of discipline inspection committee of the Bank in May 2015. She joined the Bank in August 1996 and had successively served as the staff member of Wulibao sub-branch, the staff member of party affairs office, the staff member of planning department, the staff member of planning and funds department, the staff member of human resources department, the general manager of party affairs department, the vice president of Luoyang branch from August 1996 to May 2015. Prior to that, she was a staff member of Zhengzhou Wulibao City Credit Cooperatives (鄭州五里堡城市信用社) from April 1995 to August 1996.

Ms. DUAN graduated from Henan Radio & Television University (河南廣播電視大學) (Henan, China) in September 1987, majoring in industrial statistics. She graduated from The Open University of China (中央廣播電視大學) (Beijing, China) in November 2003, majoring in finance. She has been a senior political consultant accredited by Senior Professional Evaluation Committee of Henan Province Enterprises' Ideological and Political Personnel (河南省企業思想政治工作人員高級專業職務任職資格評審委員會) since February 2007.

Ms. ZHANG Chungge, aged 47, was appointed as an employee Supervisor of the Bank in February 2012 and appointed as the president of Zhenghua Road sub-branch of the Bank in February 2014. She joined the Bank in September 2000 and had successively served as the manager of marketing department, and the president of Weiyi Road sub-branch of the Bank from September 2000 to February 2014.

Ms. ZHANG graduated from Correspondence Education College of Central School of Communist Party of China (中共中央黨校函授學院) (Beijing, China) in December 2000, majoring in economic management (correspondence education), and obtained a completion certificate in (Zhengzhou Bank) MBA finance advanced program ((鄭州銀行) MBA金融方向高級研修班) from Renmin University of China (Beijing, China) in April 2010. She has been an economist accredited by Henan Province Science and Technology Commission (河南省科委) since November 1999.

Ms. CUI Huarui, aged 48, was appointed as an employee Supervisor of the Bank in May 2015 and appointed as the director of head office business department of the Bank in July 2014. She joined the Bank in February 2002 and had successively served as the vice president of Jingguang Road sub-branch, the president of Xinghua Street sub-branch, and the president of West District sub-branch from February 2002 to July 2014. Prior to that, she had served as the staff member and the manager of the operation department of Bridge Trust Investment Company (百瑞信託投資公司) from February 1993 to January 2002, and the staff member of Zhengzhou Fangzhi Road grain office from September 1988 to January 1993.

Ms. CUI graduated from Correspondence Education College of Central School of Communist Party of China (中共中央黨校函授學院) (Beijing, China) in December 1996, majoring in foreign economics (correspondence education). She obtained a master's degree in business administration from Macau University of Science and Technology (Macau, China) in July 2003, and obtained a completion certificate of banking/finance training course from University of Canberra (Australia) professional management program training centre (堪培拉大學(澳大利亞)專業管理項目培訓中心銀行/金融培訓課程結業證書) in April 2008. She has been an accountant accredited by Ministry of Finance of the PRC since May 1998, and a senior accountant accredited by the People's Government of Henan Province since April 2010.

Senior Management

For Mr. SHEN Xueqing's biography, please see — “Executive Directors”.

Mr. XIA Hua, aged 48, has served as the vice president of the Bank since December 2011. He is primarily responsible for the operations of the credit approval department, the risk management department, the compliance department and the legal department. Mr. XIA has nearly 26 years of experience in the banking industry. He joined the Bank in September 2011. Prior to joining the Bank, he had successively served in CBRC Henan Office as a principal staff member and the deputy chief of state-owned banking regulatory No. 1 department, the deputy chief and the regulatory researcher of city commercial banks regulatory department from September 2003 to October 2011. He had successively served as the vice president of the PBoC sub-branch in Yichuan County, the deputy principal staff member and a principal staff member of rural cooperation finance management department of Henan office, a principal staff member of the cooperation department of Zhengzhou regulatory office of Jinan office, a principal staff member of the regulatory department of Agricultural Bank of China from August 1996 to September 2003, and a staff member of the foreign exchange department of PBoC Luoyang Office from July 1990 to July 1996.

Mr. XIA graduated from the Beijing Agricultural Engineering University (北京農業工程大學) (Beijing, China) in July 1990, majoring in applied electronic technology, and obtained a bachelor's degree in engineering. He has been an economist accredited by the Ministry of Personnel of the PRC since June 1995.

Ms. ZHAO Lijuan, aged 53, has served as the vice president of the Bank from May 2008 to March 2016, and the chairman of the labor union of the Bank since November 2007. During the period, she was primarily responsible for the operations of the operations management department, the administration and management department, the science and technology development department and the labor union. Ms. ZHAO has over 31 years of experience in banking industry. She joined the Bank in August 1996 and had successively served as the vice president and the president of Wulibao sub-branch, the president of Jinhai Avenue sub-branch from August 1996 to March 2008. Prior to joining the Bank, she successively served as the accountant and the accounting chief of Zhengzhou Wulibao City Credit Cooperatives (鄭州五里堡城市信用社) from December 1984 to August 1996. Ms. ZHAO graduated from Air Force Logistics Management College of the People's Liberation Army of the PRC (中國人民解放軍空軍後勤管理學院) (Jiangsu, China) in June 2004, majoring in financial management. She obtained a completion certificate of advanced course program in finance major of business administration master (工商管理碩士課程金融方向高級研修班) from the School of Finance of Renmin University of China (Beijing, China) in March 2008. She has been a senior political consultant accredited by Senior Professional Evaluation Committee of Henan Province Enterprises' Ideological and Political Personnel (河南省企業思想政治工作人員高級專業職務任職資格評審委員會) since January 2009, and an economist accredited by Ministry of Personnel of the PRC since November 2001.

Mr. BAI Xiaofeng, aged 48, has served as a vice president of the Bank since May 2008. He is primarily responsible for the operations of the financial markets department, the interbank department and the asset management department. Mr. BAI has nearly 25 years of experience in banking industry. He joined the Bank in May 2008. Prior to joining the Bank, he had served successively in Zhengzhou branch of Guangdong Development Bank, Co., Ltd. (廣東發展銀行股份有限公司) (currently known as China Guangfa Bank Co., Ltd., 廣發銀行股份有限公司) as the manager of branch office, the manager of credit management department, the assistant to president of Wenhua Road sub-branch, the vice president and the president of Jinshui Road sub-branch from September 2003 to March 2008. He had served successively in PBoC as the vice president of Shangjiequ sub-branch of Zhengzhou office, the vice president of Xinzheng sub-branch, the principal staff member of policy banking regulatory department of Zhengzhou financial regulatory office of Jinan office from March 1998 to September 2003. He served as the deputy head of preparatory team of Sanmenxia City Credit Cooperatives (三門峽市城市信用聯社) from November 1997 to March 1998, the chief of the planning section of Shan County sub-branch of PBoC, the deputy chief of administrative and education section and the deputy chief of financial management section of Sanmenxia office in Henan Province from June 1991 to November 1997.

Mr. BAI graduated from Zhengzhou University (Henan, China) in June 1989, majoring in economics, and obtained a bachelor's degree in economics. He obtained a master's degree in business administration from Hunan University (Hunan, China) in December 2000. He has been an economist accredited by the Ministry of Personnel of the PRC since April 1994.

Mr. GUO Zhibin, aged 47, has served as the vice president of the Bank since December 2015. He is primarily responsible for the operations of the corporate business department and the trade finance department. Mr. GUO has over 17 years of experience in banking industry. He joined the Bank in December 2010, and had served as an assistant to president of the Bank from December 2010 to December 2015. Prior to joining the Bank, he had served as the president of Huanghe Road sub-branch of Zhengzhou branch in Industrial Bank Co., Ltd. (興業銀行股份有限公司) from March 2006 to December 2010. In addition, he had served in Everbright Bank Co., Ltd. (光大銀行股份有限公司) as the assistant to president and the vice president of Hongzhuang Road sub-branch of Zhengzhou branch, the deputy general manager of corporate business No. 2 department of Zhengzhou branch, and the general manager of asset security department of Zhengzhou branch from June 1999 to March 2006. He had served as the manager and the deputy general manager of the general office of Henan Yutai Mall Co., Ltd. (河南豫泰商廈有限公司) from October 1997 to May 1999, and the deputy director of general office of Henan Province Labor City Credit Cooperatives (河南省勞動城市信用社) from December 1996 to October 1997.

Mr. GUO graduated from Zhengzhou University (Henan, China) in June 1995, majoring in finance. He graduated from Henan University (Henan, China) with the completion of the national economics post-graduate course program (國民經濟學專業研究生課程進修班) in July 1999, and obtained a master's degree in business administration from the Asia International Open University (Macau) (Macau, China) in August 2004. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1997.

Mr. ZHANG Wenjian, aged 50, has served as an assistant to president of the Bank since May 2011. He is primarily responsible for the operations of the electronic banking department, the retail banking department and the credit card department. Mr. ZHANG has over 31 years of experience in banking industry. He joined the Bank in November 1997 and had successively served as the staff member of Zhengliu Street sub-branch, the deputy general manager of financial accounting department, the general manager of accounting and settlement department, the general manager of corporate business department, a member of preparatory team of Nanyang branch, and the president of Nanyang branch from November 1997 to May 2011. Prior to that, he had served as the deputy chief of accounting section and the director of transaction centre of Jinshui sub-branch of Industrial & Commercial Bank of China Limited (中國工商銀行股份有限公司) from February 1985 to November 1997.

Mr. ZHANG graduated from the Zhengzhou Workers' University (鄭州市職工大學) (Henan, China) in June 1989, majoring in applied computer science, and graduated from Nanjing Institute of Political Science (南京政治學院) (Jiangsu, China) in June 2005, majoring in economic management. He has been an economist accredited by the Ministry of Personnel of the PRC since June 1995.

Mr. SUN Haigang, aged 38, has served as an assistant to president of the Bank since October 2009 and the president of Luoyang branch since October 2013. He is primarily responsible for the operations of Luoyang branch. Mr. SUN has approximately seven years of experience in banking industry. He joined the Bank in October 2009. Prior to joining the Bank, he worked in Baosteel Holding Co., Ltd. (寶山鋼鐵股份有限公司) from July 2009 to September 2009.

Mr. SUN graduated from the Henan University (Henan, China) in June 2000, majoring in marketing (advertising), and obtained a bachelor of arts degree. He graduated from the Henan University (Henan, China) in July 2004, majoring in political economics, and obtained a master's degree in economics. He graduated from Shanghai University of Finance and Economics (Shanghai, China) in June 2007, majoring in industrial economics, and obtained a doctoral degree in economics. He has been an economist accredited by the Human Resources and Social Security Ministry of the PRC since November 2011.

Ms. MAO Yuezhen, aged 53, has served as the chief accountant of the Bank since September 2011. She is primarily responsible for the operations of the finance and accounting department. Ms. MAO has over 20 years of experience in finance and accounting. She joined the Bank in August 1996 and had successively served as the chief of accounting section of Hongqi Road sub-branch, the vice president of Hongqi Road sub-branch, the deputy director of auditing department, the general manager of audit and supervision department, the director of assessment office, the general manager of planning and asset department, and the general manager of planning and finance department of the Bank from August 1996 to October 2011. Prior to joining the Bank, she had served as the manager of accounting department of Henan Jinyu Experimental Bank (河南金育實驗銀行) from April 1993 to July 1996, and a lecturer of Henan College for Finance and Management Officials (河南金融管理幹部學院) from July 1987 to March 1993.

Ms. MAO graduated from the Henan College for Finance and Management Officials (河南金融管理幹部學院) (Henan, China) in July 1995, majoring in finance. She has been a senior accountant accredited by the Ministry of Finance of the PRC since October 2015.

Mr. FU Chunqiao, aged 42, has served as the director of the Office of the Board of Directors of the Bank since January 2011 and the secretary to the Board of Directors since June 2013. He is primarily responsible for the operations of the Office of the Board of Directors. Mr. FU has approximately 19 years of experience in the banking industry. He joined the Bank in August 1996, and had served successively as the deputy manager and the deputy general manager of planning and asset department, and the deputy general manager and the general manager of asset operation department from March 2000 to January 2011.

Mr. FU graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1995, majoring in money and banking. He obtained a master's degree in law from Zhengzhou University (Henan, China) in June 2008. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1999.

Joint Company Secretaries

Mr. FU Chunqiao, is one of the joint company secretaries of the Bank being appointed on September 29, 2015. Please see “— Senior Management” for his biography.

Ms. LEUNG Wing Han Sharon, is one of the joint company secretaries of the Bank being appointed on November 6, 2015. Ms. LEUNG is the vice president of SW Corporate Service Group Limited. 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. Ms. LEUNG 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.

4 ANNUAL REMUNERATION FOR DIRECTORS AND SUPERVISORS

The remuneration details of the Bank's Directors, Supervisors and the top five highest-paid employees are set out in Notes 9 and 10 of the financial statements of the Bank for the year.

The remuneration for the Bank's Directors and Supervisors has been determined in accordance with applicable laws, regulations and regulatory requirements as well as the Bank's relevant remuneration policy.

5 ANNUAL REMUNERATION FOR SENIOR MANAGEMENT

The table below sets out the remuneration for the senior management (excluding Directors) by salary range for the year ended December 31, 2015:

Salary range	Number of employees
0 – RMB1,000,000	0
RMB1,000,001 – RMB2,000,000	8
RMB2,000,001 – RMB3,000,000	0

6 CONFIRMATION OF INDEPENDENCE FOR INDEPENDENT NON-EXECUTIVE DIRECTORS

Prior to its listing on December 23, 2015, the Bank had already received letters of confirmation on independence submitted by each Independent Non-Executive Director and believes that all Independent Non-Executive Directors are independent and in compliance with relevant guidelines provided by Rule 3.13 of the Listing Rules. The Bank has received letters from each Independent Non-Executive Director confirming their independence from the Listing Date to the date of this report.

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

7 H-SHARE APPRECIATION RIGHTS' INCENTIVE SCHEME DURING THE REPORTING PERIOD

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

8 STAFF

8.1 Composition

By department/function

	Number of employees	Percentage
Finance and accounting	1,177	35%
Corporate and retail	186	6%
Risk management, internal audit and compliance	126	4%
Retail banking	360	11%
Corporate banking	394	12%
I.T.	68	2%
Business management and support	966	29%
Capital business	44	1%
Total	3,321	100%

By age

Age	Number of employees	Percentage
30 or below	1,912	58%
31 – 40	660	20%
41 – 50	685	21%
Over 50	64	2%
Total	3,321	100%

By education

	Number of employees	Percentage
Master or above	338	10%
Bachelor	2,354	71%
Non-degree tertiary	536	16%
Others	93	3%
Total	3,321	100%

8.2 Staff Training Plan

The Bank formulated the annual training plan based on the development strategies and the educational training objectives, and launched various training sessions to guarantee for the training quality, and enhance the professionalism of employees and provide support to their career progress. During the Reporting Period, the Bank consolidated the general sub-branch's three-tier training resources and launched intensive training projects for new businesses, new systems and new products, and also provided training to improve senior-/mid-level management's capability, specialist training, junior staff training and new staff training. The Bank earnestly grasped the work for constructing the mobile training platform and building up the internal instructor team with a total of 139 intensive training sessions for 18,715 employee participants for various business lines for the year.

8.3 Remuneration Policy for Staff

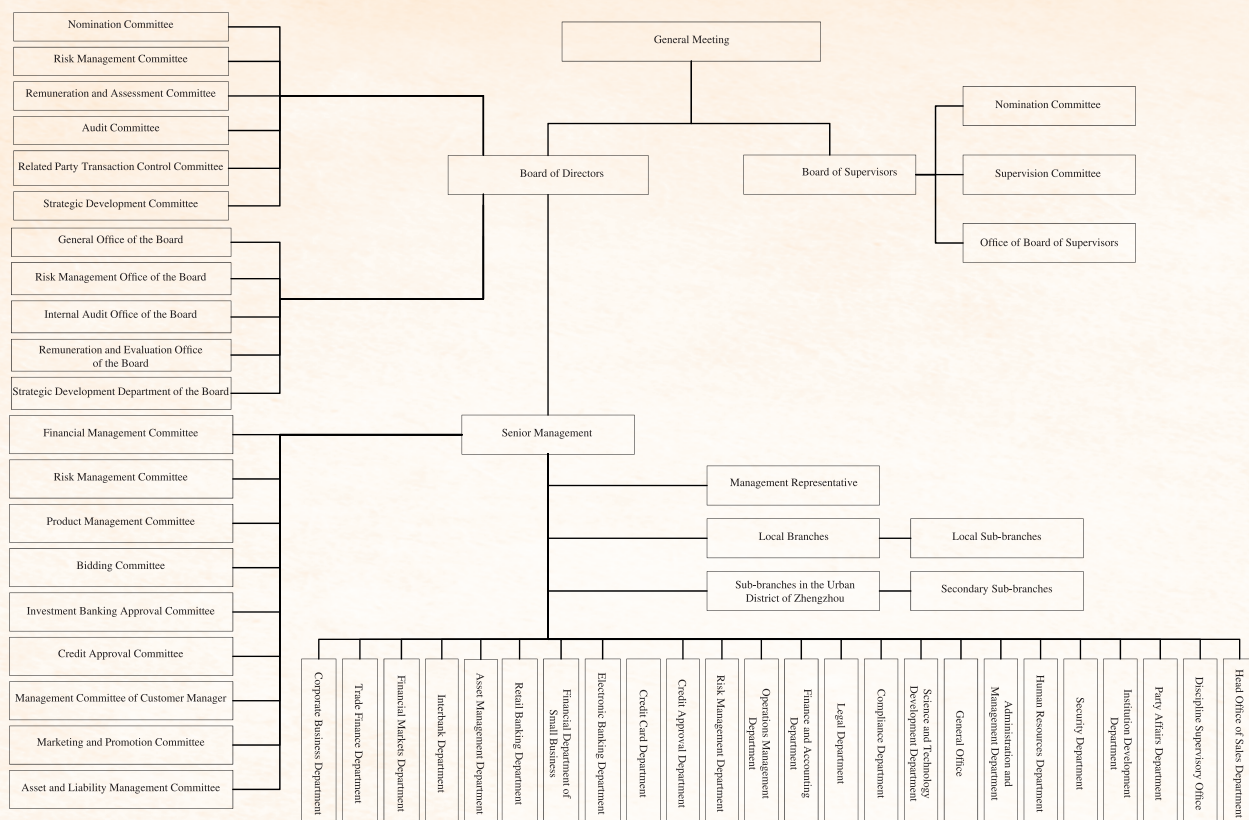
The Bank has established a performance-based remuneration system and the salary of employees is based on their positions and performance appraisal. The Bank provides employees with the social insurance contribution, housing provident fund and other employees benefit packages in accordance with the laws, rules and regulations of the PRC.

9 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

Region	Name of branch	Business address	Notes
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province.	In charge of 100 branch institutions in Zhengzhou district and 17 institutions in provincial prefectures and cities for conducting external business
Nanyang, Henan	Nanyang	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	In charge of 6 institutions for conducting external business
Xinxiang, Henan	Xinxiang	No. 278, Xiangyang Road, Xinxiang City, Henan Province	In charge of 4 institutions for conducting external business
Luoyang, Henan	Luoyang	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	In charge of 2 institutions for conducting external business
Anyang, Henan	Anyang	Yiwu International Business & Trade Mansion, the junction of Chouzhou Road and Delong Street, Andong New District, Anyang City, Henan Province	In charge of 1 institution for conducting external business
Shangqiu, Henan	Shangqiu	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	In charge of 1 institution for conducting external business
Xuchang, Henan	Xuchang	Juncheng International Building (亨通君成國際大廈), The junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	In charge of 1 institution for conducting external business
Luohe, Henan	Luohe	Floor 1-5, Changjian International (昌建國際), the junction of Songshan East Branch Road and Mudanjiang Road, Yancheng District, Luohe District, Henan Province	In charge of 1 institution for conducting external business
Xinyang, Henan	Xinyang	Floor 1-2, Guolebai Gonggua (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	In charge of 1 institution for conducting external business
Zhengzhou, Henan	Small Business Financial Service Centre	24/F, Bank of Zhengzhou Building, 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	

CHAPTER VIII CORPORATE GOVERNANCE REPORT

1 COMPANY STRUCTURE



2 OVERVIEW OF CORPORATE GOVERNANCE

A sound corporate governance system is fundamental to the Bank's sustained efforts to enhance its core competitiveness and promote a robust and steady development. Therefore, the Bank has been devoted to establishing a comprehensive corporate governance system, striving to improve its standard of corporate governance.

In accordance with both the domestic and overseas corporate governance requirements, the Bank has established a sound corporate governance system in which the duties of the general meeting, the Board, the Board of Supervisors and senior management are clearly defined and with effective check and balance in place to ensure efficient coordination and scientific decision-making, thereby safeguarding the interests of Shareholders.

During the Reporting Period, to further satisfy relevant overseas listing regulatory requirements, the Bank streamlined its corporate governance documents by standardizing and updating the Articles of Association, the rules of procedures of general meetings, Board meetings and meetings of the Board of Supervisors in accordance with the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) promulgated by CSRC, the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules and other domestic and overseas regulatory requirements.

During the Reporting Period, the Bank completed the re-election of the Board of Directors in line with relevant procedures and the fifth session of the Board came into being. The incumbent Board comprises 15 Directors, including 7 Shareholder Directors, 5 independent Directors and 3 executive Directors. The 5 independent Directors are renowned experts in management, law, finance and financial fields with distinctive expertise and profound experience. The newly elected Directors proactively offered advice and suggestions regarding various activities of the Board, thus laying a sound foundation for the Bank to meet the high standards and stringent requirements on corporate governance after listing.

In addition, from the Listing Date to December 31, 2015, the Bank has strictly complied with the code provisions under the Corporate Governance Code set out in Appendix 14 to the Listing Rules as well as laws and regulations and the Listing Rules in respect of internal information management.

The Bank will continue to strengthen and enhance its corporate governance in order to ensure consistent compliance of its corporate governance with the Code in return for the trust of Shareholders and investors.

BOARD DIVERSITY POLICY

The Bank believes that the diversity of the members of the Board of Directors could improve the performance of the Bank. It is critical to have a diversified Board of Directors in order for the Bank to achieve sustainable development, achieve its strategies and maintain good corporate governance.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including (but not limited to) gender, regional and industry experience, skills, knowledge and educational background. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates of the Board will be based on a range of diversity perspectives, including but not limited to gender, regional and industry experience, skills, knowledge and educational background.

The nomination committee of the Bank will report annually, in the corporate governance report of the Bank, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

3 GENERAL MEETINGS

In 2015, the Bank held 2 general meetings, with particulars as follows:

On March 1, 2015, at the 2015 first Extraordinary General Meeting of the Bank held in Zhengzhou, Henan, seven proposals in relation to the offering of its H Shares and listing the same in Hong Kong were considered and approved.

On June 18, 2015, at the 2014 Annual General Meeting of the Bank held in Zhengzhou, Henan, 16 proposals were considered and approved on matters including the 2014 Work Report of the Board, the 2014 Work Report of the Board of Supervisors, the 2015 Budget Plan, Profit Distribution Plan, the amendments to Articles of Association, the rules of procedures of general meetings, the Board meetings and meetings of the Board of Supervisors and re-election of Directors and Supervisors.

The convening, notice, holding and voting procedures of the above general meetings were in accordance with the relevant laws and regulations and the Articles of Association of the Bank.

4 BOARD OF DIRECTORS

The Board of Directors of the Bank shall hold at least four regular meetings a year, and convene extraordinary meetings when necessary. The meetings of the Board of Directors shall be held in the form of physical meetings or by way of telecommunication. The notices and materials of the regular meetings shall be sent to all Directors ten days before the meeting is convened. After the Bank's listing on the Hong Kong Stock Exchange, the Bank sends the notice and materials of the meeting to each Director at least ten days and three days before the relevant meeting is convened, respectively, in accordance with the related corporate governance requirements under the Listing Rules and the Articles of Association. Each Director may put forward proposals to be added to the agenda of the meeting of the Board of Directors. The detailed minutes of the meetings of the Board of Directors will be provided to all attending Directors for their review, and then signed by all Directors for confirmation. A good communication and report mechanism has been established among the Board of Directors, the Directors and senior management of the Bank. Senior management personnel provide sufficient information for the Board and its special committees to make decisions. All Directors may seek independent professional opinions at the cost of the Bank. The President of the Bank regularly reports to the Board and is subject to its supervision. Relevant members of senior management are invited to participate in meetings of the Board and its special committees from time to time to provide explanations and answers to inquiries. At the meetings of the Board of Directors, all Directors can present their opinions freely, and decisions on important matters should only be made after a detailed discussion.

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

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

- to convene and report to general meetings;
- to implement the resolutions adopted at general meetings;
- to decide on the operation development strategy, operation plans and investment plans of the Bank, among which, operation development strategy includes relevant green credit strategy;
- to formulate annual financial budgets, financial statements, profit distribution plans and loss recovery plans of the Bank;
- to formulate proposals on the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Bank;
- to formulate proposals on major acquisitions by the Bank, acquisitions of the Shares of the Bank or merger, division, dissolution or change of the corporate form;
- to decide on external investment, acquisition and disposal of assets, pledge of assets, external guarantee, entrustment of wealth management and other matters of the Bank within the scope of authorization of the general meeting;

- to examine and approve the related party transactions which require approval by the Board of Directors as stipulated by the law, administrative regulations, departmental rules, regulatory documents, regulations of securities regulatory authorities of the locality where the Bank's stocks are listed;
- to decide on the establishment of the Bank's internal management departments;
- to appoint or remove the Bank's President and secretary to the Board; decide to appoint or remove the Bank's senior management personnel including the Vice President, Assistant to President and finance chief in accordance with the recommendations of the President, and determine their remunerations, rewards and punishment;
- to formulate the basic management systems, decide on the policies on risk management, internal control and compliance policy of the Bank;
- to formulate amendment proposals on amendments to the Articles of Association, the rules of procedures of general meetings and Board meetings;
- to propose at a general meeting the appointment, dismissal or discontinuance of appointment of accounting firms;
- to supervise the work performance of the senior management personnel, receive the President's work report and inspect the President's work;
- to manage the information disclosure of the Bank and take ultimate responsibility for the completeness and accuracy of the Bank's accounting and financial reporting systems;
- to consider any material capital expenditure, contract and commitment which exceed the expenditure limit for senior management personnel set by the Board; and
- other functions and powers required by laws, administrative regulations, departmental rules or the Articles of Association, and other functions and powers authorised by the general meeting.

4.1 Members of the Board

As at the end of the Reporting Period, the Board of the Bank consisted of a total of 15 members, with three executive Directors: WANG Tianyu (王天宇) (Chairman), ZHANG Rongshun (張榮順) (Vice Chairman) and SHEN Xueqing (申學清) (President of the Bank); seven non-executive Directors: FAN Yutao (樊玉濤), XU Jianxin (徐建新) (Vice Chairman), ZHANG Jingguo (張敬國), MA Jinwei (馬金偉), LIANG Songwei (梁嵩巍), JI Hongjun (姬宏俊) and MA Lei (馬磊); and five independent non-executive Directors: WANG Shihao (王世豪), LI Huaizhen (李懷珍), XIE Taifeng (謝太峰), WU Ge (吳革) and CHAN Mei Bo Mabel (陳美寶).

4.2 Change in the Composition of the Board of Directors During the Reporting Period and After the Reporting Period

For information on the change of Directors, please refer to the section headed “Directors, Supervisors, Senior Management and Staff” in this annual report.

4.3 Chairman and President

The roles and work of the chairman of the Board and President of the Bank are taken up by different individuals. There is a clear division of responsibilities in compliance with the recommendations of the Listing Rules.

Mr. WANG Tianyu, as the Chairman of the Board of Directors, is mainly in charge of chairing general meetings, convening and chairing meetings of the Board of Directors; supervising and reviewing the implementation of resolutions of the Board; signing important documents of the Board of Directors and the documents required to be signed by the legal representative of the Bank; and proposing to the Board candidates of the special committees and secretary to the Board of the Bank.

Mr. SHEN Xueqing, as the President of the Bank, is mainly in charge of the management of daily operation and the implementation of relevant resolutions of the Board of Directors as well as work report to the Board.

4.4 Responsibilities of Directors

During the Reporting Period, all Directors carefully, earnestly and diligently attended relevant meetings as required by relevant laws and regulations and the Articles of Association, where they exercised their rights regarding the operation of the Board, duly considered and voted on its resolutions and offered responsible suggestions and advice, which facilitated our sound and sustainable development and perfectly completed the tasks and objectives of the Board. While properly exercising their rights as Directors, they performing their corresponding obligations to fully protect the rights of Shareholders.

The independent non-executive Directors of the Bank brought into full play their expertise in the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Risk Management Committee and the Related Party Transactions Control Committee, at which they strictly carried out the relevant work within their authority, effectively instructed the special committees and offered professional suggestions on the Bank’s strategic development, capital replenishment, significant investment, remuneration mechanism and branch institution establishment.

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

4.5 Meetings of the Board of Directors and Directors' Attendance

During the Reporting Period, the Bank held 15 Board meetings, considering and approving 90 major proposals including the Annual Work Report of the Board of Directors, financial budget report, annual profit distribution plan, the resolution package on overseas initial public offering of H Shares, re-election of the Board of Directors, promotion of the establishment of Fugou County Bank, amendments to the Articles of Association and the rules of procedures of general meetings and pledge of equity interests by Shareholders.

Particulars of the Meetings

Number and session	Date of convening	Form of convening
The 13th meeting of the fourth session of the Board	February 12, 2015	On-site meeting
The 14th meeting of the fourth session of the Board	May 28, 2015	On-site meeting
The 2015 first extraordinary meeting of the fourth session of the Board	March 11, 2015	By correspondence
The 2015 second extraordinary meeting of the fourth session of the Board	March 24, 2015	By correspondence
The 2015 third extraordinary meeting of the fourth session of the Board	April 27, 2015	By correspondence
The 2015 fourth extraordinary meeting of the fourth session of the Board	April 29, 2015	By correspondence
The 2015 fifth extraordinary meeting of the fourth session of the Board	June 16, 2015	By correspondence
The first meeting of the fifth session of the Board	June 18, 2015	On-site meeting
The second meeting of the fifth session of the Board	August 2, 2015	On-site meeting
The third meeting of the fifth session of the Board	October 24, 2015	On-site meeting
The fourth meeting of the fifth session of the Board	December 4, 2015	On-site meeting
The 2015 first extraordinary meeting of the fifth session of the Board	July 1, 2015	By correspondence
The 2015 second extraordinary meeting of the fifth session of the Board	July 6, 2015	By correspondence
The 2015 third extraordinary meeting of the fifth session of the Board	September 16, 2015	By correspondence
The 2015 fourth extraordinary meeting of the fifth session of the Board	September 26, 2015	By correspondence

Directors' Attendance

Director		2015 First Extraordinary General Meeting	2014 Annual General Meeting	Board of Directors	Strategic Development Committee	Risk management committee	Special Committees of the Board			Remuneration and Assessment Committee
							Related Party Transaction Control Committee	Audit Committee	Nomination Committee	
Actual/required attendance (times)										
Executive Directors	WANG Tianyu	√	√	15/15	1/4	2/4				
	ZHANG Rongshun	√	√	14/15 ⁽¹⁾	4/4					
	SHEN Xueqing	√	√	15/15	1/4	2/4				
Non-executive Directors	FAN Yutao		⁽⁴⁾	4/4 ⁽²⁾						
	XU Jianxin	√	√	13/15 ⁽¹⁾	1/4					1/2
	ZHANG Jingguo		√	14/15 ⁽¹⁾	3/4					1/2
	MA Jinwei		⁽⁴⁾	4/4 ⁽²⁾				4/5		
	LIANG Songwei		√	15/15		2/4				2/2
	JI Hongjun	√	√	14/15 ⁽¹⁾					3/3	2/2
	MA Lei	√	√	13/15 ⁽¹⁾		2/4		1/5	2/3	
Independent Non-executive Directors	WANG Shihao		√	14/15 ⁽¹⁾	3/4	2/4			2/3	1/2
	LI Huaizhen		⁽⁴⁾	3/4 ⁽¹⁾⁽²⁾						1/2
	XIE Taifeng		⁽⁴⁾	4/4 ⁽²⁾				4/5	1/3	
	WU Ge		⁽⁴⁾	3/4 ⁽¹⁾⁽²⁾				4/5		
	CHAN Mei Bo Mabel		⁽⁴⁾	4/4 ⁽²⁾					1/3	

- Note: (1) The actual attendance being lower than required attendance represents proxy attendance when the above Directors are absent from Board meeting in person.
- (2) FAN Yutao, MA Jinwei, LI Huaizhen, XIE Taifeng, WU Ge and CHAN Mei Bo Mabel have exercised their rights as Directors since CBRC Henan Office approved their qualification on September 8, 2015. Since then, they should attend four Board meetings.
- (3) All absences from the general meetings were due to personal reasons.
- (4) At the Bank's 2014 annual general meeting held on June 18, 2015, FAN Yutao, MA Jinwei, LI Huaizhen, XIE Taifeng, WU Ge and CHAN Mei Bo Mabel were yet to be elected as Directors of the Bank.
- (5) At the 2014 annual general meeting held on June 18, 2015, the Bank completed the election of a new session of the Board of Directors. For special committees, required attendance represents the number of meetings held in the year; actual attendance represents the actual attendance of incumbent Directors; and all Directors attended all the special committees to which he or she is a member.

4.6 Performance of Duties of Independent Non-executive Directors

At present, the Board of the Bank consists of five independent non-executive Directors and the qualification, number and percentage of independent non-executive Directors satisfy the relevant requirements of CBRC, CSRC and the Listing Rules. The independent non-executive Directors account for the majority seats and act as chairmen in the Bank's Risk Management Committee, the Related Party Transactions Control Committee, the Audit Committee, the Nomination Committee and Remuneration and Assessment Committee of the Board. During the Reporting Period, the five independent non-executive Directors maintained communication with the Bank through attending meetings, discussions, training and other channels to focus on related party transactions, profit distribution, information disclosure and other significant matters and, in their performance of duties, attached importance to safeguarding the interests of depositors and minority shareholders.

5 THE BOARD COMMITTEES

The Board of the Bank established six committees in accordance with relevant PRC laws and regulations, the Bank's Articles of Association as well as the Listing Rules, namely, the Strategic Development Committee, the Risk Management Committee, the Related Party Transactions Control Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee.

During the Reporting Period, the special committees of the Board exercised their duties in an independent, regulated and effective manner in accordance with the law. They held 29 meetings in the year to consider and approve 41 proposals, which effectively enhanced the corporate governance standards of the Bank, improved work efficiency and ensured sustainable and sound development of our businesses.

5.1 Strategic Development Committee

The Strategic Development Committee of the Bank originally consisted of three executive Directors (Mr. WANG Tianyu, Mr. ZHANG Rongshun and Mr. SHEN Xueqing) and one non-executive Director (Mr. XU Jianxin). The Strategic Development Committee is chaired by executive Director Mr. WANG Tianyu. On April 16, 2016, Mr. XU Jianxin ceased to be member of the Strategic Development Committee of the Bank.

The primary duties of the Strategic Development Committee include:

- setting business and management objectives and long-term development strategy for the Bank;
- supervising and checking the implementation of annual business plans and investment plans;
- communicating regularly with the senior management and head of departments in relation to the operations and risks of the Bank, and providing advice and suggestion; and
- other matters authorised by the Board.

During the Reporting Period, the Strategic Development Committee held a total of four meetings, in which they focused on the planning and construction of county banks of the Bank and continued to push forward integrated operation of the Bank. Resolutions regarding key strategic development of the Bank including the establishment of Fugou County Bank were considered and approved.

5.2 Risk Management Committee

The Risk Management Committee of the Bank consists of two non-executive Directors and one independent non-executive Director. The two non-executive Directors are Mr. LIANG Songwei and Mr. MA Lei. The Risk Management Committee is chaired by the independent non-executive Director Mr. WANG Shihao. Mr. MA Lei resigned as a director of the Bank and a member of the risk management committee of the Board of the Bank on March 26, 2016. Mr. Ma Jinwei serves as a member of the risk management committee of the Board of the Bank with effect from March 26, 2016.

The primary duties of the Risk Management Committee include:

- controlling, managing, monitoring and assessing risks of the Bank;
- reviewing risk control principles, objectives and policies of the Bank, and reporting them to the Board of Directors for deliberation and approval;
- reviewing risk management measures of the Bank and risk management related issues of the Bank;
- discussing significant risk management issues that need to be reported to the Board of Directors for deliberation;
- examining and supervising the risk management work carried out by the senior management in all aspects;
- conducting surveys and evaluations on risk policies, management status and risk tolerance levels of the Bank on a regular basis, and reporting to the Board of Directors;
- providing recommendations on improving risk management and internal control of the Bank;
- formulating authorization management scheme of the Bank and reporting to the Board of Directors for approval;
- being responsible for anti-money laundering duties of the Bank, and organizing and guiding anti-money laundering according to the authorization of the Board of Directors, and assuming responsibility to the Board of Directors; supervising and instructing the anti-money laundering leading team of the Bank; discussing the significant matters related to anti-money laundering and reviewing anti-money laundering work report; assuming authorization and responsibility for the decision-making and treatment of anti-money laundering related significant or sensitive matters;
- being responsible for compliance management of the Bank, organizing and guiding swindle prevention control according to the authorization of the Board of Directors, and assuming responsibility to the Board of Directors;
- preparing overall swindle prevention control policy, promoting and forming swindle prevention control management system; clarifying responsibilities and authorities of the senior management in swindle prevention control; ensuring that necessary measures have been taken by the senior management for effective monitoring, early warning and treatment of risks; proposing overall requirements for swindle prevention control, and reviewing swindle prevention control report; assessing and evaluating effectiveness of swindle prevention control of the Bank; ensuring effective review and supervision of internal audit department to swindle prevention control;

- discussing risk management and internal control system with the management, ensuring that the management has fulfilled its responsibility to establish an effective system. The discussion should cover whether the Bank maintains sufficient resource, staff qualification and experience in accounting, internal control and financial reporting function and whether it has sufficient staff training and budget in place; and
- taking the initiative or as designated by the Board to review key findings of risk management and internal control as well as the management's response in this regard.

During the Reporting Period, the Risk Management Committee held a total of four meetings to consider and approve the resolutions in relation to the authorization by the Board, the annual comprehensive risk management report, the annual compliance management report and grant of credit within authorization.

5.3 Related Party Transactions Control Committee

The Related Party Transactions Control Committee of the Bank consists of one non-executive Director (Mr. MA Jinwei) and two independent non-executive Directors (Mr. WU Ge and Mr. XIE Taifeng). The Related Party Transactions Control Committee is chaired by independent non-executive Director Mr. WU Ge.

The primary duties of the Related Party Transactions Control Committee include:

- being responsible for the management, review and approval, as authorized by the Board of Directors, of related party transactions, and controlling the risk of related party transactions;
- formulating rules and the control framework relating to related party transactions of the Bank;
- identifying related parties and connected parties and reporting them to the Board of Directors and the Board of Supervisors, and providing the list of related parties of the Bank to relevant staff;
- accepting the filing of general related party transactions;
- reviewing and supervising the control of related party transactions of the Bank, the implementation of related party transaction control by our Directors, senior management and related personnel, and reporting to the Board of Directors;
- reviewing material related transactions and subsequently submit the same to the Board of Directors for approval, and report to the Board of Supervisors as well as the banking regulatory authorities within ten days from the date of approval by the Board of Directors; reporting to the Board of Supervisors about the related party transactions that are related with the Directors and senior management personnel of the Bank within ten working days from date of approval; and
- other matters as required by laws, administrative regulations, department rules, regulatory documents and the Articles of Associations, the management policies on related party transactions of the Bank as well as those authorized by the Board of Directors.

During the Reporting Period, the Related Party Transaction Control Committee held a total of five meetings, at which it considered the resolutions in relation to business cooperation with related parties which satisfy relevant policy requirements.

5.4 Audit Committee

The Audit Committee of the Bank consists of one non-executive Director (Mr. JI Hongjun) and two independent non-executive Directors (Mr. XIE Taifeng and Ms. CHAN Mei Bo Mabel). The Audit Committee is chaired by independent non-executive Director Mr. XIE Taifeng.

The primary duties of the Audit Committee include:

- reviewing the risks and compliance status, internal control management system, accounting policies, auditing basic management procedures, financial reporting procedures and financial position of the Bank; auditing the financial information of the Bank, including the integrity of our financial statements and annual report and accounts, interim report and (if prepared for publication) quarterly reports; and reviewing important comments on financial reporting contained in such statements and reports. In this regard, in reviewing the relevant statements and reports before submission to the Board, the committee shall focus particularly on:
 - any changes in the accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and
 - compliance with the Listing Rules and other legal or regulatory requirements in relation to financial reporting.
- liaising with the Board and senior management with regard to the aforesaid matters, and must meet, at least twice a year, with the external auditors. The committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and shall give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer (if any) or external auditors.
- relationship with the external auditors of the Bank:
 - making recommendations to the Board of Directors on the appointment, reappointment or removal of the external audit agency, reviewing the fees and terms of engagement of the external audit agency, and handling any matters relating to its resignation or dismissal;
 - reviewing and monitoring the external audit agency's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. discussing with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;
 - developing and implement policies on the engagement of an external auditor to provide non-audit services;

- reviewing the Audit Results Letter presented by an external audit agency to the management, as well as any material queries raised by the audit agency to the management about accounting records, financial accounts or monitoring systems, and the management's response;
 - ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter; and
 - acting as the key representative body for overseeing the Bank's relations with the external audit agency and being responsible for the communications between internal and external auditors to ensure that internal and external audit work has been coordinated.
- being responsible of the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations;
 - being responsible of reviewing and approving the Bank's internal audit system and supervising its implementation, reviewing, evaluating and reporting to the Board of Directors on the internal audit on a regular basis, and ensuring that the internal audit department has sufficient resources for operation and proper status. reviewing and monitoring the effectiveness of internal audit;
 - examining the Bank's financial reporting system, risk management and internal control system and their implementation:
 - to review and monitor financial control, and review risk management (except where there is a risk management committee separately set up under the Board or where the Board will unequivocally handle it by itself) and internal control systems of the Bank, review relevant rules and regulations and their implementation, and examine and evaluate the compliance and effectiveness of major business activities of the Bank;
 - to discuss the risk management and internal control system with the management and to continuously examine and supervise whether the senior management has performed its duties and has an effective system in place. The discussion shall include the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget, in terms of accounting and financial reporting of the Bank;
 - to oversee and review the construction of the Bank's internal control system, organize self-evaluations of internal control status in the Bank and review the evaluation report on the Bank's internal control;
 - to ensure the Bank has adequate arrangements for employees to anonymously raise concerns on any irregularities which may occur in the Bank's financial reporting, internal control and other aspects and for the Bank to conduct a fair and independent investigation and take appropriate action on such matters; and
 - to study the significant investigation results of risk management and internal control issues and feedback of the management on the investigation results proactively or under the instruction of the Board of Directors.

- studying other duties as defined by the Board; and
- other matters as required by laws, regulations, department rules, regulatory documents and the Articles of Associations as well as those authorized by the Board of Directors.

During the Reporting Period, the Audit Committee held a total of three meetings to consider and approve the resolutions in relation to the annual audit report and information qualification report, internal audit plan and the 2014 annual report of the Audit Committee of the fourth session of the Board.

5.5 Nomination Committee

The Nomination Committee of the Bank consists of one non-executive Director (Mr. FAN Yutao) and two independent non-executive Directors (Mr. WU Ge and Ms. CHAN Mei Bo Mabel). The Nomination Committee is chaired by independent non-executive Director Ms. CHAN Mei Bo Mabel.

The primary duties of the Nomination Committee include:

- reviewing the structure, size and composition (including skills, knowledge and experience) of the Board of Directors and the management every year according to the operations, management, asset scale and equity structure of the Bank, and providing suggestions to possible changes of the Board of Directors based on the strategy of the Bank;
- formulating the criteria and procedures for selecting Directors and members of senior management, and providing suggestions to the Board;
- conducting the preliminary examination of qualifications of candidates for Directors and senior management, and making recommendations to the Board;
- identifying extensively qualified candidates for Directors and senior management, formulating training plan for senior management and key talent reserves and making recommendations to the Board;
- assessing the independence of independent non-executive Directors;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the President; and
- other duties required in the laws, administrative regulations, department rules or the Listing Rules and authorised by the Directors.

During the Reporting Period, the Nomination Committee held a total of two meetings, at which the resolutions regarding the qualifications of Directors, Vice President and Chief Information Officer for the new session and the annual work report of the Nomination Committee were considered and approved.

5.6 Remuneration and Assessment Committee

The Remuneration and Assessment Committee consists of one non-executive Director (Mr. ZHANG Jingguo) and two independent non-executive Directors (Mr. WANG Shihao and Mr. LI Huaizhen). The Remuneration and Assessment Committee is chaired by independent non-executive Director Mr. LI Huaizhen.

The primary duties of the Remuneration and Assessment Committee include:

- reviewing remuneration management system and policies of the Bank;
- studying the criteria for appraising Directors and senior management, conducting the appraisal and making proposals;
- making proposals to the Board in relation to remuneration policies and structure applying to Directors and senior management of the Bank, and establishment of formal and transparent procedures for formulating such remuneration policies, and supervising and modifying the execution of remuneration procedures of the Bank; The Remuneration Committee shall consult with the Chairman or the President of the Bank in respect of the proposed remunerations for other executive Directors and senior management;
- reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives established by the Board;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management members;
- making recommendations to the Board on the remuneration of non-executive Directors;
- making recommendations on employment conditions for other positions of the Bank by taking into consideration remuneration of similar company, time requested and responsibilities;
- reviewing and approving any compensations payable to executive Directors and senior management for their losses or terminations of office or appointments to ensure that such compensations are consistent with contractual terms; and are otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his or her misconduct to ensure that such arrangements are consistent with contractual terms; and are otherwise reasonable and appropriate;
- reviewing duty performance of the Directors and senior management and making annual performance assessment on them;
- ensuring that neither any director nor any of his or her associates (as defined in the Listing Rules) is involved in deciding his or her own remuneration; and
- other duties required in the laws, administrative regulations, department rules or the Listing Rules and authorised by the Directors.

During the Reporting Period, the Remuneration and Assessment Committee held a total of two meetings, at which the resolutions in relation to the remuneration standard of Directors, independent Directors and the senior management as well as the performance assessment plan were considered and approved.

5.7 Corporate Governance Functions

The Board is responsible for establishing sound corporate governance practices and procedures of the Bank. During the Reporting Period, the Board had performed following duties within its terms of reference:

- formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Bank's policies and practices in respect of compliance with laws and regulatory requirements;
- formulated, reviewed and monitored the codes of conduct for Directors and employees; and
- reviewed compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report of the Bank.

6 MANAGEMENT

The management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The division of authority between the management and the Board is implemented in accordance with the Articles of Association and other corporate governance documents of the Bank.

The Bank has one president and several vice presidents appointed or dismissed by the Board of Directors. The president shall be accountable to the Board of Directors.

The president shall perform the following duties and powers:

- To take charge of the operation and management of the Bank, to organize the implementation of the resolutions of the Board of Directors and to report the work to the Board of Directors;
- To submit annual business plans and investment proposals to the Board of Directors and to organize the implementation upon approval by the Board of Directors;
- To draft proposals on the establishment of the Bank's internal management entities;
- To draft the Bank's basic management system;
- To formulate the Bank's specific regulations;
- To propose to the Board of Directors to appoint or dismiss the vice presidents, assistant to the president, finance chief and other senior management personnel;

- To determine to appoint or dismiss persons in charge of the internal departments and branches of the Bank other than those to be appointed or dismissed by the Board of Directors; and to determine their salaries, benefits and reward or punishment according to the remuneration reward and punishment scheme fixed by the Board of Directors;
- To authorize senior management personnel of the Bank and persons in charge of internal departments and branches to conduct operational activities;
- To decide on the appointment and dismissal of the Bank's staff, and on matters relating to wages, benefits, reward and punishment;
- To adopt emergency measures when any material emergency arises and promptly report them to the banking regulatory and administrative authorities under State Council, the Board of Directors and the Board of Supervisors; and
- Other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents, the regulations of the relevant regulatory authorities, the Articles and by the Board of Directors.

7 BOARD OF SUPERVISORS

The Board of Supervisors, as the supervisory body of the Bank, aims to protect the legitimate rights of the Bank, Shareholders, staff, depositors and other stakeholders. It is responsible for supervising the accounting activities, risk management, internal control and the performance of the Board, Directors, senior management and its members. It is accountable to the general meeting.

Composition of the Board of Supervisors:

Our Board of Supervisors currently consists of nine Supervisors, three for each of shareholder Supervisors, employee Supervisors and external Supervisors. The structure of our Board of Supervisors is reasonable, and is sufficiently professional and independent to ensure the effective performance of its supervisory role.

During the Reporting Period, the Board of Supervisors fulfilled its duties diligently, supervised the legal compliance of performance of duties by Directors and the senior management. They also performed audit on the executive Directors and the senior management as required. They audited and supervised the financial activities, risk management and internal control and investigated any abnormal operating activities.

Responsibilities and Operating Model of the Board of Supervisors:

The primary duties of our Board of Supervisors include:

- to examine the regular reports of the Bank compiled by the Board of Directors and submit its opinion of examination in writing;
- to supervise the performance by and due diligence of the Board and senior management personnel of their duties;

- to query the Directors, the Board and senior management;
- to conduct exit audits towards Directors and senior management when necessary;
- to require Directors and senior management personnel to rectify their acts which are detrimental to the interest of the Bank;
- to inspect and supervise financial activities of the Bank;
- to audit the business decision-making, risk management and internal control of the Bank, if necessary;
- to propose dismissal or initiate legal proceedings against Directors or senior management personnel who violate laws, administrative regulations, the Articles of Association or resolutions of the general meeting;
- to propose to convene an extraordinary general meeting and convene and preside over the general meeting in the event that the Board has failed to fulfil its duty stipulated by the Company Law to convene and preside over the general meeting;
- to make proposals to the general meeting;
- to entrust qualified accounting firm to conduct audit on the Bank's operation status in the previous year on a yearly basis. The selection of accounting firm shall be implemented in line with Management Policies on Bidding and Purchase of Bank of Zhengzhou; The auditors' report shall be completed prior to the annual general meeting and no later than April 30 of the current year. After being completed, the auditors' report shall be signed by the chairman of Supervisors and submitted to the annual general meeting for consideration. The same should be circulated to the Board before submission to the general meeting; and
- to express written opinions within five working days after the dividend distribution plans drafted by the Board of Directors is submitted to the Board of Supervisors as the initial stage. It shall be regarded as consent to the plan if no opinion is expressed after the deadline.

Operating Model of the Board of Supervisors of the Bank:

This includes convening regular Supervisor meetings, attending general meetings, to be in-attendance at the Board meetings and certain Board committee meetings, to be in-attendance at the relevant meetings of the senior management, reviewing various documents and materials from the senior management, receiving the work report and project report of the senior management, evaluating the annual performance of Directors and the senior management, facilitating communications with Directors and the senior management, conducting exit audits of our executive Directors and the senior management, conducting investigation and research on branch institutions, carrying out a variety of special investigations, etc. Through the above work, the Board of Supervisors monitors and evaluates our operation and management, risk management and internal control, as well as the performance of Directors and the senior management.

During the Reporting Period, the Board of Supervisors supervised the 2014 annual performance of the Board of Directors, Directors, the senior management and Supervisors of the Bank, and gave feedback to the Board of Directors and the senior management.

7.1 Meetings of the Board of Supervisors and Attendance of Supervisors

During the Reporting Period, the Board of Supervisors held a total of six meetings, with three Nomination Committee meetings and two Supervision Committee meetings to review and supervise the financial position, significant credit grants, internal control compliance, risk control and internal audit as well as performance of duty and compliance of laws and regulations by the Directors, senior officers and senior management of the Bank.

Attendance of Supervisors at Physical Meetings During the Reporting Period

Name	Required attendance	Attendance in person	Attendance by proxy
FAN Dalu	6	6	
TANG Yunwei	6	5	1
LIU Yuhui	6	5	1
ZHANG Shengping	3	3	
MENG Jun	6	5	1
ZHU Zhihui	3	3	
DUAN Ping	6	6	
ZHANG Chungge	6	6	
CUI Huarui	3	3	

Attendance at General Meetings During the Reporting Period:

During the Reporting Period, all Supervisors attended the annual general meeting and extraordinary general meetings and supervised the legal compliance of the procedures of meetings and the voting process on-site.

Attendance at the Meetings of the Board and the Senior Management During the Reporting Period:

During the Reporting Period, the Supervisors attended physical meetings of the Board of Directors, and supervised legal compliance of the meetings and procedures of voting as well as the attendance, speech and voting of Directors. The Board of Supervisors also sent representatives to attend the relevant meetings of the senior management and supervised the execution of resolutions of the Board of Directors by the senior management and the business conducted by the senior management according to the Articles of Association and the authorization by the Board of Directors.

7.2 Operation of Special Committees of the Board of Supervisors

No.	Members of special committees of the Board of Supervisors	Chairman	Members
1	Nomination Committee	LIU Yuhui	ZHU Zhihui, DUAN Ping
2	Supervision Committee	TANG Yunwei	MENG Jun, ZHANG Chungu

The Nomination Committee under the Board of Supervisors

Primary duties of the Nomination Committee include:

- formulating the selection procedures and standards of Supervisors, preliminarily reviewing the qualifications of candidates for Supervisors and making recommendations to the Board of Supervisors; supervising the process of election and appointment of Directors;
- conducting overall assessment on the performance of duties by the Directors, Supervisors and senior management and submitting reports to the Board of Supervisors;
- supervising the scientificness and reasonableness of the remuneration management system and policies of the whole Bank and the remuneration package for its senior management members; and
- any other matters authorized by the Board of Supervisors.

In 2015, the Board of Supervisors held a total of three meetings to consider and approve the resolutions in relation to the “Recommendation of Mr. FAN Dalu as the Shareholder Representative Supervisor Candidate to the Fifth Session of the Board of Supervisors of Bank of Zhengzhou”, the “Assessment Report on the Performance of the Board of Bank of Zhengzhou in 2014” and the “Assessment Report on the Performance of Duties by Directors and Independent Directors in 2014”, and to consider the “2016 Work Plan of the Nomination Committee of the Fifth Session of the Board of Supervisors of Bank of Zhengzhou”.

Supervision Committee under the Board of Supervisors

The primary duties of the Supervision Committee include:

- formulating plans for supervision of financial activities of the Bank and implementing relevant inspection;
- supervising the Board of Directors to adopt prudent business philosophy and value standards and formulating development strategies in line with the actual situations of the Bank;
- monitoring and reviewing the operation strategy, risk management and internal control of the Bank; and

- any other matters authorized by the Board of Supervisors. The Supervision Committee of the Board of Supervisors may conduct investigation on special affairs of the Bank, and the results of investigation shall be reported to both of the Board of Supervisors and the Board of Directors.

During the Reporting Period, the Supervision Committee of the Board of Supervisors held a total of two meetings, at which the resolutions in relation to the “2014 Profit Distribution Plan of Bank of Zhengzhou Co., Ltd.”, “Suggestions on the Truthfulness of Operating Results of Bank of Zhengzhou Co., Ltd. in 2014” and the “2016 Work Plan of the Supervision Committee of the Fifth Session of the Board of Supervisors” were considered and approved.

8 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management of the Bank do not have any relationship, including financial, business, family and other material relations.

9 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Training and Research of Directors:

All Directors took part in:

A training and seminar with respect to the environment of the capital market in Hong Kong and feasibility of seeking listing in Hong Kong as provided by CITIC CLSA Securities.

A training and seminar with respect to the Directors’ responsibilities before and after listing in Hong Kong and relevant Hong Kong laws as provided by King & Wood Mallesons.

Training and Research of Supervisors:

During the Reporting Period, the Board of Supervisors conducted research work in Harbin Bank, Bank of Zhengzhou Luoyang Branch and Zhengzhou Red Star Macalline and prepared a research report. Certain employee Supervisors, shareholder Supervisors and external Supervisors of the Bank took part in the research.

During the Reporting Period, Supervisors attended the training for supervisors of domestic banks provided by China’s financial education institutions. Certain employee Supervisors, shareholder Supervisors and external Supervisors of the Bank took part in the training.

10 JOINT COMPANY SECRETARIES UNDER THE LISTING RULES

Mr. FU Chunqiao and Ms. LEUNG Wing Han Sharon, vice president of SW Corporate Service Group Limited, have been appointed by the Bank as its joint company secretaries. Ms. Leung’s main contact person at the Bank is Mr. FU Chunqiao, another joint company secretary. For the year ended December 31, 2015, both of Ms. LEUNG Wing Han Sharon and Mr. FU Chunqiao have received not less than 15 hours of relevant professional trainings in accordance with the requirement under Rule 3.29 of the Listing Rules.

11 COMMUNICATION WITH SHAREHOLDERS

The Bank attaches importance to communication with Shareholders, and seeks to improve mutual understanding and communication with Shareholders through various channels including general meeting, roadshows and news release and enhance engagement with Shareholders via the official website, e-mail and telephone.

For enquiries to the Board, investors may contact:

The Office of Board of Directors of Bank of Zhengzhou Co., Ltd.

22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan, PRC

Tel: +86-0371-67009199

Fax: +86-0371-67009898

Email: ir@zzbank.cn

12 SHAREHOLDERS' RIGHTS

12.1 Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association and the Rules of Procedures of General Meetings, a class meeting or extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding individually or collectively 10% or more of the voting Shares of the Bank (the "Requesting Shareholders").

General meetings shall be convened by the Board. If the Board of Directors or the Board of Supervisors are unable to or unwilling to fulfil their duties in convening a general meeting, Shareholders individually or collectively holding 10% or more of the Bank's Shares for ninety consecutive days or more (the "Convening Shareholders") may convene and preside over the meeting on a unilateral basis.

The proposal to the Board of Directors for the convening of a general meeting shall be made in writing. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the meeting within ten days after receiving such proposal.

In the event that the Board of Directors agrees to convene a meeting, the notice of meeting shall be issued within five days after the passing of the relevant resolution of the Board of Directors. Any changes to the original proposal made in the notice require prior approval of the Shareholders concerned.

If the Board of Directors does not agree to convene a meeting or does not furnish any reply within ten days after receiving such proposal, Shareholders individually or collectively holding 10% or more of the Bank's Shares shall have the right to propose to the Board of Supervisors for the convening of such meeting, provided that such proposal shall be made in writing.

In the event that the Board of Supervisors agrees to convene the meeting, the notice of meeting shall be issued within five days after receiving such request. Any changes to the original proposal made in the notice shall require prior approval of the Shareholders concerned.

Failure of the Board of Supervisors to issue the notice of meeting shall be deemed as failure of the Board of Supervisors to convene and preside over it, and Shareholders individually or collectively holding 10% or more of the Bank's Shares for ninety consecutive days or more may convene and preside over the meeting on a unilateral basis.

12.2 Procedures for Putting Forward Proposals at General Meeting

Shareholders collectively holding 3% or more of the voting Shares (the "Proposing Shareholders") have the right to put forward proposals in writing to the Bank. The Proposing Shareholders may submit provisional proposals in writing to the convener ten days before the general meeting is convened. The convener shall issue a supplementary notice of the general meeting within two days after receiving the provisional proposals.

13 EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The Bank engaged KPMG Huazhen LLP as our accounting firm for domestic auditing in 2015.

In 2015, the Bank agreed to pay KPMG Huazhen LLP RMB2.2 million as remuneration for auditing the financial statements. No non-auditing changes were incurred.

14 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, to satisfy the requirements in corporate governance and regulated operations after listing, the Bank made amendments to the Articles of Association with reference to the actual situation of the Bank in line with the Mandatory Provisions in the Articles of Association of Companies to be Listed Overseas, the Listing Rules and other domestic and overseas laws, regulations and other regulatory documents. The proposal regarding the amendments to the Articles of Association was considered and approved at the 2014 annual general meeting of the Bank held on June 18, 2015, and the approval issued by CBRC Henan Office was received on September 14, 2015. The said Articles of Association took effect commencing from December 23, 2015, the Listing Date of the Bank.

CHAPTER IX REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank hereby presents the report of the Board of Directors together with the audited financial statements of the Group for the year ended December 31, 2015.

1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Bank is primarily engaged in PRC banking and related financial services, including corporate banking, personal banking, treasury operation and other businesses.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including the key risks and uncertainties faced by the Group and the possible future development plan of the Group's business, are set out in the "Management Discussion and Analysis" and "Directors, Supervisors, Senior Management and Staff" of this annual report. Such discussions form an integral part of this "Report of the Board of Directors".

2 RESULTS AND DIVIDENDS

2.1 Dividends

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

Pursuant to the resolutions passed at the Bank's 2014 Annual General Meeting, the Bank paid a cash dividend of RMB1.80 (tax inclusive) for every ten Shares of the Bank in an aggregate amount of approximately RMB709.55 million (tax inclusive) for the year ended December 31, 2014 to all the Shareholders of the Bank whose names appeared on the register of members on December 31, 2014. Such dividend was denominated in Renminbi.

The Board has proposed the payment of a cash dividend of RMB2.00 (tax inclusive) for every ten Shares of the Bank for the year ended December 31, 2015 in an aggregate amount of approximately RMB1,064.39 million (tax inclusive) to all the Shareholders of the Bank. Payment of such dividend to the Shareholders is subject to consideration and approval of the dividend distribution plan at the 2015 Annual General Meeting. It is expected that such dividend will be paid on July 15, 2016 (Friday).

Such proposed dividend will be denominated in Renminbi. Dividend payable to holders of Domestic Shares shall be paid in Renminbi, whereas dividend payable to holders of H Shares shall be paid in Hong Kong Dollar. The exchange rate of RMB to Hong Kong Dollar to be adopted shall be the average middle rates for the five business days preceding the date of declaration of such dividend at the 2015 Annual General Meeting (i.e. Friday, June 17, 2016, inclusive) as announced by the PBoC.

The Bank will pay such dividend to holders of Domestic Shares and holders of H Shares whose names appeared on the register of members on Tuesday, June 28, 2016. The register of members of the Bank will be closed from Thursday, June 23, 2016 to Tuesday, June 28, 2016 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to be entitled to the final dividend, holders of H Shares of the Bank who have not registered the related transfer documents are required to lodge the transfer documents, together with the relevant share certificates, with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, June 22, 2016.

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

	2014	2013	2012
	Unit: millions of RMB except percentages		
Cash dividend (tax inclusive)	709.55	591.29	—
As a percentage of net profit for the year	30%	30%	—

2.2 Tax on Dividends

Withholding and payment of enterprise income tax on behalf of overseas non-resident enterprises

Pursuant to the applicable provisions and the implementing regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), when distributing the final dividend to non-resident enterprise holders of H Shares (including the H Shares registered in the name of HKSCC Nominees Limited), the Bank will withhold and pay enterprise income tax at the rate of 10%.

Withholding and payment of individual income tax on behalf of overseas non-resident individual Shareholders

Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Announcement of the State Administration of Taxation on the Administrative Measures on Enjoying Tax Treaty Treatment by Non-resident Taxpayers (Announcement No. 60 [2015] of the State Administrative of Taxation) ("**Tax Treaty Announcement**"), the Bank will withhold and pay individual income tax for the holders of H Shares according to the following arrangement:

For individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders when distributing the final dividend;

For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will temporarily withhold and pay individual income tax at the rate of 10% when distributing the final dividend. If the relevant individual H Shareholders would like to apply for refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, applications for tax treatments under the relevant tax treaties according to the Tax Treaty Announcement. Qualified Shareholders are requested to submit in time written authorisation and all application materials as required under the Tax Treaty Announcement to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to the competent tax authorities and, after their examination and if and when approved, the Bank will assist in refunding the excess amount of tax withheld and paid;

For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual H Shareholders when distributing the final dividend; and for individual H Shareholders whose country (region) of domicile is a country (region) which has entered into tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Bank will withhold and pay individual income tax at the rate of 20% on behalf of these individual H Shareholders when distributing the final dividend.

The Bank will generally follow the above arrangements to withhold and pay individual income tax on behalf of holders of H Shares, but if relevant tax authorities require otherwise, the Bank will follow such requirements for arrangements.

3 SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

For details of the share capital and substantial Shareholders of the Bank, please refer to "Changes in Share Capital and Information on Shareholders".

4 USE OF PROCEEDS

For details of issuance and listing of the Shares conducted by the Bank during the Reporting Period and use of proceeds of the Bank, please refer to the "Significant Events".

5 RESERVES

Details of movements in reserves of the Bank for the year ended December 31, 2015 are set out in the consolidated statement of changes in equity.

6 PROPERTY AND EQUIPMENT

Details of movements in property and equipment of the Bank are set out in Note 22 of the financial statements.

7 CONNECTED TRANSACTIONS

In the ordinary and usual course of business, the Bank provides commercial banking services and products to the public in China, including certain connected persons such as Shareholders, Directors, Supervisors, President and/or their respective associates. Pursuant to the Listing Rules, such transactions, being conducted on normal commercial terms in the ordinary and usual course of the business of the Bank, shall be exempt from reporting, annual review, disclosure and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all its connected transactions and acknowledged 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, and its interpretations by the IASB. Certain related party transactions set out in Note 35 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none of them constitutes any discloseable connected transaction as defined under the Listing Rules.

8 INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESS IN COMPETITION WITH THE BANK

Save as those disclosed in this annual report, none of the Directors or Supervisors of the Bank holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with that of the Bank.

9 REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND RETIREMENT BENEFITS

Details of the remuneration of the Directors and Supervisors of the Bank are set out in Note 9 of the financial statements.

Details of the retirement benefits provided by the Bank to employees are set out in Note 30 of the financial statements.

10 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors or Supervisors of the Bank entered into a service contract with the Bank which was not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

11 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed below, as at 31 December 2015, the interests of Directors, Supervisors and President 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 Companies in Appendix 10 to the Listing Rules were set out as follows:

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Shares in issue (%)
Wang Tianyu	Director	Domestic Shares	Beneficial owner	18,928	0.0005	0.0004
Zhang Rongshun	Director	Domestic Shares	Beneficial owner	51,612	0.0014	0.001
Xu Jianxin	Director	Domestic Shares	Interest of spouse Interest of controlled corporation	47,259 262,000,000	0.0012 6.86	0.0009 5.10
Zhu Zhihui	Supervisor	Domestic Shares	Interest of controlled corporation	199,046,474	5.21	3.87
Duan Ping	Supervisor	Domestic Shares	Beneficial owner	4,000	0.0001	0.00008
Zhang Chungue	Supervisor	Domestic Shares	Beneficial owner	14,056	0.0004	0.0003

Save as disclosed above, none of the Directors, senior executive or Supervisors 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.

12 MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the year ended December 31, 2015, neither the Bank nor its subsidiary entered into any significant transaction, arrangement or contract in which the Directors or Supervisors or entity connected with the Directors or Supervisors directly or indirectly had a material interest.

13. ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank or any of its subsidiary, a party to any arrangement 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.

14. MANAGEMENT CONTRACTS

No management or administration contract in relation to all or substantial parts of the business of the Bank was entered into during the Reporting Period.

15. PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE BANK

During the period commencing from December 23, 2015, being the Listing Date, and up to December 31, 2015, the Bank and its subsidiary had not purchased, sold or redeemed any listed securities of the Bank.

16. PRE-EMPTIVE RIGHTS

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

17. DONATIONS

The Bank made charitable and other donations in an aggregate sum of RMB3.50 million for the year ended December 31, 2015.

18. PUBLIC FLOAT

As at the Latest Practicable Date, according to the publicly information available to the Bank, the Bank has complied with the public float requirements under the Listing Rules.

19. CORPORATE GOVERNANCE

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

20 MAJOR CUSTOMERS

As at the end of the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. The interest income from the five largest customers of the Bank did not exceed 30% of the Bank's total interest income. None of the Directors of the Bank and their close associates or any Shareholder which to the knowledge of the Directors own more than 5% of the number of issued Shares had any interest in the above five largest customers.

21 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code governing securities transactions conducted by its Directors and Supervisors and relevant employees. After having made inquiries to all Directors and Supervisors, the Bank confirmed that they had complied with the above code for the period commencing from December 23, 2015, being the Listing Date, and up to December 31, 2015. The Bank was not aware that any relevant employee had breached the code.

22 SUBSEQUENT EVENTS

22.1 Full Exercise of the Over-allotment Option

The Bank published an announcement on January 15, 2016 regarding the full exercise of the Over-allotment Option, announcing that the Over-allotment Option was fully exercised in respect of an aggregate of 198,000,000 H Shares, representing 15% of the offer shares initially available under the Global Offering before the exercise of the Over-allotment Option. Those shares were listed on the Hong Kong Stock Exchange on January 20, 2016.

22.2 Establishment and the Operation of the Jiuding Financial Leasing Company

The Bank published an announcement on February 17, 2016 regarding the approval by the CBRC on the establishment of the Jiuding Financial Leasing Company, announcing that the establishment of Henan Jiuding Financial Leasing Company, 51% of which shall be held by the Bank, has been approved by the CBRC. After completion of the establishment work, the Jiuding Financial Leasing Company shall apply to the CBRC Henan Office for operation approval in accordance with relevant regulations and procedures.

The Bank published an announcement on March 23, 2016 regarding the operation approval by the CBRC Henan Office for the Jiuding Financial Leasing Company, announcing that the operation approval for the Jiuding Financial Leasing Company has been granted by the CBRC Henan Office on March 18, 2016. The Jiuding Financial Leasing Company has officially been in operation since March 23, 2016.

The Jiuding Financial Leasing Company is principally engaged in, among others, financial leasing, transfers of subject assets of financial leases, investment businesses in securities with fixed revenues, acceptance of lease deposit from lessee, sales and disposals of leasing projects and economic consulting.

23 OTHER MATTERS

According to code provision A.1.8, the Bank shall maintain appropriate insurance to cover the potential legal litigations initiated against the Directors of the Bank. In order to comply with such code provision, the Bank has purchased appropriate liability insurance for the Directors and to provide indemnity for their liabilities incurred during the operations of the Bank for the year ended December 31, 2015.

As far as the Board is aware, the Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank.

In the meantime, the Bank is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Bank endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

As at the date of this report, the Bank was not aware that any Shareholders had waived or agreed to any arrangement to waive dividends.

As at the date of this report, none of the Directors waived or agreed to relevant arrangement to waive remuneration.

During the Reporting Period, the Bank had not pledged any significant assets.

During the Reporting Period, there were no significant contracts entered into between the Bank or any of its subsidiaries and a controlling Shareholder or its subsidiaries.

During the Reporting Period, the Bank or any of its subsidiaries had not accepted services provided by a controlling Shareholder or its subsidiaries.

By order of the Board
Bank of Zhengzhou Co., Ltd.
Wang Tianyu
Chairman

CHAPTER X REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors continued to strengthen its capabilities and improve its executing capability pursuant to the Company Law, the Guidelines on Corporate Governance of Commercial Bank and the Articles of Association, and carried out supervision of performance, finance, internal control and risks to facilitate the regulated operation and sound development of corporate governance.

1 MAJOR WORK OF THE BOARD OF SUPERVISORS

Completion of re-election: During the Reporting Period, the Board of Supervisors successfully completed re-election in accordance with the statutory procedures, enhanced and adjusted its structure, and established the Supervisory Committee and the Nomination Committee pursuant to the law. The Board of Supervisors consists of nine supervisors, three for each of staff Supervisors, shareholder Supervisors and external Supervisors, and each of its committees has three members, chaired by an external Supervisor, thus satisfying the regulatory requirements on the composition and proportion of members of Board of Supervisors.

Establishment of systems and regulations: During the Reporting Period, the Board of Supervisors amended and improved the Rules of Procedure of the Board of Supervisors of the Bank, other relevant regulations and the articles related to the Board of Supervisor in the Articles of Association pursuant to the Guidelines on Corporate Governance of Commercial Bank, the Guidelines on the Work of the Board of Supervisors of Commercial Banks and the Listing Rules, ensuring the legitimacy of duty performance and effective operation of the Board of Supervisors.

Operation of mechanism: During the Reporting Period, six meetings were convened by the Board of Supervisors to consider and pass over ten resolutions including the work report of the Board of Supervisors, the supervision and assessment report, the profit distribution plan and the assessment report on the performance of duties of the directors, the supervisors and the senior management; and five meetings were convened by its special committees to consider reports on performance of duties, financial management, risk management and internal control and review the qualifications of Supervisor candidates. In addition, Supervisors attended the general meetings and were in-attendance at the meetings of the Board, received the resolutions of the general meetings and supervised the Board's consideration of the relevant subject matters and the procedures during such consideration.

Supervision on the performance of duties: During the Reporting Period, the Board of Supervisors further improved its monitoring system on the performance of duties, incorporated the opinions and advice of Directors and Supervisors into the supervision and feedback system of the Board of Supervisors, and regularly collected them for the preparation of materials to provide evidence for the performance of duties of Directors and Supervisors. Designated Supervisors were involved in the performance assessment of the senior management, and became members of the assessment team together with representatives of Shareholders, Directors and employees to comprehensively assess the job performance, performance of duties and moral hazards of the senior management and offer opinions and advice for the improvement of their work.

Investigation and research: Investigation and research were carried out to understand the business operations of the frontline and the basic units. In 2015, the Board of Supervisors of Zhengzhou Bank further strengthened and broadened its investigation and research, and heightened Supervisors' awareness of the problems in the management of branch institutions by fully understanding the operations of branch institutions through investigation and inspection. During the year, the Board of Supervisors, together with colleagues from Middle Hanghai Road sub-branch, the small enterprises finance department and the post-doctoral mobile station, conducted investigation and research in Red Star Macalline concerning the product, pricing and guarantee method of small enterprise and merchant loans as well as the method of cooperation between the parties. Supervisors communicated and exchanged ideas with the heads and staff of branch institutions during the course of the investigation to understand the problems and difficulties in their daily operations and business development, listen to their opinions and advice and offer guidance to their work. The Board of Supervisors provided the Board and the senior management with advice based on the problems found during the research, thus producing satisfactory effect in supervision.

Self-improvement: Taking into consideration its responsibilities and post-listing requirements of duty performance, the Board of Supervisors arranged a field trip to Harbin Bank and joined the training for supervisors of the banking industry held by China's financial education institutions. Some of the employee Supervisors, shareholder Supervisors and external Supervisors of the Bank participated in training on the performance of duties and other training sessions to acquaint themselves with the business of the Bank, understand the system of the Board of Supervisors and improve their capability of duty performance. Supervisors also took part in the training on corporate governance of listed companies held by intermediary agents to better understand the corporate governance requirements for listed companies and thus facilitate the establishment of the corporate governance mechanism of the Bank.

2 INDEPENDENT OPINIONS ON RELEVANT MATTERS

Performance of duties by the Board of Directors and Senior Management

During the Reporting Period, the Board of Directors and senior management performed their duties according to the Guidelines on the Corporate Governance of Commercial Banks and Articles of Association. In promoting the listing of the Bank and its major business decisions, they had displayed solidarity, vision, prudence and steady progress, leading the Bank to achieve a new leap. The senior management continued to improve their capability of implementation of strategic decisions, established and finalised various measures, ensuring the completion of various jobs for the whole year.

Compliance with laws and regulations in operations

During the Reporting Period, the operating activities of the Bank complied with the requirements of the Company Law, Commercial Banking Law and Articles of Association, and the process of decision making is legitimate and effective. The Directors and senior management are honest, trustworthy and diligent in carrying out their duties. In the course of the Directors and senior management carrying out their duties, no acts in violation of laws and regulations and Articles of Association or detrimental to the interests of the Bank and Shareholders were found.

Truthfulness of financial report

The 2015 annual financial report of the Bank is true and objective, accurately reflecting the financial position and operation results of the Bank.

Related Party Transactions

During the Reporting Period, the prices of the related party transactions were fair and reasonable and no acts detrimental to the interests of the Bank and Shareholders were found by the Board of Supervisors.

Internal Control

During the Reporting Period, the Bank continued to strengthen and improve its internal control system. With the soundness and effectiveness of the system constantly improved, there were no significant defects found in the design and implementation of the internal control system.

Implementation of resolutions of general meetings

During the Reporting Period, the Board of Supervisors had no objections to various reports and proposals submitted to general meetings for consideration. The Board of Supervisors supervised the implementation of resolutions of general meetings and considered the resolutions of general meetings had been diligently implemented by the Board of Directors of the Bank.

CHAPTER XI SIGNIFICANT EVENTS

1 ISSUANCE AND LISTING OF SHARES AND USE OF PROCEEDS

Since the Listing Date, H Shares of the Bank have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited. In the initial public offering of the Bank, the Bank and Shareholders of Domestic Shares of the Bank respectively issued and sold a total of 1,518,000,000 H Shares (including 198,000,000 H Shares issued and sold pursuant to the exercise of the over-allotment option on January 15, 2016) at the offer price of HK\$3.85 per Share.

The Bank raised approximately HK\$5.844 billion from the initial public offering, after deduction of net proceeds from the sale of Shares by the Shareholders of Domestic Shares and fees and expenses related to the offer, all proceeds have been used to replenish capital of the Bank. Immediately after the completion of the initial public offering, the share capital of the Bank consisted of 5,321,931,900 Shares, including 3,803,931,900 Domestic Shares and 1,518,000,000 H Shares, and the paid up capital of the Bank was RMB5,321,931,900.

3 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued 10-year subordinated bonds in 2009, with aggregate principal of RMB690 million and interest rate per annum of 6.50%. All such bonds had been fully redeemed in December 2014.

The Bank issued financial bonds in 2013 with aggregate principal of RMB5 billion, divided into two types, namely (1) 3-year term with a fixed interest rate of 4.58% and due on May 20, 2016, and (2) 5-year term with a fixed interest rate of 4.80% and due on May 20, 2018.

The Bank issued 10-year tier-2 capital bonds in 2014, with aggregate principal of RMB2 billion and interest rate per annum of 5.73%. Such bonds will be due on December 15, 2024.

The Board approved that, subject to obtaining the approval of Shareholders at the 2015 annual general meeting of the Bank, the Board will authorize the management to, after obtaining the approval from the relevant regulatory authorities, issue green financial bonds with an aggregate amount not exceeding RMB5 billion. For details, please refer to the announcement regarding the proposed authorization of the issuance of green financial bonds published on March 26, 2016.

4 SIGNIFICANT LITIGATION AND ARBITRATION

During the Reporting Period, there were no litigation and arbitration which had a significant impact on the operating activities of the Bank.

5 SIGNIFICANT RELATED PARTY TRANSACTIONS

During the Reporting Period, there were no significant related party transactions which had an adverse impact on the operating results and financial position of the Bank.

6 PENALTY IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the Bank and its Directors, Supervisors and senior management had not been subject to inspection, administrative penalty and criticism of the China Securities Regulatory Commission, public sanction of the Hong Kong Stock Exchange and penalty imposed by other regulatory bodies which had significant impact on the operation of the Bank.

7 PERFORMANCE OF UNDERTAKINGS OF THE BANK AND SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE

During the Reporting Period, there were no undertakings given by the Bank or by Shareholders with shareholding of 5% or more of total issued Shares of the Bank.

8 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

During the Reporting Period, the Bank had no significant contracts and information on their performance.

9 AUDIT REVIEW

The 2015 financial statements prepared by the Bank according to the International Financial Reporting Standards had been audited by KPMG, Certified Public Accountants, and the auditor's reports were unqualified. The 2015 Annual Report of the Bank had been reviewed by the Audit Committee of the Board and the Board of Directors.

10 SHARE OPTION INCENTIVE SCHEME AND ITS IMPLEMENTATION DURING THE REPORTING PERIOD

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

11 SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS AND MERGERS OF BUSINESSES

During the Reporting Period, there was no significant acquisition and disposal of assets and mergers of businesses of the Bank.

12 PROFIT ALLOCATION DURING THE REPORTING PERIOD

The 2014 annual general meeting convened on June 18, 2015 considered and approved the 2014 profit allocation plan and a dividend of RMB1.80 (tax inclusive) per 10 Shares was distributed on June 27, 2015.

CHAPTER XII INTERNAL CONTROL AND INTERNAL AUDIT

1 INTERNAL CONTROL

The Board of Directors of the Bank is responsible for ensuring the establishment and implementation of adequate and effective internal control system by the Bank, and prudent operation of the Bank within the legal and policy frameworks. The Board of Supervisors is responsible for supervising the improvement of internal control systems by the Board of Directors and senior management and supervising the performance of internal control duties by the Board of Directors, senior management and its members. Senior management is responsible for implementing decisions of the Board and ensuring the effective performance of various internal control duties. According to the Guidelines on Internal Control of Commercial Banks and Basic Norms of Corporate Internal Control, the Bank had formulated the Management Measures for Internal Control of Bank of Zhengzhou; established the goal of internal control; systematically elaborated on the internal control management system; clarified internal control framework, duties of staff members at various levels and the principles, policies and standards required for establishing an effective internal control system. Adhered to the principle of full coverage, checks and balances, prudence and compatibility, the Bank had established an internal control system covering the elements of internal control environment, risk assessment, control activities, information and communication, and internal supervision.

During the Reporting Period, the Bank strengthened the establishment of its internal control system, formulated a comprehensive, systematic and standard business system and management system for various operations and management activities, continued to develop system and process management, made arrangements for management department of various lines of business to start the modification, addition and improvement of systems. During the Reporting Period, the Bank added a total of 82 internal control system items and modified 77 items.

The Bank continued to enrich and improve various risk management systems and internal control measures, strengthen overall and ad-hoc risk management, enhance the identification, measurement, control and monitoring of various types of risks (credit risk, market risk, liquidity risk and operational risk etc.), attach importance to internal control of credit business, finance and accounting, capital business, intermediary business and connected transactions, improve the scientific and forward-looking management of various types of risks to guarantee the stable operation of management work. The Bank continued to carry out inspection of various lines of businesses and put efforts into enhancing the effectiveness of risk management while carrying out the building of a compliance culture in an structured and planned manner for improving employees' compliance with rules and regulations and their awareness of compliance operation, as well as enhancing the control environment for management of compliance risk.

Attaching great importance to information disclosure management, the Bank established and improved information communication and reporting mechanisms, clarified on the requirements of information delivery and duties reporting and its procedures, ensuring effective internal and external communication of the Bank and forming a complete information reporting and delivery system.

During the Reporting Period, no significant deficiencies were found in the design or implementation of the internal control and risk management system of the Bank. In accordance with the needs of external environment, business scale, business development and management requirements, the Bank will further enhance its internal control and risk management system, improve internal control system and risk management techniques, strengthen the implementation of internal control measures and internal inspection and supervision, enhance competitive advantages to ensure the sound and sustainable development of the Bank.

2 INTERNAL AUDIT

In accordance with the requirements of the Guidelines on Internal Audit for Banking Financial Institutions and Guidelines on Internal Control of Commercial Banks, the Bank established an independent and vertical internal audit management system. As an executive body of the internal audit of the Bank, the internal audit office of the Board of Directors works under the specific guidance of the Audit Committee of the Board of Directors. In accordance with regulatory requirements and relevant system requirements, the internal audit office conscientiously performs its duties, regularly reports to the Board of Directors and the Board of Supervisors on the progress of the audit work, and timely submits audit reports and informs senior management.

Adhering to the principle of independence, objectivity and significance, the internal audit department of the Bank established overall planning of internal audit and annual work plan of the Bank, made arrangements for and implemented the audit of various business activities, operations and financial obligations of key staff members of the Bank during their tenure of service; inspected and evaluated the implementation of laws, regulations and rules, and suggested improvements to the management.

During the Reporting Period, the internal audit department of the Bank adhered to the principle of risk-oriented auditing, took the initiative in innovating its work, improved the auditing approach for upgrading the standards and quality of its work, continued to expand audit coverage, efficiently implemented audit work, objectively reflected the business and management of the Bank, and effectively facilitated the improvement of internal control and management mechanism and system of the Bank.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Bank of Zhengzhou 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 Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 128 to 251, which comprise the consolidated statement of financial position of the Group as at December 31, 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 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 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 December 31, 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

March 26, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Interest income		12,664,502	9,601,580
Interest expense		(5,757,990)	(4,317,529)
Net interest income	3	6,906,512	5,284,051
Fee and commission income		745,638	382,295
Fee and commission expense		(32,242)	(34,308)
Net fee and commission income	4	713,396	347,987
Net trading gains/(losses)	5	127,261	(186,412)
Net gains arising from investments	6	26,622	38,042
Other operating income	7	87,460	20,731
Operating income		7,861,251	5,504,399
Operating expenses	8	(2,252,760)	(1,841,737)
Impairment losses on assets	11	(1,297,526)	(497,075)
Operating profit		4,310,965	3,165,587
Share of profits of associates	21	50,777	37,348
Profit before taxation		4,361,742	3,202,935
Income tax expense	12	(1,006,072)	(739,852)
Profit for the year		3,355,670	2,463,083
Net profit attributable to:			
Equity shareholders of the Bank		3,356,371	2,463,083
Non-controlling interests		(701)	—
		3,355,670	2,463,083

The notes on pages 137 to 251 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Profit for the year		3,355,670	2,463,083
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
– Available-for-sale financial assets:			
net movement in the fair value reserve	32(4)	7,969	7,319
Items that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability	32(5)	(27,767)	(10,000)
Other comprehensive income net of tax		(19,798)	(2,681)
Total comprehensive income		3,335,872	2,460,402
Total comprehensive income attributable to:			
Equity shareholders of the Bank		3,336,573	2,460,402
Non-controlling interests		(701)	—
		3,335,872	2,460,402
Basic and diluted earnings per share (in RMB)	13	0.85	0.62

The notes on pages 137 to 251 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	December 31, 2015	December 31, 2014
Assets			
Cash and deposits with central bank	14	33,008,307	33,854,830
Deposits with banks and other financial institutions	15	7,679,078	1,835,245
Placements with banks and other financial institutions	16	5,519,560	—
Financial assets at fair value through profit or loss	17	13,001,517	10,967,367
Financial assets held under resale agreements	18	9,716,305	6,575,523
Loans and advances to customers	19	91,604,436	76,226,190
Financial investments:			
Available-for-sale financial assets	20	11,206,015	3,965,181
Held-to-maturity investments	20	23,901,914	22,064,640
Loans and receivables	20	65,105,660	45,502,357
Interest in associates	21	195,625	146,108
Property and equipment	22	1,604,561	1,158,572
Deferred tax assets	23	589,143	338,175
Other assets	24	2,490,968	1,655,021
Total assets		265,623,089	204,289,209
Liabilities			
Deposits from banks and other financial institutions	25	21,453,178	32,187,313
Placements from banks and other financial institutions	26	5,820,236	1,003,095
Financial assets sold under repurchase agreements	27	19,602,600	15,782,600
Deposits from customers	28	169,195,471	132,561,375
Tax payable		505,816	260,068
Debt securities issued	29	27,039,068	8,503,833
Other liabilities	30	4,182,701	2,585,347
Total liabilities		247,799,070	192,883,631

The notes on pages 137 to 251 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	December 31, 2015	December 31, 2014
Equity			
Share capital	31	5,141,932	3,941,932
Capital reserve	32	2,662,564	100,327
Surplus reserve	32	1,237,793	902,085
General reserve	32	3,163,200	2,313,200
Fair value reserve	32	10,405	2,436
Remeasurement of net defined benefit liability	32	(55,339)	(27,572)
Retained earnings		5,634,285	4,173,170
Total equity attributable to equity shareholders of the Bank		17,794,840	11,405,578
Non-controlling interests		29,179	—
Total equity		17,824,019	11,405,578
Total liabilities and equity		265,623,089	204,289,209

Approved and authorised for issue by the board of directors on March 26, 2016.

Wang Tianyu

*Chairman of the Board of Directors
Executive Director*

Shen Xueqing

*President
Executive Director*

Mao Yuezhen

Chief accountant

Li Guoquan

*General Manager of the Planning
and Finance Department*

The notes on pages 137 to 251 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings			Sub-total
Balance at January 1, 2015		3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578	—	11,405,578
Profit for the year		—	—	—	—	—	—	3,356,371	3,356,371	(701)	3,355,670
Other comprehensive income	32(4) (5)	—	—	—	—	7,969	(27,767)	—	(19,798)	—	(19,798)
Total comprehensive income		—	—	—	—	7,969	(27,767)	3,356,371	3,336,573	(701)	3,335,872
Changes in share capital											
– Issue of H-shares	31	1,200,000	2,562,237	—	—	—	—	—	3,762,237	—	3,762,237
– Non-controlling interests from the establishment of subsidiary		—	—	—	—	—	—	—	—	29,880	29,880
Sub-total		1,200,000	2,562,237	—	—	—	—	—	3,762,237	29,880	3,792,117
Appropriation of profit:											
– Appropriation to surplus reserve	32(2)	—	—	335,708	—	—	—	(335,708)	—	—	—
– Appropriation to general reserve	32(3)	—	—	—	850,000	—	—	(850,000)	—	—	—
– Cash dividends	33	—	—	—	—	—	—	(709,548)	(709,548)	—	(709,548)
Sub-total		—	—	335,708	850,000	—	—	(1,895,256)	(709,548)	—	(709,548)
Balance at December 31, 2015		5,141,932	2,662,564	1,237,793	3,163,200	10,405	(55,339)	5,634,285	17,794,840	29,179	17,824,019

The notes on pages 137 to 251 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank							Sub-total	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings			
Balance at January 1, 2014		3,941,932	100,327	655,777	1,623,200	(4,883)	(17,572)	3,237,685	9,536,466	—	9,536,466
Profit for the year		—	—	—	—	—	—	2,463,083	2,463,083	—	2,463,083
Other comprehensive income	32(4) (5)	—	—	—	—	7,319	(10,000)	—	(2,681)	—	(2,681)
Total comprehensive income		—	—	—	—	7,319	(10,000)	2,463,083	2,460,402	—	2,460,402
Appropriation of profit:											
- Appropriation to surplus reserve	32(2)	—	—	246,308	—	—	—	(246,308)	—	—	—
- Appropriation to general reserve	32(3)	—	—	—	690,000	—	—	(690,000)	—	—	—
- Cash dividends	33	—	—	—	—	—	—	(591,290)	(591,290)	—	(591,290)
Sub-total		—	—	246,308	690,000	—	—	(1,527,598)	(591,290)	—	(591,290)
Balance at December 31, 2014		3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578	—	11,405,578

The notes on pages 137 to 251 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	2015	2014
Cash flows from operating activities		
Profit before tax	4,361,742	3,202,935
<i>Adjustments for:</i>		
Impairment losses on assets	1,297,526	497,075
Depreciation and amortisation	157,282	116,897
Unwinding of discount	(41,776)	(17,075)
Unrealised foreign exchange gains	(19,060)	(2,386)
Net (gains)/losses on disposal of long-term assets	(39,859)	3,026
Net trading (gains)/losses of financial assets at fair value through profit or loss	(28,544)	188,849
Net gains arising from investments	(26,622)	(38,042)
Share of profits of associates	(50,777)	(37,348)
Interest expense on debt securities issued	747,662	288,815
Interest income on financial investments	(5,022,145)	(3,552,121)
	1,335,429	650,625
<i>Changes in operating assets</i>		
Net increase in deposits with central bank	(157,884)	(6,377,805)
Net (increase)/decrease in deposits and placements with banks and other financial institutions	(5,934,188)	3,369,501
Net increase in financial assets at fair value through profit or loss	(2,005,606)	(2,979,745)
Net increase in loans and advances to customers	(16,292,969)	(15,038,437)
Net (increase)/decrease in financial assets held under resale agreements	(3,140,782)	691,832
Net increase in other operating assets	(429,556)	(275,932)
	(27,960,985)	(20,610,586)

The notes on pages 137 to 251 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	2015	2014
<i>Changes in operating liabilities</i>		
Net decrease in amounts due to the central bank	—	(175,010)
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(5,916,994)	16,977,669
Net increase in financial assets sold under repurchase agreements	3,820,000	2,292,459
Net increase in deposits from customers	36,634,096	30,464,572
Income tax paid	(1,026,673)	(893,444)
Net increase in other operating liabilities	835,289	740,943
	34,345,718	49,407,189
Net cash flows generated from operating activities	7,720,162	29,447,228
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	120,048,741	60,025,223
Proceeds from disposal of property and equipment and other assets	52,802	64,505
Payments on acquisition of investments	(148,459,603)	(91,969,724)
Dividends and interest received	4,573,383	3,328,392
Payments on acquisition of property and equipment and other assets	(763,939)	(379,888)
Net cash flows used in investing activities	(24,548,616)	(28,931,492)
Cash flows from financing activities		
Proceeds received from issuance of H-shares	3,762,237	—
Capital contribution by non-controlling interests	29,880	—
Proceeds received from debt securities issued	27,571,775	3,500,000
Repayment of debt securities issued	(9,194,242)	(690,000)
Interest paid on debt securities issued	(589,961)	(279,570)
Dividends paid	(715,877)	(578,955)
Others	385,726	—
Net cash flows generated from financing activities	21,249,538	1,951,475
Net increase in cash and cash equivalents	4,421,084	2,467,211

The notes on pages 137 to 251 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Cash and cash equivalents as at January 1		10,089,462	7,619,865
Effect of foreign exchange rate changes on cash and cash equivalents		3,714	2,386
Cash and cash equivalents as at December 31	34	14,514,260	10,089,462
Net cash flows generated from operating activities include:			
Interest received		7,440,807	6,418,549
Interest paid		(4,301,496)	(3,925,658)

The notes on pages 137 to 251 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBOC") in accordance with the notice of JiyinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province.

The Bank obtained its financial institution license No. B1036H241010001 from the China Banking Regulatory Commission (the "CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the CBRC authorized by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06196).

The principal activities of the Bank and its subsidiaries (collectively the "Group") includes taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting bills; issuing financial bonds; acting as the issuing agent, cashing agent and the underwriting of government bonds; trading government bonds; engaging in interbank borrowings; offering guarantees; providing safe-deposit box service; collecting and making payments as agent and acting as insurance agent; accepting entrusted loans and other businesses approved by the banking regulatory authorities under the State Council.

By December 31, 2015, the Bank has established the head office in Zhengzhou, and eight branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe and Xinyang within Henan Province. The Bank operates in Henan Province of the PRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Basis of preparation

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 of making the judgement about 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 recognised 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.

Judgements that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(24).

The measurement basis used in the preparation of the financial statements is the historical basis, with the exception of certain financial assets and financial liabilities which are measured at fair value, as stated in Note 2(7).

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

(3) 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 Employee benefits “Defined benefit plans: Employee contributions”

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Change in accounting policies (continued)

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 does not have any material impact on the financial position and the financial results of the Group

The Group does not apply any new standards or interpretations that is not yet effective for accounting period.

(4) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

(5) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at 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 ruling at the transaction dates.

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 assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end year. The resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates ruling at the dates the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognised in fair value reserve.

(6) 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)

(7) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognised 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 categorised as follows:

- Financial assets and financial liabilities at fair value through profit or loss.

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, it is 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 recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) 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 as 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 amortised 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.

Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) 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 recognised directly in other comprehensive income. Investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to 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 amortised 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 year to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised in profit or loss. Objective evidence of impairment in a 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) 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 reorganisation;
 - disappearance of an active market for financial assets because of significant 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 recognised 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 collateralised 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)

(7) Financial instruments (continued)

(ii) Impairment of financial assets (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 and receivables not considered individually significant

For homogeneous groups of loans and receivables that are not considered individually significant, the Group adopts a flow rate methodology to collectively assess impairment losses. This methodology utilises 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 and receivables 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 receivables that were impaired at the end year but which will not be individually identified as such until some time in the future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

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 judgement on inherent loss based on management's historical experience.

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 recognised 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 recognised, 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 amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan or receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loan or receivable is written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loan written off is recovered, the amount recovered is recognised 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)

(7) 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 recognised 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 recognised, 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 amortised cost at the date of the reversal had the impairment not been recognised.

- 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 recognised in other comprehensive income is reclassified to profit or loss even though the financial asset has not been derecognised.

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

If, after an impairment loss has been recognised 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 recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an equity instrument classified as available-for-sale is not reversed through profit or loss but recognised directly in other comprehensive income.

For investments in equity instruments carried 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 recognised in profit or loss. Impairment losses for equity instruments carried at cost are not reversed.

(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.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) Financial instruments (continued)

(iv) Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities sale and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(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 recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(8) Financial assets held under resale and sold under 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 amortised 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 amortised cost.

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

(9) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(14)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate is included in the financial statements from the date that significant influence commences until the date that significant influence ends.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Associates (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(7)).

(10) Property and equipment

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 (“CIP”) 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. 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, each part is depreciated separately.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised 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 recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(10) Property and equipment (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 rate and depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value rate	Depreciation rate
Premises	20-50 years	5%	1.90%-4.75%
Electronic equipments	5 years	5%	19.00%
Vehicles	5 years	5%	19.00%
Machinery, equipments and others	5-10 years	5%	9.50%-19.00%

(11) Lease

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Lease payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent lease payments are recognised as expenses in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

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For the year ended December 31, 2015

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(12) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(14)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Land use rights	30-50 years
Softwares	5-10 years

(13) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying amount 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.

(14) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of year based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- pre-paid interest in leasehold land classified as being held under an operating lease
- intangible assets
- investment in subsidiaries and associates

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A Cash-Generating Unit (the “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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Provision for impairment losses on non-financial assets (continued)

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the greater of its fair value less costs of disposal and value in use. 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 of disposal 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 value in use 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 current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised 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 recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated to reduce the carrying amount of the assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

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 recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(15) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes and an annuity plan.

NOTES TO THE FINANCIAL STATEMENTS

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(15) Employee benefits (continued)

(i) Short term employee benefits and contributions to defined contribution retirement plans (continued)

Social pension schemes

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

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes 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 schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

(ii) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(15) Employee benefits (continued)

(ii) Supplementary retirement benefits (continued)

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

(16) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

At the end of year, 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 realise 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 recognised 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 recognised 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 year, the amount of deferred tax recognised is measured based on the expected manner of realisation 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 realised or the liability is settled in accordance with tax laws.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(16) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of year. 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 utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of year, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set 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 intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(17) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (the “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 recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statements of financial position in accordance with 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 recognised 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 stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Fiduciary activities

The Group acts in fiduciary activities 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 (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “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.

(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 recognised 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 recognised 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 amortisation 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 amortised cost of a financial asset and of allocating the interest income over the year. 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 recognised using the rate of interest used to discount future cash flows (“unwinding of discount”) for the purpose of measuring the related impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(19) Income recognition (continued)

(ii) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided.

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

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iv) Other income

Other income is recognised 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 amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(21) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of year are not recognised as a liability at the end of year but disclosed separately in the notes to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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'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).

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.

(23) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. 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 services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) Significant accounting estimates and judgements

(i) Provision for impairment losses on loans and advances to customers and financial investments (available-for-sale financial assets, held-to-maturity investments and financial investments classified as loans and receivables)

The Group reviews portfolios of loans and advances to customers and financial investments periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for loans and advances to customers and financial investments. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for loans and advances to customers, and debt investments that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

The objective evidence of impairment for an available-for-sale equity investment includes significant or prolonged decline in its fair value below its cost. When deciding whether there is significant or prolonged decline in fair value, the Group will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.

(ii) 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)

(iii) Classification of 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.

(iv) 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 recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, 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 recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(v) 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) cannot be obtained reliably, the fair value of the asset cannot 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 discount 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.

(vi) Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised 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 amortisation costs charged in this year. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) Significant accounting estimates and judgements (continued)

(vii) Determination of control over investees

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager. In accessing whether the Group is acting as agent, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns.

3 NET INTEREST INCOME

	2015	2014
Interest income arising from		
Deposits with central bank	397,413	328,626
Deposits and placements with banks and other financial institutions	167,224	235,427
Loans and advances to customers		
– Corporate loans and advances	4,281,111	3,416,897
– Personal loans and advances	1,638,629	1,352,805
– Discounted bills	243,148	301,819
Financial assets held under resale agreements	173,454	182,915
Financial investments	5,763,523	3,783,091
Sub-total	12,664,502	9,601,580
Interest expense arising from		
Amounts due to central bank	—	(2,881)
Deposits and placements from banks and other financial institutions	(1,500,215)	(1,121,799)
Deposits from customers	(3,196,241)	(2,549,894)
Financial assets sold under repurchase agreements	(313,872)	(354,140)
Debt securities issued	(747,662)	(288,815)
Sub-total	(5,757,990)	(4,317,529)
Net interest income	6,906,512	5,284,051
Of which:		
Interest income arising from impaired financial assets identified	41,776	17,075

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

3 NET INTEREST INCOME (continued)

- (1) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.
- (2) Total interest income arising from financial assets that are not at fair value through profit or loss for the year ended December 31, 2015 amounted to RMB11,923 million (2014: RMB9,371 million).

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the year ended December 31, 2015 amounted to RMB5,758 million (2014: RMB4,318 million).

4 NET FEE AND COMMISSION INCOME

	2015	2014
Fee and commission income		
Agency and custody services fees	332,242	172,711
Underwriting and advisory fees	194,525	43,854
Acceptance and guarantee services fees	136,361	133,111
Settlement and clearing services fees	37,716	3,822
Bank card services fees	32,815	24,784
Others	11,979	4,013
Sub-total	745,638	382,295
Fee and commission expense	(32,242)	(34,308)
Net fee and commission income	713,396	347,987

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

5 NET TRADING GAINS/(LOSSES)

	2015	2014
Net gains/(losses) from debt securities	106,390	(188,849)
Net foreign exchange gains	20,871	2,437
Total	127,261	(186,412)

- (1) Net gains/(losses) from debt securities include gains/(losses) arising from the buying and selling of, and changes in the fair value of financial assets held for trading.
- (2) Net foreign exchange gains mainly included gains from purchase and sale of foreign currency spot, and translation of foreign currency monetary assets and liabilities into Renminbi.

6 NET GAINS ARISING FROM INVESTMENTS

	2015	2014
Dividends from available-for-sale equity investments	440	360
Net gains on disposal of available-for-sale financial assets	26,182	40,877
Net losses on disposal of held-to-maturity investments	—	(3,195)
Total	26,622	38,042

7 OTHER OPERATING INCOME

	2015	2014
Rental income	11,534	12,004
Government grants	28,336	5,159
Net gains/(losses) on disposal of property and equipment	39,859	(3,026)
Others	7,731	6,594
Total	87,460	20,731

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015
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8 OPERATING EXPENSES

	Note	2015	2014
Staff costs			
– Salaries, bonuses and allowance		613,984	481,917
– Social insurance and annuity		129,563	104,625
– Supplementary retirement benefits		7,108	37,184
– Staff welfare		115,028	94,223
– Housing allowance		37,789	28,892
– Others		46,004	28,290
Sub-total		949,476	775,131
Depreciation and amortisation		157,282	116,897
Rental and property management expenses		145,450	100,846
Office expenses		77,622	83,891
Business tax and surcharges		423,776	316,085
Other general and administrative expenses	(1)	499,154	448,887
Total		2,252,760	1,841,737

(1) Auditor's remunerations were RMB2.20 million for the year ended December 31, 2015 (2014: RMB1.50 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' 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 as follows:

Name	Note	Year ended December 31, 2015						Actual amount of remuneration paid (pre-tax)
		Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax	Of which payment deferred	
Executive directors								
Wang Tianyu		—	893	1,468	219	2,580	877	1,703
Shen Xueqing		—	849	1,394	189	2,432	833	1,599
Zhang Rongshun		—	804	1,321	205	2,330	790	1,540
Non-executive directors								
Fan Yutao	(2)	—	—	—	—	—	—	—
Ma Jinwei	(2)	18	—	—	—	18	—	18
Xu Jianxin		33	—	—	—	33	—	33
Zhang Jingguo		33	—	—	—	33	—	33
Liang Songwei		—	—	—	—	—	—	—
Ji Hongjun		—	—	—	—	—	—	—
Ma Lei		9	—	—	—	9	—	9
Independent non-executive directors								
Wang Shihao		165	—	—	—	165	—	165
Li Huaizhen	(2)	90	—	—	—	90	—	90
Xie Taifeng	(2)	90	—	—	—	90	—	90
Wu Ge	(2)	90	—	—	—	90	—	90
Chan Mei Bo, Mabel	(2)	90	—	—	—	90	—	90

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Name	Note	Year ended December 31, 2015						Actual amount of remuneration paid (pre-tax)
		Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax	Of which payment deferred	
Supervisors								
Fan Dalu		—	804	1,321	202	2,327	790	1,537
Tang Yunwei		135	—	—	—	135	—	135
Liu Yuhui		135	—	—	—	135	—	135
Meng Jun		33	—	—	—	33	—	33
Duan Ping		—	168	321	94	583	—	583
Zhang Chungge		—	112	354	93	559	—	559
Zhang-Shengping	(2)	75	—	—	—	75	—	75
Zhu Zhihui	(2)	18	—	—	—	18	—	18
Cui Huarui	(2)	—	518	915	130	1,563	—	1,563
Former Executive director								
Qiao Jun'an	(2)	—	—	—	—	—	—	—
Former Non-executive directors								
Liu Rui	(2)	—	—	—	—	—	—	—
Zhu Zhihui	(2)	15	—	—	—	15	—	15
Former Independent non-executive directors								
Wang Zhenmin	(2)	75	—	—	—	75	—	75
Wei Xin	(2)	75	—	—	—	75	—	75
Total		1,179	4,148	7,094	1,132	13,553	3,290	10,263

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Name	Note	Fees	Salaries	Year ended December 31, 2014			Total emoluments before tax	Of which payment deferred	Actual amount of remuneration paid (pre-tax)
				Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.				
Executive directors									
Wang Tianyu		—	664	1,468	173	2,305	841	1,464	
Shen Xueqing		—	631	1,394	156	2,181	798	1,383	
Zhang Rongshun		—	598	1,321	161	2,080	756	1,324	
Qiao Jun'an		—	548	1,211	141	1,900	693	1,207	
Non-executive directors									
Liu Rui		—	—	—	—	—	—	—	
Xu Jianxin		30	—	—	—	30	—	30	
Zhang Jingguo		30	—	—	—	30	—	30	
Liang Songwei		—	—	—	—	—	—	—	
Ji Hongjun		—	—	—	—	—	—	—	
Zhu Zihui		30	—	—	—	30	—	30	
Ma Lei		13	—	—	—	13	—	13	
Independent non-executive directors									
Wang Zhenmin		150	—	—	—	150	—	150	
Wei Xin		150	—	—	—	150	—	150	
Wang Shihao		150	—	—	—	150	—	150	
Supervisors									
Fan Dalu		—	598	1,321	159	2,078	757	1,321	
Tang Yunwei		120	—	—	—	120	—	120	
Liu Yuhui		120	—	—	—	120	—	120	
Meng Jun		30	—	—	—	30	—	30	
Duan Ping		—	192	214	84	490	—	490	
Zhang Chunge		—	44	303	88	435	—	435	
Former supervisor									
Zhu Donghui	(1)	5	—	—	—	5	—	5	
Total		828	3,275	7,232	962	12,297	3,845	8,452	

For the year ended December 31, 2015
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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- (1) At the Bank's 2013 General Meeting held on June 22, 2014, Mr. Zhu Donghui resigned as supervisor of the Bank;
- (2) At the Bank's 2014 General Meeting held on June 18, 2015, Mr. Qiao Jun'an resigned as executive director of the Bank; Mr. Fan Yutao and Mr. Ma Jinwei were elected as non-executive directors of the Bank, and Mr. Liu Rui and Mr. Zhu Zhihui resigned as non-executive directors of the Bank; Mr. Li Huaizhen, Mr. Xie Taifeng, Mr. Wu Ge and Ms. Chan Mei Bo, Mabel were elected as independent non-executive directors of the Bank, and Mr. Wang Zhenmin and Mr. Wei Xin resigned as independent non-executive directors of the Bank; Mr. Zhang Shengping, Mr. Zhu Zhihui and Ms. Cui Huarui were elected as supervisors of the Bank;
- (3) The total compensation packages for some directors and supervisors for the year ended December 31, 2015 are subject to the approval of the relevant regulatory authorities in PRC.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with highest emoluments include 3 directors and 1 supervisor (2014: 3 directors and 1 supervisor) of the Group, whose emoluments are disclosed in Note 9. The emoluments for the other highest paid individual is as follows:

	2015	2014
Salaries and other emoluments	804	598
Discretionary bonuses	1,321	1,321
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	184	152
Total	2,309	2,071

The individual's emoluments before individual income tax is within the following bands:

	2015	2014
RMB 2,000,001-2,500,000	1	1
Total	1	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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11 IMPAIRMENT LOSSES ON ASSETS

	2015	2014
Loans and advances to customers	1,124,585	407,959
Financial investments classified as loans and receivables	130,000	89,116
Others	42,941	—
Total	1,297,526	497,075

12 INCOME TAX EXPENSE

(1) Income tax for the year:

	Note	2015	2014
Current tax		1,252,757	835,577
Deferred tax	23	(244,369)	(85,960)
Adjustment for prior years		(2,316)	(9,765)
Total		1,006,072	739,852

(2) Reconciliations between income tax and accounting profit are as follows:

	Note	2015	2014
Profit before tax		4,361,742	3,202,935
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		1,090,435	800,734
Non-deductible expenses		8,998	6,914
Non-taxable income	(i)	(91,045)	(58,031)
Sub-total		1,008,388	749,617
Adjustment for prior years		(2,316)	(9,765)
Income tax		1,006,072	739,852

- (i) Non-taxable income consists of interest income from the PRC government bonds, dividends from domestic companies and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

13 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2015	2014
Net profit attributable to equity shareholders of the Bank		3,356,371	2,463,083
Weighted average number of ordinary shares (in thousands)	(1)	3,971,521	3,941,932
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.85	0.62

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(1) Weighted average number of ordinary shares (in thousands)

	2015	2014
Number of ordinary shares as at January 1	3,941,932	3,941,932
Increase in weighted average number of ordinary shares	29,589	—
Weighted average number of ordinary shares	3,971,521	3,941,932

14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	December 31, 2015	December 31, 2014
Cash on hand		854,463	704,891
Deposits with central bank			
– Statutory deposit reserves	(1)	23,963,735	23,866,487
– Surplus deposit reserves	(2)	8,059,847	9,213,826
– Fiscal deposits		130,262	69,626
Sub-total		32,153,844	33,149,939
Total		33,008,307	33,854,830

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14 CASH AND DEPOSITS WITH CENTRAL BANK (continued)

- (1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	December 31, 2015	December 31, 2014
Reserve ratio for RMB deposits	15.0%	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.

- (2) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	December 31, 2015	December 31, 2014
Deposits in mainland China		
– Banks	3,706,367	1,815,538
– Other financial institutions	2,000	2,000
Sub-total	3,708,367	1,817,538
Deposits outside mainland China		
– Banks	3,970,711	17,707
Total	7,679,078	1,835,245

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2015	December 31, 2014
Placements in mainland China		
– Banks	5,519,560	—
Total	5,519,560	—

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17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	December 31, 2015	December 31, 2014
Debt securities held for trading purpose			
– Government		1,046,670	2,357,432
– Policy banks		7,678,199	4,838,030
– Banks and other financial institutions		2,005,729	28,110
– Corporate		2,270,919	3,743,795
Total		13,001,517	10,967,367
Debt securities analysed into			
– Listed outside Hong Kong		1,326,995	208,332
– Unlisted		11,674,522	10,759,035
Total	(i)	13,001,517	10,967,367

(i) As at the end of the reporting period, certain financial assets at fair value through profit or loss was pledged for repurchase agreements (Note 39(6)). No other investments were subject to material restrictions on the realization.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	December 31, 2015	December 31, 2014
In mainland China		
– Banks	3,284,329	3,002,912
– Other financial institutions	6,431,976	3,572,611
Total	9,716,305	6,575,523

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18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(2) Analysed by type of collateral

	December 31, 2015	December 31, 2014
Debt securities	9,716,305	5,575,523
Others	—	1,000,000
Total	9,716,305	6,575,523

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	December 31, 2015	December 31, 2014
Corporate loans and advances	67,009,033	51,671,171
Personal loans and advances		
– Personal business loans	12,025,020	11,352,198
– Residential mortgage	5,827,735	6,046,907
– Personal consumption loans	3,709,418	2,822,774
– Auto loans	772,051	1,104,672
– Credit card	507,212	67,932
– Others	13	53
Sub-total	22,841,449	21,394,536
Discounted bills	4,443,244	4,920,407
Gross loans and advances to customers	94,293,726	77,986,114
Less: Provision for impairment losses		
– Individually assessed	(386,153)	(219,933)
– Collectively assessed	(2,303,137)	(1,539,991)
Total provision for impairment losses	(2,689,290)	(1,759,924)
Net loans and advances to customers	91,604,436	76,226,190

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analysed by economic sector

	December 31, 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	23,617,884	25.05%	11,437,210
Manufacturing	14,101,155	14.95%	5,355,919
Real estate	7,349,608	7.79%	6,117,108
Construction	7,279,108	7.72%	4,442,330
Agriculture, forestry, animal husbandry and fishery	3,865,628	4.10%	2,093,740
Mining	1,848,987	1.96%	982,220
Leasing and commercial services	1,411,799	1.50%	701,640
Water, environment and public facility management	1,331,330	1.41%	734,030
Public administration, public security and social organisations	1,260,000	1.34%	—
Accommodation and catering	1,231,101	1.31%	893,751
Transportation, storage and postal services	1,132,722	1.20%	261,296
Production and supply of electric and heating power, gas and water	940,570	1.00%	352,960
Culture, sports and entertainment	434,780	0.46%	12,780
Others	1,204,361	1.28%	629,263
Sub-total of corporate loans and advances	67,009,033	71.07%	34,014,247
Personal loans and advances	22,841,449	24.22%	15,518,581
Discounted bills	4,443,244	4.71%	4,266,226
Gross loans and advances to customers	94,293,726	100.00%	53,799,054

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For the year ended December 31, 2015

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19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analysed by economic sector (continued)

December 31, 2014

	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	16,945,162	21.73%	7,002,815
Manufacturing	12,801,526	16.42%	3,827,271
Construction	5,572,599	7.15%	2,689,451
Real estate	4,697,044	6.02%	3,193,544
Agriculture, forestry, animal husbandry and fishery	2,078,356	2.67%	938,610
Mining	1,537,535	1.97%	819,900
Public administration, public security and social organisations	1,290,000	1.65%	—
Leasing and commercial services	1,208,605	1.55%	523,302
Transportation, storage and postal services	1,171,060	1.50%	185,660
Water, environment and public facility management	1,037,740	1.33%	316,995
Accommodation and catering	931,221	1.19%	672,535
Culture, sports and entertainment	760,570	0.98%	108,570
Production and supply of electric and heating power, gas and water	742,950	0.95%	288,700
Others	896,803	1.15%	404,847
Sub-total of corporate loans and advances	51,671,171	66.26%	20,972,200
Personal loans and advances	21,394,536	27.43%	15,575,403
Discounted bills	4,920,407	6.31%	3,948,529
Gross loans and advances to customers	77,986,114	100.00%	40,496,132

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19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analysed by economic sector (continued)

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each economic sector which constitutes 10% or more of gross loans and advances to customers is as follows:

	December 31, 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
Wholesale and retail	365,212	132,053	758,045	362,543	50,560
Manufacturing	493,202	206,208	577,843	382,267	75,362

	December 31, 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
Wholesale and retail	215,657	89,934	503,930	77,827	38,870
Manufacturing	321,126	122,197	376,274	111,785	—

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For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Analysed by type of collateral

	December 31, 2015	December 31, 2014
Unsecured loans	1,316,185	2,533,152
Guaranteed loans	39,178,487	34,956,830
Loans secured by tangible assets other than monetary assets	30,193,828	23,527,097
Loans secured by intangible assets or monetary assets	23,605,226	16,969,035
Gross loans and advances to customers	94,293,726	77,986,114
Less: Provision for impairment losses		
– Individually assessed	(386,153)	(219,933)
– Collectively assessed	(2,303,137)	(1,539,991)
Total provision for impairment losses	(2,689,290)	(1,759,924)
Net loans and advances to customers	91,604,436	76,226,190

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19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(4) Overdue loans analysed by overdue period

	December 31, 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	674	5,524	36	—	6,234
Guaranteed loans	1,112,777	649,401	245,607	—	2,007,785
Loans secured by tangible assets other than monetary assets	369,060	164,701	55,015	530	589,306
Loans secured by intangible assets or monetary assets	265,452	21,038	3,500	—	289,990
Total	1,747,963	840,664	304,158	530	2,893,315
As a percentage of gross loans and advances to customers	1.86%	0.89%	0.32%	0.00%	3.07%

	December 31, 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	65	27	44	—	136
Guaranteed loans	874,915	353,545	117,372	—	1,345,832
Loans secured by tangible assets other than monetary assets	297,837	92,527	7,000	45,809	443,173
Loans secured by intangible assets or monetary assets	84,005	1,880	—	—	85,885
Total	1,256,822	447,979	124,416	45,809	1,875,026
As a percentage of gross loans and advances to customers	1.61%	0.57%	0.16%	0.06%	2.40%

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19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Loans and advances and provision for impairment losses

	December 31, 2015				Gross impaired advances as a percentage of gross loans and advances
	Impaired loans and advances				
	Loans and advances for which loans and provision are collectively assessed	for which provision are collectively assessed	for which provision are individually assessed	Total	
Gross loans and advances to customers	93,253,593	50,110	990,023	94,293,726	1.10%
Less: Provision for impairment losses	(2,282,729)	(20,408)	(386,153)	(2,689,290)	
Net loans and advances to customers	90,970,864	29,702	603,870	91,604,436	

	December 31, 2014				Gross impaired advances as a percentage of gross loans and advances
	Impaired loans and advances				
	Loans and advances for which loans and provision are collectively assessed	for which provision are collectively assessed	for which provision are individually assessed	Total	
Gross loans and advances to customers	77,402,698	15,425	567,991	77,986,114	0.75%
Less: Provision for impairment losses	(1,534,704)	(5,287)	(219,933)	(1,759,924)	
Net loans and advances to customers	75,867,994	10,138	348,058	76,226,190	

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For the year ended December 31, 2015
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19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(6) Movements of provision for impairment losses

	2015			Total
	Provision for impaired loans and advances			
	Provision for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	
As at January 1	1,534,704	5,287	219,933	1,759,924
Charge for the year	788,537	26,996	404,848	1,220,381
Release for the year	—	—	(95,796)	(95,796)
Recoveries	—	—	4	4
Write-offs	(40,512)	(11,875)	(101,060)	(153,447)
Unwinding of discount	—	—	(41,776)	(41,776)
As at December 31	2,282,729	20,408	386,153	2,689,290

	2014			Total
	Provision for impaired loans and advances			
	Provision for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	
As at January 1	1,262,555	10,240	134,975	1,407,770
Charge for the year	272,149	—	199,368	471,517
Release for the year	—	(4,953)	(58,605)	(63,558)
Recoveries	—	—	140	140
Write-offs	—	—	(38,870)	(38,870)
Unwinding of discount	—	—	(17,075)	(17,075)
As at December 31	1,534,704	5,287	219,933	1,759,924

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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20 FINANCIAL INVESTMENTS

	Note	December 31, 2015	December 31, 2014
Available-for-sale financial assets	(1)	11,206,015	3,965,181
Held-to-maturity investments	(2)	23,901,914	22,064,640
Loans and receivables	(3)	65,105,660	45,502,357
Total		100,213,589	71,532,178

(1) Available-for-sale financial assets

	Note	December 31, 2015	December 31, 2014
Debt securities at fair value			
– Government		2,834,921	—
– Policy banks		3,886,937	1,179,465
– Banks and other financial institutions		—	1,319,493
– Corporate		115,816	351,403
Sub-total		6,837,674	2,850,361
Debt securities analysed into:			
– Listed outside Hong Kong		2,834,921	—
– Unlisted		4,002,753	2,850,361
Sub-total		6,837,674	2,850,361
Other debt investment			
– Unlisted		4,359,941	1,106,420
Equity investment at cost	(i)		
– Unlisted		8,400	8,400
Total	(ii)	11,206,015	3,965,181

(i) Available-for-sale unlisted equity investments which do not have any quoted price in an active market for an identical instrument and whose fair values cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment.

(ii) As at the end of each of the reporting period, certain available-for-sale financial assets was pledged for repurchase agreements (Note 39(6)). No other investments was subject to material restrictions on the realization.

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20 FINANCIAL INVESTMENTS (continued)

(2) Held-to-maturity investments

	Note	December 31, 2015	December 31, 2014
Debt Securities			
– Government		8,100,048	4,802,305
– Policy banks		9,662,990	10,173,037
– Banks and other financial institutions		1,042,158	1,038,666
– Corporate		5,096,718	6,050,632
Total		23,901,914	22,064,640
Debt securities analysed into:			
– Listed outside Hong Kong		11,324,541	1,463,550
– Unlisted		12,577,373	20,601,090
Total	(i)	23,901,914	22,064,640

- (i) As at December 31, 2015, certain held-to-maturity investments was pledged for repurchase agreements(Note 39(6)). No other investments were subject to material restrictions on the realization.
- (ii) For the year ended December 31, 2015, the Group has not disposed of any debt securities which are classified as held-to-maturity (For the year ended December 31, 2014, the carrying amount of held-to-maturity securities that were disposed amounted of RMB100 million, which accounted for 0.59% of the total amount of the Group's held-to-maturity investments as at December 31, 2014).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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20 FINANCIAL INVESTMENTS (continued)

(3) Loans and receivables

	December 31, 2015	December 31, 2014
Investment management products under trust scheme	29,146,231	27,891,700
Investment management products managed by securities companies	31,328,899	17,152,468
Wealth management products issued by financial institutions	800,000	200,000
Others	4,065,543	363,202
Sub-total	65,340,673	45,607,370
Less: Provision for impairment losses		
– Individually assessed	(25,428)	(25,428)
– Collectively assessed	(209,585)	(79,585)
Total provision for impairment losses	(235,013)	(105,013)
Total	65,105,660	45,502,357

21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(1) Investment in subsidiaries

Particulars of the Group's only subsidiary as at the end of the reporting period is as follows:

Name	Percentage of equity interest		Voting rights	Paid-in capital 2015	Amount invested by the Bank	Place of incorporation registration and operations	Principal activities
	2015 %	2014 %	2015 %				
Fugou Zhengyin County Bank Co., Ltd.	50.20	—	50.20	60,000	30,120	Henan, China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on December 3, 2015 and has no material non-controlling interest to the Group.

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21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(2) Interest in associates

	December 31, 2015	December 31, 2014
Interest in associates	195,625	146,108
Total	195,625	146,108

The following list contains the Group's associate, all of which are individually immaterial to the Group and are unlisted corporate entity whose quoted market price is not available:

Name	Percentages of equity/voting rights		Place of incorporation/ registration	Business sector
	2015-12-31 %	2014-12-31 %		
Zhongmu Zhengyin County Bank Co., Ltd.	19.72	19.72	Henan, China	Banking
Xinmi Zhengyin County Bank Co., Ltd.	20.00	20.00	Henan, China	Banking
Yanling Zhengyin County Bank Co., Ltd.	30.00	30.00	Henan, China	Banking

The following table illustrates the aggregate information of the Group's associate that is not individually material:

	December 31, 2015	December 31, 2014
Aggregate carrying amount of the individually immaterial associate in the consolidated statements of financial position of the Group	195,625	146,108
Aggregate amounts of the Group's share of results of the associate		
– Profit from continuing operations	50,777	37,348
– Other comprehensive income	—	—
– Total comprehensive income	50,777	37,348

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22 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at January 1, 2014	784,938	243,955	14,298	105,359	106,100	1,254,650
Additions	267,052	75,153	977	31,353	761	375,296
Disposals	(73,519)	(22,268)	—	(2,300)	—	(98,087)
As at December 31, 2014	978,471	296,840	15,275	134,412	106,861	1,531,859
Additions	391,488	105,051	—	66,071	—	562,610
Disposals	(63,082)	(3)	—	(16,291)	—	(79,376)
As at December 31, 2015	1,306,877	401,888	15,275	184,192	106,861	2,015,093
Accumulated depreciation						
As at January 1, 2014	(145,495)	(119,328)	(9,159)	(50,603)	—	(324,585)
Additions	(26,542)	(40,750)	(1,679)	(16,178)	—	(85,149)
Disposals	16,863	21,527	—	2,061	—	40,451
As at December 31, 2014	(155,174)	(138,551)	(10,838)	(64,720)	—	(369,283)
Additions	(28,308)	(43,042)	(1,571)	(36,035)	—	(108,956)
Disposals	56,302	2	—	15,407	—	71,711
As at December 31, 2015	(127,180)	(181,591)	(12,409)	(85,348)	—	(406,528)
Impairment						
As at January 1, 2014	(1,355)	(1,893)	—	(756)	—	(4,004)
Additions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at December 31, 2014	(1,355)	(1,893)	—	(756)	—	(4,004)
Additions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at December 31, 2015	(1,355)	(1,893)	—	(756)	—	(4,004)
Net book value						
As at December 31, 2014	821,942	156,396	4,437	68,936	106,861	1,158,572
As at December 31, 2015	1,178,342	218,404	2,866	98,088	106,861	1,604,561

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22 PROPERTY AND EQUIPMENT (continued)

The carrying amount of premises without title deeds as at December 31, 2015 was RMB476 million (December 31, 2014: RMB284 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	December 31, 2015	December 31, 2014
Held in mainland China		
– Long term leases (over 50 years)	—	2,393
– Medium term leases (10 – 50 years)	1,171,535	818,871
– Short term leases (less than 10 years)	6,807	678
Total	1,178,342	821,942

23 DEFERRED TAX ASSETS

(1) Analysed by nature

	December 31, 2015		December 31, 2014	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	2,133,012	533,253	1,151,277	287,819
Accrued staff costs	235,287	58,822	214,918	53,730
Fair value changes in financial instruments	(56,546)	(14,137)	(17,377)	(4,344)
Provisions	42,941	10,735	3,880	970
Cumulative tax loss of the subsidiary	1,877	470	—	—
Net deferred income tax assets	2,356,571	589,143	1,352,698	338,175

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23 DEFERRED TAX ASSETS (continued)

(2) Analysed by movement

	At January 1, 2015	Recognised in profit or loss	Recognised in other comprehensive income	At December 31, 2015
Allowance for impairment losses	287,819	245,434	—	533,253
Accrued staff costs	53,730	(4,164)	9,256	58,822
Fair value changes in financial instruments	(4,344)	(7,136)	(2,657)	(14,137)
Provisions	970	9,765	—	10,735
Cumulative tax loss of the subsidiary	—	470	—	470
Net deferred income tax assets	338,175	244,369	6,599	589,143

	At January 1, 2014	Recognised in profit or loss	Recognised in other comprehensive income	At December 31, 2014
Allowance for impairment losses	205,405	82,414	—	287,819
Accrued staff costs	47,259	3,138	3,333	53,730
Fair value changes in financial instruments	(2,592)	688	(2,440)	(4,344)
Provisions	1,250	(280)	—	970
Net deferred income tax assets	251,322	85,960	893	338,175

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24 OTHER ASSETS

	Note	December 31, 2015	December 31, 2014
Interest receivable	(1)	1,209,680	962,479
Intangible assets	(2)	107,691	85,221
Prepayments		943,754	519,183
Leasehold improvements		122,338	46,029
Other receivables		107,505	42,109
Total		2,490,968	1,655,021

(1) Interest receivable

	December 31, 2015	December 31, 2014
Interest receivable arising from:		
– Investments	939,159	773,593
– Loans and advances to customers	193,915	170,957
– Others	96,003	37,326
Sub-total	1,229,077	981,876
Less: allowance for impairment losses	(19,397)	(19,397)
Total	1,209,680	962,479

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24 OTHER ASSETS (continued)

(2) Intangible assets

	2015	2014
Cost		
As at January 1	123,005	79,504
Additions	43,089	43,501
Disposals	(600)	—
As at December 31	165,494	123,005
Accumulated amortisation		
As at January 1	(37,639)	(24,513)
Additions	(20,328)	(13,126)
Disposals	309	—
As at December 31	(57,658)	(37,639)
Impairment		
As at January 1	(145)	(145)
Additions/Disposals	—	—
As at December 31	(145)	(145)
Net book value		
As at January 1	85,221	54,846
As at December 31	107,691	85,221

NOTES TO THE FINANCIAL STATEMENTS

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25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2015	December 31, 2014
In mainland China		
– Banks	20,164,974	31,163,839
– Other financial institutions	1,288,204	1,023,474
Total	21,453,178	32,187,313

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2015	December 31, 2014
In mainland China		
– Banks	5,755,300	1,003,095
Placements outside mainland China		
– Banks	64,936	—
Total	5,820,236	1,003,095

27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	December 31, 2015	December 31, 2014
In mainland China		
– Banks	16,374,600	15,782,600
– Other financial institutions	3,228,000	—
Total	19,602,600	15,782,600

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

(2) Analysed by type of collateral

	December 31, 2015	December 31, 2014
Debt securities	19,602,600	15,782,600
Total	19,602,600	15,782,600

28 DEPOSITS FROM CUSTOMERS

	December 31, 2015	December 31, 2014
Demand deposits		
– Corporate deposits	62,770,877	49,756,795
– Personal deposits	12,976,427	10,603,368
Sub-total	75,747,304	60,360,163
Time deposits		
– Corporate deposits	34,241,395	24,368,489
– Personal deposits	34,105,833	27,420,237
Sub-total	68,347,228	51,788,726
Pledged deposits		
– Acceptances	21,332,895	16,471,219
– Letters of guarantees	2,086,058	2,362,522
– Letters of credit	681,180	966,102
– Others	712,199	473,901
Sub-total	24,812,332	20,273,744
Others	288,607	138,742
Total	169,195,471	132,561,375

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015
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29 DEBT SECURITIES ISSUED

	Note	December 31, 2015	December 31, 2014
Financial bonds	(1)	5,000,000	5,000,000
Tier-two capital bonds	(2)	2,000,000	2,000,000
Interbank deposits		20,039,068	1,503,833
Total		27,039,068	8,503,833

(1) Fixed rate financial bonds of RMB5.0 billion were issued in May 2013, detailed information is as follow:

- a. Fixed rate financial bonds of RMB2.4 billion with a term of three years was issued. The coupon rate is 4.58% per annum.
- b. Fixed rate financial bonds of RMB2.6 billion with a term of five years was issued. The coupon rate is 4.80% per annum.

(2) Tier-two capital bonds

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in December 2014. The coupon rate is 5.73% per annum.

30 OTHER LIABILITIES

	Note	December 31, 2015	December 31, 2014
Interest payable	(1)	2,542,902	1,834,071
Accrued staff costs	(2)	353,046	294,885
Dormant accounts		80,200	75,672
Payment and collection clearance accounts		112,026	121,589
Dividend payable		20,770	27,099
Provisions		42,941	3,880
Amount due to National Council for Social Security Fund of the PRC		387,034	—
Others		643,782	228,151
Total		4,182,701	2,585,347

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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30 OTHER LIABILITIES (continued)

(1) Interest payable

	December 31, 2015	December 31, 2014
Interest payable arising from:		
– Deposits from customers	1,947,342	1,309,974
– Deposits and placements from banks and other financial institutions	438,160	371,118
– Debt securities issued	150,156	150,156
– Financial assets sold under repurchase agreements	7,244	2,823
Total	2,542,902	1,834,071

(2) Accrued staff costs

	December 31, 2015	December 31, 2014
Salary, bonuses and allowances payable	104,201	68,203
Staff welfare	—	117
Housing allowances payable	13	13
Labor union fee, staff and workers' education fee	13,545	11,634
Supplementary retirement benefits payable	235,287	214,918
Total	353,046	294,885

Note

(a)

For the year ended December 31, 2015
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30 OTHER LIABILITIES (continued)

(2) Accrued staff costs (continued)

(a) Supplementary retirement benefits (“SRB”)

The supplementary retirement benefits of the Group include early retirement plan and supplementary retirement plan. The early retirement benefits payments is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group’s 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 the reporting period. The Group’s obligations in respect of the SRB were accessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Mercer Consulting (China) Ltd..

(i) *The balances of supplementary retirement benefits of the Group are as follows:*

	December 31, 2015	December 31, 2014
Present value of early retirement plan	54,796	68,847
Present value of supplementary retirement plan	180,491	146,071
Total	235,287	214,918

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

30 OTHER LIABILITIES (continued)

(2) Accrued staff costs (continued)

(a) Supplementary retirement benefits ("SRB") (continued)

(ii) *The movements of supplementary retirement benefits of the Group are as follows:*

	2015	2014
As at January 1	214,918	189,037
Benefits paid during the year	(23,762)	(24,636)
Defined benefit cost recognised in profit or loss	7,108	37,184
Defined benefit cost recognised in other comprehensive income	37,023	13,333
As at December 31	235,287	214,918

(iii) *Principal actuarial assumptions of the Group are as follows:*

	December 31, 2015	December 31, 2014
Early retirement plan		
Discount rate	2.50%	3.40%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	8.00%	8.00%
Supplementary retirement plan		
Discount rate	3.40%	3.90%
Retired age		
– Male	60	60
– Female	55	55

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31 SHARE CAPITAL

Authorised and issued share capital

Supplementary retirement plan

Ordinary shares in Mainland China
Ordinary shares listed in Hong Kong (H-share)

Total

December 31, 2015	December 31, 2014
3,821,932	3,941,932
1,320,000	—
5,141,932	3,941,932

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD 3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB 2,562 million was recorded in capital reserve.

Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited since December 23, 2015.

The H-shares rank pari passu in all respects with the existing ordinary shares in Mainland China including the right to receive all dividends and distributions declared or made.

32 RESERVES

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value, contributions received from shareholders and other items required by the PRC regulations.

(2) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to The Bank Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year’s accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. The Bank appropriated an amount of RMB336 million to the statutory surplus reserve fund for the year of 2015 (2014: RMB246 million).

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

32 RESERVES (continued)

(3) General reserve

July 1, 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the MOF, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The Bank appropriated an amount of RMB850 million to the general reserve fund for the year of 2015 (2014: RMB690 million).

(4) Fair value reserve

	2015	2014
As at January 1	2,436	(4,883)
Change in fair value recognised in other comprehensive income	10,998	25,350
Transfer to profit or loss upon disposal	(372)	(15,591)
Less: deferred income tax	(2,657)	(2,440)
Sub-total	7,969	7,319
As at December 31	10,405	2,436

(5) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2015	2014
As at January 1	(27,572)	(17,572)
Remeasuring the net defined benefit liability	(37,023)	(13,333)
Less: deferred income tax	9,256	3,333
Sub-total	(27,767)	(10,000)
As at December 31	(55,339)	(27,572)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

32 RESERVES (continued)

(6) Movements in components of equity

The reconciliation between the opening and closing balances 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 year are set out below:

The Bank

Note	Share capital	Capital reserve	Surplus reserve	General reserve	Remeasurement		Retained earning	Total	
					Fair value reserve	of net defined benefit liability			
Balance at January 1, 2015	3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578	
Profit for the year	—	—	—	—	—	—	3,357,077	3,357,077	
Other comprehensive income	—	—	—	—	7,969	(27,767)	—	(19,798)	
Total comprehensive income	—	—	—	—	7,969	(27,767)	3,357,077	3,337,279	
Changes in share capital									
- Issue of H-shares	31	1,200,000	2,562,237	—	—	—	—	3,762,237	
Sub-total		1,200,000	2,562,237	—	—	—	—	3,762,237	
Appropriation of profit:									
- Appropriation to surplus reserve	(2)	—	—	335,708	—	—	(335,708)	—	
- Appropriation to general reserve	(3)	—	—	—	850,000	—	(850,000)	—	
- Cash dividend	33	—	—	—	—	—	(709,548)	(709,548)	
Sub-total		—	—	335,708	850,000	—	(1,895,256)	(709,548)	
Balance at December 31, 2015		5,141,932	2,662,564	1,237,793	3,163,200	10,405	(55,339)	5,634,991	17,795,546

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

32 RESERVES (continued)

(6) Movements in components of equity (continued)

The Bank

	Note	Share capital	Capital reserve	Suplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earning	Total
Balance at January 1, 2014		3,941,932	100,327	655,777	1,623,200	(4,883)	(17,572)	3,237,685	9,536,466
Profit for the year		—	—	—	—	—	—	2,463,083	2,463,083
Other comprehensive income		—	—	—	—	7,319	(10,000)	—	(2,681)
Total comprehensive income		—	—	—	—	7,319	(10,000)	2,463,083	2,460,402
Appropriation of profit:									
- Appropriation to surplus reserve	(2)	—	—	246,308	—	—	—	(246,308)	—
- Appropriation to general reserve	(3)	—	—	—	690,000	—	—	(690,000)	—
- Cash dividend	33	—	—	—	—	—	—	(591,290)	(591,290)
Sub-total		—	—	246,308	690,000	—	—	(1,527,598)	(591,290)
Balance at December 31, 2014		3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578

For the year ended December 31, 2015
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33 PROFIT DISTRIBUTION

- (1) In accordance with the resolution of the Bank's board of directors meeting held on March 26, 2016, the proposed profit distribution plan for the year ended December 31, 2015 and declared cash dividends of RMB2.00 per ten shares before tax and in an aggregation amount of approximately RMB1,064 million to all existing shareholders.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

- (2) In accordance with the resolution of the Bank's 2014 Annual General Meeting held on June 18, 2015, the shareholders approved the profit distribution plan for the year ended December 31, 2014 and declared cash dividends of RMB1.80 per ten shares before tax and in an aggregation amount of approximately RMB710 million to all existing shareholders.
- (3) In accordance with the resolution of the Bank's 2013 Annual General Meeting held on June 22, 2014, the shareholders approved the profit distribution plan for the year ended December 31, 2013 and declared cash dividends of RMB1.50 per ten shares before tax and in an aggregation amount of approximately RMB591 million to all existing shareholders.

34 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	December 31, 2015	December 31, 2014
Cash on hand	854,463	704,891
Surplus deposit reserves with central bank	8,059,847	9,213,826
Deposits with banks and other financial institutions with original maturity of three months or less	5,599,950	170,745
Total	14,514,260	10,089,462

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related parties

(a) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding.

Shareholding in the Bank:

	December 31, 2015	December 31, 2014
Zhengzhou Finance Bureau	9.55%	12.58%
Yutai International (Henan) Real Estate Development Co., Ltd.	5.10%	6.65%

(b) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 21.

(c) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 35(1) (a) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 30(2)).

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Related party transactions and balances

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

(a) Transactions with major shareholders

	December 31, 2015	December 31, 2014
Balances at the end of the year:		
Deposits/Placements from banks and other financial institutions	—	70,414
Deposits from customers	189,504	872,302
Interest payables	20	148
Other liabilities	64,285	64,285
	2015	2014
Transactions during the year:		
Other operating income	24,167	230
Interest expense	1,168	4,241

(b) Transactions with subsidiaries

	December 31, 2015	December 31, 2014
Balances at the end of the year:		
Deposits from banks and other financial institutions	40,000	—
Interstate payable	7	—
	2015	2014
Transactions during the year:		
Interest expense	7	—

The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Related party transactions and balances (continued)

(c) Transactions with associates

	December 31, 2015	December 31, 2014
Balances at the end of the year:		
Deposits/Placements with banks and other financial institutions	270,000	20,000
Interests receivables	1,671	39
Other assets	1,288	1,288
Deposits/Placements from banks and other financial institutions	922,938	1,146,136
Interest payables	1,435	1,827
	2015	2014
Transactions during the year:		
Interest income	11,921	1,300
Interest expense	73,404	59,769

(d) Transactions with other related parties

	December 31, 2015	December 31, 2014
Balances at the end of the year:		
Loans and advances to customers	124,137	817,099
Financial investments classified as loans and receivables	4,239,500	5,647,000
Interests receivables	8,898	17,696
Deposits from customers	3,035,330	3,085,899
Deposits/Placements from banks and other financial institutions	333,240	939,310
Interest payables	755	3,805
	2015	2014
Transactions during the year:		
Interest income	309,759	330,652
Interest expense	28,320	28,591

NOTES TO THE FINANCIAL STATEMENTS

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(3) Key management personnel

(a) Transactions with key management personnel

	December 31, 2015	December 31, 2014
Balances at the end of the year:		
Loans and advances to customers	12,121	13,362
Interest receivables	17	24
Deposits from customers	6,519	4,251
Interest payables	2	2
	2015	2014
Transactions during the year:		
Interest income	614	624
Interest expense	32	40

(b) Key management personnel remuneration

	2015	2014
Salaries and other emoluments	11,116	8,512
Discretionary bonuses	16,852	16,990
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	2,597	2,154
Total	30,565	27,656

No postemployment benefits, termination benefits or other long-term benefits were provided to the key management personnel for the years ended December 31, 2015 and December 31, 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(3) Key management personnel

(c) Loans to officers

Loans and advances to directors, supervisors and officers of the Bank, which are disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

	December 31, 2015	December 31, 2014
Aggregate amount of relevant loans outstanding as at the year end	12,121	13,362
Maximum aggregate amount of relevant loans outstanding during the year	24,785	24,204

There were no amount due but unpaid, nor any impairment provision made against the principle or interest on these loans at December 31, 2015 (2014: Nil).

36 SEGMENT REPORTING

(1) Business Segment

The Group manages its business by business lines. 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 finance and deposit taking activities, agency services, and remittance and settlement 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, remittance and settlement services, and collection and payment agency services.

36 SEGMENT REPORTING (continued)

(1) Business Segment (continued)

Treasury business

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

Others

These represent equity investment and related income and any other business which cannot form a single reportable segment.

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, with the exception of deferred income tax assets. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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36 SEGMENT REPORTING (continued)

(1) Business Segment (continued)

Others (continued)

	Year ended December 31, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	2,507,005	885,784	3,513,723	—	6,906,512
Internal net interest income/(expense)	635,080	355,203	(990,283)	—	—
Net interest income	3,142,085	1,240,987	2,523,440	—	6,906,512
Net fee and commission income	263,905	65,216	384,275	—	713,396
Net trading gains	—	—	127,261	—	127,261
Net gains arising from investments	—	—	26,622	—	26,622
Other operating income	—	—	—	87,460	87,460
Operating income	3,405,990	1,306,203	3,061,598	87,460	7,861,251
Operating expenses	(1,185,472)	(532,300)	(494,883)	(40,105)	(2,252,760)
Impairment losses on assets	(1,120,166)	(47,360)	(130,000)	—	(1,297,526)
Operating profit	1,100,352	726,543	2,436,715	47,355	4,310,965
Share of profits of associates	—	—	—	50,777	50,777
Profit before taxation	1,100,352	726,543	2,436,715	98,132	4,361,742
Other segment information					
– Depreciation and amortisation	91,756	49,387	16,139	—	157,282
– Capital expenditure	115,953	62,696	29,676	—	208,325

	December 31, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	92,492,299	33,121,050	138,268,499	1,152,098	265,033,946
Deferred tax assets					589,143
Total assets					265,623,089
Segment liabilities/Total liabilities	121,873,977	49,903,368	74,846,462	1,175,263	247,799,070
Credit commitments	44,718,520	463,151	—	—	45,181,671

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For the year ended December 31, 2015
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36 SEGMENT REPORTING (continued)

(1) Business Segment (continued)

Others (continued)

	Year ended December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	2,218,226	680,160	2,385,665	—	5,284,051
Internal net interest income/(expense)	447,180	328,095	(775,275)	—	—
Net interest income	2,665,406	1,008,255	1,610,390	—	5,284,051
Net fee and commission income	135,594	38,538	173,855	—	347,987
Net trading losses	—	—	(186,412)	—	(186,412)
Net gains arising from investments	—	—	38,042	—	38,042
Other operating income	—	—	—	20,731	20,731
Operating income	2,801,000	1,046,793	1,635,875	20,731	5,504,399
Operating expenses	(1,112,468)	(520,141)	(178,721)	(30,407)	(1,841,737)
Impairment losses on assets	(411,033)	3,074	(89,116)	—	(497,075)
Operating profit/(losses)	1,277,499	529,726	1,368,038	(9,676)	3,165,587
Share of profits of associates	—	—	—	37,348	37,348
Profit before taxation	1,277,499	529,726	1,368,038	27,672	3,202,935
Other segment information					
– Depreciation and amortisation	70,556	34,725	11,616	—	116,897
– Capital expenditure	281,543	138,563	46,353	—	466,459
	December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	78,921,011	31,839,464	92,555,824	634,735	203,951,034
Deferred tax assets					338,175
Total assets					204,289,209
Segment liabilities/Total liabilities	94,377,121	40,016,853	58,201,623	288,034	192,883,631
Credit commitments	30,021,414	94,439	—	—	30,115,853

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

36 SEGMENT REPORTING (continued)

(2) Geographical information

Geographically, the Group mainly conducts its business and majority of its customers and non-current assets are located in Henan Province of the PRC.

37 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management functions through the Risk Management Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

37 RISK MANAGEMENT (continued)

(1) 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 debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for establishing the Group's risk management strategies 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, ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department is responsible for credit risk management. Departments such as the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, the Interbank Department and the Financial Markets Department carry out credit businesses and investments portfolios business according to the Group's risk management policies and 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 collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

(a) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 39(1).

(b) Loans and advances to customers

	December 31, 2015	December 31, 2014
Gross balance of loans and advances to customers		
– Neither overdue nor impaired	91,397,779	76,111,086
– Overdue but not impaired	1,855,814	1,291,612
– Impaired	1,040,133	583,416
Sub-total	94,293,726	77,986,114
Less: allowance for impairment loss		
– Neither overdue nor impaired	(2,016,712)	(1,348,191)
– Overdue but not impaired	(266,017)	(186,513)
– Impaired	(406,561)	(225,220)
Sub-total	(2,689,290)	(1,759,924)
Net balance		
– Neither overdue nor impaired	89,381,067	74,762,895
– Overdue but not impaired	1,589,797	1,105,099
– Impaired	633,572	358,196
Total	91,604,436	76,226,190

For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Treasury Business (continued)

(b) Loans and advances to customers (continued)

(i) Neither overdue nor impaired

Credit risk of loans and advances to customers neither overdue nor impaired was analysed as follows:

	December 31, 2015	December 31, 2014
Corporate loans and advances	68,848,711	54,837,025
Personal loans and advances	22,549,068	21,274,061
Total gross balance	91,397,779	76,111,086

(ii) Overdue but not impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not impaired as at the end of the reporting period.

	December 31, 2015				Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	
Corporate loans and advances	475,701	1,042,178	95,664	—	1,613,543
Personal loans and advances	102,780	88,845	50,286	360	242,271
Total gross balance	578,481	1,131,023	145,950	360	1,855,814

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For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Treasury Business (continued)

(b) Loans and advances to customers (continued)

(ii) Overdue but not impaired (continued)

	December 31, 2014				Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	
Corporate loans and advances	283,849	807,427	95,286	—	1,186,562
Personal loans and advances	48,678	9,563	46,809	—	105,050
Total gross balance	332,527	816,990	142,095	—	1,291,612

	December 31, 2015	December 31, 2014
Fair value of collateral held against loans and advances overdue but not impaired	1,210,164	697,064

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

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For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Treasury Business (continued)

(b) Loans and advances to customers (continued)

(iii) Impaired loans

	December 31, 2015	December 31, 2014
Gross balance		
– Corporate loans and advances	990,023	567,991
– Personal loans and advances	50,110	15,425
Sub-total	1,040,133	583,416
% of total loans and advances	1.10%	0.75%
Allowance for impairment losses		
– Corporate loans and advances	(386,153)	(219,933)
– Personal loans and advances	(20,408)	(5,287)
Sub-total	(406,561)	(225,220)
Net balance		
– Corporate loans and advances	603,870	348,058
– Personal loans and advances	29,702	10,138
Total	633,572	358,196
Collateral held against impaired loans and advances	274,355	122,699

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Treasury Business (continued)

(b) Loans and advances to customers (continued)

(iv) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrowers' financial conditions or of the borrowers' inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Rescheduling is most commonly applied to term loans. There were no rescheduled loans as at December 31, 2014 and 2015.

(c) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	December 31, 2015	December 31, 2014
Carrying amount		
<i>Neither overdue nor impaired</i>		
– grade A to AAA	21,345,497	7,523,937
– grade B to BBB	1,101,104	884,339
– unrated	468,342	2,492
Total	22,914,943	8,410,768

For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Treasury Business (continued)

(d) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	December 31, 2015	December 31, 2014
Carrying amount		
<i>Neither overdue nor impaired</i>		
– Government	11,981,639	7,159,737
– Policy banks	21,228,126	16,190,532
– Banks and other financial institutions	3,047,887	2,386,269
– Corporate	7,483,453	10,145,830
Total	43,741,105	35,882,368

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For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Treasury Business (continued)

(e) Financial investments classified as loans and receivables

	December 31, 2015	December 31, 2014
Gross balance of financial investments classified as loans and receivables		
– Neither overdue nor impaired	64,330,673	45,337,370
– Overdue but not impaired	920,000	180,000
– Impaired	90,000	90,000
Sub-total	65,340,673	45,607,370
Less: allowance for impairment loss		
– Neither overdue nor impaired	(200,245)	(79,195)
– Overdue but not impaired	(9,340)	(390)
– Impaired	(25,428)	(25,428)
Sub-total	(235,013)	(105,013)
Net balance		
– Neither overdue nor impaired	64,130,428	45,258,175
– Overdue but not impaired	910,660	179,610
– Impaired	64,572	64,572
	65,105,660	45,502,357
Fair value of collaterals held against financial investments classified as loans and receivables overdue but not impaired	1,969,228	300,430
Fair value of collaterals held against impaired financial investments classified as loans and receivables	64,572	64,572

37 RISK MANAGEMENT (continued)

(2) 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, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the senior management. The Financial Markets Department is responsible for identifying, measuring, monitoring and reporting the market risk.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing 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 categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) 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.

(i) 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 causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Finance and Accounting Department is responsible for identifying, 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.

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For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(i) Repricing risk (continued)

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

	December 31, 2015					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	Morn than five years
Assets						
Cash and deposits with central bank	33,008,307	984,725	32,023,582	—	—	—
Deposits with banks and other financial institutions	13,198,638	120,885	5,549,064	7,098,689	430,000	—
Financial assets held under resale agreements	9,716,305	—	9,716,305	—	—	—
Loans and advances to customers (i)	91,604,436	—	77,440,358	14,057,638	102,348	4,092
Investments (ii)	113,410,731	204,026	36,666,203	18,861,466	49,287,032	8,392,004
Others	4,684,672	4,684,672	—	—	—	—
Total assets	265,623,089	5,994,308	161,395,512	40,017,793	49,819,380	8,396,096
Liabilities						
Deposits/placements from banks and other financial institutions	27,273,414	—	9,373,114	16,500,300	1,400,000	—
Financial assets sold under repurchase agreements	19,602,600	—	19,602,600	—	—	—
Deposits from customers	169,195,471	284,313	105,288,831	41,205,143	20,368,567	2,048,617
Debt securities issued	27,039,068	—	2,870,228	19,568,840	4,600,000	—
Others	4,688,517	4,688,517	—	—	—	—
Total liabilities	247,799,070	4,972,830	137,134,773	77,274,283	26,368,567	2,048,617
Asset-liability gap	17,824,019	1,021,478	24,260,739	(37,256,490)	23,450,813	6,347,479

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For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(i) Repricing risk (continued)

	December 31, 2014					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	33,854,830	704,891	33,149,939	—	—	—
Deposits with banks and other financial institutions	1,835,245	28,883	161,862	789,000	855,500	—
Financial assets held under resale agreements	6,575,523	—	6,415,273	160,250	—	—
Loans and advances to customers (i)	76,226,190	—	71,704,357	4,443,925	76,783	1,125
Investments (ii)	82,645,653	154,508	24,616,526	13,651,263	36,239,266	7,984,090
Others	3,151,768	3,151,768	—	—	—	—
Total assets	204,289,209	4,040,050	136,047,957	19,044,438	37,171,549	7,985,215
Liabilities						
Deposits/placements from banks and other financial institutions	33,190,408	—	9,875,408	21,235,000	2,080,000	—
Financial assets sold under repurchase agreements	15,782,600	—	15,782,600	—	—	—
Deposits from customers	132,561,375	128,007	87,454,423	27,602,003	16,516,602	860,340
Debt securities issued	8,503,833	3,833	—	1,500,000	7,000,000	—
Others	2,845,415	2,845,415	—	—	—	—
Total liabilities	192,883,631	2,977,255	113,112,431	50,337,003	25,596,602	860,340
Asset-liability gap	11,405,578	1,062,795	22,935,526	(31,292,565)	11,574,947	7,124,875

For the year ended December 31, 2015
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37 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(i) Repricing risk (continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at December 31, 2015 includes overdue amounts (net of allowance for impairment losses) of RMB2,223 million (2014: RMB1,463 million).
- (2) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates, the category "Within three months (inclusive)" as at December 31, 2015 includes overdue amounts (net of allowance for impairment losses) of RMB975 million (2014: RMB244 million).

(ii) Interest rate sensitivity analysis

	December 31, 2015 Increase /(decrease)	December 31, 2014 Increase /(decrease)
Change in net profit		
Up 100 bps parallel shift in yield curves	(27,612)	(4,004)
Down 100 bps parallel shift in yield curves	27,612	4,004
Change in equity		
Up 100 bps parallel shift in yield curves	(334,806)	(100,873)
Down 100 bps parallel shift in yield curves	334,806	100,873

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37 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(ii) *Interest rate sensitivity analysis (continued)*

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised 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:

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- 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, all the position will be held and keep unchanged after matured; 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 and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

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37 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	December 31, 2015			Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with central bank	32,660,859	345,818	1,630	33,008,307
Deposits with banks and other financial institutions	2,732,785	7,102,457	3,363,396	13,198,638
Financial assets held under resale agreements	9,716,305	—	—	9,716,305
Loans and advances to customers	91,215,989	388,447	—	91,604,436
Investments (i)	113,410,731	—	—	113,410,731
Others	4,684,672	—	—	4,684,672
Total assets	254,421,341	7,836,722	3,365,026	265,623,089
Liabilities				
Deposits/placements from Banks and other financial institutions	27,206,582	66,832	—	27,273,414
Financial assets sold under repurchase agreements	19,602,600	—	—	19,602,600
Deposits from customers	161,687,785	7,507,602	84	169,195,471
Debt securities issued	27,039,068	—	—	27,039,068
Others	4,104,730	159,692	424,095	4,688,517
Total liabilities	239,640,765	7,734,126	424,179	247,799,070
Net position	14,780,576	102,596	2,940,847	17,824,019
Off-balance sheet credit commitments	44,998,428	183,243	—	45,181,671

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For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	December 31, 2014			Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with central bank	33,854,550	27	253	33,854,830
Deposits with banks and other financial institutions	1,772,498	62,688	59	1,835,245
Financial assets held under resale agreements	6,575,523	—	—	6,575,523
Loans and advances to customers	76,151,380	74,730	80	76,226,190
Investments (i)	82,645,653	—	—	82,645,653
Others	3,151,768	—	—	3,151,768
Total assets	204,151,372	137,445	392	204,289,209
Liabilities				
Deposits/placements from Banks and other financial institutions	33,187,313	3,095	—	33,190,408
Financial assets sold under repurchase agreements	15,782,600	—	—	15,782,600
Deposits from customers	132,554,664	6,631	80	132,561,375
Debt securities issued	8,503,833	—	—	8,503,833
Others	2,845,414	1	—	2,845,415
Total liabilities	192,873,824	9,727	80	192,883,631
Net position	11,277,548	127,718	312	11,405,578
Off-balance sheet credit commitments	30,109,161	6,692	—	30,115,853

- (i) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates.

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37 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	December 31, 2015 Increase /(decrease)	December 31, 2014 Increase /(decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	3,515	155
Down 100 bps change of foreign exchange rate	(3,515)	(155)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- The foreign currency exposures calculated includes spot and forward foreign exchange exposures and swaps, and all the position will be held and keep unchanged after mature; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's net profit and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

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37 RISK MANAGEMENT (continued)

(3) 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 meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the Group-wide liquidity risk by the head office, and established the Risk Management Committee which mainly comprises the Liquidity Risk Management Committee, the Asset and Liability Management Committee and the Finance and Accounting Department at the head office. The responsibilities of them are as following:

- the Risk Management Committee and the Asset and Liability Management Committee are the decision-making bodies for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- the Finance and Accounting Department is the liquidity risk management department and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators; formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; regularly carrying out risk analysis and reporting to the Risk Management Committee and the Asset and Liability Management Committee.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including loan to deposit ratio, liquidity ratio, reserve ratio, liquidity gap ratio, and etc.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

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 major source of funds.

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For the year ended December 31, 2015
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37 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis

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 the reporting period:

	December 31, 2015						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	24,093,997	8,914,310	—	—	—	—	33,008,307
Deposits with banks and other financial institutions	—	4,542,100	1,127,849	7,098,689	430,000	—	13,198,638
Financial assets held under resale agreements	—	—	9,716,305	—	—	—	9,716,305
Loans and advances to customers	1,688,927	1,039,296	17,663,739	51,360,040	12,964,387	6,888,047	91,604,436
Investments	1,178,893	—	21,820,316	31,020,965	50,585,461	8,805,096	113,410,731
Others	3,474,993	13,641	712,730	479,432	3,876	—	4,684,672
Total assets	30,436,810	14,509,347	51,040,939	89,959,126	63,983,724	15,693,143	265,623,089
Liabilities							
Deposits/placements from banks and other financial institutions	—	1,031,282	8,341,832	16,500,300	1,400,000	—	27,273,414
Financial assets sold under repurchase agreements	—	—	19,602,600	—	—	—	19,602,600
Deposits from customers	—	77,193,149	28,379,995	41,205,143	20,368,567	2,048,617	169,195,471
Debt securities issued	—	—	2,870,228	19,568,840	4,600,000	—	27,039,068
Others	—	639,158	3,025,859	216,721	679,372	127,407	4,688,517
Total liabilities	—	78,863,589	62,220,514	77,491,004	27,047,939	2,176,024	247,799,070
Long/(short) position	30,436,810	(64,354,242)	(11,179,575)	12,468,122	36,935,785	13,517,119	17,824,019

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37 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	December 31, 2014						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	23,936,113	9,918,717	—	—	—	—	33,854,830
Deposits with banks and other financial institutions	—	170,745	20,000	789,000	855,500	—	1,835,245
Financial assets held under resale agreements	—	—	6,415,273	160,250	—	—	6,575,523
Loans and advances to customers	1,175,573	355,534	16,264,182	40,612,931	10,959,059	6,858,911	76,226,190
Investments	398,690	—	6,244,295	22,669,185	44,941,016	8,392,467	82,645,653
Others	2,189,289	597	566,708	393,718	1,456	—	3,151,768
Total assets	27,699,665	10,445,593	29,510,458	64,625,084	56,757,031	15,251,378	204,289,209
Liabilities							
Deposits/placements from banks and other financial institutions	—	—	9,875,408	21,235,000	2,080,000	—	33,190,408
Financial assets sold under repurchase agreements	—	—	15,782,600	—	—	—	15,782,600
Deposits from customers	—	60,498,905	27,083,525	27,602,003	16,516,602	860,340	132,561,375
Debt securities issued	—	—	—	1,503,833	7,000,000	—	8,503,833
Others	3,880	306,788	2,195,639	47,764	195,031	96,313	2,845,415
Total liabilities	3,880	60,805,693	54,937,172	50,388,600	25,791,633	956,653	192,883,631
Long/(short) position	27,695,785	(50,360,100)	(25,426,714)	14,236,484	30,965,398	14,294,725	11,405,578

For the year ended December 31, 2015
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37 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates. The “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

(b) Analysis on contractual undiscounted cash flows of financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	December 31, 2015						
	Carrying amount at 31 Dec	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Deposits/placements from banks and other financial institutions	27,273,414	28,821,372	1,052,837	8,760,784	17,165,759	1,841,992	—
Financial assets sold under repurchase agreements	19,602,600	19,624,862	—	19,624,862	—	—	—
Deposits from customers	169,195,471	173,574,743	77,204,247	29,092,212	42,385,175	22,843,431	2,049,678
Debt securities issued	27,039,068	28,362,720	—	2,880,000	20,289,320	5,193,400	—
Total non-derivative financial liabilities	243,110,553	250,383,697	78,257,084	60,357,858	79,840,254	29,878,823	2,049,678

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For the year ended December 31, 2015

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37 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) Analysis on contractual undiscounted cash flows of financial liabilities (continued)

	December 31, 2014						
	Carrying amount at 31 Dec	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Deposits/placements from banks and other financial institutions	33,190,408	34,302,023	—	9,950,610	21,866,302	2,485,111	—
Financial assets sold under repurchase agreements	15,782,600	15,797,037	—	15,797,037	—	—	—
Deposits from customers	132,561,375	136,277,456	60,499,562	27,213,370	28,105,183	19,380,124	1,079,217
Debt securities issued	8,503,833	9,826,540	—	—	1,883,820	7,942,720	—
Total non-derivative financial liabilities	190,038,216	196,203,056	60,499,562	52,961,017	51,855,305	29,807,955	1,079,217

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

(4) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group's measures to manage the operational risk mainly include:

- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralized operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;

37 RISK MANAGEMENT (continued)

(4) Operational risk (continued)

- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

(5) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group’s capital management, reflecting capacity of the Group for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group’s business strategy and maintain adequate capital to support the implementation of the Group’s strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group’s risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

NOTES TO THE FINANCIAL STATEMENTS

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37 RISK MANAGEMENT (continued)

(5) Capital management (continued)

The Group calculates the capital adequacy ratios as at December 31, 2015 and 2014 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the CBRC in 2012 and relevant requirements promulgated by the CBRC as follows:

	Note	December 31, 2015	December 31, 2014
Total core tier-one capital			
– Share capital		5,141,932	3,941,932
– Valid portion of capital reserve		2,617,630	75,191
– Surplus reserve		1,237,793	902,085
– General reserve		3,163,200	2,313,200
– Retained earnings		5,634,285	4,173,170
– Valid portion of minority interests		23,218	—
Core tier-one capital		17,818,058	11,405,578
Core tier-one capital deductions		(284,259)	(213,847)
Net core tier-one capital		17,533,799	11,191,731
Other tier one capital		9	—
Net tier-one capital		17,533,808	11,191,731
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		2,000,000	2,000,000
– Surplus provision for loan impairment		1,649,157	1,176,508
– Valid portion of minority interests		18	—
Net tier-two capital		3,649,175	3,176,508
Net capital base		21,182,983	14,368,239
Total risk weighted assets	(i)	173,696,609	129,223,332
Core tier-one capital adequacy ratio		10.09%	8.66%
Tier-one capital adequacy ratio		10.09%	8.66%
Capital adequacy ratio		12.20%	11.12%

37 RISK MANAGEMENT (continued)

(5) Capital management (continued)

- (i) Both the on-balance and off-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 as well as any eligible collateral or guarantees.
- (ii) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 9.3%, 7.3% and 6.3% at December 31, 2015 and 8.9%, 6.9% and 5.9% at December 31, 2014.

38 FAIR VALUE

(1) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- | | |
|----------|--|
| Level 1: | Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date; |
| Level 2: | Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and |
| Level 3: | Fair value measured using significant unobservable inputs |

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

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For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

38 FAIR VALUE (continued)

(1) Methods and assumptions for measurement of fair value (continued)

The Group adopts the following methods and assumptions when evaluating fair values:

(a) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(b) 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 each of the reporting period.

(c) 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 each 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 each of the reporting period.

(2) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss				
– debt instruments	1,326,995	11,674,522	—	13,001,517
Available-for-sale financial assets				
– debt instruments	2,834,921	4,002,753	4,359,941	11,197,615
Total	4,161,916	15,677,275	4,359,941	24,199,132

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For the year ended December 31, 2015
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38 FAIR VALUE (continued)

(2) Financial instruments recorded at fair value (continued)

	December 31, 2014			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss				
– debt instruments	208,332	10,759,035	—	10,967,367
Available-for-sale financial assets				
– debt instruments	—	2,850,361	1,106,420	3,956,781
Total	208,332	13,609,396	1,106,420	14,924,148

During the year ended December 31, 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(3) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

	January 1, 2015	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to Level 2 from Level 3	December 31, 2015
Financial assets:								
Available-for-sale financial assets								
– Debt instruments	1,106,420	91,949	—	4,279,941	(1,026,420)	(91,949)	—	4,359,941
	January 1, 2014	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to Level 2 from Level 3	December 31, 2014
Financial assets:								
Available-for-sale financial assets								
– Debt instruments	380,000	30,380	—	786,420	(60,000)	(30,380)	—	1,106,420

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For the year ended December 31, 2015

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38 FAIR VALUE (continued)

(3) Movement in level 3 financial instruments measured at fair value (continued)

During the reporting period, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

Total gains recorded in profit or loss is recognised in the line item “interest income” on the face of the consolidated statement of profit or loss and other comprehensive income.

(4) Fair value of financial assets and liabilities not carried at fair value

	December 31, 2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	23,901,914	24,626,119	11,642,338	12,983,781	—
Total	23,901,914	24,626,119	11,642,338	12,983,781	—
Financial liabilities					
Debt securities issued					
– Financial bonds	5,000,000	5,078,718	—	5,078,718	—
– Tier-two capital bonds	2,000,000	2,088,728	—	2,088,728	—
– Interbank deposits	20,039,068	19,807,554	—	19,807,554	—
Total	27,039,068	26,975,000	—	26,975,000	—

	December 31, 2014				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	22,064,640	22,409,089	1,507,662	20,901,427	—
Total	22,064,640	22,409,089	1,507,662	20,901,427	—
Financial liabilities					
Debt securities issued					
– Financial bonds	5,000,000	4,973,638	—	4,973,638	—
– Tier-two capital bonds	2,000,000	1,930,890	—	1,930,890	—
– Interbank deposits	1,503,833	1,497,702	—	1,497,702	—
Total	8,503,833	8,402,230	—	8,402,230	—

38 FAIR VALUE (continued)**(4) Fair value of financial assets and liabilities not carried at fair value (continued)**

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of held-to-maturity investments and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

The fair value of financial investments classified as loans and receivables is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the financial investments classified as loans and receivables are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with central bank	Amounts due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers	Deposits from customers
Other financial assets	Other financial liabilities

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39 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

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 its customers. The contractual amounts of unused 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.

	December 31, 2015	December 31, 2014
Bank acceptances	41,388,973	26,564,477
Letters of credit	2,294,599	2,618,342
Letters of guarantees	1,034,947	838,595
Unused credit card commitments	463,152	94,439
Total	45,181,671	30,115,853

The Group may be exposed to credit risk in all the above credit businesses. 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.

(2) Credit risk-weighted amount

	December 31, 2015	December 31, 2014
Credit risk-weighted amount of contingent liabilities and commitments	13,965,648	9,171,844

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

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39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(3) Operating lease commitments

As at December 31, 2015 and 2014, the future minimum lease payments under non-cancellable operating leases for properties of the Group are as follows:

	December 31, 2015	December 31, 2014
Within one year (inclusive)	55,941	39,222
After one year but within five years (inclusive)	164,642	122,188
After five years	126,891	54,848
Total	347,474	216,258

(4) Capital commitments

As at December 31, 2015 and 2014, the authorised capital commitments of the Group are as follows:

	December 31, 2015	December 31, 2014
Contracted but not paid for	133,239	27,669
Approved but not contracted for	173,411	45,230
Total	306,650	72,899

(5) Outstanding litigations and disputes

As at December 31, 2015 and 2014, there are no significant legal proceedings outstanding against the Group.

(6) Pledged assets

	December 31, 2015	December 31, 2014
Debt securities	20,332,689	16,066,013
Total	20,332,689	16,066,013

Some of the Group's assets are pledged as collateral under repurchase agreements.

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40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at December 31, 2015 and 2014 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	December 31, 2015	
	Carrying amount	Maximum exposure
Financial investments		
– Available-for-sale financial assets	4,359,941	4,359,941
– Financial investment classified as loans and receivables	63,063,894	63,063,894
Interest receivables	163,694	163,694
Total	67,587,529	67,587,529
	December 31, 2014	
	Carrying amount	Maximum exposure
Financial assets held under resale agreements	1,000,000	1,000,000
Financial investments		
– Available-for-sale financial assets	1,106,420	1,106,420
– Financial investment classified as loans and receivables	45,139,988	45,139,988
Interest receivables	141,102	141,102
Total	47,387,510	47,387,510

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

(1) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income arising from the above unconsolidated structured entities for the year ended 2015 amounted to RMB3,647 million (2014: RMB2,455 million).

(2) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unstructured 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 notes to investors. Interest held by the Group includes fees charged by providing management services.

As at December 31, 2015, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB15,968million (December 31, 2014:RMB5,587 million).

During the years ended December 31, 2015, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding year is RMB27 million (2014: RMB24 million).

During the years ended December 31, 2015, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding year is RMB10,836 million (2014:RMB9,644 million).

41 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at December 31, 2015, the entrusted loans balance of the Group is RMB7,498 million (2014: RMB7,957 million).

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42 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2015	December 31, 2014
Assets		
Cash and deposits with central bank	33,007,532	33,854,830
Deposits with banks and other financial institutions	7,654,454	1,835,245
Placements with banks and other financial institutions	5,519,560	—
Financial assets at fair value through profit or loss	13,001,517	10,967,367
Financial assets held under resale agreements	9,716,305	6,575,523
Loans and advances to customers	91,603,736	76,226,190
Financial investments:		
Available-for-sale financial assets	11,206,015	3,965,181
Held-to-maturity investments	23,901,914	22,064,640
Loans and receivables	65,105,660	45,502,357
Interest in associates and subsidiaries	225,745	146,108
Property and equipment	1,604,267	1,158,572
Deferred tax assets	588,673	338,175
Other assets	2,490,963	1,655,021
Total assets	265,626,341	204,289,209
Liabilities		
Deposits from banks and other financial institutions	21,493,178	32,187,313
Placements from banks and other financial institutions	5,820,236	1,003,095
Financial assets sold under repurchase agreements	19,602,600	15,782,600
Deposits from customers	169,187,645	132,561,375
Tax payable	505,816	260,068
Debt securities issued	27,039,068	8,503,833
Other liabilities	4,182,252	2,585,347
Total liabilities	247,830,795	192,883,631

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42 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2015	December 31, 2014
Equity		
Share capital	5,141,932	3,941,932
Capital reserve	2,662,564	100,327
Surplus reserve	1,237,793	902,085
General reserve	3,163,200	2,313,200
Fair value reserve	10,405	2,436
Remeasurement of net defined benefit liability	(55,339)	(27,572)
Retained earnings	5,634,991	4,173,170
Total equity	17,795,546	11,405,578
Total liabilities and equity	265,626,341	204,289,209

Approved and authorised for issue by the board of directors on March 26, 2016.

Wang Tianyu

*Chairman of the Board of Directors
Executive Director*

Shen Xueqing

*President
Executive Director*

Mao Yuezhen

Chief accountant

Li Guoquan

*General Manager of the Planning
and Finance Department*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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43 SUBSEQUENT EVENTS

- (1) On January 20, 2016, the Bank exercised the over-allotment option and issued 180,000,000 H-shares with a nominal value of RMB 1.00 at HKD 3.85 per share. The additional fund raised amount to RMB 581 million.
- (2) Henan Jiuding Financial Leasing Co., Ltd., with a registered capital of RMB1.00 billion, was co-established by the Bank, Zhengzhou Yutong Bus Co., Ltd. and Henan TianLun Gas Group Co., Ltd. on March 23, 2016. The Bank contributes RMB510 million, representing a shareholding of 51%.
- (3) The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting hold on March 26, 2016 (Note 33).

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015

The IASB has issued a certain new and revised IFRSs. For the purpose of preparing the financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group for the year, except for any new standards or interpretations that are not yet effective for the accounting period ended December 31, 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended December 31, 2015 are set out below:

		Effective for accounting period beginning on or after
IFRS 14	Regulatory deferral accounts	January 1, 2016
IFRS 11 Amendments	Joint Arrangements	January 1, 2016
IAS 16 and IAS 38 Amendments	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
IAS 27 Amendments	Separate financial statements	January 1, 2016
IFRS 10 and IAS 28 Amendments	Sale or contribution of assets between an investor and its associate or jointventure	January 1, 2016
Annual Improvements to IFRSs 2012-2014 Cycle		January 1, 2016
IFRS 10, IFRS 12 and IAS 28 Amendments	Investment entities: Applying the consolidation exception	January 1, 2016
IAS 1 Amendments	Presentation of financial statements	January 1, 2016
IFRS 15	Revenue from contracts with customers	January 1, 2017
IFRS 9	Financial instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015 (continued)

Further information about those changes that are expected to affect the Group is as follows:

IFRS14, Regulatory deferral accounts

This interim standard permits first-time adopters of IFRS to continue to use previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area.

As an existing IFRS adopter, the Group is not applicable for the new standard.

Amendments to IFRS 11, Joint Arrangements “Accounting for acquisitions of interests in joint operations”

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Specifically, the amendments require business combination accounting to be applied in this situation.

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

Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortization

The amendments introduce a rebuttable presumption to IAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments also prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015 (continued)

Amendments to IAS 27, Separate financial statements “Equity method in separate financial statements”

The amendments allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- at cost;
- in accordance with IFRS 9 (or IAS 39); or
- using the equity method as described in IAS 28.

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

Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a long-standing conflict on transactions with Joint Venture, by creating a new dividing line—namely whether a business has been sold— with a new approach to steps-up. The amendments require the full gain to be recognised when the assets transferred meet the definition of the business under IFRS 3 Business Combinations.

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

Annual Improvements to IFRSs 2012-2014 Cycle

The 2012-2014 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 5 Non-current assets held for sale and discounted operations, IFRS 7 Financial instruments: disclosures, IAS 19 Employee benefits, IAS 34 Interim financial reporting.

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

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015 (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception

The amendments clarify the following areas of the accounting requirements of investment entities:

- Exemption from preparing consolidated financial statements under IFRS 10.4(a) is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries, including that parent entity, at fair value.
- A subsidiary that is itself an investment entity should not be consolidated even if it provides services related to the parent's investment activities.
- When applying the equity method, a non-investment entity investor is allowed, but not required, to retain the fair value measurement applied by its investment entity associate or joint venture for their subsidiaries, i.e. the investor can make a policy choice.
- An investment entity measuring all of its subsidiaries at fair value is still required to provide the disclosures relating to investment entities required by IFRS 12, even though it is not preparing consolidated financial statements.

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

Amendments to IAS 1, Presentation of financial statements“Disclosure initiative”

The amendments clarify various presentation issues relating to:

- assessment of materiality versus minimum disclosure requirements of a standard;
- order of notes;
- disaggregation and aggregation;
- presentation of sub-totals; and
- presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015 (continued)

IFRS 15 “Revenue from contracts with customers”

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Some of these apply to interim financial reports prepared under IAS 34 as well as to annual financial statements. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

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

IFRS 9 “Financial instruments”

On July 24, 2014, the IASB issued the complete standard of IFRS 9 (IFRS 9 (2014)).

Classification and measurement of financial assets and financial liabilities

IFRS 9 (2014) includes a 3rd business model and requires some debt instruments to be measured at fair value through other comprehensive income less impairment with recycling. For the classification and measurement, IFRS 9 introduces a new requirement that the gain or loss on a financial liability designated at fair value through profit or loss that is attributable to changes in the entity’s own credit risk is recognised in other comprehensive income; the remaining amount of change in fair value is recognised in profit or loss (“own credit risk requirements”).

Hedge accounting

The new standard aligns hedge accounting more closely with risk management. It does not fundamentally change the types of hedging or the requirement to measure and recognise ineffectiveness; however, more hedging strategies that are used for risk management will qualify for hedge accounting.

The Group has started the process of evaluating the potential effect of this standard. Given the nature of the Group’s operation, this standard is expected to have pervasive impact on the Group’s financial statements.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015 (continued)

Impairment

The new impairment methodology in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Under IFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

The Group has started the process of evaluating the potential effect of this standard. Given the nature of the Group’s operation, this standard is expected to have pervasive impact on the Group’s financial statements.

IFRS 16 “Leases”

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after January 1, 2019.

IFRS 16 results in lessees accounting for most leases within the scope of the standard 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.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATIONS

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 RATIOS AND LEVERAGE RATIO

	December 31, 2015	Average for the year ended December 31, 2015
Liquidity coverage ratio (RMB and foreign currency)	388.42%	265.29%

	December 31, 2014	Average for the year ended December 31, 2014
Liquidity coverage ratio (RMB and foreign currency)	159.08%	208.01%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

	December 31, 2015
Leverage Ratio	
Leverage Ratio	5.65%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 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

	December 31, 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	7,836,722	3,363,144	1,882	11,201,748
Spot liabilities	(7,734,126)	(424,179)	—	(8,158,305)
Net position	102,596	2,938,965	1,882	3,043,443

	December 31, 2014			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	137,445	186	206	137,837
Spot liabilities	(9,727)	(80)	—	(9,807)
Net position	127,718	106	206	128,030

The Group has no structural position at the reporting periods.

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 central banks and 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)

	December 31, 2015			
	Banks and Other Financial institutions	Public sector entities	Others	Total
North and South America	1,928,928	63,848	325,017	2,317,793
Asia Percific excluding mainland China	3,363,413	—	—	3,363,413
	5,292,341	63,848	325,017	5,681,206

	December 31, 2014			
	Banks and Other Financial institutions	Public sector entities	Others	Total
North and South America	62,700	71,710	3,097	137,507
	62,700	71,710	3,097	137,507

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	December 31, 2015	December 31, 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)	494,563	279,448
– between 6 months and 1 year (inclusive)	346,101	168,531
– over 1 year	304,688	170,225
Total	1,145,352	618,204
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.52%	0.35%
– between 6 months and 1 year (inclusive)	0.37%	0.22%
– over 1 year	0.32%	0.22%
Total	1.21%	0.79%

DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, “Bank of Zhengzhou”, or “We”	Bank of Zhengzhou Co., Ltd. (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on November 16, 1996 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBRC”	China Banking Regulatory Commission
“CBRC Henan Bureau”	China Banking Regulatory Commission Henan Bureau
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
“Fugou County Bank”	Fugou Zhengyin County Bank Co., Ltd. (扶溝鄭銀村鎮銀行股份有限公司), a company incorporated in the PRC on December 3, 2015, of which the Bank held 50.2% of its share capital as at the Latest Practicable Date
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong 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
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd (河南九鼎金融租賃股份有限公司), a company incorporated in the PRC on March 23, 2016, of which the Bank held 51% of its share capital as at the Latest Practicable Date

DEFINITIONS

“Latest Practicable Date”	April 25, 2016, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report
“Listing Date”	December 23, 2015, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“PBoC” or “Central Bank”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this annual report only, excluding Hong Kong, Macau and Taiwan
“Reporting Period”	the year ended December 31, 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 amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Supervisor(s)”	the supervisor(s) of the Bank

