



浙商银行股份有限公司

CHINA ZHESHANG BANK CO., LTD.

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

Stock Code : 2016



涌金 票据池

来福贴心管家

2015

Annual Report





Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this annual report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.

The 5th meeting of the fourth session of the Board of the Company, held on April 22, 2016, approved the Annual Report of China Zheshang Bank Co., Ltd. for 2015. The Company has 17 directors, 16 directors attended the meeting in person and Ms. Lou Ting (director) had authorized Ms. Gao Qinhong (director) to attend this meeting on her behalf, which was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company. 12 Supervisors of the Company attended the meeting.

The 2015 financial report prepared by the Company in accordance with Chinese Accounting Standards ("CAS") and International Financial Reporting Standards ("IFRS") have been audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants (Special General Partnership) and PricewaterhouseCoopers Certified Public Accountants in accordance with Chinese and international auditing standards, respectively. Both auditors issued an unqualified opinion.

Unless otherwise illustrated in this annual report, the currency for amounts herein is RMB.

The Board of the Company has proposed to declare a cash dividend of RMB1.30 per 10 shares (tax inclusive) for 2015, payable in RMB to holders of domestic shares and in HK dollars to holders of H shares. The above proposal on dividend distribution is subject to consideration and approval at the 2015 annual general meeting of the Company.

Shen Renkang (Chairman of the Bank), Liu Xiaochun (President of the Bank) and Xu Manxuan (Chief Financial Officer of the Bank) undertake that the financial report in this annual report is true, accurate and complete.

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



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Definitions

“Articles of Association”:	the articles of association of China Zheshang Bank Co., Ltd.
“Board” or “Board of Directors”:	the board of directors of the Company
“Board of Supervisors”:	the board of supervisors of the Company
“CBRC”:	China Banking Regulatory Commission
“Commercial Banking Law”:	The Commercial Banking Law of the People’s Republic of China
“Company”, “Bank”, “our Bank”, “China Zheshang Bank” or “CZBank”:	China Zheshang Bank Co., Ltd.
“Company Law”:	the Company Law of the People’s Republic of China
“CSRC”:	China Securities Regulatory Commission
“Director(s)”:	the director(s) of the Company
“Domestic Shares”:	ordinary shares issued by the Company with a nominal value of RMB1.00 each, which are subscribed for and credited as paid in full in RMB
“H Shares”:	overseas-listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars. Such shares of the Company are listed and traded on the Hong Kong Stock Exchange
“HKD” or “HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”:	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange” or “SEHK”:	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”:	April 21, 2016
“Model Code”:	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to Hong Kong Listing Rules
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Supervisor(s)”:	the supervisor(s) of the Company



Company Profile

- Company name in Chinese:** 浙商银行股份有限公司 (Abbreviation in Chinese: 浙商银行)

Company name in English: CHINA ZHESHANG BANK CO., LTD.
(Abbreviation in English: CZBANK)
- Legal Representative:** Shen Renkang
- Registered and office address:** No. 288, Qingchun Road, Hangzhou, Zhejiang
Postcode: 310006
Tel: 86-571-88268966
Fax: 86-571-87659826
Website: www.czbank.com
Customer service hotline: 95527
- Principal place of business in Hong Kong:** 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
- Authorized representatives:** Xu Renyan, Liu Long
- Secretary to the Board:** Liu Long

Joint company secretaries: Liu Long, Wong Yat Tung
- Methods of contact to the Board of Directors of the Company**

Tel: 86-571-88268966
Fax: 86-571-87659826
E-mail: IR@czbank.com
- Place of maintenance of annual reports:** Office of the Board of the Company
(No. 288, Qingchun Road, Hangzhou, Zhejiang)
Website of Hong Kong Stock Exchange for publishing annual reports of H Shares: www.hkexnews.hk

Company Profile

- 9. Listing place, abbreviation and code of the stock:** Hong Kong Stock Exchange
Stock abbreviation: CZBANK
Stock code: 2016
- 10. Share registrar
H Shares:** Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen’s Road East, Wanchai, Hong Kong
- 11. Legal advisors
As to PRC Laws:
As to Hong Kong Laws:** Zhejiang T&C Law Firm
Freshfields Bruckhaus Deringer
- 12. Compliance Adviser:** ABCI Capital Limited
- 13. Other information about the Company:** Financial institution license serial number:
B0010H133010001
Corporate business license serial number:
330000000013295
Registration date: July 26, 2004
Tax registration certificate number:
Guo Shui Zi 330000761336668
Zhe Di Shui Zi 330000761336668
Organization code: 76133666-8
- 14. Accounting firms engaged by the Company**
- Domestic auditor:** PricewaterhouseCoopers Zhong Tian Certified Public Accountants (Special General Partnership)
Office address: 11/F, PricewaterhouseCoopers Center, No. 202 Hubin Road, Shanghai
- International auditor:** Signatory accountants: Ma Yingni, Wang Runsong
PricewaterhouseCoopers Certified Public Accountants
Office address: 20–24/F, Prince’s Building, Central, Hong Kong

This report is prepared in Chinese and English, respectively, and the Chinese version shall prevail if any ambiguities arise from the understanding of the Chinese and English texts.

Honors and Awards

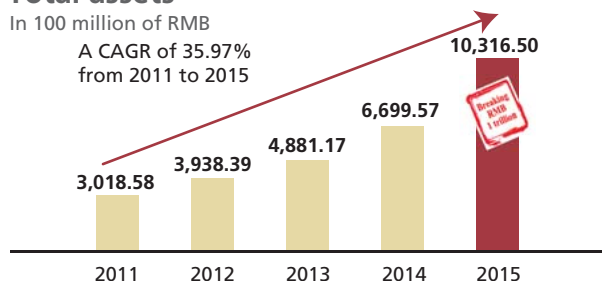
No.	Awards/rank	Event/Organization/Publication
1	145th among the "Top 1000 World Banks" (“全球銀行業1000強榜單第145位”) (in terms of total assets)	<i>The Banker</i>
2	Excellent Financial Service Team for Small and Micro Enterprises (小微企業金融服務優秀團隊)	CBRC
3	Award for Best Case of Practising Social Responsibilities (最佳社會責任實踐案例獎)	China Banking Association
4	"Advanced Collectives Award" in Online Intelligence Competition on Protection of Consumer Rights in Chinese Banking Sector (中國銀行業消費者權益保護知識網絡競賽“先進集體獎”)	China Banking Association
5	Second Price of "Outstanding Unit in Supporting Zhejiang Economic and Social Development" (“支持浙江經濟社會發展先進單位”二等獎)	The People's Government of Zhejiang Province
6	Award for the Most Influential Market Participant and Award for Outstanding Contribution to Inter-bank Certificates of Deposit (最具市場影響力獎、同業存單突出貢獻獎)	China Foreign Exchange Trade System (National Interbank Funding Center)
7	Award for Chinese Internet Finance Innovation (中國網絡金融創新獎)	China Financial Certification Authority (CFCA)
8	"Excellent" Rating under the Effect-Orientated Assessments for Small and Micro Enterprises Credit Policy (小微企業信貸政策導向效果評估“優秀”)	Hangzhou central branch of PBOC
9	Jinniu Excellent Asset Management (金牛卓越資產管理)	<i>China Securities Journal</i>
10	The Investment Bank Most Respected by Investors (最受投資者尊重的投行)	<i>Securities Times</i>
11	The Most Competitive Wealth Management Institution and the Financial Products with Internet DNA (最具競爭力財富管理機構、最具互聯網基因金融產品)	SEEC and Hexun.com
12	The Best Bank Providing Corporate Liquidity Services of the Year (年度最佳企業流動性服務銀行)	<i>Financial Times</i> and jointly operated by the Institute of Finance and Banking, Chinese Academy of Social Sciences
13	Innovative Wealth Management Bank of the Year (年度創新財富管理銀行)	Sina.com.cn
14	The Best Brand of Innovative Asset Management (最佳創新資產管理品牌)	<i>21st Century Business Herald</i>
15	The Most Reliable Financial Institution-Joint-stock Commercial Bank chosen by Zhejiang Merchants (浙商最信賴金融機構)	<i>Zhejiang Merchants</i> and Zhejiang Merchants Association

Financial Summary

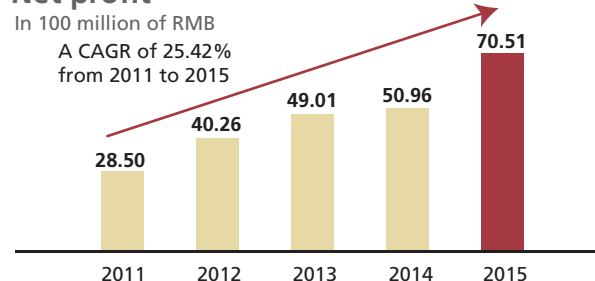
(The financial data and indicators set forth in this annual report are prepared in accordance with IFRSs and presented in RMB, unless otherwise specified)

Fast-growing business and steadily improved operating results

Total assets

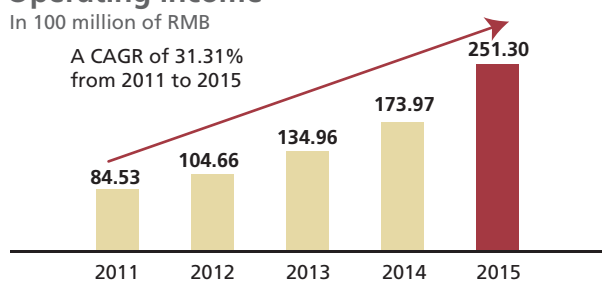


Net profit

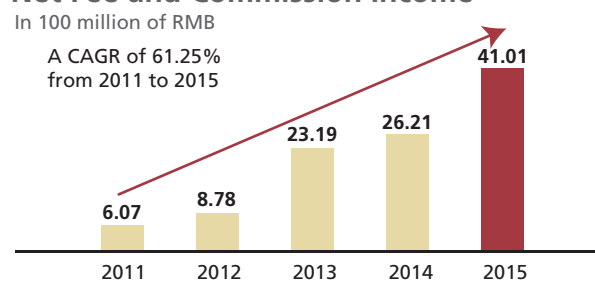


Continuously increasing income and more diversified channels

Operating income



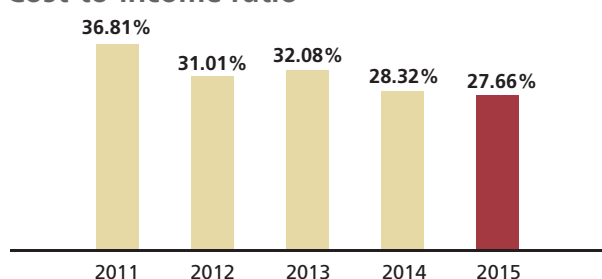
Net Fee and Commission Income



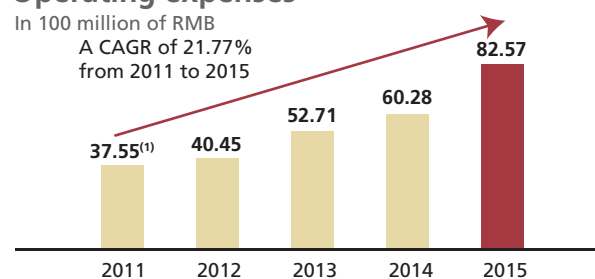
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Reduced cost-to-income ratio and improved operational efficiency

Cost-to-income ratio



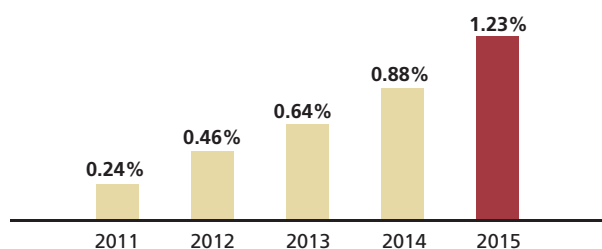
Operating expenses



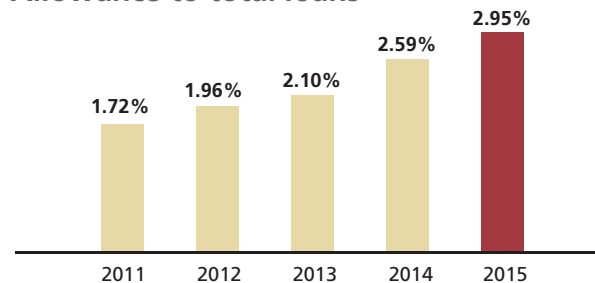
Note: (1) To maintain the comparability of data, the operating expenses of 2011 is presented pursuant to the caliber of IFRS.

Prudent allowance and solid asset quality

Non-performing loan ratio



Allowance to total loans



Financial data

	2015	2014	2013	2012	2011 ⁽¹⁰⁾
Operating results (RMB'000)					
Operating income	25,130,385	17,396,834	13,495,504	10,466,477	8,452,642
Profit before income tax	9,380,412	6,792,233	6,521,438	5,358,556	3,778,407
Net profit attributable to shareholders of the Company	7,050,690	5,095,503	4,901,249	4,025,695	2,849,828
Net cash flow generated from operating activities	207,329,259	143,328,870	(11,968)	12,629,210	1,968,097
Scale indicators (at the end of the reporting period, RMB'000)					
Total assets	1,031,650,386	669,957,446	488,116,994	393,839,270	301,857,656
Total loans and advances to customers	345,422,861	259,022,644	217,137,318	182,305,629	148,984,748
Total liabilities	981,993,322	636,807,274	460,308,497	371,129,871	281,171,819
Customer deposits	516,026,296	363,279,888	319,794,777	266,887,919	214,682,333
Shareholders' equity	49,657,064	33,150,172	27,808,497	22,709,399	20,685,837
Share capital	14,509,697	11,506,872	11,506,872	10,006,872	10,006,872
Per share (RMB)					
Net assets per share	3.42	2.88	2.42	2.27	2.07
Basic earnings per share	0.54	0.44	0.45	0.40	0.28
Diluted earnings per share	0.54	0.44	0.45	0.40	0.28
Profitability indicators (%)					
Return on average total assets ⁽¹⁾	0.83	0.88	1.11	1.16	1.10
Return on average equity ⁽²⁾	17.03	16.72	19.40	18.55	14.80
Net interest margin ⁽³⁾	2.31	2.62	2.63	2.91	3.39
Net interest spread ⁽⁴⁾	2.12	2.38	2.41	2.68	3.17
Net fee and commission income to operating income	16.32	15.07	17.18	8.38	7.18
Cost-to-income ratio ⁽⁵⁾	27.66	28.32	32.08	31.01	36.81
Asset quality indicators (%)					
Non-performing loan ratio ⁽⁶⁾	1.23	0.88	0.64	0.46	0.24
Allowance to non-performing loans ⁽⁷⁾	240.83	292.96	329.28	421.90	704.96
Allowance to total loans ⁽⁸⁾	2.95	2.59	2.10	1.96	1.72
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁹⁾	9.35	8.62	9.17	N/A	N/A
Tier-one capital adequacy ratio ⁽⁹⁾	9.35	8.62	9.17	N/A	N/A
Capital adequacy ratio ⁽⁹⁾	11.04	10.60	11.53	N/A	N/A

- Notes: (1) Net profit attributable to shareholders of the Company for the year divided by average balance of total assets at the beginning and at the end of the period.
- (2) Net profit attributable to shareholders of the Company for the year divided by average balance of shareholders' equity at the beginning and at the end of the period.
- (3) Net interest income divided by average balance of interest-earning assets.
- (4) Difference between average yield on total interest-earning assets and average cost on total interest-bearing liabilities.
- (5) Operating expenses (excluding business tax and surcharges) divided by operating income.
- (6) Balance of non-performing loans divided by total loans and advances to customers.
- (7) Balance of allowance for impairment losses on loans divided by balance of non-performing loans.
- (8) Balance of allowance for impairment losses on loans divided by total loans and advances to customers.
- (9) Indicators of capital adequacy ratio were calculated by the Company in accordance with the Measures on the Administration of Capital Adequacy Ratios of Commercial Banks (《商業銀行資本充足率管理辦法》) before January 1, 2013. As of December 31, 2011 and 2012, our capital adequacy ratio was 13.94% and 12.51% while our core capital adequacy ratio was 10.87% and 9.84%, respectively. Since January 1, 2013, our Company has been calculating and disclosing capital adequacy ratio in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》).
- (10) The financial data for 2011 has not been prepared in accordance with the IFRSs.

Chairman's Statement



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Mr. Shen Renkang
Chairman

We are singing a song of glory, impassioned and indefatigable like a great river rolling on.

In 2015, under the background of China's macro economy entering the "new normal" stage of slowing down and improving quality, China Zheshang Bank ushered in a "new decade" of win-win cooperation as well as transformation and upgrade. Facing the complicated external environment, our Bank adapted to changes and took advantage of the opportunities arising therefrom by adhering to the visionary goal of "two most", to propel the consistent implementation of our full-asset class operation strategy. Specifically, our Bank improved the corporate governance system and ensured our decision-making mechanism to be flexible and efficient; stuck to the implementation of comprehensive risk management and maintained our leading position in terms of asset quality; propelled the development of major business segments and continuously expanded our business scope; took full advantage of the innovation in financial technologies and acquired increasingly distinctive competitive strengths; responded actively to national strategic calls and achieved outstanding results in the performance of our services; and exercised our social responsibilities as an enterprise and steadily improved our brand image. Under the macro environment where the development of the banking industry was slowing down, our Bank rose like a phoenix and transformed like a butterfly, and achieved brilliant results of operation, laying a solid foundation for our characteristic development in the future.

As of the end of 2015, the total asset of our Bank had reached and remained beyond the gate of RMB1 trillion, with an amount of RMB1,031.650 billion, representing an increase of 53.99% as compared to the beginning of the year; our pre-provision profit and net profit for the whole year amounted to RMB16.873 billion and RMB7.051 billion, respectively, representing an increase of 48.42% and 38.37%, respectively, and our non-performing loan ratio was 1.23%. In 2015, the Bank sharply rose to rank 145th in the "Top 1000 World Banks" released by the British magazine *The Banker* in terms of total assets. I hereby would like to express my sincere gratitude on behalf of the Board to the people from all sectors of society for their long-lasting concern on the growth of our Bank, and my deep appreciation to all the shareholders for their full support for the development of our Bank, as well as my heartfelt thanks to all the staff of China Zheshang Bank for their hard work!

We highly appreciate our hard-earned achievements and prepare ourselves for the long and arduous journey ahead. 2016 is the opening year for the government's "Thirteenth Five-Year" Plan and our "Third Five-Year" plan. In future, the banking industry will still be facing various severe challenges arising from the reshaping of the market environment, the aggravation of financial disintermediation and the continued exposure to non-performing assets. Opportunities and risks as well as hopes and difficulties co-exist in the powerful current of changing times. Benefits always come with right act in the right time. We will keep our courage for reform and innovation, improve ourselves by changing ourselves in response to changes, strive to explore the new opportunities arising from the switching of the old economic system to the new one and the optimization and upgrade of the industrial structure, and conduct in-depth research on the new direction of the development and profit earning mode in the future. Furthermore, our Bank will formulate and implement new measures on the reform of key areas and links from the long-term point of view, put aggressive efforts on exploration, and take initiatives to make thorough arrangements and propel the implementation thereof steadily, to create a new legend for China Zheshang Bank and open a new chapter for the financial market in China!

In 2016, China Zheshang Bank will embrace vast opportunities and accomplish great deeds!

沈仁康

Chairman

President's Statement



Mr. Liu Xiaochun
President

President's Statement

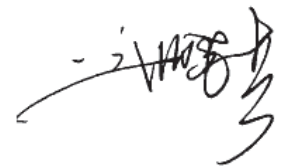
2015 was the first full year of operation for the Bank to implement our full-asset class operation strategy pursuant to the general objective of “two most”. During the year, all staff across the Bank worked with high morale, our business experienced vigorous development and achieved remarkable growth despite the unfavorable environment, reflecting the preliminary results of our full-asset class operation strategy.

In 2015, our total assets exceeded RMB1 trillion with an amount of RMB1,031.650 billion, representing an increase of 53.99% as compared to the beginning of the year. The balance of our deposits and loans amounted to RMB516.026 billion and RMB345.423 billion, respectively, representing an increase of 42.05% and 33.36% as compared to the beginning of the year, respectively. Our non-performing loan ratio was 1.23%, reflecting our solid asset quality in the sector. Our allowance to non-performing loans was 240.83%, higher than the industry average. Our net profit for the year reached RMB7.051 billion, representing a year-on-year increase of 38.37%.

In 2015, the Bank sharply rose to rank 145th in the “Top 1000 World Banks” released by the British magazine *The Banker* in terms of total assets, and won various honors including The Best Bank Providing Corporate Liquidity Services of 2015, the Award for Outstanding Asset Management, the Best Investment Bank, the Best Wealth Management Bank Brand and the Award for Innovative Wealth Management. Our market influence had remarkably increased as a result.

Our hard-earned results for the past year were attributable to the hard work of all the staff across the Bank and the concern and support of all sectors of society. I hereby would like to express my heartfelt gratitude on behalf of the management team of the Bank to all of our staff, relevant authorities and all sectors of society for their long-lasting concern for us and support for our development!

On the basis of breaking RMB1 trillion in terms of our total assets, we will precisely capture the general trend, actively adapt to the new normal, and promote the all-round and in-depth implementation of our full-asset class operation strategy. We will strive to develop ourselves into a bank that provides corporate liquidity services and full-value-chain services, manages personal assets, provides customized services for small and micro enterprises and serves in cooperation with other counterparts, so as to make even greater contributions for the furtherance of China's reform!



President

Management Discussion and Analysis

(I) Strategic Objectives

Our vision is to become the most competitive nationwide joint-stock commercial bank and Zhejiang's most important financial platform.

To achieve this vision, we conduct business in accordance with our “full-asset class operation” strategy. This means that in addition to developing our traditional credit business, we strengthen our cooperation with other banks, non-bank financial institutions and other quasi-financial institutions, achieve the coordinated and efficient management and intensive operation of our financial markets business (including businesses in credit markets, money markets, capital markets and foreign exchange markets), and promote the diversified development of our credit assets, inter-bank assets and investment assets. Through integrated operations and business synergies, we provide our customers with comprehensive financial solutions and continue to strengthen our market and customer experience-oriented product and business model innovation. At the same time, we drive liabilities with our asset management capabilities, and strategically and tactically match our assets and liabilities in terms of sources, maturities and costs, which enables us to reshape our balance sheet and enhance our market competitiveness.

(II) Economic, Financial and Regulatory Environment

In 2015, the global economy showed signs of deep adjustment. The economic recovery of developed countries was unstable on the whole, as proven by the fact that the economy of the Eurozone and Japan has yet to free itself from the plight irrespective of a notable trend of economic growth in the United States. The emerging economies manifested a pattern of marked polarization. Among the BRICS countries, China and India still managed to maintain an economic growth rate of around 7%, while Russia and Brazil had slipped into economic depression, and the economy of South Africa also hit rock bottom. Deep adjustment of the global economy and differentiation of global monetary policy intensified the volatility in international financial markets.





Management Discussion and Analysis

In 2015, under the background of weak recovery of the world economy and shrinking trade, our national economy was still running within a reasonable range, economic structure was further optimized, transformation and upgrade further sped up, emerging drivers were further accumulated and people's living was further improved. The annual GDP grew by 6.9%, contributing about 25% to the world economic growth. Industry added value grew by 6.1%, the consumer price index rose by 1.4%, total retail sales of consumer goods grew by 10.7%, fixed asset investment grew by 10%, and import and export amount dropped by 8%.

In 2015, the People's Bank of China continued to implement a prudent monetary policy, used various tools in a comprehensive manner to reasonably adjust liquidity, deepened financial reform and achieved a major breakthrough, so the pertinence and effectiveness of macro-control were further enhanced. Deposit reserve requirement ratio of financial institutions was generally lowered for four times with five cuts in targeted reserve requirement ratio, which provided long-term liquidity for the market. Standing Lending Facility was promoted in a comprehensive manner and the liquidity management of local corporate financial institutions was strengthened. The People's Bank of China put more efforts in stabilizing short-term market interest rates for the purpose of maintaining smooth operation of the money market. Five cuts were made to the benchmark interest rate on loans and deposits and the price leverage was fully utilized to guide the lowering of financing costs. The evaluation of the average deposit reserve requirement ratio method was carried out, counter-cyclical adjustment and structural direct roles of dynamic adjustment mechanism for differential deposit reserve continued to play in order to guide financial institutions to allocate more credit resources to key areas and weak links in the economic and social development. Renminbi joined the Special Drawing Rights (SDR) basket of the International Monetary Fund, which was a significant step for Renminbi to become an international reserve currency. Floating cap of deposit interest rate of financial institutions was fully opened up and liberalization reform of interest rates achieved key progress. The Renminbi exchange rate regime was further improved and the decisive role of the market in the formation of the exchange rate was further enhanced. The formal implementation of the deposit insurance system represented that China's financial safety net was further improved. The consensus loan management was deployed and improved, and a regulatory framework for the macro prudential assessment (MPA) was established.

In 2015, money supply generally grew stably. Broad money (M2) balance was RMB139.2 trillion, representing an increase of 13.3%; the balance of RMB loans was RMB93.95 trillion, representing an increase of 14.3%; RMB deposit balance was RMB135.8 trillion, representing an increase of 12.4%; and annual social financing scale was RMB15.41 trillion. Shanghai composite index and compositional index of Shenzhen stock market rose by 9.41% and 14.98%, respectively. Market value of shares listed on the stock markets of Shanghai and Shenzhen grew by 32.42%. Various kinds of bonds (excluding central bank bills) of RMB9.87 trillion were issued in the bond markets, increased by RMB3.92 trillion on a year-

Management Discussion and Analysis

on-year basis. The middle point of the exchange rate between Renminbi and US dollars was RMB6.4936, devaluing by 6.13% compared with last year. The return rate of treasury bonds in the inter-bank market was going downward in general.

Asset scale of the banking industry grew stably. As at the end of 2015, total assets in local and foreign currencies at home and abroad for the banking industry was RMB199.3 trillion, increased by 15.7% on year-on-year basis; the balance of non-performing loans of commercial banks was RMB1,274.4 billion with a non-performing loan ratio of 1.67% and allowance to non-performing loans of 181.18%. Weighted average core tier-one capital adequacy ratio was 10.91%, weighted average tier-one capital adequacy ratio was 11.31%, and weighted average capital adequacy ratio was 13.45% for commercial banks (excluding branches of foreign banks).

Looking forward into 2016, recovery of the world economy will remain weak. The insufficient total demand of developed economies will coexist with a long-term low growth rate, and the downward trend of the overall growth rate will be hard to curb effectively in the emerging economies. The different directions of the macro policies of major economies, the large-scale cross-border capital flow, the turbulences in the foreign exchange and financial markets, the geopolitical changes and natural disasters may cause negative interference on the economic operation of the world.

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In 2016, China's economy will be in a critical period for phase changing, structural transformation, power switching and risk mitigation. New powers are being cultivated but not mature yet, while traditional powers are being adjusted and attenuating, so China's economy will continue to stay at the periodic bottom of the prosperity cycle for a certain period of time. The Chinese government set the overall tone for the economic development in 2016 to be "seeking improvement in stability". On the one hand, China will accelerate structural reforms on the supply side. During the process of "reducing industrial capacity, destocking, deleveraging, lowering costs and filling the short board", certain industries may remain in a downward state, international and domestic demand will face difficulties in boosting themselves in a short period. Together with the slowdown of financial industry under the impact of high cardinality in 2015, the economy will be under increasing downward pressure in 2016. On the other hand, in order to coordinate with the stock adjustment and incremental reform on the supply side, China will pursue the prudent monetary policy and emphasize price guidance. Therefore, the fiscal policy will play a greater role by spurring spending and cutting tax. At the same time, by focusing on the national strategies such as "One Belt and One Road", "Made in China 2025" and Yangtze River Economic Zone, China will deepen four major areas of reform for state-owned enterprises, taxation, finance and social security in a comprehensive manner, focus on promoting a two-way opening of high standard, and try to promote the vigorous development of emerging industries, new types of business and new business models.

(III) Analysis of Financial Statements

1. Analysis of income statement

In 2015, the Company achieved sound results of operations because the Company actively adapted to the new normal of the economy, actively seized new opportunities for development, fully promoted the general objective of “two most” and the full-asset class operation strategy. In 2015, the Company achieved a net profit of RMB7.051 billion, increased by RMB1.955 billion or 38.37% compared with last year; average return on total assets was 0.83% and the average return on equity was 17.03%. Operating income was RMB25.130 billion, increased by 44.45%, including, among others, net interest income of RMB20.586 billion, increased by 41.63%; non-interest income of RMB4.545 billion, increased by 58.81%. Operating expense was RMB8.257 billion, increased by 36.97%; cost-income ratio fell by 0.66 percentage points to 27.66%. Provision for impairment loss of assets was RMB7.493 billion, increased by 63.73%. The income tax expense was RMB2.330 billion, increased by RMB633 million or 37.31%.

Changes of the main items in the income statement

In thousands of RMB, except percentages

Item	2015	2014	Increase/ decrease	Growth rate (%)
Net interest income	20,585,751	14,535,224	6,050,527	41.63
Non-interest income	4,544,634	2,861,610	1,683,024	58.81
Operating income	25,130,385	17,396,834	7,733,551	44.45
Less: operating expense	8,257,286	6,028,345	2,228,941	36.97
Less: impairment loss of assets	7,492,687	4,576,256	2,916,431	63.73
Profit before tax	9,380,412	6,792,233	2,588,179	38.10
Less: income tax expenses	2,329,722	1,696,730	632,992	37.31
Net profit	7,050,690	5,095,503	1,955,187	38.37
Net profit attributable to the shareholders of the Company	7,050,690	5,095,503	1,955,187	38.37

Management Discussion and Analysis

(1) Net interest income

In 2015, net interest income was RMB20.586 billion, increased by RMB6.051 billion or 41.63%, accounting for 81.92% of operating income. Interest income was RMB47.430 billion, increased by RMB15.231 billion or 47.30%; and interest expense was RMB26.844 billion, increased by RMB9.181 billion or 51.98%. Net interest spread and net interest margin were 2.12% and 2.31%, respectively, decreased by 26 bps and 31 bps over last year, respectively.

Average yields on interest-earning assets and average interest rate of interest-bearing liabilities

In thousands of RMB, except percentages

Item	2015			2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	320,957,915	18,905,466	5.89	239,698,992	16,433,411	6.86
Financial investments ⁽¹⁾	391,299,771	22,571,678	5.77	122,151,081	7,221,238	5.91
Due from banks and other financial institutions ⁽²⁾	91,588,115	4,388,954	4.79	125,659,667	7,359,359	5.86
Balances with central bank ⁽³⁾	78,166,144	1,211,276	1.55	64,087,848	987,919	1.54
Financial assets at fair value through profit or loss	7,437,349	352,436	4.74	3,073,278	196,544	6.40
Total interest-earning assets	889,449,294	47,429,810	5.33	554,670,866	32,198,471	5.80

Management Discussion and Analysis

Item	2015			2014		
	Average balance	Interest expenses	Average interest rate (%)	Average balance	Interest expenses	Average interest rate (%)
Interest-bearing liabilities						
Customer deposits	448,531,209	11,219,273	2.50	328,233,405	8,165,576	2.49
Due to banks and other financial institutions ⁽⁴⁾	314,866,410	12,402,691	3.94	167,307,306	8,458,075	5.06
Debt securities issued ⁽⁵⁾	72,397,268	3,222,095	4.45	19,822,882	1,039,596	5.24
Total interest-bearing liabilities	835,794,887	26,844,059	3.21	515,363,593	17,663,247	3.43
Net interest income		20,585,751			14,535,224	
Net interest spread (%)			2.12			2.38
Net interest margin (%)			2.31			2.62

Note: (1) Financial investments include available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables.

(2) Due from banks and other financial institutions include financial assets purchased under resale agreements.

(3) Balances with the central bank include mandatory reserve deposits and surplus reserve deposits.

(4) Due to banks and other financial institutions include financial assets sold under repurchase agreements.

(5) Debt securities issued includes issued interbank certificates of deposits, financial bond and subordinated bond.

Management Discussion and Analysis

Analysis of changes in interest income and interest expense

In thousands of RMB

Item	Comparison between 2015 and 2014		
	Factors for increase (decrease)		Net increase (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	5,570,992	(3,098,937)	2,472,055
Financial investments	15,911,335	(560,895)	15,350,440
Due from banks and other financial institutions	(1,995,428)	(974,977)	(2,970,405)
Balances with central bank	217,018	6,339	223,357
Financial assets at fair value through profit or loss	279,094	(123,202)	155,892
Changes in interest income	19,983,011	(4,751,672)	15,231,339
Interest-bearing liabilities			
Customer deposits	2,992,690	61,007	3,053,697
Due to banks and other financial institutions	7,459,722	(3,515,106)	3,944,616
Debt securities issued	2,757,224	(574,725)	2,182,499
Changes in interest expense	13,209,636	(4,028,824)	9,180,812
Changes in net interest income	6,773,375	(722,848)	6,050,527

Note: (1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield or average cost for the previous year.

(2) Represents the average yield or average cost for the year minus the average yield or average cost for the previous year, multiplied by the average balance for the year.

(3) Represents interest income or expense for the year minus interest income or expense for the previous year.

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers was RMB18.905 billion, increased by RMB2.472 billion or 15.04% over last year, mainly due to an increase of RMB81.259 billion in average balance of loans and advances to customers, which was partly offset by the decline in the average loan yield. The decline in the average loan yield was mainly due to multiple interest rate cuts by the People’s Bank of China in 2015.

Analysis of the average yield on loans and advances to customers

In thousands of RMB, except percentages

Item	2015			2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances ⁽¹⁾	264,184,773	14,999,804	5.68	192,138,953	12,806,766	6.67
Personal loans and advances	56,773,142	3,905,662	6.88	47,560,039	3,626,645	7.63
Total loans and advances to customers	320,957,915	18,905,466	5.89	239,698,992	16,433,411	6.86

Note: (1) including discounted bills.

Interest income from financial investments

Interest income from financial investments was RMB22.572 billion, increased by RMB15.350 billion or 212.57% over last year, mainly because we capitalized on the market interest rate trend change, optimized our assets structure in accordance with our demand for assets management and moderately increased our interbank investments, particularly investments in asset management plans, trust plans and wealth management products sponsored by other banks.

Management Discussion and Analysis

Interest income from financial investments

In thousands RMB, except percentages

Item	2015			2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Available-for-sale financial assets	41,036,597	1,652,363	4.03	13,456,583	641,944	4.77
Held-to-maturity investments	23,241,524	952,456	4.10	17,970,328	767,490	4.27
Debt instruments classified as receivables	327,021,650	19,966,859	6.11	90,724,170	5,811,804	6.41
Total	391,299,771	22,571,678	5.77	122,151,081	7,221,238	5.91

Interest income from banks and other financial institutions

Interest income from banks and other financial institutions was RMB4.389 billion, representing a decrease of RMB2.970 billion or 40.36% compared to last year, primarily because the average balance of due from banks and other financial institutions decreased. Meanwhile, the People's Bank of China lowered the benchmark interest rates several times in 2015, which led to a decrease in the return of amounts due from banks and other financial institutions.

Interest income from balances with central bank

Interest income from balances with central bank amounted to RMB1.211 billion, representing an increase of RMB223 million or 22.61% as compared to last year, primarily due to the increase in customer deposits which led to an increase in the mandatory reserve deposits.

Interest income from financial assets at fair value through profit or loss

Interest income from financial assets at fair value through profit or loss amounted to RMB352 million, representing an increase of RMB156 million or 79.32% as compared to last year, primarily due to the increased average balance of financial assets at fair value through profit or loss, partially offset by the decreased average yield.

(3) Interest expense

Interest expense on deposits

Interest expense on deposits amounted to RMB11.219 billion, representing an increase of RMB3.054 billion or 37.40% as compared to last year, accounting for 41.79% of the total interest expenses. Such increase was primarily due to the increase of RMB120.298 billion in the average balance of deposits.

Interest expense on customer deposits

In thousands of RMB, except percentages

Item	2015			2014		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	296,735,698	9,786,558	3.30	204,845,385	6,881,251	3.36
Demand	131,626,059	903,280	0.69	101,658,477	705,743	0.69
Subtotal	428,361,757	10,689,838	2.50	306,503,862	7,586,994	2.48
Personal deposits						
Time	16,338,552	514,594	3.15	17,645,421	562,216	3.19
Demand	3,830,900	14,841	0.39	4,084,122	16,366	0.40
Subtotal	20,169,452	529,435	2.62	21,729,543	578,582	2.66
Total	448,531,209	11,219,273	2.50	328,233,405	8,165,576	2.49

(1) Other deposits include remittance payables, temporary deposits, outward remittance and structured deposits, etc.

Interest expense on amounts due to banks and other financial institutions

Interest expense on amounts due to banks and other financial institutions amounted to RMB12.403 billion, representing an increase of RMB3.945 billion or 46.64% as compared to last year, primarily due to the increase of RMB147.559 billion in average balance, partially offset by the decreased financing interest rates.

Debt securities issued

Interest expense on debt securities issued amounted to RMB3.222 billion, representing an increase of RMB2.182 billion or 209.94% as compared to last year, primarily due to an increase in the issuance of interbank certificates of deposits and bonds including financial bonds for small and micro enterprises in 2015, partially offset by the decreased financing interest rates.

Management Discussion and Analysis

(4) Non-interest income

Non-interest income in 2015 amounted to RMB4.545 billion, representing an increase of RMB1.683 billion or 58.81% as compared to last year. Specifically, the net fee and commission income was RMB4.101 billion, representing an increase 56.45%, while other non-interest income was RMB444 million, representing an increase of 84.55%.

Net fee and commission income

In thousands of RMB, except percentages

Item	2015	2014	Amount of increase or decrease	Growth rate (%)
Agency service	859,404	1,404,549	(545,145)	(38.81)
Wealth management business	2,131,103	353,864	1,777,239	502.24
Custodian and other fiduciary service	158,955	266,685	(107,730)	(40.40)
Credit commitment	483,520	265,288	218,232	82.26
Underwriting service	334,565	275,548	59,017	21.42
Settlement business	84,386	42,152	42,234	100.19
Others	141,880	83,227	58,653	70.47
Fee and commission income	4,193,813	2,691,313	1,502,500	55.83
Less: Fee and commission expense	92,857	70,117	22,740	32.43
Net fee and commission income	4,100,956	2,621,196	1,479,760	56.45

Fee income from agency service was RMB859 million, representing a decrease of RMB545 million as compared to last year, primarily because the Company proactively adjusted our business mix according to the changing market environment.

Fee income from wealth management business was RMB2.131 billion, representing an increase of RMB1.777 billion as compared to last year, primarily due to the increased scale of wealth management assets.

Fee income from custodian and other fiduciary service was RMB159 million, representing a decrease of RMB108 million as compared to last year, primarily because we proactively adjusted our business mix and reduced the scale of custodian trust plans.

Management Discussion and Analysis

Income from credit commitment business was RMB484 million, representing an increase of RMB218 million or 82.26% as compared to last year, primarily due to the increased scale of our off-balance sheet business.

Fee income from underwriting service was RMB335 million, representing an increase of RMB59 million or 21.42% as compared to last year, primarily due to the increased scale of the bond underwriting service.

Fee income from settlement business was RMB84 million, representing an increase of RMB42 million or 100.19% as compared to last year, primarily due to the growth of our settlement and clearing business.

Other non-interest income

In thousands of RMB, except percentages

Item	2015	2014	Amount of increase or decrease	Growth rate (%)
Net trading gains/(losses)				
— Held-for-trading				
Securities	345,555	87,791	257,764	293.61
— Derivative financial instruments	(371,486)	(134,572)	(236,914)	—
— Exchange gains	28,004	132,753	(104,749)	(78.91)
Net gains/(losses) on financial investments	329,792	41,962	287,830	685.93
Other operating income	111,813	112,480	(667)	(0.59)
Total	443,678	240,414	203,264	84.55

Other non-interest income was RMB444 million, representing an increase of 84.55%, primarily due to the increased gains from bond trading.

Management Discussion and Analysis

(5) Operating expenses

Operating expenses

In thousands of RMB, except percentages

Item	2015	2014	Amount of increase or decrease	Growth rate (%)
Staff costs	4,304,025	2,722,007	1,582,018	58.12
General and administrative expenses	2,046,851	1,670,455	376,396	22.53
Business tax and surcharges	1,305,448	1,101,360	204,088	18.53
Rental expenses	342,303	306,354	35,949	11.73
Depreciation and amortization	208,126	195,098	13,028	6.68
Others	50,533	33,071	17,462	52.80
Total	8,257,286	6,028,345	2,228,941	36.97

Operating expenses amounted to RMB8.257 billion, representing an increase of 36.97%, primarily due to our business expansion and the increased number of outlets and employees.

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(6) Impairment losses on assets

Impairment losses on assets

In thousands of RMB, except percentages

Item	2015	2014	Amount of increase or decrease	Growth rate (%)
Loans and advances to customers				
— Collectively assessed	3,206,972	2,899,704	307,268	10.60
— Individually assessed	2,950,371	1,380,400	1,569,971	113.73
Debt instruments classified as receivables	1,320,527	290,531	1,029,996	354.52
Others	14,817	5,621	9,196	163.60
Total	7,492,687	4,576,256	2,916,431	63.73

The impairment losses on assets were RMB7.493 billion, representing an increase of 63.73%, primarily because (1) our loan balances continued to increase; (2) considering a number of factors including the slowdown of domestic economic growth, we prudently increased the provision along with the increase in our non-performing loans to further enhance our risk resistance capability; (3) we disposed of non-performing loans in a timely and efficient manner, and the amount of the non-performing loans that were written off and transferred out increased accordingly; and (4) we increased the provision for the impairment losses on debt instruments classified as receivables.

(7) Income tax expenses

The income tax expenses were RMB2.330 billion, representing a year-on-year increase of RMB633 million or 37.31%, and the effective tax rate was 24.84%. For the reconciliation statement of the income tax expenses calculated at statutory tax rate and the actual income tax expenses, please see “Note to the Financial Statements — 12 Income Tax Expense”.

(8) Segment information

The major business segments of the Company were corporate banking, retail banking and treasury business.

Business segments

Segment operating results by business line

In thousands of RMB

Item	Total assets ⁽¹⁾	Operating income	Profit before tax
Corporate banking	441,178,017	13,065,949	1,077,454
Retail banking	65,969,587	2,233,513	781,536
Treasury business	522,381,314	9,784,404	7,507,302
Others	16,197	46,519	14,120
Total	1,029,545,115	25,130,385	9,380,412

Note: (1) Total assets exclude deferred income tax assets.

The Company had four geographic segments, namely, Eastern China, Northern China, Southern China and Western China.

Geographic segments

Segment operating results by geographic region

In thousands of RMB

Items	Total assets ⁽¹⁾	Operating income	Profit before tax
Eastern China	965,153,651	17,040,917	6,074,649
Northern China	237,892,641	4,289,981	1,966,080
Southern China	63,370,751	1,209,099	715,533
Western China	145,154,525	2,590,388	624,150
Elimination	(382,026,453)	—	—
Total	1,029,545,115	25,130,385	9,380,412

Note: (1) Total assets exclude deferred income tax assets.

Management Discussion and Analysis

2. Balance Sheet Analysis

In 2015, under the “new normal” economy, the Bank implemented the full-asset class operation strategy, actively adjusted our business structure, created an operation model corresponding to our “structural adjustment”, increased the allocation for strategic customers and strategic assets, and optimized and adjusted the regional development layout. Our operating capacity was further improved, structure of assets and liabilities was continuously optimized, liquidity and market risk management were further strengthened, resource allocation efficiency of assets and liabilities were steadily improved with initial results achieved from our full-asset class operation strategy.

(1) Assets

At the end of 2015, total assets amounted to RMB1,031.650 billion, representing an increase of RMB361.693 billion or 53.99% as compared with that at the end of last year, primarily due to the increases in loans and advances and investments, including an increase in total loans and advances to customers of RMB86.400 billion or 33.36%. Investments increased by RMB280.192 billion or 116.43%. In terms of the structure, net loans and advances accounted for 32.49% of total assets, investments accounted for 50.49%, and cash and balances with central bank accounted for 8.50%.

Assets utilization

In thousands of RMB, except percentages

Item	December 31, 2015		December 31, 2014	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	345,422,861	—	259,022,644	—
Less: allowance for impairment losses on loans	(10,193,921)	—	(6,710,208)	—
Net loans and advances	335,228,940	32.49	252,312,436	37.66
Investments ⁽¹⁾	520,848,463	50.49	240,656,846	35.92
Cash and balances with central bank	87,649,741	8.50	75,427,000	11.26
Precious metal	1,848	0.00	—	—
Due from banks and other financial institutions	76,607,447	7.42	93,685,713	13.98
Others	11,313,947	1.10	7,875,451	1.18
Total assets	1,031,650,386	100.00	669,957,446	100.00

Note: (1) It includes financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments, and debt instruments classified as receivables.

Loans

In 2015, the Company, according to changes in the macroeconomic environment and financial supervision requirements and by combining the optimization of credit increment and stock structure adjustment, supported the development of real economy, continued to deepen financial services to small and micro enterprises, increased efforts on innovation, and attached importance to credit structure adjustment and risk prevention and control simultaneously. As a result, loans increased steadily and evenly, with a reasonable investment direction and structure.

Loan structure by business type

In thousands of RMB, except percentages

Item	December 31, 2015		December 31, 2014	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans	242,484,549	70.20	194,148,826	74.95
Discounted bills	39,827,199	11.53	12,802,972	4.94
Personal loans	63,111,113	18.27	52,070,846	20.10
Total	345,422,861	100.00	259,022,644	100.00

Corporate loans

The Company has implemented the full-asset class operation strategy since 2015, through which, the Company can meet customers' financing needs via diversified products, and its asset size grew rapidly and business structure was further optimized. As of the end of 2015, total corporate loans amounted to RMB242.485 billion, representing an increase of 24.90% as compared with that at the end of last year, accounting for 70.20% of total loans and advances to customers, representing a decrease of 4.75 percentage points as compared with that at the end of last year.

Discounted bills

Discounted business is an asset-light business of low risk and low consumption of capital. Driven by the full-asset class operation strategy in a comprehensive manner, the Company flexibly regulated and controlled scale, optimized structure, accelerated turnover and improved comprehensive returns on bill assets according to the progress and program of loan extension. As of the end of 2015, total discounted bills amounted to RMB39.827 billion, representing an increase of 211.08% as compared with that at the end of last year, accounting for 11.53% of total loans and advances to customers, representing an increase of 6.59 percentage points as compared with that at the end of last year.

Personal loans

The Company optimized asset structure and expanded residential mortgage loans, business loans and credit card loans. As of the end of 2015, total personal loans amounted to RMB63.111 billion, representing an increase of 21.20% as compared with that at the end of last year.

Management Discussion and Analysis

Investments

In 2015, the Company accurately seized favorable opportunities in the financial market, flexibly arranged progress and key points in investments, optimized investment portfolio and structure and, on the basis of ensuring liquidity and risk control, constantly improved profitability level of investment portfolios. At the end of 2015, investments amounted to RMB520.848 billion, representing an increase of RMB280.192 billion or 116.43% as compared with that at the end of last year.

Investment composition by purpose of holding

In thousands of RMB, except percentages

Item	December 31, 2015		December 31, 2014	
	Amount	Proportion (%)	Amount	Proportion (%)
Financial assets at fair value through profit or loss	10,795,291	2.07	4,190,821	1.74
Available-for-sale financial assets	49,117,403	9.43	28,068,452	11.66
Held-to-maturity investments	29,042,163	5.58	18,693,282	7.77
Debt instruments classified as receivables	431,893,606	82.92	189,704,291	78.83
Total	520,848,463	100.00	240,656,846	100.00

As of December 31, 2015, financial assets at fair value through profit or loss of the Company amounted to RMB10.795 billion, representing an increase of 157.59%; the fair value of available-for-sale financial assets amounted to RMB49.117 billion, representing an increase of 74.99%; held-to-maturity investments amounted to RMB29.042 billion, representing an increase of 55.36%; and debt instruments classified as receivables amounted to RMB431.894 billion, representing an increase of 127.67%.

(2) Liabilities

At the end of 2015, total liabilities of the Company amounted to RMB981.993 billion, representing an increase of RMB345.186 billion or 54.21% as compared to that at the end of last year.

Liabilities

In thousands of RMB, except percentages

Item	December 31, 2015		December 31, 2014	
	Amount	Proportion (%)	Amount	Proportion (%)
Customer deposits	516,026,296	52.55	363,279,888	57.05
Due to banks and other financial institutions	354,657,357	36.12	214,998,181	33.76
Financial liabilities at fair value through profit or loss	500,020	0.05	—	—
Debt securities issued	89,936,036	9.16	47,898,057	7.52
Others	20,873,613	2.13	10,631,148	1.67
Total liabilities	981,993,322	100.00	636,807,274	100.00

Customer deposit

The Company attached importance to deposit organization and management, actively responded to the further advancement of liberalization of interest rates, increasingly fierce competition among peers, rapid development of Internet financial services and other external situations, took full advantage of the comprehensive advantages of financial services, improved the differentiated pricing mechanism for deposit interest rates, raised the debt stability, strengthened the management of financing channels, improved the diversification of financing sources and further optimized financing structures.

Structure of our customer deposits by business type

In thousands of RMB, except percentages

Item	December 31, 2015		December 31, 2014	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	179,985,599	34.88	125,004,100	34.41
Time	310,115,626	60.10	211,916,613	58.33
Sub-total	490,101,225	94.98	336,920,713	92.74
Individual deposits				
Demand	6,381,855	1.24	5,296,571	1.46
Time	15,298,848	2.96	17,446,872	4.80
Sub-total	21,680,703	4.20	22,743,443	6.26
Other deposits	4,244,368	0.82	3,615,732	1.00
Total	516,026,296	100.00	363,279,888	100.00

Management Discussion and Analysis

At the end of 2015, balance of customer deposits amounted to RMB516.026 billion, representing an increase of RMB152.746 billion or 42.05% as compared with that at the end of last year. With respect to customer structure, corporate deposits increased by 153.181 billion or 45.46%; and individual deposits reduced by RMB1.063 billion or 4.67%. With respect to term structures, time deposits increased by RMB96.051 billion or 41.88%; and demand deposits increased by RMB56.067 billion or 43.03%.

In 2015, as affected by active capital market and wealth management products with high yield, personal customer deposits flowed to investment channels. As at the end of 2015, individual deposits accounted for 4.20% of total deposits, representing a decrease of 2.06 percentage points as compared with that at the end of last year. As at the end of 2015, demand deposits accounted for 36.12% of total deposits, representing an increase of 0.25 percentage points as compared with that at the end of last year.

(3) Shareholder's equity

As at the end of 2015, the shareholder's equity amounted to be RMB49.657 billion in total, representing an increase of RMB16.507 billion or 49.79% as compared to that at the end of last year. Please see "Financial Statements — Statements of Changes in Equity".

3. Analysis on the statements of cash flows

The net cash inflow from operating activities was RMB207.329 billion. Specifically, the operating assets recorded a net cash outflow of RMB89.335 billion as compared to the net cash inflow of RMB6.011 billion in last year, representing a change of RMB95.346 billion, which was primarily due to changes in the net decrease of the amounts due from banks and other financial institutions and in the net increase of loans and advances to customers. The operating liabilities recorded a net cash inflow of RMB302.1 billion, representing an increase of RMB168.084 billion as compared to last year, primarily due to the increased net inflow of customer deposit as compared to last year.

The net cash outflow from investing activities was RMB253.07 billion. Specifically, RMB527.981 billion of cash flowed in, representing an increase of RMB446.127 billion as compared to last year; RMB781.051 billion of cash flowed out, representing an increase of RMB513.165 billion as compared to last year. The increase in net cash outflow from investing activities was primarily due to the sharp increase in financial investments.

The net cash inflow from financing activities was RMB47.526 billion. Specifically, RMB148.304 billion of cash flowed in, primarily due to the debt securities issued and interbank certificates of deposit as well the capital increase in June 2015; RMB100.778 billion of cash flowed out, primarily due to the repayment of debt.

(IV) Loan Quality Analysis

1. Loan distribution by the five-category classification

In thousands of RMB, except percentages

Item	As at the end of 2015		As at the end of 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	334,753,545	96.91	253,093,159	97.71
Special mention	6,436,407	1.86	3,639,006	1.40
Non-performing	4,232,909	1.23	2,290,479	0.88
Substandard	2,076,657	0.60	1,504,361	0.58
Doubtful	1,903,192	0.55	768,771	0.30
Loss	253,060	0.07	17,347	0.01
Total	345,422,861	100.00	259,022,644	100.00

The loan quality was kept at an excellent level, but due to the slowdown of the PRC economic growth and a deterioration of the repayment ability of certain clients, our Company saw a certain increase in loans classified as non-performing and special mention. As of the end of 2015, according to the five-category classification, the normal loans amounted to RMB334.754 billion, representing an increase of RMB81.660 billion as compared to that at the end of last year, accounting for 96.91% of all the loans. Loans classified as special mention were RMB6.436 billion, representing an increase of RMB2.797 billion, accounting for proportion of 1.86%. The non-performing loans were RMB4.233 billion, representing an increase of RMB1.942 billion with a non-performing loan ratio of 1.23%, representing an increase of 0.35 percentage points as compared to that at the end of last year.

2. Distribution of loans and non-performing loans by business type

In thousands of RMB, except percentages

Item	December 31, 2015				December 31, 2014			
	Loans	Percentage (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Percentage (%)	Non-performing loans	Non-performing loan ratio (%)
Corporate loans	242,484,549	70.20	3,724,275	1.54	194,148,826	74.95	1,929,516	0.99
Personal loans	63,111,113	18.27	508,634	0.81	52,070,846	20.10	360,963	0.69
Discounted bills	39,827,199	11.53	—	—	12,802,972	4.94	—	—
Total	345,422,861	100.00	4,232,909	1.23	259,022,644	100.00	2,290,479	0.88

Our non-performing loans amounted to RMB3.724 billion, representing an increase of RMB1.795 billion, with a non-performing loan ratio of 1.54%, representing an increase of 0.55 percentage points as compared to the end of last year, primarily due to the deterioration of the debt repayment capability of certain clients resulting from the slowdown of economic growth and structural adjustments. The personal non-performing loans were RMB509 million, representing an increase of RMB148 million as compared to that at the end of last year, with a non-performing loan ratio of 0.81%, primarily due to the deterioration of loan repayment capability of certain personal business loan clients caused by the macro-economic environment.

Management Discussion and Analysis

3. Distribution of loans and non-performing loans by industry

In thousands RMB, except percentages

Item	December 31, 2015				December 31, 2014			
	Loans	Percentage (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Percentage (%)	Non-performing loans	Non-performing loan ratio (%)
Corporate loans	242,484,549	70.20	3,724,275	1.54	194,148,826	74.95	1,929,516	0.99
Manufacturing	50,795,800	14.70	2,046,700	4.03	44,519,700	17.19	1,300,123	2.92
Real estate	39,878,330	11.54	278,309	0.70	35,172,100	13.58	—	—
Leasing and commercial services	37,390,404	10.82	39,317	0.11	28,295,291	10.92	47,616	0.17
Wholesale and retail trade	36,978,096	10.71	890,671	2.41	30,283,523	11.69	402,972	1.33
Administration of water conservancy, environment and public facilities	21,764,906	6.30	—	—	15,182,570	5.86	—	—
Construction	21,415,271	6.20	329,109	1.54	16,980,799	6.56	75,199	0.44
Transportation, storage and postal service	6,540,180	1.89	4,696	0.07	5,987,277	2.31	77,380	1.29
Financing	5,931,548	1.72	—	—	572,500	0.22	—	—
Mining	3,985,721	1.15	63,231	1.59	3,194,234	1.23	—	—
Accommodation and Catering	3,856,737	1.12	32,402	0.84	3,195,033	1.23	4,905	0.15
Electricity, heat, gas and water production and supply	3,774,675	1.09	1,573	0.04	4,205,120	1.62	—	—
Others ⁽¹⁾	10,172,881	2.95	38,268	0.38	6,560,679	2.53	21,321	0.32
Personal loans	63,111,113	18.27	508,634	0.81	52,070,846	20.10	360,963	0.69
Discounted bills	39,827,199	11.53	—	—	12,802,972	4.95	—	—
Total	345,422,861	100.00	4,232,909	1.23	259,022,644	100.00	2,290,479	0.88

Note: Others include various industries such as public administration, social security and social organization; culture, sports and entertainment; information transmission, software and information technology service; agriculture, forestry, animal husbandry and fishery; household services, repair and other services; scientific research and technology services; education, sanitation and social work.

In 2015, our Company actively supported the development of the real economy and the national economic restructuring. Specifically, our loans to the leasing and commercial services increased by RMB9.095 billion or 32.14%. Our loans to the administration of water conservancy, environment and public facilities increased by RMB6.582 billion or 43.35%, with a focus on high-quality public infrastructure construction projects. Our new non-performing loans were mainly attributable to manufacturing and the wholesale and retail industries.

4. Distribution of loans and non-performing loans by geographic regions

In thousands of RMB, except percentages

	December 31, 2015				December 31, 2014			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Eastern China	200,043,980	57.91	3,139,352	1.57	157,109,174	60.66	1,787,280	1.14
Northern China	65,892,661	19.08	489,694	0.74	50,038,693	19.32	371,196	0.74
Western China	54,167,679	15.68	557,552	1.03	40,755,847	15.73	114,412	0.28
Southern China	25,318,541	7.33	46,311	0.18	11,118,930	4.29	17,592	0.16
Total	345,422,861	100.00	4,232,909	1.23	259,022,644	100.00	2,290,479	0.88

Our Company has been actively optimizing the regional distribution of loans to protect ourselves from regional risks, and accelerating institutional layout to actively support the developmental demand of the regions where our new institutions are established. As at the end of the reporting period, our non-performing loans were mainly from Eastern China.

5. Distribution of loans and non-performing loans by security type

In thousands of RMB, except percentages

	December 31, 2015				December 31, 2014			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Collateralized loans	149,906,362	43.40	2,225,853	1.48	140,580,818	54.28	1,206,031	0.86
Pledged loans	40,865,811	11.83	42,791	0.10	17,046,575	6.58	8,077	0.05
Guaranteed loans	90,575,061	26.22	1,872,904	2.07	70,513,308	27.22	877,054	1.24
Unsecured loans	24,248,428	7.02	91,361	0.38	18,078,971	6.98	199,318	1.10
Discounted bills	39,827,199	11.53	—	—	12,802,972	4.94	—	—
Total	345,422,861	100.00	4,232,909	1.23	259,022,644	100.00	2,290,479	0.88

As of the end of the reporting period, the collateralized loans amounted to RMB149.906 billion, representing an increase of RMB9.326 billion or 6.63% as compared to that at the end of last year; the pledged loans amounted to RMB40.866 billion, representing an increase of RMB23.819 billion or 139.73% as compared to that at the end of last year, primarily attributable to the rapid growth of innovative businesses such as “bill pool” and “asset pool”; the unsecured loans amounted to RMB24.248 billion, representing an increase of 34.13%.

Management Discussion and Analysis

6. Ten largest borrowers

In thousands of RMB, except percentages

Top ten borrowers	Industry	Amount	Percentages of total loans (%)
A	Wholesale and retail trade	2,291,449	0.66
B	Finance	2,000,000	0.58
C	Real estate	1,102,806	0.32
D	Real estate	1,100,000	0.32
E	Real estate	1,100,000	0.32
F	Wholesale and retail trade	1,067,390	0.31
G	Construction	1,060,000	0.31
H	Culture, sports and entertainment	1,038,976	0.30
I	Real estate	1,000,000	0.29
J	Administration of water conservancy, environment and public facilities	1,000,000	0.29
Total		12,760,621	3.69

As of the end of the reporting period, the balance of loans to our largest single borrower was RMB2.291 billion, representing 3.86% of the Company's net capital. The total loans to our top ten single borrowers amounted to RMB12.761 billion, representing 21.51% of the net capital and 3.69% of the total loans of the Company.

7. Overdue loans

In thousands of RMB, except percentages

Overdue period	December 31, 2015		December 31, 2014	
	Amount	Percentages of total loans (%)	Amount	Percentages of total loans (%)
Overdue by 1 to 90 days	2,574,292	0.75	1,992,438	0.77
Overdue by 90 days to one year	2,675,510	0.77	1,884,144	0.73
Overdue by one year to three years	1,047,723	0.30	347,410	0.13
Overdue by more than three years	14,374	—	—	—
Total	6,311,899	1.83	4,223,992	1.63

The balance of overdue loans amounted to RMB6.312 billion, representing an increase of RMB2.088 billion as compared to that at the end of last year. Specifically, loans overdue by more than 90 days amounted to RMB3.738 billion, representing an increase of RMB1.506 billion as compared to that at the end of last year. Our Company adopted prudent classification criteria in respect of overdue loans. At the end of 2015, the ratio of balance of non-performing loans to balance of loans overdue by more than 90 days was 1.13.

8. Loans renegotiated

Loans and advances renegotiated amounted to RMB77 million, representing an increase of RMB74 million as compared to that at the end of last year. Specifically, loans and advances renegotiated overdue by more than three months were RMB34 million, representing an increase of RMB34 million as compared to that at the end of last year.

9. Movements in allowances for impairment losses on loans

In thousands of RMB

	Collectively assessed	Individually assessed	Total
Balance at the beginning of the year	6,126,006	584,202	6,710,208
Net impairment allowances charged to profit or loss	3,206,972	2,950,371	6,157,343
Unwinding of discount on allowance	(51,290)	(12,186)	(63,476)
Write-offs	(627,127)	(495,705)	(1,122,832)
Transfer out	(355,558)	(1,215,028)	(1,570,586)
Recoveries	38,570	41,698	80,268
Exchange differences	2,996	—	2,996
Balance at the end of the year	8,340,569	1,853,352	10,193,921

The Company adhered to a steady and prudent allowance provision policy. As of the end of the reporting period, our balance of allowances for impairment losses on loans amounted to RMB10.194 billion, representing an increase of RMB3.484 billion as compared to that at the end of last year; the allowance to non-performing loan ratio was 240.83%, representing a decrease of 52.13 percentage points as compared to that at the end of last year; the allowance to total loan ratio was 2.95%, representing an increase of 0.36 percentage points as compared to that at the end of last year.

(V) Capital management

Capital adequacy ratio and leverage ratio

In 2015, the Company maintained a rapid growth in profits and the Company raised capital of RMB8.648 billion through capital increase and expansion, which effectively enhanced the capital quality and capital strength. As of December 31, 2015, net capital base of the Company amounted to RMB59.315 billion, net tier-one capital amounted RMB50.249 billion and net tier-two capital amounted to RMB9.066 billion.

In accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》), the measurement range of the Company's capital adequacy ratio covers credit risk, market risk and operational risk. Among them, credit risk-weighted assets were measured by using weight method, market risk-weighted assets were measured by using standardized approach, and operational risk-weighted assets were measured by using the basic indicator approach. Moreover, the Company strictly measured credit risk-weighted assets and asset securitization risk-weighted assets of counterparties in accordance with the regulatory requirements.

In 2015, the Company focused efforts in strengthening the capital constraint mechanism, as a result of which, the risk-weighted asset allocation efficiency was improved and capital adequacy ratio was maintained at a stable level. As of December 31, 2015, capital adequacy ratio of the Company was 11.04%, tier-one capital adequacy ratio was 9.35%, core tier-one capital adequacy ratio was 9.35%, and leverage ratio was 4.08%, all of which met regulatory requirements.

Management Discussion and Analysis

Capital Adequacy Ratio

In thousands RMB, except percentages

Item	December 31, 2015	December 31, 2014
Core tier-one capital	50,409,543	33,453,852
Paid-in capital	14,509,697	11,506,872
Part of capital reserves that can be included	13,408,971	6,768,294
Surplus reserves	2,070,023	1,560,472
General risk reserves	8,241,258	4,639,490
Undistributed profits	12,179,595	8,978,723
Core tier-one capital deductible items	160,826	128,897
Net of other intangible assets (excluding land use rights) after deduction of related deferred tax liabilities	160,826	128,897
Net core tier-one capital	50,248,717	33,324,956
Other tier-one capital	—	—
Net tier-one capital	50,248,717	33,324,956
Tier-two capital	9,066,437	7,668,217
Tier-two capital instruments and premium that can be included	3,115,000	3,250,000
Excessive allowance for loan losses	5,951,437	4,418,217
Tier-two capital deductible items	—	—
Net capital base	59,315,154	40,993,173
Risk-weighted assets	537,252,918	386,786,308
Core tier-one capital adequacy ratio (%)	9.35	8.62
Tier-one capital adequacy ratio (%)	9.35	8.62
Capital adequacy ratio (%)	11.04	10.60

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Leverage Ratio

In thousands of RMB, except percentages

Item	December 31, 2015	December 31, 2014
Tier-one capital	50,409,543	33,453,852
Tier-one capital deductible items	160,826	128,897
Net tier-one capital	50,248,717	33,324,956
Adjusted asset balance inside the balance sheet	982,553,658	624,354,057
Asset balance of derivative products	1,382,465	391,039
Asset balance of securities financing transactions	48,009,930	57,023,750
Adjusted asset balance outside the balance sheet	198,472,619	121,402,236
Adjusted asset balance inside and outside the balance sheet	1,230,418,671	803,171,082
Leverage ratio (%)	4.08	4.15

Note: Calculated under the related provisions of Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) issued by the CBRC in 2015.

(VI) Risk Management

1. Comprehensive risk management system

We have adopted a prudent and solid risk management strategy, which focuses on the compatibility between our risk management and business operations and the effective and strategic risk management of risk management. We have established a comprehensive risk management system which is in line with the Company's full-asset class operation strategy.

The Company's risk management objectives are: cultivate an advanced risk management culture, increase risk-adjusted return premium, reduce asset losses, and gain competitive advantages through effective risk management; improve our risk management organizational structure, appropriately allocate our risk management departments and personnel, and promote coherence between our risk management capacity and business development; improve our risk management systems and policies, optimize our risk management mechanisms and continue to strengthen our internal control and management systems; optimize our risk management tools and methods, establish an internal credit risk rating system, develop new and customized market risk measurement methods and quantitative models, and improve our tools and methods with respect to operational risk management; strengthen the design and development of our risk management systems, promote interactions between our risk management systems and our business systems, improve system control capabilities and develop integrated risk analysis systems and data research platforms within the Bank to support and facilitate the decision-making process with respect to risk management.

The Board is the highest decision-making body for the Company's risk management, and the president of our head office, as authorized by the Board, manages the risks across the Bank and makes decisions on risk management-related matters. The senior management has established special committees including the risk management committee, asset and liability management committee, credit review committee and asset risk classification review committee. The risk management committee is mainly responsible for organizing, coordinating and managing various risks, including credit risk, market risk, liquidity risk, operational risk, information technology risk, compliance risk and reputational risk.

In 2015, along with the continued implementation of the full-asset class operation strategy, the Company continuously improved our comprehensive risk management system, promoted the risk control model for business lines, and actively responded to and prevented various risks.

2. Credit risk management

Credit risk refers to the risk of the Company suffering from losses due to the default of counterparties and debtors or a decline in their credit. The Company's credit risk primarily relates to both on- and off-balance sheet businesses, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit and letters of guarantee.

The objectives of our credit risk management are to control our credit risk within a reasonable range acceptable to us and maximize the comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

Management Discussion and Analysis

The Company's credit risk management system consists of the head office president, head office senior management, risk management committee, branch and sub-branch presidents, branch and sub-branch management teams (risk monitoring officer (supervisor)), credit review committee (team), investment and transaction review committee (team), risk management department, business department, marketing department and audit department. As authorized by the Board, the head office president who is our chief decision maker with respect to credit risk is responsible for organizing the credit risk management of the Bank and the promotion of the strategies, policies and decisions of the Board of Directors. The president is also responsible for formulating and implementing our fundamental policies and systems for credit risk management.

The Company formulates fundamental policies for our credit business at the beginning of each year based on the changes to our operating environment and our internal operating and risk conditions. Such policies serve as instructions for the adjustments to be made to certain aspects of our credit business, such as its structure and regional distribution, our customer composition and other important aspects. In accordance with such fundamental policies, we also instruct our branches to establish regional operating policies based on their local conditions. In addition, the Company regularly adjusts our credit policies according to the development of and trends in the macro economy and our industry.

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The Company classifies our credit assets by taking comprehensive consideration of the following factors in accordance with the standards set forth in the Guidelines on Risk-Based Classification of Loans (《貸款風險分類指引》) of the CBRC, including the borrower's ability to repay the loan, repayment record, willingness to repay the loans, profitability of the project being financed by the loans and the status of the guarantees. The Company's credit asset risks are initially classified by client managers, then examined by the head of the marketing department and reviewed by risk management personnel and finally determined by authorized individuals.

(1) Credit risk management for corporate loans

The Company continuously enhances the construction of our credit system, improves standardized credit approval procedures and position risk accountability mechanism, adjusts our credit policies in time and takes effective measures to prevent credit risks.

The Company continuously enhances the management on the loan risks of local governments' financing platforms. The Company strictly complies with the various lending policies and regulatory requirements of the CBRC on the financing platforms of local governments, makes dynamic adjustments to the targets of credit granting, and further optimizes the lending structure of financing platforms to prevent the credit risks that may arise from governments' financing platforms.

The Company continuously enhances the risk management on real estate loans. The Company engages in real estate credit business prudently, has established a credit extension policy specific to the real estate industry, and adjusts our credit extension plans for the real estate industry in a timely manner; regularly conducts special stress tests on our loans granted to customers in the real estate industry; sets credit limits for the loans we grant to the customers in the real estate industry and ensures that such limits are flexible and adjusted in a timely manner, as needed, and enhances our monitoring and management on the risks relating to existing loans.

The Company continuously enhances our risk management on the loans granted to the industries with excessive production capacity. The Company sets limits for the loans we grant to the industries with “extremely excessive production capacity”, strictly restrains the proportion of the balance of the loans granted to the industries with high pollution and energy consumption. The Company strictly controls the loans we grant to the industries with seriously excessive production capacity such as the steel, coal, shipping and electrolytic aluminum smelting industries.

The Company continuously enhances the management on the credit risks of small and micro enterprises. The Company actively explores a professionalized operating model, continuously improved our management system and further combs and standardizes the procedures and requirements for credit extension, to gradually cultivate a unique and standard credit extension model of the Company. The Company also strengthens our measures for risk mitigation, and strictly controls the overdue loan ratio and non-performing loans by ways of classification, tracking overdue loans and on-site and non-on-site monitoring.

(2) Credit risk management for personal loans

The Company continuously improves and optimizes the credit risk management mechanism for personal loans. The Company actively builds our credit evaluation system for personal loans, develops and designs personal loan products with complete functions and strong risk resistance. The Company has also formulated the entry barriers for different groups of customers, controls the overall limits of personal loans, and restrains loans with multiple borrowers. The Company has basically formulated standardized operational and management procedures, and imposed strict entrusted payment management on loan extension to ensure truthful and legal use of the borrowings. The Company has enhanced the selection and management of guarantee, and improved our ability to mitigate credit risks. The Company has also enhanced our subsequent management such as post-loan monitoring, collection of overdue loans and disposal of non-performing loans, to ensure our asset quality to remain at a satisfactory level.

Management Discussion and Analysis

(3) Credit risk management for our credit card business

The Company has established a credit card risk management system featuring prior-business risk prevention, on-going risk monitoring during the process and post business management. The Company's credit card department has formulated a series of rules and policies to standardize various business procedures, such as marketing and promotion procedures for credit cards and credit line approval procedures. To manage risks with respect to our credit card business, the Company has established a credit risk control center, a risk management center and an asset safety center under our credit card department for prior-business risk prevention, on-going risk monitoring during the process and post business management to take charge of the design and operation of the process for card issuance business, determination and control of our overall business risk tolerance, as well as the risk monitoring, assessment, control, mitigation and recovery during and after the grant of a loan.

(4) Credit risk management for treasury business

The Company's treasury business comprises money market business, investments in bonds and other financial assets, foreign exchange and derivatives trading business and treasury business conducted on behalf of customers. The credit risk which our treasury business is exposed to is concentrated in our bond investment business and inter-bank business. Treasury business involving credit extensions must be included in our unified credit extension management system. When conducting treasury business, we will draw up the customer's credit lines in accordance with the relevant policies for centralized risk management.

(5) Credit risk management with respect to bond investment business

Our bond investment business primarily comprises investments in bonds issued by the PRC government, policy bank bonds, bills issued by the PBOC and certain credit bonds with high ratings. We manage the risks in our bond investment business through access criteria, credit limit control and credit extension risk assessment; the bond issuers are included in our unified credit extension management system. The credit risk of the invested bonds is tracked and monitored together by traders in the front office and employees in relevant risk management departments. In addition, the relevant risk management departments will also evaluate the credit risk of the invested bonds regularly.

(6) Credit risk management for inter-bank business

The Company comprehensively manages the risks of our inter-bank business and assigns credit risk management related to inter-bank business under our centralized credit extension management. Currently, our inter-bank business primarily consists of inter-bank financing business and inter-bank investment business. The credit extensions in our inter-bank financing business mainly involve interbank placement/lending, deposits in other banks and financial institutions and assets purchased under resale agreements. The credit extensions in our inter-bank investment business mainly involve investments with our own funds or proceeds from our wealth management products, in inter-bank financial assets, including but not limited to trust investment plans, asset management plans of securities companies, and wealth management products sponsored by other commercial banks.

The Company has improved a series of systems and procedures for the investigation, examination and approval of inter-bank credit extension. The Company offers different unified credit extension programs based on the factors such as the background of the shareholders, operating and management capabilities, financial conditions, profitability and risk bearing capacities of inter-bank institutions. The risk classification and duration management of the inter-bank business are consistent with those for corporate loans. During the duration of such business, we are required to dynamically monitor and track the operating conditions of the actual bearer of credit risks, and other factors that could affect their ability to honor their contractual liabilities, so as to take timely and effective actions against early risk warning matters.

3. Market risk management

Market risk refers to the adverse effect that normal or specific changes in interest rates, foreign exchange rates, commodity prices or stock prices may have on products involving interest rates, currencies and stocks. The market risk which we are exposed to includes the risk that the fair values of financial instruments or future cash flows held by us may fluctuate as a result of market price volatility.

The objectives of our market risk management are to manage and monitor our market risk to maintain the potential losses from market risk to be within a reasonable range acceptable to us and maximize the benefits as adjusted with respect to risks.

The Company has established market risk management system pursuant to the relevant measures and guidelines of CBRC, formulated market risk management policies and procedures applicable to our business nature, scale, complexity and risk features, and maintained such policies and procedures in accordance with our overall business development strategy, management capabilities and capital strength. As authorized by our Board, the head office president is our chief decision maker with respect to market risk. The head office president, relevant management committees, asset and liability management department, risk management department, financial market risk management department, other departments and branches and sub-branches jointly comprise the Company's market risk management system at the operation level. The Company mainly takes the measures such as position setting management, credit line control, hedging and reducing risk exposures to control market risk. In addition, the Company has formulated the fundamental system and the corresponding administrative measures for the management of market risk.

In order to adopt targeted market risk management measures and precisely measure the regulatory capital for market risk, the Company divides all on- and off-balance sheet assets and liabilities into trading accounts or bank accounts. Trading accounts comprise financial instruments and commodity positions that are freely tradable and held for the purpose of trading or hedging the risks of other items under trading accounts, and all other positions shall be included in bank accounts.

Management Discussion and Analysis

(1) Market risk management for bank accounts

Interest rate risk management

Interest rate risk is the risk that the Company may suffer a loss as a result of adverse movements in benchmark interest rates or market interest rates. Interest rate risks can be divided based on the different causes into re-pricing risk, yield curve risk, benchmark risk and option risk. The interest rate risk that the Company is exposed to mainly represent the risk that the possible adverse change in relevant market interest rate may result in a decrease in the net interest income and the fair value of the financial instruments of the Company, thus leading to a decrease in the fair value of the interest rate risk exposure.

The Company mainly evaluates our interest rate risk through sensitivity analysis. Based on our judgment on the trend of the benchmark interest rate and the market interest rate, the Company actively adjusts the interest rate sensitivity gap between our assets and liabilities mainly by adjusting and controlling the loans re-pricing period and the duration of our bond investment business. In the meanwhile, the Company pays close attention to the trend of local currencies and foreign currencies, keeps abreast of the changes in the market interest rates, conducts appropriate scenario analysis and adjusts the pricing methods for the interest rates of loans and deposits denominated in local currencies and foreign currencies to strive to prevent interest rate risk in a timely manner.

Exchange rate risk management

The Company's business is mainly operated in China and settled in RMB. However, The Company's foreign assets and liabilities recognized as well as the future transactions denominated in foreign currency are exposed to the foreign exchange risk as the foreign exchange position and cash flows are affected by the fluctuations in the prevailing foreign exchange rates.

The major principle for control over exchange rate risk management of the Company is to match assets and liabilities in different currencies and to keep the risk within limits set by the Company. The Company monitors our foreign exchange risk exposure on a daily basis, sets the trading limits, risk limits and stop-loss limits for foreign exchange exposure, and keeps our exchange rate risk under control through limit management.

(2) Market risk management for trading accounts

The market risk for the Company's trading accounts arises primarily from changes in the asset values of financial products in our trading accounts, which are affected by market interest rates and exchange rates. The Company evaluates the positions of our trading accounts on a daily basis, continuously monitors trading limits, stop-loss limits and risk limits, and regularly measures the market risk for our trading accounts through stress testing and other methods.

4. Liquidity risk management

Liquidity risk refers to the risks of failure to obtain adequate funds in time at reasonable cost to repay debts when they are due, perform other payment obligations and meet other capital requirements in the ordinary course of business, and it is mainly influenced by external factors such as domestic and foreign financial conditions, macroeconomic policies, vertical and horizontal developments of financial markets and the competition outlook of the banking industry. It is also influenced by internal factors such as the maturities of assets and liabilities, business structures, the stability of deposits, the ability to obtain financing in the market and various unexpected events. We adhere to a principle of prudent management of our liquidity risk and strictly comply with regulatory requirements in order to establish a prompt, reasonable and effective liquidity risk management system, create coherence with respect to the safety, liquidity and effectiveness of our capital operations and achieve continuous, healthy and stable operations.

The Company manages our liquidity risk in a centralized manner. The asset and liability management department at our head office is the leading executive department for our liquidity risk management. The Company's key management measures for liquidity risk management include:

1. Paying close attention to both domestic and foreign economic and financial market trends; actively analyzing the effects of macroeconomic policies and changes in the development of financial markets on our liquidity management; adjusting our asset and liability management strategy in a timely manner and continuously optimizing the structure and terms of our liabilities.
2. Enhancing management of our financing channels; actively maintaining relationships with major financing counterparties; diversifying our financing sources and further optimizing our financing structure.
3. Strengthening the pre-warning monitoring and management on liquidity; improving our initiative for liquidity risk management; optimizing our emergency response program for liquidity risk to ensure the reliability of the funds to be used for emergency response and the effectiveness of relevant emergency measures.
4. Carrying out stress tests for liquidity risk on regular basis, identifying the weak links in the Company's liquidity risk management, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

Management Discussion and Analysis

5. Operational risk management

Operational risk refers to the risk of losses that may be incurred due to inadequate or problematic internal procedures, personnel or information technology systems, as well as external events.

The Company manages our operational risk by following the principle of “full coverage, clearly-defined responsibilities, honest report and quick response”. The operational risks that the Company may expose to include risks of seven categories, such as internal fraud risk, external fraud risk, client, product and business activity risk, execution and delivery and procedure management risk, operation interruption and information technology system failure risk, staff management and workplace safety risk and real property damage risk.

The Company has established sound operational risk governance practice, and the Board and senior management fully perform their operational risk management responsibilities in strict compliance with the requirements set out in the Guidelines on the Management of Operational Risks by Commercial Banks (《商業銀行操作風險管理指引》). The head office president, our risk management committee, the branch and sub-branch presidents, our internal control & compliance management departments, risk management departments and other management departments and business departments at all levels jointly constitute our operational risk management system. Other management departments and business departments at all levels comprise the first line of defense for the Company’s operational risk management; internal control & compliance management departments and risk management departments at all levels comprise the second line of defense for our operational risk management; audit departments comprise the third line of defense for our operational risk management. The Company imposes whole-process management on operational risks by synchronously leveraging such three lines of defense.

During the reporting period, the Company carried out in-depth risk monitoring and pre-warning, improved our risk management mechanism, and enhanced our risk control with a view to preventing major operational risk incidents. The Company further improved our capability in and the effectiveness of our operational risk management. The Company amended our basic systems for operational risk management and fully revised potential operational risks or incidents; combed and reported on operational risks on a regular basis; took full advantage of the information systems such as the internal control non-compliance registration system and the off-site monitoring system to identify, evaluate and monitor operational risks and improve working efficiency. The Company strived to identify the causes and work out solutions through the measures such as enhancing system construction, procedure prevention and control, staff management and control over major events to further standardize business behavior; organized and carried out the specific work to enhance internal control management and effectively prevent the operational risks from counter business across the Bank, carefully fulfilled the relevant requirements of the CBRC on “three lines of defense”, and imposed all-round control on the operational risks from counter business; enhanced the centralized control over our systems and procedures and enhanced rigid control through system and procedure design; arounding “solid foundation and risk control” to integrate the requirements for the management and control of the operational risks of business lines into the system design, procedure management, system functions, professional qualification, determination of position and responsibilities, duty performance standards, supervision and inspection and non-compliance punishment of relevant businesses.

6. Information technology risk management

Information technology risk refers to operational, reputational, legal and other risks caused by natural factors, human factors, technical limitations and management loopholes in the course of our usage of information technology. The objectives of our information technology risk management are to identify, monitor, assess and control information technology risks by establishing a complete, reasonable and effective mechanism for information technology risk management, so as to operate our business in a safe, sustainable and stable environment, and, at the same time, promote our business innovation with respect to advanced information technology and enhance our core competitiveness and ability for sustainable development.

During the reporting period, the Company planned and prepared the information technology development strategy for the future, namely the Information Technology Development Planning for China Zheshang Bank (2016–2020) (hereinafter referred to as the “π Plan”), aiming to create a smart bank featured in integration, processing and intelligent. The Company adhered to scientific and technological advance so as to implement the business-supported information technology transforming to business-driven information technology and to further realize the blueprints of business leadership; strengthened the management mechanism of project quality and specialization, pursued agile and iterative development to improve development efficiency, rapidly developed a series of innovative products with distinguishing features of the Company and strong competitiveness in the industry, such as Credit Cards, Bills Pool (票據池), Assets Pool (資產池), Zengjinbao (增金寶), Yongjin Wallet (涌金錢包) series, Small and Micro Money Shop (小微錢鋪), Automatic Card Senders (自助發卡), Mobile Integrated Terminal (移動展業平台), Financial Management and Transfer (理財轉讓平台), and Custody Services (資金存管平台); promoted management innovation, enhanced decision-making management, and put into operation a number of large information systems on internal management, such as assets and liabilities, management accounting, risk management and markets for new capital agreements, and data management platform; promoted technological innovation, enhanced the intelligence and automation level of operation and maintenance, comprehensively deployed and applied cloud production, operational processes, intelligent network building, and monitoring and warning; further strengthened the ability of our information system to prevent online intrusion, attacks, data leakage and third-party tampering by continuously enhancing our security management with respect to application software through its life cycle by using the “security +” management; further promoted our business continuity management system and our risk management system for information technology outsourcing. Information technology risk has been included in our comprehensive risk management. By complying with requirements of ISO27001 management system and supervision, we strengthened the identification, monitoring and control capabilities of information technology risk. As a result, there were no security incidents actually caused by information system defects all year round with the comprehensive availability of information system reaching 99.999%.

Management Discussion and Analysis

7. Reputational risk management

Reputational risk refers to the risk that a stakeholder will have a negative view of us as a result of our operations, management and other activities, as well as external events.

Our objectives with respect to reputational risk management is to correctly respond to news relating to us, public opinions towards us and our relationships with our customers, actively and effectively prevent reputational risk and respond to reputational events, so as to reduce and mitigate the losses of and the negative impact of such events on the Company, stakeholders and the public in the society to the greatest extent. Reputational risk management has been included in corporate governance and comprehensive risk management system.

The head office president, risk management committee, executive office, risk management department, information and technology department and other relevant departments at our head office, together with our branches and sub-branches, jointly constitute our organizational system with respect to reputational risk management of the Company at the operational management level. As authorized by our Board, the head office president is comprehensively responsible for promoting the strategies, policies and decisions of the Board, and formulating and implementing our basic systems and policies for reputational risk management.

During the reporting period, the Company improved our basic system for reputational risk management and clarified the responsibilities for reputational risk management; enhanced our management capabilities at the source, raised staff performances levels so as to reduce the occurrence of events that may have a negative impact on us; properly handled the monitoring, survey and judgment of public opinion, conducted trouble-shooting of reputational risks and regularly analyzed the triggering factors and transmitting channels of reputational risks and relevant events; improved contingency plans, and specified the procedures and reporting mechanism for dealing with reputational risks.

8. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses that may result from the failure of a commercial bank to comply with laws, regulations, rules and relevant industrial standards. Our objectives with respect to compliance risk management are to establish a sound compliance risk management framework and promote development of a comprehensive risk management system which enables us to operate in a lawful and compliance manner.

The Company adheres to the principle we refer to as “Senior Management to Comply First” and “Compliance Creates Value”, and have integrated compliance risk into our comprehensive risk management system. We have established a relatively sound compliance risk management organization structure across the Bank and a systematic compliance risk management system, and optimized three lines of defense for compliance risk management and dual reporting mechanism. We continuously modified, improved our compliance risk management mechanism and improved our risk management level to achieve effective control over compliance risks. The Board of the Company is ultimately responsible for the compliance of our operating activities, and authorized its risk and related party transactions control committee to supervise compliance risk management. The risk management committee at our head office is the highest management organ under the Company’s senior management for the compliance risk management across the Bank.

During the reporting period, the Company formulated and implemented the risk-oriented compliance management scheme, adhere to the “bottom-line thinking”, and comprehensively consolidated the foundation for compliance management. The Company actively optimized our compliance risk management structure, and established a compliance department at our head office, to systematically improve the professionalism and independence of compliance management. The Company established a joint-action mechanism for the internal control of our branches, set up a leading team for the internal control of our branches, and effectively consolidated the resources across the Bank for internal control and compliance management. The Company improved the manager system for our internal control and compliance management, optimized the regular meeting mechanism for internal control and compliance management, and took full advantage of the support of compliance risk management for business operations; leveraged our professional strengths, attached importance to the nature of the risks, prospective business research and development, and provided all-round support for and promoted the business innovation and the healthy and stable development of our Company. More efforts were also put in studying foreign acts, jurisdictional judgment, regulatory policies and laws and regulations so as to provide full and high quality legal compliance services.

9. Anti-money laundering management

The Company complies with the laws and regulations on anti-money laundering, attaches high importance to anti-money laundering tasks, and actively fulfills the “risk-oriented” regulatory requirements on anti-money laundering. Besides, the Company carefully performs our social responsibilities and statutory obligations for anti-money laundering, and has established relatively sound anti-money laundering organizational structure and system. The Company has established a strong system for monitoring anti-money laundering, attaches importance to the building of a professional team for anti-money laundering and the promotion of anti-money laundering culture, and continuously improves our anti-money laundering management level.

During the reporting period, the Company actively fulfilled the regulatory requirements and adopted various measures to improve the efficiency of our anti-money laundering tasks. Firstly, the Company had the Internal Control & Compliance & Legal Affairs Department leading the anti-money laundering tasks in place of the operations department, established an anti-money laundering management center, and enhanced the resources deployment for anti-money laundering. Secondly, the Company improved the evaluation method for our customers’ money laundering risk ratings, improved the functions of the money laundering rating system for our customers, and achieved a “five-category” management on our customers’ money laundering risk ratings by adopting a model integrating systematic and artificial work. Thirdly, the Company continuously optimized the model of monitoring indicators for large and suspicious transactions, improved systematic functions, maintained the monitoring indicators pursuant to the features of the changes in money laundering risks, and improved the completeness of large transactions extraction and the information value of the reports on suspicious transactions. Fourthly, the Company carried out self-assessment on money laundering risks across the Bank, and optimized and improved our anti-money laundering management system.

During the reporting period, no organization or staff of the Company participated in or was suspected of being involved in any money laundering or terrorist financing activity.

Management Discussion and Analysis

(VII) Business Summary

1. Our businesses

The Company actively promoted the full-asset class operation strategy and focused on promoting transformation of traditional business model of the Company so as to enhance financial services capabilities. To meet corporate customers' core needs for reducing financing costs and improving service efficiency, we have innovatively introduced our "Internet Plus" (互聯網+) application and our "pooled financing" services packages. We have established platforms such as "Bill Pool" ("涌金票據池"), "Export Pool" ("出口池") and "Asset Pool" ("資產池"), which integrate the businesses of assets and liabilities, products and services, operations and management as a whole. We are able to provide corporate customers with comprehensive services for various financial assets, including pooled services, custody services, settlement services, value-added services, pledged financing services and credit extending services in order to help enterprises to raise funds at any time, reduce cost and increase income. We have also customized our "Group Asset Pool" ("集團資產池") for conglomerates, their subsidiaries as well as listed companies, in order to optimize conglomerates' internal finance and fund management, centralize the management of internal financial resources and fund and financing channels of conglomerates and build an excellent business ecosystem for the conglomerates and for providing financial services along the supply chain of enterprises as well as for B2B electronic commerce. As of the end of 2015, the Company had 17,385 effective customers, representing an increase of 55.20% as compared with that at the beginning of the year. We had 3,863 customers of Bills Pool (票據池), with an accumulated pooled bill amount of RMB156.946 billion, as a result, we received the "Annual Best Enterprise of Service Bank For Mobility" (年度最佳企業流動性服務銀行) awarded by the Financial Times. The Company continued the innovation in business features and advantages and became a "financial company" and "internal bank" for enterprises, and was well recognized by the customers and the market.

2. Investment banking business

Through investment banking business, the Company provided customers with diversified financial services and continued to expand customer base and cultivate basic customer base for the purpose of strengthening market competitiveness and influence. We continued to increase efforts on bond underwriting to inter-bank market as well as other multi-level capital markets, which expanded our customer group of bond underwriting, covering local governments, financial institutions and non-financial enterprises. We constantly expanded the varieties of bonds, including perpetual medium-term notes and short-term financing business for securities companies. The annual underwritten bonds amounted to RMB76.596 billion, representing an increase of 43.45% on a year-on-year basis. As of the end of the reporting period, The Company has acted as a lead underwriter for bond issuers in 24 provinces (including municipalities) in the PRC, further expanding the underwriting business markets. The Company also actively promoted credit asset securitization products. In July 2015, the Company, acting as the sponsor, issued our 2015 Zheyuan Phase-I Small and Medium Enterprise Credit Asset-backed Securities (浙元2015年第一期信貸資產支持證券) in the inter-bank market, with an aggregate amount of RMB1,821 million. The underlying assets on which the security issuance relied were normal business loans of the Company. The borrowers included enterprises in the road transportation industry, electricity industry, heat production industry and supply industry, public facilities management industry, housing construction industry and other industries, and the loans

were distributed in ten branches of the Bank in Beijing, Tianjin, Jinan, Lanzhou and other cities, with excellent quality. Such securities were highly recognized by institutional investors in the market. We received a number of awards from the *Securities Times* in respect our investment banking business in 2015, such as “Grand Awards for the Best Bank of Investment Banking (Industry) — Integrated Awards of the Infrastructure Industry” (最佳銀行 (行業) 投行綜合大獎 — 基礎建設行業), “The Best Bond Underwriting Bank” (最佳債券承銷銀行), and “The Investment Bank Most Respected by Investors” (最受投資者尊重的投行). We also received “The Best New Business of Asset Securitization Award” granted by *the Financier*.

3. International business

In 2015, the Company’s international business indicators continued to grow steadily: international settlement amounted to US\$28.565 billion, representing an increase of 114% on a year-on-year basis; cross-border RMB settlement amounted to RMB89.507 billion, representing an increase of 224% on a year-on-year basis; the income of intermediary business of international business amounted to RMB0.192 billion, representing an increase of 127% on a year-on-year basis. Year-on-year growth rate of total international balance of payments ranked first among 12 nationwide joint-stock commercial banks (according to statistics by the Administration of Foreign Exchange). Trade finance amounted to US\$10.602 billion, representing an increase of 107% on a year-on-year basis; and the balance amounted to US\$6.275 billion, representing an increase of 126% on a year-on-year basis.

We put aggressive efforts on innovation and introduced our “Yongjin Export Pool” (涌金出口池), “Internet Plus” application and our “pooled financing” (池化) services packages, which helped us overcome difficulties in traditional trade finance, like “hard to achieve one-to-one correspondence, high financing costs and low operation efficiency”. In addition, such products concurrently have ten major functions, like batch acceptance, online withdrawal, flexible term, rolling pledge, payment collection and added value. As they were specifically and quickly concerned in the markets after launching, 315 customers signed contracts with respect to these products, with pooled export amount receivables of more than US\$0.2 billion and financing amount of approximately US\$ 0.16 billion. As a result, we received the award of “2015 Trade Finance Bank of Best Features” (2015年度最佳特色貿易金融銀行) granted by *the Trade Finance magazine* and the award of “Best Trade Finance Growth Bank” (最佳貿易金融成長銀行) granted by the China Banking Association.

In view of ending of the unilateral appreciation of RMB exchange rate and two-way volatility towards marketization by RMB exchange rate, we provided customers with diversified and quality agent foreign exchange business and innovatively introduced combination modes for trading and financing such as “Huiyingtong of CZbank” (浙商匯盈通), “Huilitong of CZbank” (浙商匯利通) and “Qiyingtong of CZbank” (浙商期贏通). Such products can help enterprises reduce financing costs and avoid exchange rate risk. Our agent foreign exchange business amounted to US\$7.830 billion.

Management Discussion and Analysis

4. Small and micro enterprise business

The Company overcame economic downturn, weak external demand and other adverse effects, strengthened inclusive finance and spared no efforts to provide services for small and micro enterprises. Firstly, we seized opportunities available under the policy and transformation and actively explored new industries and new customers. In response to the guidance provided by government's policy to promote "public entrepreneurship and innovation" ("大眾創業、萬眾創新"), we introduced a series of loan products for entrepreneurship and innovation. We also adopted effective innovation measures with respect to the application process, the type of security, the purpose of loans and the mode of repayment. We took the initiatives to usher Internet economy, expanded the customer base of e-commerce enterprises in new industries, launched a series of e-commerce enterprise products and actively met requirements for entrepreneurship and innovation. As of the end of the reporting period, the balance of the "entrepreneurship and innovation" products and e-commerce specialty products amounted to RMB2.278 billion, which effectively alleviated the financing difficulties faced by entrepreneurial groups. Secondly, we actively explored the construction of "Internet plus", so as to provide small and micro enterprises with one-stop financing, investment and settlement services. We also constructed an online and offline whole-channel service network which set traditional branch outlets as service terminals and extend services making use of the Internet, mobile phones and other mobile terminals. Thirdly, we actively explored new cooperation mode for innovation of small and micro financial services with domestic policy banks, science parks, famous Internet agencies and large data platforms, implemented "sub-loans", assistance loans and many other businesses for domestic small and micro enterprises, and comprehensively enhanced the level of small and micro financial service, which further promoted the development of inclusive finance.

As of the end of 2015, the balance of the Company's small and micro loans amounted to RMB107.415 billion, representing an increase of RMB18.006 billion as compared to that at the beginning of the year, with an increment surpassing that in last year. The growth rate of small and micro loans ranked third among nationwide joint-stock banks, and our market share grew steadily; and small and micro loans accounted for over 30% of total loans, ranking top among nationwide joint-stock banks. In 2015, we received the award of "Excellent Financial Service Team for Small and Micro Enterprises among Nationwide Banking Financial Institutions" (全國銀行業金融機構小微企業金融服務優秀團隊) and other honorable titles in the contest for advanced financial services provided to small and micro enterprises held by the CBRC.

5. Personal banking business

In 2015, the Company began to focus on the personal banking business and initially established an organizational structure meeting strategic requirements and doubled business scale of personal banking by adhering to the development direction of building ourselves into a professional bank for personal asset management and by strengthening the "Internet plus" and innovation. In 2015, the number of individual effective customers doubled and the total amount of personal financial assets increased by nearly 100%.

By integrating the Internet technology and spirit, we mainly focused on the creation of business and products possessing Internet genes, so as to create personal business with featured competitive strengths under the major background of “Internet plus”. We launched “Zengjinbao”, an innovative wealth management product of “Internet plus” balance, which possesses unique advantages like “high income, free to use, safe, free from worry, and easy to handle” and others and allows subscription after signing a “Zengjinbao” contract and automatic trigger for redemption. Customers who have signed a “Zengjinbao” contract can enjoy automatic “money begets money” for the account balance, calculating dividends and interest intelligently, and credit-card consumptions, transfers and withdrawals without any manual intervention, similar to the use of demand deposits. As at the end of the reporting period, we had more than 800,000 Zengjinbao users, with a cumulative purchase amount of RMB100 billion. We took initiatives to launch the online transaction platform that allows our customers to trade personal wealth management products among themselves, which improved the liquidity of wealth management products for transferors and met the investing and financing needs of transferees. The annual turnover rate was more than 95%.

We set up a full-time group responsible for the customer experience management at the head office in China, so as to solve typical problems during buying wealth management products by customers and improve their basic financial experience. By leveraging Internet technology and professional experience design, we were committed to creating the ultimate financial product experience. The Company therefore received the awards of “Annual Best Asset Management” (年度最佳資產管理) and “Annual Best Bank Financial Product” and was rated as the “Financial Service Innovation Award” (金融服務創新獎) in consumers’ 360° bank evaluation in 2015.

6. Credit card business

In April 2015, the Company officially issued our first credit card and collected the name, cover and meaning of the credit card by way of crowdfunding via the Internet. The said credit card received the “Best Card Cover” award (醉美卡面獎) granted by the UnionPay data. With respect to business promotion, the Company provided specialized services in niche business fields, adopted Internet-oriented thinking and closely focused on four major themes, namely car card, installment, co-branded cards and online application. We attracted high market attentions through multiple theme promotions for credit card, like watching movies by paying only RMB5, beer and skittles discount, CZBank Big Surprise (浙商卡泰驚喜), and parking in airports by paying only RMB1. With respect to the back office management, we realized objectives of building a professional team, building an entire operating system, and forming a systematic frame all in the current year. At the end of 2015, we issued more than 200,000 credit cards in total. The cumulative consumption in 2015 was RMB1.66 billion and the overdraft balance of credit cards at the end of the year was RMB0.472 billion. The Company’s credit card business developed rapidly, and was awarded the “2015 Annual UnionPay Card Promotion Award”.

Management Discussion and Analysis

7. Financial market business

We actively implemented our “full-asset class operation” strategy, aiming to change our reliance on the traditional model of providing deposit, loan and remittance services. With respect to asset management mode, we have shifted from the model of asset holding to asset trading and from an asset holding bank to an asset management bank. We also comprehensively used various financial tools in financial markets and capital markets so as to provide customers with all-round and sustainable financial solutions.

With respect to our financial market business, the Company was committed to building a comprehensive platform which integrate functions like investment, financing, trading and sales, and implemented the FITS development framework (i.e. Funding, Investment, Trading & Sales), in order to fully enhance our profitability, service ability and market influence. Guided by the FITS development framework, we initially built a full-license financial markets business platform. Our financial market business in 2015 covered various areas, such as local and foreign currency funds, bonds, foreign exchange, precious metal, derivatives and alternative investments. We expanded our financial market business from China to foreign countries in terms of boundaries, and from single interbank markets to exchange markets and OTC markets in terms of market structure. In terms of business varieties, we expanded our financial markets business from traditional fixed-income products to debts, equities, foreign exchange, bulk commodities and various derivatives with diversified varieties and structures, as a result of which, our profitability grew quickly.

Through continuous efforts in the field of financial market business in recent years, the Company’s various types of domestic and foreign exchange transactions were active and had significant market influence. In 2015, we received the “Award for the Most Influential Bank in the Inter-bank Domestic Currency Market” (銀行間本幣市場“最具市場影響力獎”), “Progress Award of Bond Business for Proprietary Trading Firms” (債券業務自營機構進步獎), “Outstanding Underwriter for Financial Bonds” awarded by Agricultural Development Bank of China (中國農業發展銀行“金融債券優秀承銷商”), “Outstanding Settlement Member Prize” awarded by Shanghai Clearing House (上海清算所“優秀結算成員獎”), “Best Member in the Interbank Foreign Exchange Market” (銀行間外匯市場“最佳會員獎”), “Best Member of Forward Exchange and Swap in the Interbank Foreign Exchange Market” (銀行間外匯市場“最佳遠掉會員獎”), “Best Member of Standard Foreign Exchange Swap in the Interbank Foreign Exchange Market” (銀行間外匯市場“最佳標準化外匯掉期會員獎”), “Best Member of currency Swap in the Interbank Foreign Exchange Market” (銀行間外匯市場“最佳貨幣掉期會員獎”), “Best Member of Forward Exchange and Swap and of the Most Market-Making Potential in the Interbank Foreign Exchange Market” (銀行間外匯市場“遠掉最具做市潛力會員獎”), “Comprehensive Award in the Second Half for Market Outlook of Fixed Income” granted by Thomson Reuters, and many other awards.

8. Interbank business

In 2015, our inter-bank business developed steadily and healthily. Adhering to the operating concept of “broad inter-bank” (大同業), the company continued to diversify inter-bank business, and actively cooperate with various inter-bank organizations. Currently, inter-bank business mainly includes deposits and placements with banks, purchase of wealth management products sponsored by banks, interbank forfaiting, and purchase of trust plans and asset management plans, with interbank customers covering banks, securities firms, funds, trusts, financing leasing companies, etc. Our bill transaction grew at a relatively rapid speed and the annual trading volume of bill transfer discount in 2015 expanded by three times as compared to last year, primarily because we intensified the frequency of swing trading on the basis of bill holding and thus achieved higher turnover rate and yield.

With respect to expansion of transaction channels, the Company further enhanced general-to-general cooperation in 2015 in order to build multi-level and diversified strategic and cooperative partnerships by signing comprehensive strategic cooperation agreements with some state-owned banks and joint-stock banks. At the end of 2015, the number of interbank credit customers increased by 50% as compared to the end of last year, mainly because we included banks of agriculture and commerce and rural credit cooperatives having good qualifications, promoted high credit standing and recognized bank line of credit, which laid a good foundation for the Company to deepen subsequent interbank business cooperation.

With respect to business innovation, in 2015, we launched the interbank investment structured products and began pilot investments in various trading markets, which vigorously expanded cooperation and innovation with non-bank institutions with high credit standing. On the basis of practice in the early stage, we will further improve business processes for such products and apply such processes across the Bank.

With respect to internal management, in 2015, we further improved the relevant management measures of interbank business and continued to improve the construction of governance mechanism for interbank proprietary department according to the regulatory requirements. We unified daily quotes for interbank business and notes business and submitted interbank liabilities and interbank assets to the head office for approval. The head office readjusted department structure in accordance with the demand of customers and products, so as to promote operation and management of interbank investment and interbank financing to run orderly.

Management Discussion and Analysis

9. Asset Management Business

The Company's asset management business is centered on serving our customers, and aims to build a professional platform that is equipped with cross-market and multi-tool applications, enjoys professional efficiency higher than our peers and provides one-stop solutions to fulfill customers' investment and financing needs. With respect to this business, the Company continuously optimizes our product mix for investment and financing, continues to improve our capabilities in investment research, all-round exploration of fund-raising channels, open market trading and investment banking design for various projects, and providing comprehensive financial services for customers, striving to build a respected asset management business brand of China Zheshang Bank featured by "professional management, customer first, differentiated competition and leading efficiency".

In 2015, our asset management business centered on multi-level capital market system and for the purpose of serving integrated transaction for capital factors, we launched a relatively complete product series for capital markets, so as to build a financial service chain that can both serve real economy and satisfy direct financing needs. With respect to internal channels, we basically formed a product sale and channel expansion mechanism which effectively linked us with branches, the head office, the Company and personal business lines. With respect to external channels, our coverage on peer customers was significantly expanded, the number of partners that can help each other in terms of liquidity was increased, and our capacity to respond to liquidity risk was significantly enhanced. We innovatively launched the T+0 cash management open financial products, introduced the "Internet plus", cooperated with a number of well-known Internet companies and broadened the customer sources. At the end of 2015, the balance of our wealth management business amounted to RMB214.086 billion, representing an increase of 395.94% as compared to that at the beginning of the year, and the Company issued 1,169 wealth management products in 2015, with proceeds of RMB346.130 billion, increased by 58.19% and 162.15% respectively as compared with that in the previous year.

In 2015, the Company put aggressive efforts in building our asset management brand, and received various awards from well-known media such as Securities Times, 21st Century Business Herald and China Securities Journal, including "the Most Competitive Wealth Management Institution", "Annual Outstanding Asset Management Award", "Annual Best Financial Banking Brand", "Best Wealth Management of Prudent Return", and "The Best Financial Product of Internet Gene". In addition, in the data quality ranking for national banking financial information registration systems, our ranking ascended from No. 295 at the year beginning to No. 8. We ranked No. 2 among nationwide banks in the regular ranking for 3rd quarter's financial information disclosure of commercial bank in 2015 published by the Cnbenefit.

10. Internet financial business

We actively integrated the Internet technology and adhered to the Internet spirit, and have established comprehensive business partnership with a number of leading Internet companies in China, in order to provide various, safe and convenient financial services for new customers under the new economic normal. We innovatively provide custody services for a variety of funds, which includes accounts opening, recharge, investment, repayment, withdrawal management of transaction information and account inquiries. Such services have helped platforms and their users to perform the functions of remittance of funds, fund management and fund appreciation in a comprehensive, convenient and safe way. We successfully marketed the banking service of deposit and management of payment provisions for third party payment, which recorded transaction for the first time. We were a pioneer in our industry in launching a B2B e-commerce platform of comprehensive financial services and achieving synchronous B2B e-commerce commodity exhibition and online transactions, which minimize transaction costs and improve transaction efficiency for enterprises. We have established our electronic banking services, such as online banking, direct selling mobile banking, telephone banking, mobile banking, WeChat banking and self-service terminals. We set lobby branch outlets in all areas and vigorously built portable automated card issuing machines. We also continuously optimized customer experience of electronic banking channels and the replacement rate of electronic bank channels was 95.38%, reaching the industry leading level. We received the “Award for Internet Finance Innovation” and the “Best Direct Selling Mobile Banking for User Experience” granted by China Financial Certification Authority as well as the “Excellent Award for Financial Case of Online Supply Chain” granted by Chinese E-Commerce Innovation Promotion Alliance.

(VIII) Other Information Disclosed Pursuant to Regulatory Requirements

1. Major regulatory indicators

Regulatory indicators	Regulatory requirement	2015	2014	2013
Liquidity ratio (%)	RMB ≥ 25	38.36	48.56	42.82
	Foreign currencies ≥ 25	28.74	22.50	62.06
Liquidity coverage ratio (%)	RMB and foreign currencies ≥ 100	100.81	95.18	105.86

Note: As required by the Measures for the Liquidity Risk Management of Commercial Banks (Trial) (《商業銀行流動性風險管理辦法(試行)》), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transition period, the liquidity coverage ratio of commercial banks shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

2. Explanation on the differences of the financial statements prepared pursuant to domestic and foreign accounting standards

In the financial statements prepared by the Company pursuant to the PRC accounting standards and the IFRSs, there is no difference between the net profit attributable to the shareholders of the Company for the reporting period ended December 31, 2015 and the equity attributable to the shareholders of the Company as at the end of the reporting period.

Management Discussion and Analysis

(IX) Outlook

The overall development strategy of the Company for the new year is: to take advantage of the new normal with a new starting point, strictly adhere to the vision of “becoming the most competitive nationwide joint-stock commercial bank and the most important financial platform in Zhejiang province”, keep abreast of leading peers, fully promote the implementation of our full-asset class operation strategy, and accelerate the cultivation of our featured competitive strengths, endeavor to build a featured comprehensive service bank, an all-round customer-centered bank, a high quality bank that can control risks, a smart bank of a high level and an excelsior bank of high efficiency, and strive to become the most tacit partner to our peers, the most recognized financial advisor to corporate customers, the most needed entrepreneurial promoter for small and micro customers, and the most reliable wealth manager for personal customers.

With respect to our operation strategy, the Company will actively adapt to the market environment of high uncertainty and rapid changes, formulate a contingency operation system with a clear direction, high intelligence and flexibility, diversified tactics and various instruments, and efficiently match various types of market structures and trading rules, enhance corresponding strategic businesses, light-asset businesses and profit-focused businesses in different stages and different areas to form the best business portfolio, to win the market with professionalism, vitality and efficiency, and take full advantage of the comprehensive efficacy of our operation resources.

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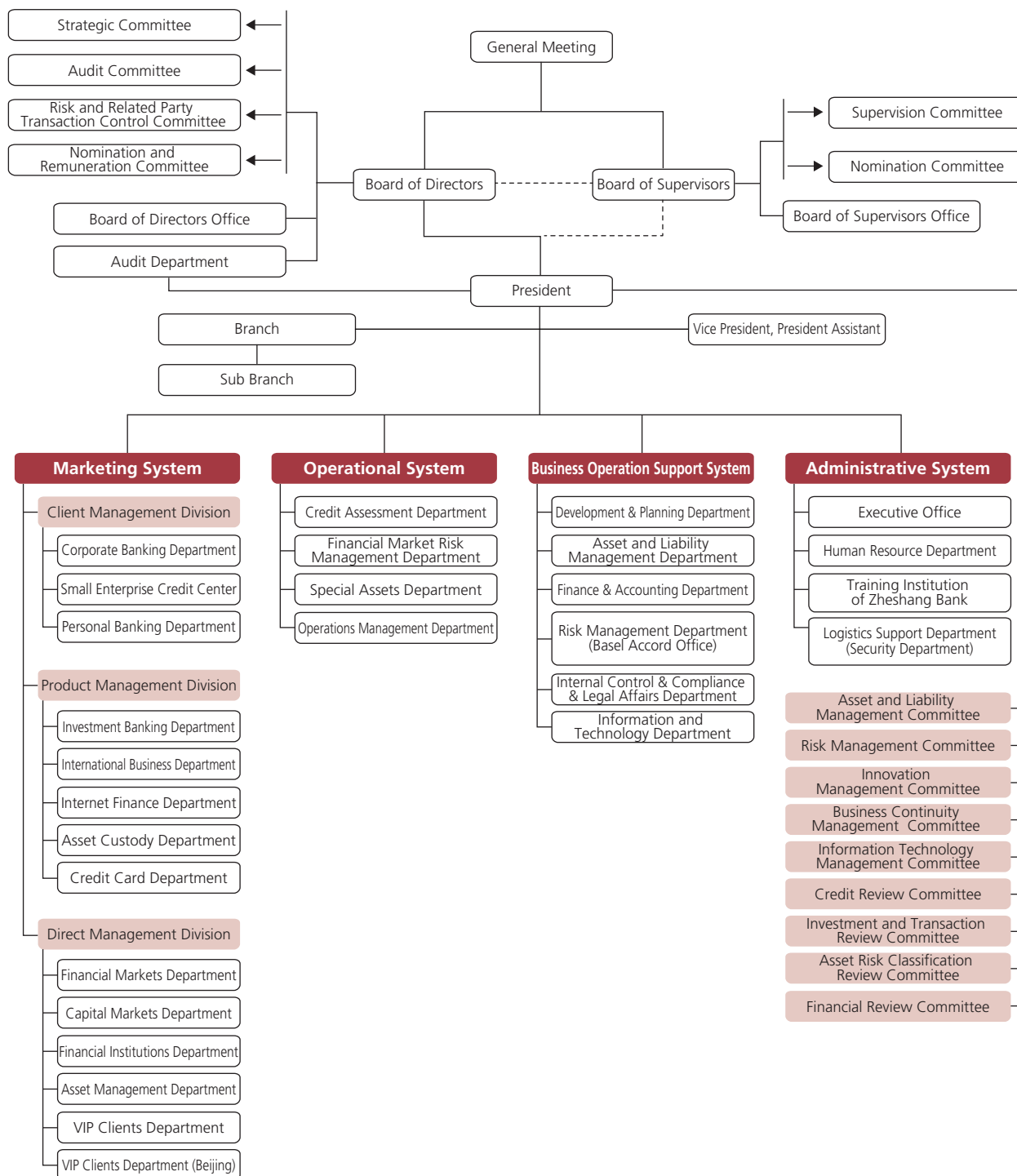
With respect to our business expansion, the Company will, on the basis of conducting traditional principal businesses of commercial banks and continuing to enlarge our credit assets, firmly capture the structural opportunities during the economic transformation and system innovation, cooperate with our peers in the banking industry, non-bank financial institutions, new financial institutions and other institutions of similar nature to financial institutions to continuously explore and create new business opportunities in financial markets, such as the credit market, currency market, capital market and foreign exchange market, and associated industries, and promote diversified and harmonious development of credit assets, trading assets, inter-bank assets and investment assets.

With respect to our customer service, the Company will actively cater for the basic trend where customers’ rights are becoming increasingly stronger and their financial needs are differentiating and upgrading, by basic means of integrated operations, business synergies and collaboration of front, middle and back office and continue to enhance our innovation in the business mode targeted at the market and customer experience and the modification on our business procedures, to provide comprehensive, modularized and ecological solutions to our customers.

With respect to the supporting system, the Company will continue to enlarge our customer base by leveraging our capabilities in asset creation and sales, and continuously optimize our financial functions and diversify our product and service systems; transform from an asset holding bank to an asset management and trading bank, drive liabilities with our asset management capabilities, innovate in asset and liability management systems and methods, and reshape our balance sheet to achieve classified management on our assets and hierarchical management on our liabilities; promote comprehensive risk management, and effectively coordinate the relationship among reform and innovation, business development and risk control to realize our full-asset, full-liability and full-process risk control.

Corporate Governance

(I) Chart of Organizational Structure



(II) Overview of Corporate Governance

The Company is a joint-stock commercial bank based on private capital investment. It is committed to improving the corporate governance structure so as to enhance the corporate governance efficiency and improve the decision-making rationality of the Board of Directors. The Company has established a separate corporate governance structure composed of the general meeting, Board of Directors, Board of Supervisors and senior management according to the relevant laws, regulations and regulatory requirements, such as Company Law, Commercial Banking Law and the Corporate Governance Guidance for Commercial Banks issued by CBRC. The governance bodies of the Company operate independently, cooperate with each other and effectively check and balance one another to ensure coordinated operation of the Company.

During the reporting period, the Company systematically modified and improved the top-level system of corporate governance and actively prepared for the IPO and listing according to the listed company governance standards and domestic and overseas regulatory requirements. It has revised and formulated various rules and regulations including the Articles of Association of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司章程》), Rules of Procedures for the General Meeting of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司股東大會議事規則》), Rules of Procedures for the Board of Directors Meetings of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司董事會議事規則》), Rules of Procedures for the Board of Supervisors of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司監事會議事規則》), Standards and Procedures for Selection of Directors and Supervisors of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司董事、監事選任標準和程序》), Standards and Procedures for Selection of Senior Management of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司高級管理人員選任標準和程序》), Working Rules for Independent Directors of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司獨立董事工作制度》), Performance Appraisal and Accountability Measures for Directors of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司董事履職評價及問責辦法》), Performance Appraisal and Accountability Measures for Supervisors of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司監事履職評價及問責辦法》), Performance Appraisal Measures for Senior Management of China Zheshang Bank Co., Ltd. (Provisional) (《浙商銀行股份有限公司高級管理人員履職評價辦法(試行)》), and Management Measures for Related Party Transactions of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司關聯交易管理辦法》), and continuously accumulated the “institutional capital” to provide comprehensive institutional safeguard for the normalized operation of the Company. In the meanwhile, the Company optimized and adjusted the authorization for the relevant operation and management matters according to changes of the external market environment and the internal conditions of the Company. The operation authorities and responsibility boundaries of the governance bodies were further clarified, and the timeliness of decision making and efficiency of review and approval were further improved.

(III) General Meeting

According to the Articles of Association of the Company, the general meeting shall be the Company's organ of power and exercise management and supervision over the Company through the Board of Directors and Board of Supervisors. The Company convenes and holds the general meeting strictly according to the relevant laws and regulations and the Articles of Association, ensuring that all shareholders fully and equally enjoy the right for knowledge, participation right and voting right.

During the reporting period, the Company held the annual general meeting for 2014 and 3 extraordinary general meetings. For each of these meetings, lawyers were invited to witness onsite and provide legal opinions.

On February 9, 2015, the Company held the first extraordinary general meeting for 2015, on which proposals were examined and adopted, including the Proposal on Revising Articles of Association of China Zheshang Bank Co. Ltd., Proposal on Electing Directors for the Fourth Session of the Board of Directors of China Zheshang Bank, Proposal on Electing Shareholder Supervisor and External Supervisor for the Fourth Session of the Board of Supervisors of China Zheshang Bank and Proposal on Issuing Renminbi Small and Micro Enterprise Special Financial Bonds.

On April 8, 2015, the Company held the second extraordinary general meeting for 2015, on which various proposals were examined and adopted, including Proposal on Capital Increase and Share Expansion of China Zheshang Bank, Proposal on Issuance of H Shares by China Zheshang Bank Co., Ltd. and Getting Listed on the Stock Exchange of Hong Kong Limited, Proposal on Converting China Zheshang Bank Co., Ltd. into Overseas Subscription Joint-stock Company, Proposal on Use and Investment Plan for the Capital Raised through the Issuance of H Shares by China Zheshang Bank Co., Ltd., Proposal on Requesting the General Meeting to Approve Validity Period for the Resolution on the Issuance of H Shares and Listing, Proposal on Authorizing the Board of Directors and Its Authorized Persons to Handle the Matters Concerning the Issuance of H Shares and Listing at Sole Discretion, Proposal on Determining the Authorized Persons of Board of Directors, Proposal on Reducing of State-owned Shares During the Issuance of H Shares by China Zheshang Bank Co., Ltd., and Proposal on Incorporation of Financial Leasing Company via Promotion.

On June 25, 2015, the Company held the annual general meeting for 2014, on which various proposals were examined and adopted, including Financial Account Report of China Zheshang Bank for 2014, Profit Distribution Scheme of China Zheshang Bank for 2014, Financial Budget Report of China Zheshang Bank for 2015, Proposal on the Remuneration Plan for Chairman of the Bank for 2014, Annual Working Report of Board of Directors of China Zheshang Bank for 2014, Annual Working Report of Board of Supervisors of China Zheshang Bank for 2014, Report on Execution of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank for 2014, Proposal on Revising the Articles of Association of China Zheshang Bank Co., Ltd. (Capital Increase), Proposal on the Articles of Association of China Zheshang Bank Co., Ltd. (H Shares), Proposal on the Rules of Procedures for the General Meeting of China Zheshang Bank Co., Ltd. (H Shares), Proposal on the Rules of Procedures for the Board of Directors of China Zheshang Bank Co., Ltd. (H Shares), and Proposal on the Rules of Procedures for the Board of Supervisors of China Zheshang Bank Co., Ltd. (H Shares).

Corporate Governance

On December 8, 2015, the Company held the third extraordinary general meeting for 2015, on which various proposals were examined and adopted, including the Proposal on Defining Authorizations for Relevant Operation and Management Matters of China Zheshang Bank, Proposal on Extending Validity Period of the Resolution on Issuing Renminbi Small and Micro Enterprise Special Financial Bonds, Proposal on Issuing Secondary Capital Bonds for 2015–2016, Proposal on Management Measures for Related Party Transactions of China Zheshang Bank Co., Ltd., Proposal on the Standards and Procedures for Selection of Directors and Supervisors of China Zheshang Bank Co., Ltd., Proposal on Working System for Independent Directors of China Zheshang Bank Co., Ltd., Proposal on Performance Appraisal and Accountability Measures for Directors of China Zheshang Bank Co., Ltd., Proposal on Performance Appraisal and Accountability Measures for Supervisors of China Zheshang Bank Co., Ltd., Proposal on Adjusting Allowances for Independent Directors and External Supervisors, Proposal on Approving the Resignation of Wang Kefei as Director of China Zheshang Bank, Proposal on Electing Zheng Jindu as Independent Director of the Board of China Zheshang Bank, Proposal on Approving the Resignation of Zhang Xianfei as Supervisor of the Board of Supervisors of China Zheshang Bank, and Proposal on Appointing Huang Haibo as Supervisor of the Board of Supervisors of China Zheshang Bank.

The holding of the above-mentioned general meetings observed the relevant procedures as required by the relevant laws and regulations.

60 (IV) Board of Directors

1. Composition and Responsibilities of the Board of Directors

The Company elected Directors strictly according to the director qualification and election and appointment procedures set out in the Articles of Association. During the reporting period, a new session of the Board of Directors was legally elected, and the change of leadership was successfully completed, ensuring the continuity and stability of the corporate governance. As of the end of the reporting period, the Board of Directors was composed of 18 Directors, where more than 1/3 were Independent Non-Executive Directors. The number of Directors and composition observed the relevant laws, regulations, the Company's policy for the diversified composition of the Board and listing company requirements. The source, geographical distribution and professional experience of the Directors were further diversified. The Company also timely optimized and adjusted the composition of the special committees under the Board and assigned the Directors with relevant expertise to the special committees according to the expertise and working skills of the Directors as well as the regulatory policy requirements so as to further enhance the expert consultation and supporting role of the special committees, and ensure the scientific and orderly decision-making of the Board of Directors. The Board was rationally structured with a team of experienced Directors. The Executive Directors are diligent, professional and efficient, while the non-executive Directors are equipped with rich banking and enterprise management experiences, and the Independent Non-Executive Directors have the knowledge and background of various areas including economy, finance, securities, accounting and law.

According to the Articles of Association, the Board of Directors is the decision-making organ of the Company and shall undertake ultimate responsibility for the operation and management of the Company. The Board of Directors will make decisions according to the Articles of Association and the authorization of the general meeting, enhance communication and interaction with the operating units and pay close attention to matters of overall importance of the Company. Besides protecting the interests of the Company and all the shareholders, it also focuses on the performance of its social responsibility.

The Board of Directors shall exercise the following functions and powers in accordance with provisions of the Articles of Association applicable to the Company after the H-shares listing:

- (1) To convene general meetings, present proposals and report on its performance to shareholders at the general meetings;
- (2) To implement the resolutions of the general meetings;
- (3) To formulate mid- and long-term development plans and development strategies of the Bank and supervise the implementation of such development plans and development strategies;
- (4) To decide the appraisal indexes for the annual operation of the Bank and approve the annual operation plans of the Bank;
- (5) To formulate our annual financial budgets and final accounts;
- (6) To formulate our profit distribution plans and plans for recovery of losses;
- (7) To formulate proposals for increase or decrease of our registered capital, issuance of shares or bonds with the purpose of supplementary capital;
- (8) To adopt resolution of issuance of bonds other than those with the purpose of supplementary capital by the Bank;
- (9) To formulate proposals for merger, separation, dissolution and liquidation of the Bank;
- (10) To approve the set-up and removal of major branches, in-house departments and overseas establishments of the Bank;
- (11) To appoint or dismiss the Bank's President; as required by marketization and specialization, to appoint or dismiss Secretary to our Board of Directors and other persons who shall be appointed or dismissed by our Board of Directors based on the nominations by the chairman; to appoint or dismiss the Bank's Vice President, president assistant, Chief Financial Officer and other persons who shall be appointed or dismissed by our Board of Directors based on the nominations by the President; to decide on above persons' remuneration and, rewards and punishment of the above persons;

Corporate Governance

- (12) Within the scope authorized by the general meetings, to decide on or approve the Bank's matters, such as external investments, purchases and sales of assets, substantial credit facilities, pledges of assets, external guarantees, disposal of non-performing assets and write-off of non-performing debts;
- (13) To approve the basic management systems of the Bank and determine the risk management and internal control systems;
- (14) To approve the report on the Bank's annual internal audit;
- (15) To approve planning and implementation plan of our capital adequacy ratio;
- (16) To formulate the proposed amendments to our Articles of Association;
- (17) To decide on matters of our information disclosure and assume ultimate responsibilities for the truthfulness, accuracy, completeness and timeliness of our accounting and financial report systems;
- (18) To propose at the general meeting the engagement or replacement of an accounting firm;
- (19) To listen to the President's work report and examine the President's work, supervise and ensure effective performance of management functions by the senior management;
- (20) To approve our substantial related party transactions and other related party transactions which shall be approved by the Board under laws, regulations, regulatory documents, provisions of securities regulatory authorities of the jurisdiction(s) where our shares are listed and provisions of our Articles of Association and according to the power conferred by the general meeting;
- (21) To circulate notices on regulation opinions of the regulatory authorities and rectifications of the Bank;
- (22) To safeguard the legitimate rights and interests of depositors and other stakeholders;
- (23) To apply to the people's court for bankruptcy on behalf of the Bank with the authorization of the general meetings;
- (24) To determine the Green Credit Development Strategy and the working strategy, policy and target for protecting consumers' rights and interests; to examine and approve the green credit target formulated by and the green credit report submitted by the senior management; to listen to the senior management's special report on the implementation of consumers' rights and interests protection on a regular basis; and
- (25) To exercise other functions and powers prescribed by laws, regulations or our Articles of Association or conferred by general meeting.

2. Particulars of the Meetings of Board of Directors

During the reporting period, the Company held 19 meetings of Board of Directors and 25 meetings of special committees under Board of Directors. In addition to the review of conventional contents, capital planning, H-shares listing, internal risk control and the analysis and handling of macro policy and economic trend were enhanced, ensuring the stable and smooth operation of the Company. The following proposals are considered:

Proposal on Capital Increase and Share Expansion of China Zheshang Bank for 2015
 Proposal on Issuance of H Shares by China Zheshang Bank Co., Ltd. and Getting Listed on the Stock Exchange of Hong Kong Limited
 Proposal on Election of Chairman of the Fourth Board of Directors of China Zheshang Bank
 Proposal on Election of Vice Chairman of the Fourth Board of Directors of China Zheshang Bank
 Proposal on Election of Members of Special Committees under the Fourth Session of the Board of Directors of China Zheshang Bank
 Proposal on Appointment and Election of President of China Zheshang Bank
 Proposal on Appointment and Election of Vice President and President Assistant of China Zheshang Bank
 Proposal on Appointment and Election of Secretary to Board of Directors of China Zheshang Bank
 Proposal on Determining the Authorized Persons of Board of Directors
 Work Report of President of China Zheshang Bank for 2014
 Financial Account Report of China Zheshang Bank for 2014
 Profit Distribution Scheme of China Zheshang Bank for 2014
 Business Operation Plan of China Zheshang Bank for 2015
 Financial Budget Report of China Zheshang Bank for 2015
 Work Report of Board of Directors of China Zheshang Bank for 2014
 Internal Audit Work Report of China Zheshang Bank for 2014
 Report on Execution of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank for 2014
 Proposal on Result of Performance Appraisal on Directors by Board of Directors of China Zheshang Bank for 2014
 Annual Report of China Zheshang Bank Co., Ltd. for 2014
 Proposal on Employing Accounting Firm for the Auditing of the Bank
 Proposal on Performance Appraisal and Reward and Punishment Measures for Senior Management of China Zheshang Bank for 2015 (Draft)
 Proposal on Stress Test Management Measures of China Zheshang Bank (2015 Edition)
 Proposal on Defining Authorizations for Relevant Operation and Management Matters of China Zheshang Bank

3. Term of Office and Change of Directors

Directors shall be elected or replaced at the general meeting of shareholders and a Director's term shall be three (3) years. Directors may, after expiry of their term of office, hold a consecutive term upon re-election.

For the change of Directors during the reporting period, please refer to "Directors, Supervisors, Senior Management, Employees and Institutions".

4. Attendance of Directors at the Meetings

Director	Special committees under Board of Directors					
	Board of Directors	Strategic committee	Audit committee	Risk and related transaction control committee	Nomination and remuneration committee	General meeting
Executive director						
Shen Renkang	19/19	3/3	—	—	—	4/4
Liu Xiaochun	18/19	3/3	—	—	—	4/4
Zhang Luyun	17/18	—	—	—	—	4/4
Xu Renyan	18/19	—	—	—	—	4/4
Non-executive director						
Wang Yibing	18/18	—	—	—	—	4/4
Wang Mingde	19/19	3/3	—	—	—	4/4
Shen Xiaojun	19/19	—	3/3	—	—	4/4
Gao Qinhong	16/19	—	—	15/15	—	1/4
Hu Tiangao	18/19	—	3/3	—	—	4/4
Lou Ting	15/18	2/3	—	—	—	3/4
Wei Dongliang	17/18	—	—	—	—	4/4
Independent non-executive director						
Jin Xuejun	19/19	—	3/3	—	4/4	4/4
Tong Benli	18/18	—	3/3	14/15	4/4	4/4
Yuan Fang	18/18	—	3/3	15/15	—	4/4
Zheng Xinli	14/18	2/3	—	—	—	0/4
Dai Deming	17/18	3/3	—	—	—	2/4
Liu Pak Wai	18/18	3/3	—	—	—	1/4
Zheng Jindu	1/1	—	—	—	—	—
Director off post						
Wang Kefei	14/17	—	—	—	4/4	2/3
Dou Xiufang	1/1	—	—	—	—	—
Wang Shuifu	1/1	—	—	—	—	—
Tao Xuegen	1/1	—	—	—	—	—
Zhou Yongli	1/1	—	—	—	—	—
Zhang Xianfei	1/1	—	—	—	—	—
Chen Guoping	1/1	—	—	—	—	—
Qian Zihui	1/1	—	—	—	—	—
Xu Xinqiao	1/1	—	—	—	—	—

- Note: (1) Times of attention in person/number of meetings that he/she should attend during the reporting period.
- (2) All of the Directors (other than Director Zhang Luyun who took a leave for business) attended the Board meeting through another Director by proxy and exercised their voting rights.
- (3) On April 7, 2016, Mr. Zheng Xinli submitted his resignation as an independent non-executive director to the Board of the Company. According to the provisions in our Articles of Association which will be applied after the listing of H Shares, the resignation took effect immediately on the date of submission to the Board.

5. Training for and Survey of Directors

The Board of Directors paid close attention to the training of Directors for improving their performance. During the reporting period, to prepare for the listing of H shares, the Board of Directors further enhanced the training of Directors. Intermediary was employed to provide systematic listing training for the Directors and expand the knowledge reserve for corporate governance, covering such contents as the related party transactions under the Hong Kong legal systems, responsibilities and duties of the Directors of Hong Kong listed companies, corporate governance requirements, Directors' liability risk and insurance. In addition, the Company launched a series of "China Zheshang Bank Workshop" to provide a knowledge carrier and transmission platform for the communication and learning, so as to integrate the internal and external resources of the Bank, harness the wisdom of the Bank, build a regular study mechanism, expand the macro vision of the Directors, and improve their capacity in interpreting and dealing with important policies. During the reporting period, the Board of Directors organized several surveys and special inspections on the Shanghai and Chengdu branches.

6. Performance of Independent Non-executive Directors

As of the end of the reporting period, the Company had 7 independent non-executive Directors, meeting the proportion requirements of CRBC, CSBC and Hong Kong Listing Rules. The chairmen of the Audit Committee, Risk and Related party transaction Control Committee, and Nomination and Remuneration Committee under the Board were all independent Non-Executive Directors, and the Independent Non-Executive Directors were in majority in the three committees. During the reporting period, the Independent Non-Executive Directors actively participated in and offered suggestions and advices at the meetings of Board of Directors and the special committees to make effective contribution. Besides, they maintained effective communication with the Company through various means, such as site visits, special surveys and attending training.

The Company has received the annual confirmations from the Independent Non-Executive Directors according to Rule 3.13 of Hong Kong Listing Rules regarding their independence, and considered that the Independent Non-Executive Directors were not involved with any factor set out in Rule 3.13 of Hong Kong Listing Rules that may challenge their independence.

7. Responsibilities of Directors in Preparation of Financial Reports

Directors of the Company acknowledged that they were responsible for preparing the financial report of the Company for the year ended December 31, 2015.

Directors shall supervise the financial reports for each accounting period, so as to ensure that the financial reports truly and fairly reflect the financial status, operation results and cash flow of the Company.

When preparing the financial report for the year ended December 31, 2015, the Directors adopted and applied suitable accounting policies and made prudent and reasonable judgment.

(V) Special Committees under Board of Directors

There are four special committees under the Board of Directors of the Company, including Strategic committee, Audit Committee, Risk and Related party transaction Control Committee and Nomination and Remuneration Committee. The special committees under the Board of Directors exercise the following functions and powers in accordance with the Articles of Association and Rules of Procedures for Special Committees under the Board of Directors applicable to the Company after the H-shares listing:

1. Strategic Committee

As of the end of the reporting period, the Strategic committee of the Company consisted of 7 Directors. Mr. Shen Renkang, chairman and Executive Director of the Board, served as the committee chairman. Mr. Liu Xiaochun, vice chairman and Executive Director of the Board, and Mr. Wang Mingde, vice chairman and Non-Executive Director of the Board, served as the vice committee chairman. Other committee members included Mr. Zheng Xinli, Independent Non-Executive Director, Mr. Dai Deming, Independent Non-Executive director, Mr. Liu Pak Wai, Independent Non-Executive director and Ms. Lou Ting, Non-Executive Director.

Main duties of the Strategic committee:

- (1) To formulate business goals, medium- and long-term development plans and development strategies of the Bank;
- (2) To supervise and inspect the implementation of annual business plans and investment plans; and
- (3) To deal with other matters as authorized by the Board.

During the reporting period, the strategic committee held 3 meetings which examined and approved a number of proposals, including Proposal on Capital Increase and Share Expansion of China Zheshang Bank, Proposal on Issuance of H Shares by China Zheshang Bank Co., Ltd. and Getting Listed on the Stock Exchange of Hong Kong Limited, Proposal on Converting China Zheshang Bank Co., Ltd. into Overseas Subscription Joint-stock Company, Proposal on Use and Investment Plan for the Capital Raised through the Issuance of H Shares by China Zheshang Bank Co., Ltd., Proposal on Incorporation of Financial Leasing Company via Promotion, Financial Account Report of China Zheshang Bank for 2014, Profit Distribution Scheme of China Zheshang Bank for 2014, Business Operation Plan of China Zheshang Bank for 2015, Financial Budget Report of China Zheshang Bank for 2015, and Proposal on Rules of Procedures for Strategic Committee under Board of Directors of China Zheshang Bank Co., Ltd..

2. Audit Committee

As of the end of the reporting period, the Audit Committee of the Company consisted of 5 Directors. Mr. Jin Xuejun, Independent Non-Executive director, served as the committee chairman. Other committee members included Mr. Tong Benli, Independent Non-Executive director, Mr. Yuan Fang, Independent Non-Executive director, Ms. Shen Xiaojun, Non-Executive Director, and Mr. Hu Tiangao, Non-Executive Director.

The composition of Audit Committee meets the requirements of Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules and Paragraph C3 of the Code of Corporate Governance.

Main duties of the Audit Committee:

- (1) To examine our accounting policies, financial position, financial reporting procedures, and risk and compliance status;
- (2) To propose the appointment or replacement of external auditors;
- (3) To supervise our internal audit system and its implementation;
- (4) To facilitate communication between internal auditors and external auditors;
- (5) To review our financial information and the related disclosure and prepares reports on the authenticity, accuracy, completeness and timeliness of the audited financial reports to be submitted to our Board of Directors for consideration;
- (6) To deal with other matters as prescribed by relevant laws, regulations, departmental rules and regulations of the securities regulatory authority in the jurisdiction(s) where the Bank's shares are listed.

During the reporting period, the Audit Committee held 3 meetings which examined and adopted various proposals, including Proposal on Annual Report of China Zheshang Bank Co., Ltd. for 2014, Work Report for Internal Audit of China Zheshang Bank for 2014, Proposal on Employing Accounting Firm for the Auditing of the Bank, and Proposal on Rules of Procedures for Audit Committee Under Board of Directors of China Zheshang Bank Co., Ltd..

3. Risk and Related Party Transaction Control Committee

As of the end of the reporting period, the Risk and Related Party Transaction Control Committee of the Company consisted of 3 Directors. Mr. Yuan Fang, Independent Non-Executive director, served as the committee chairman. Other committee members included Mr. Tong Benli, Independent Non-Executive director, and Ms. Gao Qinhong, Non-Executive Director.

Main duties of the Risk and Related Party Transaction Control Committee:

- (1) To supervise the risk control by senior management of the Bank;

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- (2) To assess our risk profile;
- (3) To offer proposals on improving our risk management and internal controls;
- (4) To review and approve general related party transactions of the Bank or accept the filing of general related party transactions;
- (5) To review and approve of major related party transactions of the Bank or the transactions which are subject to reporting, announcement and/or independent shareholders' approvals under the relevant stipulations of securities regulatory authority of listing location of the Bank, which shall be submitted to the Board of Directors by the committee for approval; and
- (6) To deal with other matters as authorized by the Board.

During the reporting period, the Risk and Related Party Transaction Control Committee held 15 meetings which primarily examined and adopted various proposals, including Report on Execution of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank for 2014, Proposal on Rules of Procedures for Risk and Related Party Transaction Control Committee under Board of Directors of China Zheshang Bank Co., Ltd., Proposal on Stress Test Management Measures of China Zheshang Bank (2015 Edition), Management Measures for Related Party Transactions of China Zheshang Bank Co., Ltd. and Proposal on Defining Authorizations for Relevant Operation and Management Matters of China Zheshang Bank. The Committee also listened to the Report on Risk Management of the Bank for 2014.

4. Nomination and remuneration Committee

As of the end of the reporting period, the Nomination and Remuneration Committee of the Company consisted of 3 Directors. Mr. Tong Benli, Independent Non-Executive Director, served as the committee chairman. Other committee members included Mr. Jin Xuejun, Independent Non-Executive Director, and Mr. Zheng Jindu, Independent Non-Executive Director.

Main duties of the Nomination and Remuneration Committee:

- (1) To propose to the Board on the membership of the Board based on the business operations, asset size and equity structure of the Bank;
- (2) To draft the standard and procedure for the selection of Directors and senior management, and propose the same to the Board;
- (3) To recommend candidates for Chairman and Vice Chairman to Board of Directors, and provide review comments on the candidates of Directors and senior management members including the President, Vice President, Financial Principal, Secretary to the Board and etc;
- (4) To draft the remuneration policy and scheme for Directors and senior management; and
- (5) To deal with other matters as prescribed by relevant laws, regulations, departmental rules and regulations of the securities regulatory authority in the jurisdiction(s) where the Bank's shares are listed and as authorized by the Board of Directors.

During the reporting period, the Nomination and Remuneration Committee held 4 meetings which primarily examined and adopted various proposals, including Proposal on Result of Performance Appraisal on Directors by Board of Directors of China Zheshang Bank for 2014, Proposal on the Remuneration Plan for Senior Management of the Bank for 2014, Proposal on Performance Appraisal and Reward and Punishment Measures for Senior Management of China Zheshang Bank for 2015 (Draft), Proposal on Rules of Procedures for Nomination and Remuneration Committee under Board of Directors of China Zheshang Bank Co., Ltd., Proposal on Standards and Procedures for Selection of Directors and Supervisors of China Zheshang Bank Co., Ltd. (2015 Edition), Proposal on Performance Appraisal and Accountability Measures for Directors of China Zheshang Bank (2015 Edition), Proposal on Standards and Procedures for Selection of Senior Management of China Zheshang Bank (2015 Edition), Proposal on Adjusting the Remuneration to Independent Directors of the Bank, Proposal on Working Rules for Independent Directors of China Zheshang Bank Co., Ltd., and Proposal on Performance Appraisal Measures for Senior Management of China Zheshang Bank.

(VI) Board of Supervisors

1. Composition and Responsibilities of Board of Supervisors

According to the Articles of Association, the Board of Supervisors shall be accountable to the general meeting of shareholders, and protect the legal rights and interests of the Bank, the shareholders, employees, creditors and other stakeholders. The Board of Supervisors now consists of 12 Supervisors, including 4 shareholder representative Supervisors (Mr. Yu Jianqiang, Mr. Tao Xuegen, Mr. Zhou Yang and Mr. Huang Haibo), 4 employee representative Supervisors (Mr. Zheng Jianming, Mr. Dong Zhoufeng, Mr. Ge Lixin, Mr. Zhang Rulong) and 4 external Supervisors (Mr. Jiang Zhihua, Mr. Yuan Xiaoqiang, Mr. Huang Zuhui and Mr. Wang Jun). Faced with new development situations, the Board of Supervisors, based on the Articles of Association and the relevant regulatory requirements, continuously improved the supervision work mechanism, seriously performed their duties, deepened supervision works centering on performance supervision, financial supervision, risk supervision and internal control supervision, and significantly improved the efficiency and effectiveness of supervision.

The Board of Supervisors exercises the following powers and functions in accordance with the Articles of Association applicable to the Company after the H-shares listing:

- (1) To supervise the Board of Directors' adoption of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Bank;
- (2) To regularly evaluate and report on the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors for compilation of evaluation reports;
- (3) To review the financial position of the Bank;
- (4) To oversee the conduct of our Directors and senior management in performing their duties, propose removal of Directors and senior management who have violated laws, regulations, our Articles of Association or resolutions of the general meeting;

Corporate Governance

- (5) Where necessary, to give suggestions or reminders to, have an appointment with, make inquiries with and ask for a reply from the Board, senior management and other persons in written or oral form, and to require Directors and senior management to make corrections, should their acts damage the interests of the Bank;
- (6) To supervise the procedures for selection and appointment of Directors;
- (7) To appraise the duty performance of Directors, Supervisors and senior management from a comprehensive perspective to form final appraisal results;
- (8) To supervise and inspect the Bank's business decisions, risk management and internal control and guide the work of the Bank's internal audit department;
- (9) To appraise the scientificity and rationality of the remuneration management system and policies of the whole Bank as well as the remuneration scheme for senior management;
- (10) To propose the convening of extraordinary general meetings, and if the Board is unable to or does not perform the obligations to convene and preside over general meetings in accordance with the Company Law, to convene and preside over general meetings;
- (11) To submit proposals to general meetings;
- (12) To attend the Board of Directors meetings and senior management meetings when required, and be entitled to inquire about or put forward proposals in relation to the matters on resolutions of the meetings;
- (13) To propose the convening of extraordinary meetings of the Board of Directors and the matters for discussion;
- (14) To institute legal proceedings against the Directors and senior management pursuant to the Company Law;
- (15) To carry out an audit of any resigning senior management, when necessary;
- (16) To verify financial information such as financial reports, business reports and profit distribution plans that the Board of Directors plans to submit to the general meeting and, if in doubt, to appoint, in the name of the Bank, a registered accountant or certified auditor to help review such information; and
- (17) To exercise other functions and powers prescribed by relevant laws, regulations or the Articles of Association or conferred by the general meeting.

2. Particulars of Board of Supervisors meetings

During the reporting period, the Board of Supervisors of the Company held 9 meetings and reviewed 25 proposals, including:

- Proposal on the List of Candidates for Shareholder Supervisors and External Supervisors of the Fourth Board of Supervisors of China Zheshang Bank
- Proposal on Election of Chairman of the Fourth Board of Supervisors of China Zheshang Bank
- Proposal on Election of Vice Chairman of the Fourth Board of Supervisors of China Zheshang Bank
- Proposal on Election of Special Committee Members of the Fourth Board of Supervisors of China Zheshang Bank
- Financial Account Report of China Zheshang Bank for 2014
- Profit Distribution Scheme of China Zheshang Bank for 2014
- Financial Budget Report of China Zheshang Bank for 2015
- Work Report for Internal Audit of China Zheshang Bank for 2014
- Proposal on Annual Report of China Zheshang Bank Co., Ltd. for 2014
- Proposal on Result of Performance Appraisal on Directors by Board of Supervisors of China Zheshang Bank Co., Ltd. for 2014
- Proposal on Result of Performance Appraisal on Supervisors by Board of Supervisors of China Zheshang Bank for 2014
- Proposal on Result of Performance Appraisal on Senior Management by Board of Supervisors of China Zheshang Bank for 2014
- Proposal on Revising Rules of Procedures for Board of Supervisors of China Zheshang Bank Co., Ltd.
- Proposal on Revising Rules of Procedures for Supervision Committee under Board of Supervisors of China Zheshang Bank Co., Ltd.
- Proposal on Revising Rules of Procedures for Nomination Committee under Board of Supervisors of China Zheshang Bank Co., Ltd.
- Work Summary for the First Half of the Year and Arrangements for the Second Half of the Year of Board of Supervisors of China Zheshang Bank
- Proposal on Standards and Procedures for Selection of Directors and Supervisors of China Zheshang Bank Co., Ltd. (revised in November 2015)
- Performance Appraisal and Accountability Measures for Directors of China Zheshang Bank Co., Ltd. (revised in November 2015)
- Performance Appraisal and Accountability Measures for Supervisors of China Zheshang Bank Co., Ltd. (revised in November 2015)
- Performance Appraisal Measures for Senior Management of China Zheshang Bank Co., Ltd. (Provisional)
- Proposal on Approving the Resignation of Ms. Zhang Xianfei as Supervisor of China Zheshang Bank
- Proposal on Nominating Mr. Huang Haibo as Candidate for Supervisor of the Fourth Board of Supervisors of China Zheshang Bank
- Proposal on Electing Mr. Huang Haibo as Member of Nomination Committee under the Fourth Session of the Board of Supervisors of China Zheshang Bank

(VII) Special Committees under Board of Supervisors

1. Supervision Committee under Board of Supervisors

The Supervision Committee under Board of Supervisors of the Company consisted of 5 Supervisors. Mr. Yuan Xiaoqiang, external supervisor, served as the committee chairman. Other committee members included Mr. Tao Xuegen, Mr. Zhou Yang, Mr. Zhang Rulong and Mr. Wang Jun.

Main duties of the Supervision Committee:

- (1) To be responsible for drafting plans of supervision on the financial activities of the Bank and conducting relevant inspections;
- (2) To supervise the Board of Directors' adoption of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Bank;
- (3) To regularly evaluate and report on the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors for compilation of evaluation reports;
- (4) To instruct the work of the internal audit department of the Bank;
- (5) To carry out a review of any resigning senior management when necessary;
- (6) To supervise the duty performance by Directors, Supervisors and senior management;
- (7) To supervise and inspect major operational decisions of the Bank;
- (8) To supervise and inspect risk management of the Bank;
- (9) To supervise and inspect the soundness and effectiveness of the internal control of the Bank; and
- (10) To deal with other matters as authorized by the Board of Supervisors.

During the reporting period, the Supervision Committee under Board of Supervisors held 4 meetings which primarily examined and adopted Proposal on Annual Report of China Zheshang Bank Co., Ltd. for 2014, Work Report for Internal Audit of China Zheshang Bank for 2014 and Proposal on Revising Rules of Procedures for Supervision Committee under Board of Supervisors of China Zheshang Bank Co., Ltd. The Committee also listened to the report of the major financial results of the Bank for 2014 presented by the Financial Accounting Department, the report of the financial results of the Bank for the first half of 2015 presented by the Financial Accounting Department, the report on the special audit for IT project development management, audit report on economic responsibilities of Wenzhou Branch President during his tenure, audit report on economic responsibilities of Beijing Branch President during his tenure, and report on special audit project for wealth management business presented by the Audit Department, and the report on the special review and evaluation on the credit asset quality and internal control effectiveness of Beijing, Chongqing and Yiwu branches presented by the relevant intermediaries.

2. Nomination Committee under Board of Supervisors

The Nomination Committee under the Board of Supervisors of the Company consisted of 5 Supervisors. Mr. Jiang Zhihua, external supervisor, served as the committee chairman. Other committee members included Mr. Huang Haibo, Mr. Dong Zhoufeng, Mr. Ge Lixin and Mr. Huang Zuhui.

Main duties of the Nominations Committee:

- (1) To draft procedures and standards of electing and appointing Supervisors; to recommend qualified candidates of external Supervisors; to make an initial evaluation on the qualifications of candidates of shareholder representatives serving as Supervisors and external Supervisors and give suggestions to the Board of Supervisors;
- (2) To propose to the Board of Supervisors candidates of chief supervisor and deputy chief supervisor based on the actual condition of the Bank;
- (3) To propose to the Board of Supervisors candidates of chairmen of various special committees;
- (4) To supervise the election and appointment of Directors;
- (5) To draft remuneration plans for Supervisors and supervise the implementation of the said plans after they have been considered by the Board of Supervisors and have been submitted to the general meeting for consideration;
- (6) To supervise the scientificity and rationality of the remuneration system and policy of the whole Bank as well as the remuneration scheme of senior management;
- (7) To be responsible for drafting measures for evaluating the duty performance of Directors, Supervisors and senior management and implementing these measures after submitting them to the Board of Supervisors for consideration;
- (8) To assist the Board of Supervisors office with the establishment of a duty performance supervision and recording system for Directors, Supervisors and senior management and complete the duty performance supervision records; and
- (9) To deal with other matters as authorized by the Board of Supervisors.

During the reporting period, the Nomination Committee under Board of Supervisors held 7 meetings which primarily examined and adopted various proposals, including Proposal on Result of Performance Appraisal on Directors by Board of Supervisors of China Zheshang Bank for 2014, Proposal on Result of Performance Appraisal on Supervisors by Board of Supervisors of China Zheshang Bank for 2014, Proposal on Result of Performance Appraisal on Senior Management by Board of Supervisors of China Zheshang Bank for 2014, Proposal on Revising Rules of Procedures for Nomination Committee under Board of Supervisors of China Zheshang Bank Co., Ltd., Proposal on Standards and Procedures for Selection and Appointment of Directors and Supervisors of China Zheshang Bank Co., Ltd. (revised), Proposal on Performance Appraisal and Accountability Measures for Directors of China Zheshang Bank Co., Ltd. (revised), Proposal on Performance Appraisal and Accountability Measures for Supervisors of China Zheshang Bank Co., Ltd. (revised), Proposal on Performance Appraisal Measures for Senior Management of China Zheshang Bank Co., Ltd., Proposal on Nominating Mr. Huang Haibo as Member of Nomination Committee under the Fourth Board of Supervisors of China Zheshang Bank, and Proposal on Adjusting Remuneration to External Supervisors of the Bank. The Committee also studied the issues concerning the change of office for the fourth Board of Supervisors, and appraised the performance of the Directors, Supervisors and senior management of the Bank for 2014.

3. Training for and Survey on Supervisors

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The Board of Supervisors organized performance training for the Supervisors, and invited experts to explain the economic and financial new normal state and the key points of the performance of commercial bank Supervisors for the members of the Board. In addition, the Company invited intermediaries to provide relevant pre-listing trainings for the Supervisors, which included responsibilities and duties of Supervisors of Hong Kong listed companies, relevant information disclosure requirements and provisions on the purchase of the Bank's securities by Supervisors, and the Supervisor liability risk and insurance.

During the reporting period, the Board of Supervisors organized 14 surveys and site visits. In May 2015, the Board of Supervisors successively visited such shareholders as Zhejiang Rifa Holding Group Co., Ltd., Zhejiang China Light & Textile Industrial City Group Co., Ltd., Shaoxing City Keqiao District China Light & Textile City Market Development & Operation Co., Ltd., Zhejiang Yongli Industry Group Co., Ltd. and Jingong Group Co., Ltd. In May 2015, the Board of Supervisors had a field survey on Shaoxing Branch. In August 2015, the Board of Supervisors had a field survey on Shenyang Branch. In September 2015, the Board of Supervisors organized special review and assessment on the credit asset quality of Beijing Branch. In September 2015, the Board of Supervisors organized special review and assessment on the internal control effectiveness of Yiwu Branch. In October 2015, the Board of Supervisors successively visited such shareholders as Guangsha Holding Group Co., Ltd., Zhejiang Provincial Energy Group Co., Ltd. and Zhejiang Jingfa Industry Group Co., Ltd. In November 2015, the Board of Supervisors organized special review and assessment on the credit asset quality of Chongqing Branch. In November 2015, the Board of Supervisors had a field survey on Shanghai Branch.

(VIII) Chairman and President

In the Company, the posts of Chairman and President are served by different persons, and each position has clearly defined responsibilities, meeting the requirements of Hong Kong Listing Rules. Mr. Shen Renkang serves as the Chairman of the Company and could exercise his powers to preside over the general meetings, convene and preside over the meetings of Board of Directors and supervise and inspect the implementation of the resolutions of the Board of Directors. Mr. Liu Xiaochun is the president of the Company and could exercise his powers to lead the operation and management of the Company, report to the Board of Directors and organize the implementation of the resolution of the Board of Directors, the annual operation plan and investment scheme of the Company.

(IX) Company Secretary

Mr. Liu Long is one of the joint company secretaries of the Company, while Mr. Wong Yat Tung, manager of SW Corporate Services Group Limited, is the joint company secretary meeting the relevant qualification requirements of Hong Kong Listing Rules. The company secretary is mainly responsible for facilitating the operation of the Board of Directors, ensuring the smooth communication between the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Company. Any Director can discuss with, seek advice from and obtain information from the company secretary. The main contact in the Company for Mr. Wong Yat Tung is Mr. Liu Long.

During the reporting period, both Mr. Liu Long and Mr. Wong Yat Tung had received professional trainings of no less than 15 hours, which satisfied the requirements of Rule 3.29 of Hong Kong Listing Rules.

(X) Company Operation and Decision-Making System

The general meeting is the Company's power organ which manages and supervises the Company through the Board of Directors and Board of Supervisors. The President is employed by the Board of Directors to take charge of the daily operation and management of the Company. The Company adopts the single legal person system. All the branches and sub-branches are non-independent accounting units. They carry out the operation and management activities according to the authorization of the headquarters and are accountable to the headquarters.

The Company has no controlling shareholder. The Company and the shareholders are completely independent in terms of assets, businesses, personnel, entities and finance. The Company has complete and independent operation capacity. The Board of Directors, Board of Supervisors and internal units of the Company operate independently.

Corporate Governance

(XI) Shareholding Interests of Senior Management

During the reporting period, none of the senior management of the Company held any share of the Company.

(XII) Securities Transactions of Directors and Supervisors

The Company adopts a Code of Conduct for Securities Transactions by Directors and Supervisors no looser than the Model Code in the Appendix X of Hong Kong Listing Rules. The Company had inquired all the Directors and Supervisors for this issue and confirmed that they had been complying with the aforesaid Code from March 30, 2016 to the date of this report.

(XIII) Remuneration Policies for Directors, Supervisors and Senior Management

The remuneration of the Directors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination and Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the general meeting for approval after being approved by the Board of Directors.

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The remuneration of the Supervisors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the general meeting for approval after being approved by the Board of Supervisors.

The Company's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Company and the shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Company is mainly embodied in the distribution mechanism of the senior management. The remuneration to the senior management is linked to the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Company, and better encourage the senior management to contribute to the steady and sustainable development of the Company. The evaluation and remuneration payment plan for the senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, and then approved and implemented by the Board of Directors annually, and disclosed according to the relevant requirements.

For details about the remuneration of the Directors, Supervisors and senior management, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions".

(XIV) Significant Changes of the Articles of Association

The Company held the first extraordinary general meeting for 2015 on February 9, 2015 which examined and adopted the Resolution on Revising Articles of Association of China Zheshang Bank Co, Ltd. in accordance with the Company Law, Corporate Governance Guidelines for Commercial Banks, Working Instructions for Board of Supervisors of Commercial Bank, and other relevant laws and regulations, as well as the need for the change of leadership of the Bank.

The Company held the annual general meeting for 2014 on June 25, 2015, at which Proposal on Revising Articles of Association of China Zheshang Bank Co, Ltd. (Capital Increase) was examined and adopted according to the issuance of capital increase and share expansion and change of registered capital, while Proposal on Articles of Association of China Zheshang Bank Co, Ltd. (H Shares) was examined and adopted according to the relevant laws, regulations and regulatory documents as well as the actual needs to meet the H shares issuance and listing requirements. The revised Articles of Association of China Zheshang Bank Co, Ltd. (H Shares) took effect on the date when the H shares issued by the Bank were listed on the Stock Exchange of Hong Kong Limited.

The above-mentioned revisions were approved by the CBRC.

(XV) Shareholder's Rights

The shareholders shall enjoy the following rights in accordance with the new Articles of Association adopted after the H-shares listing of the Company:

1. To hold extraordinary general meeting

At the request of the shareholders separately or jointly holding 10% or more of the total shares, the Company shall hold an extraordinary general meeting within two months.

When the shareholders request to convene an extraordinary general meeting or a class meeting, the following procedures shall be observed: the shareholders separately or jointly holding 10% or more of the total shares submit a written proposal to the Board of Directors and explain the meeting topics. The Board of Directors shall reply in written form within ten days after receiving the proposal as for agreeing or disagreeing to convene the extraordinary general meeting.

If the Board of Directors agrees to convene an extraordinary general meeting or a class meeting, a notice of convening the general meeting shall be sent within five days after the resolution made by the Board of Directors. Any change to the original proposal in the notice shall be approved by the relevant shareholders.

If the Board of Directors does not agree to convene the extraordinary general meeting or a class meeting, or fails to reply within 10 days after receiving the proposal, the shareholders separately or jointly holding 10% or more of the total shares have the right to propose to the Board of Supervisors to hold the extraordinary general meeting or class meeting, provided that written request shall be submitted to the Board of Supervisors.

Corporate Governance

If the Board of Supervisors agrees to convene an extraordinary general meeting or a class meeting, the notice of convening the general meeting shall be sent within five days after the receipt of the request. Any change to the original proposal in the notice shall be approved by the relevant shareholders.

If the Board of Supervisors fails to provide the notice of holding general meeting or class meeting within the specified period, it shall be deemed that Board of Supervisors will not convene and preside over the general meeting or class meeting, the shareholders separately or jointly holding 10% or more of the total shares may convene and preside over such meetings at their own discretion.

If the Board of Supervisors or the shareholders decide to convene the general meeting, they shall notify the Board of Directors in writing and file with the local banking supervisory authorities and other regulatory authorities. The Board of Directors and Secretary to the Board of Directors shall offer cooperation. The Board of Directors shall provide the register of members as of the equity registration date, and the reasonable cost required for the meeting shall be borne by the Bank, which shall be deduced from the payment due to the default Directors.

2. To make proposal to the general meeting

The shareholders separately or jointly holding 3% or more of the total shares have the right to make proposal to the general meeting.

The shareholders separately or jointly holding 3% or more of the total shares may make temporary proposal and submit in written form to the convener 10 days before the holding date of the general meeting or at least 2 days before the deadline for providing supplementary notice of general meeting as stipulated by Hong Kong Listing Rules (whichever is earlier). The convener shall issue the supplementary notice of general meeting within 2 days after receiving the relevant proposal to disclose the contents of the temporary proposal.

3. To hold interim meeting of Board of Directors

At the request of the shareholders separately or jointly holding 10% or more of the total shares, the chairman shall convene and preside over an interim meeting of Board of Directors within 10 days after receiving the proposal.

4. To make inquiries with the Board of Directors

The shareholders have the right to obtain the relevant information according to the laws, regulations and Articles of Association. They can obtain the copies of the Articles of Association after paying the relevant costs. They have the right to access and copy the following information after paying reasonable fees: any and all parts of the register of members; personal information of the Directors, Supervisors and senior management of the Bank; the Bank's equity status; the report of total par values, quantity, maximum price and minimum price of each class of shares repurchased by the Bank since the last financial year as well as the total expenses the Bank paid for this; meeting minutes of general meetings, resolutions of the meetings of Board of Directors, resolutions of the meetings of Board of Supervisors; bond stubs of the Bank; the audited financial report, report of Board of Directors, report of Board of Supervisors, and report of auditors for the last fiscal period, the annual report for the last fiscal period that has been filed with the State Administration for Industry and Commerce and other regulatory authorities. For the contact details, please refer to "Company Profile" of this report.

(XVI) Relationship between Directors, Supervisors and Senior Management

There is no financial, business, family or other material/affiliated relationship between the Directors, Supervisors and senior management of the Company.

(XVII) Compliance with the Requirements of Corporate Governance Code, Appendix XIV to the Hong Kong Listing Rules

The Company agrees to the principles of Corporate Governance Code and Corporate Governance Report as set out in Appendix XIV to Hong Kong Listing Rules. The Company has been in full compliance with the provisions of the Code since the listing date (March 30, 2016).

(XVIII) Internal Control

For the internal control of the Company, please refer to the "Internal Control" in this report.



Directors' Report

(I) Our Principal Business

The Company's principal business is to provide banking and related financial services.

(II) Profit and Dividend Distribution

1. The Company's profit distribution policy

According to the Articles of Association applicable to the Company after the Listing of our H shares, our profit distribution policy is:

(1) The Bank shall distribute profits after income tax in the following order:

To make up for the losses of previous years;

To set aside 10% as statutory reserve fund;

To make provision for loss of asset impairment;

To set aside discretionary reserve fund;

To pay dividends to shareholders.

(2) The Bank may distribute profits in the form of cash, shares or other forms approved by competent regulatory authorities.

(3) After the profit distribution plan is adopted at the general meeting, the Board shall finish distributing profits within two months after the general meeting.

(4) Cash dividends and other payments made by the Bank to the holders of domestic shares shall be denominated, declared and paid in RMB. Cash dividends and other payments made by the Bank to the holders of H shares shall be denominated and declared in RMB and paid in Hong Kong dollars.

2. Profit distribution proposal for the year

The results of the Company for the year ended December 31, 2015 are set out in the section of "Management Discussion and Analysis" in this annual report.

The Board of Directors of the Company has recommended declaring a cash dividend for ordinary shares for 2015 at RMB1.30 (tax inclusive) for every 10 shares, payable in RMB to the holders of domestic shares and in Hong Kong dollars to the holders of H Shares. The above dividend distribution proposal is subject to consideration and approval at the annual general meeting of the Company for 2015.

3. Cash dividends in the past three years

Item	2015	2014	2013
Cash dividend for every 10 shares (tax included, in RMB)	1.30	—	—
Tax included, in thousands of RMB	2,334,761	—	—
Percentage of cash dividend (%)	33.11	—	—

Note: 1. The Company did not declare any dividend for the financial years ended December 31, 2013 and 2014;

2. Percentage of cash dividend is calculated by dividing the cash dividend (tax included) by the net profit attributable to the shareholders of the Company for the period.

4. Dividend tax

According to the Enterprise Income Tax Law of the PRC and its implementation rules, both effective on January 1, 2008, before the dividends distribution, the Bank shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise Shareholders whose names appear on the Bank's register of members for H Shares.

According to the Notice on Collection of Individual Income Tax after the Repeal of Guo Shui Fa No. [1993] 045 (Guo Shui Han No. [2011] 348), the Bank shall withhold and pay individual income tax for individual holders of the H Shares.

If the individual holders of the H shares who are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of the H shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Bank can apply on behalf of the Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2015, No. 60) and the provisions of the relevant tax treaties. The Bank will assist with the tax refund subject to the approval of the competent tax authority.

If the individual holders of the H shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Bank will withhold and pay individual income tax at the applicable tax rates stated in such taxation treaties on behalf of such Shareholders.

If the individual holders of the H shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any taxation treaties with the PRC, or otherwise, the Bank will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

Directors' Report

(III) Business review

For the business review of our Company, please refer to the relevant sections, among others, "Description of Major Risks and Uncertainties", "Major Events Occurred after the Reporting Period" and "Future Development" are set out in section headed "Management Discussion and Analysis"; "Key Financial Performance Indicators" is set out in the section headed "Financial Summary" and financial statements; "Compliance with Relevant Laws and Regulations Which Could Materially Affect the Company" is set out in "Compliance with the Laws and Regulations" in this section; and "Explanation to Important Relationship between Employees, Customers and Suppliers" is set out in "Major Customers" in this section and the section headed "Directors, Supervisors, Senior Management, Employees and Institutions".

(IV) Donations

During the reporting period, the Company's external donations (domestic) amounted to RMB14.02 million.

(V) Major Customers

As of the end of the reporting period, the Company's interest income and other total operating income attributable to our five largest customers did not exceed 30% of the annual interest income and other total operating income of the Company.

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(VI) Ten Largest Shareholders and Their Shareholdings

As of the end of the reporting period, the Company's ten largest shareholders and their shareholdings are set out in the "Changes in Shares and Information on Shareholders" in this annual report.

(VII) Purchase and Sale and Redemption of Securities

During the reporting period, the Company did not purchase, sell or redeem any of the Company's shares.

(VIII) Pre-emptive Rights

There is no provision in relation to pre-emptive right granted to the shareholders of the Company under the Articles of Association of the Company and relevant laws in China.

(IX) Transactions, Arrangements or Contractual Rights and Service Contracts of Directors and Supervisors

As of the end of the reporting period, the Directors or Supervisors of the Company had no material interest, directly or indirectly, in any significant transactions, arrangements or contracts entered into by the Company with respect to the Company's business. None of the Directors and Supervisors of the Company has entered into any service contract with the Company that is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

(X) Directors' Interests in Competing Business

None of the Directors has any interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

(XI) Connected Transactions

During the reporting period and up to the date of this report, we provided commercial banking services and products in our ordinary and usual course of business to the public in the PRC, which include our connected persons (including certain shareholders, Directors, Supervisors, senior management and/or their respective associates). These transactions are entered into on normal commercial terms (or better terms in favor of the Company) in the ordinary and usual course of our business, and thus are fully exempt from the disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

We also enter into certain non-banking transactions (such as leasing arrangements) with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business on normal commercial terms (or favourable terms to us) and which are constituted de minimis exemptions transactions under Chapter 14A of the Hong Kong Listing Rules and are fully exempted from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(XII) Interests owned by the Directors, Chief Executive and Supervisors in the Company

During the reporting period, since the Company's shares were not listed on the Hong Kong Stock Exchange, the disclosure requirements of relevant regulations in Hong Kong, including Division 7 and 8 of Part XV of the Securities and Futures Ordinance (SFO) and Section 352 of the SFO and the Model Code in the Hong Kong Listing Rules, were not applicable to the Company and the directors, chief executive and supervisors of the Company.

The Company's securities were listed on the Hong Kong Stock Exchange on March 30, 2016. As of the Latest Practicable Date, none of the Company's Directors, chief executive, Supervisors or their respective associates had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of Hong Kong SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(XIII) Information on Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors, Senior Management, Employees and Institutions" in this annual report.

(XIV) Management Contracts

Save as the service contracts entered into with the Company's management personnel, the Company has not entered into any contract with any person, company or corporation in order to manage or deal with the whole or any material portion of any business of the Company.

(XV) Reserves and Distributable Reserves

For details of the changes in the Company's reserves and distributable reserves, please see "Financial Statements — Statements of Changes in Equity".

Directors' Report

(XVI) Fixed Assets

For details of the changes in the Company's fixed assets, please see "Notes to the Financial Statements — 20 Fixed Assets".

(XVII) Permitted Indemnity Provisions

The Company has made appropriate liability insurance to indemnify its Directors, Supervisors and senior management in respect of the liabilities arising from engaging in the activities of the Company.

(XVIII) Public Float

Based on the public information available to the Company and to the knowledge of the directors, as of the Latest Practicable Date, the Company had met the public float requirement of the Hong Kong Listing Rules.

(XIX) External Auditors and Their Remuneration

The Company had engaged PricewaterhouseCoopers Zhong Tian Certified Public Accountants (Special General Partnership) as the auditor to audit the annual financial statements of the Company since 2008. The Company also engaged PricewaterhouseCoopers Zhong Tian Certified Public Accountants (Special General Partnership) and PricewaterhouseCoopers Certified Public Accountants as the auditors to audit the annual financial statements of the Company for 2015 prepared in accordance with the PRC Generally Accepted Accounting Principles and International Financial Reporting Standards, respectively.

The remuneration paid to the above external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2015 amounted to RMB5,970 thousand and RMB180 thousand, respectively.

(XX) Compliance with the Laws and Regulations

For the years ended December 31, 2015, to the best knowledge of the Company, we have complied with all relevant laws and regulations which could materially affect the Company.

(XXI) Miscellaneous

- (1) As of the date of this report, the Bank was not aware that any shareholders had waived or agreed to waive any dividend arrangement.
- (2) As of the date of this report, none of the Directors of the Bank waived or agreed to waive the related remuneration arrangements.
- (3) During the reporting period, there are no collateral and pledges of significant assets for the Bank.

By Order of the Board
Shen Renkang
Chairman



Report of the Board of Supervisors

During the reporting period, according to the requirements of relevant laws and regulations and the Articles of Association, the Board of Supervisors attended four shareholder's general meetings and nine meetings of the Board of Directors and its special committees, participated in the consideration of 143 proposals, and supervised the financial position of the Company and the performance of duties of directors and senior management in order to safeguard the interests of the shareholders and our Company.

(I) Legal operation

Our Company operated in accordance with law, and our decision-making procedure was compliant with the relevant provisions in the Company Law (《公司法》), the Commercial Banking Law (《商業銀行法》) and the Articles of Association of the Company. The directors, president and other senior management did not violate any laws and regulations or behave against the interests of our Company when they performed duties.

(II) Truthfulness of financial statements

The 2015 annual financial report of our Company truthfully reflected the financial position and the operating results of the Company during the reporting period, and had been audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants (Special General Partnership) and PricewaterhouseCoopers Certified Public Accountants pursuant to International Auditing Standards and the National Auditing Standards of the PRC, respectively, who had issued standard auditing reports without qualified opinion.

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(III) Acquisition and sale of assets

No insider trading or behavior harming the interests of our shareholders was found in the major acquisitions of the Company.

(IV) Connected transactions

The connected transactions of our Company were fair and reasonable and were in compliance with national laws, regulations and the Articles of Association of our Company, and no behavior was found that had harmed the interests of our Company.

(V) Internal control system

During the reporting period, our Company established and implemented relatively complete, reasonable and effective internal control system, and no major defect was found in the internal control or its implementation.

(VI) Implementation of resolutions passed at shareholders' general meetings

The Board of Supervisors had no objection to the reports or proposals submitted by the Board of Directors to the shareholders' general meeting. It supervised the implementation of resolutions passed at the shareholders' general meetings and was of the opinion that the Board of Directors was able to implement the relevant resolutions earnestly.

Changes in Shares and Information on Shareholders

(I) Changes in the Company's Shares

	December 31, 2014		Change in the number during the reporting period (shares)	December 31, 2015		Change resulting from the listing (shares)	April 21, 2016	
	Number (shares)	Proportion (%)		Number (shares)	Proportion (%)		Number (shares)	Proportion (%)
Domestic shares	11,506,872,431	100	3,002,824,347	14,509,696,778	100	(345,000,000)	14,164,696,778	78.87
H shares	—	—	—	—	—	3,795,000,000	3,795,000,000	21.13
Total shares	11,506,872,431	100	3,002,824,347	14,509,696,778	100	3,450,000,000	17,959,696,778	100

(II) Issue and Listing of Securities

In 2015, the Company issued 3,002,824,347 new domestic shares to 16 share subscribers, as a result of which, the Company's registered capital increased from RMB11,506,872,431 to RMB14,509,696,778. The total proceeds from such capital increase amounted to RMB8.648 billion, which would be used to replenish core tier-one capital and support the healthy and rapid development of our businesses.

The Company was listed on Hong Kong Stock Exchange on March 30, 2016 with the stock code of 2016, and fully exercised Over-allotment Option on April 19, 2016. The number of offer shares in the global offering was 3,795,000,000 H shares (comprising 3,450,000,000 new shares offered by the Company and 345,000,000 sale shares offered by the selling shareholders); the offer price was HK\$3.96 per H share, and the nominal value was RMB1.00 per H share; the net proceeds amounted to approximately HK\$13.334 billion, which is used for supplementing core tier-one capital and supporting the healthy and rapid development of our businesses. The share capital of the company is 17,959,696,778 shares (comprising 14,164,696,778 domestic shares and 3,795,000,000 H shares) following the completion of the issuance.

(III) Number of Shareholders and Their Shareholdings

As of the end of the reporting period, the Company had a total of 26 shareholders, and the shareholdings of the ten largest shareholders were as follows:

No.	Name of shareholder	Number of shares held (shares)	Shareholding proportion (%)	Change in the shares during the reporting period (shares)	Number of pledged shares (shares)
1	Zhejiang Provincial Financial Holdings Co., Ltd.	2,896,554,555	19.96	2,896,554,555	—
2	Traveller Automobile Group	1,346,936,645	9.28	312,226,036	310,000,000
3	Hengdian Group Holdings Limited	1,242,724,913	8.57	288,069,283	143,169,642
4	Zhejiang Provincial Energy Group Co., Ltd.	917,555,579	6.33	284,677,595	—
5	Minsheng Life Insurance Company Ltd.	803,226,036	5.53	312,226,036	—
6	China Wanxiang Holding Co., Ltd.	543,710,609	3.75	—	—
7	Zhejiang Yongli Industry Group Co., Ltd.	518,453,371	3.57	120,179,848	518,453,371
8	Zhejiang RIFA Holding Group Co., Ltd.	518,453,371	3.57	120,179,848	286,430,000
9	Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	3.51	508,069,283	—
10	Xizi Elevator Group Co, Ltd.	499,708,035	3.44	85,000,000	360,000,000

Note: As of the end of the reporting period, China Wanxiang Holding Co., Ltd. held 37.32% of Minsheng Life Insurance Company Ltd..

Changes in Shares and Information on Shareholders

(IV) Interests in Shares and Short Positions in accordance with the Hong Kong Securities and Futures Ordinance

During the reporting period, the Company's shares were not listed on the Hong Kong Stock Exchange, and Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance, which provided for the disclosure by the Company of the interests or short positions in our shares or relevant shares, or interests or short positions registered on the register pursuant to Section 336 of Securities and Futures Ordinance, were not applicable to the Company. On 30 March 2016, the securities of the Company were listed on the Hong Kong Stock Exchange. To the best knowledge of the Company, as of the Latest Practicable Date, the following persons had interests or short positions in our shares or relevant shares which were required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of our share capital:

Name of Shareholder	Nature of interests and capacity	Class	Long/ short position	Number of Shares	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Provincial Financial Holdings Co., Ltd.	Benefit owner	Domestic Shares	Long position	2,686,893,007	15.35	18.91
Zhejiang Province Financial Development Company	Interest of controlled corporation	Domestic Share	Long position	2,686,893,007	15.35	18.91
China WanXiang Holding Co., Ltd.	Benefit owner and Interest of controlled corporation	Domestic Shares	Long position	1,346,936,645	7.69	9.48
Mr. Lu Weiding	Interest of controlled corporation	Domestic Shares	Long position	1,346,936,645	7.69	9.48
Traveller Automobile Group	Benefit owner	Domestic Shares	Long position	1,346,936,645	7.69	9.48
Shanghai Junzhu Equity Investment Management Co., Ltd.	Interest of controlled corporation	Domestic Shares	Long position	1,346,936,645	7.69	9.48
Mr. Lin Cong	Interests of controlled corporation	Domestic Shares	Long position	1,346,936,645	7.69	9.48
Zhejiang Hengyi Group Co., Ltd.	Benefit owner and Interests of controlled corporation	Domestic Shares	Long position	1,242,724,913	7.10	8.75
Mr. Qiu Jianlin	Interest of controlled corporation	Domestic Shares	Long position	1,242,724,913	7.10	8.75
Hengdian Group Holdings Limited.	Benefit owner	Domestic Shares	Long position	1,242,724,913	7.10	8.75
Hengdian Association For Economics Corporation	Interest of controlled corporation	Domestic Shares	Long position	1,242,724,913	7.10	8.75
Guangsha Holding Group Co., Ltd.	Benefit owner and Interest of controlled corporation	Domestic Shares	Long position	954,655,630	5.45	6.72
Mr. Lou Zhongfu	Interest of controlled corporation	Domestic Shares	Long position	954,655,630	5.45	6.72
Mr. Chen Xiabin	Interest of controlled corporation	Domestic Shares	Long position	880,546,358	5.03	6.20
Zhejiang Provincial Energy Group Company Ltd.	Benefit owner	Domestic Shares	Long position	851,140,077	4.86	5.99
Minsheng Life Insurance Company Ltd.	Benefit owner	Domestic Shares	Long position	803,226,036	4.59	5.65
Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd.	Benefit owner and Interest of controlled corporation	Domestic Shares	Long position	764,398,634	4.37	5.38
Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd.	Interest of controlled corporation	Domestic Shares	Long position	764,398,634	4.37	5.38
Zhejiang Hengyi Petrochemical Co., Ltd.	Benefit owner and Interest of controlled corporation	Domestic Shares	Long position	748,069,283	4.27	5.26
Hengyi Petrochemical Co., Ltd.	Interest of controlled corporation	Domestic Shares	Long position	748,069,283	4.27	5.26

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Benefit owner	H Shares	Long position	1,000,000,000	5.71	30.30
Yancoal International (Holding) Company Limited	Benefit owner	H Shares	Long position	488,000,000	2.79	14.79
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Shares	Long position	488,000,000	2.79	14.79
Yankuang Group Company Limited	Interest of controlled corporation	H Shares	Long position	488,000,000	2.79	14.79
Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership)	Benefit owner	H Shares	Long position	250,000,000	1.43	7.58
Zhejiang Lingyan Capital Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.43	7.58
Shanghai Run Kuan Investment Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.43	7.58
Liu Yaozhong	Interest of controlled corporation	H Shares	Long position	250,000,000	1.43	7.58
Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.43	7.58
Shenzhen Qianhai Guangda Xikang Industry Fund Company (Limited Partnership) (深圳前海光大熙康產業基金企業(有限合夥))	Benefit owner	H Shares	Long position	249,999,000	1.43	7.58
Zhuji Ruitong Machinery Technology Co., Ltd. (諸暨通瑞機械科技有限公司)	Benefit owner	H Shares	Long position	208,202,000	1.19	6.31
Zhuji Yutian Corporate Management and Consultation Co., Ltd. (諸暨裕天企業管理諮詢有限公司)	Benefit owner	H Shares	Long position	208,202,000	1.19	6.31
China Yinsheng Securities Limited	Custodian-corporation/ approved lending agent	H Shares	Long position	207,760,000	1.19	6.30
Hong Kong Bao Da Financial Holdings Limited	Benefit owner	H Shares	Long position	207,760,000	1.19	6.30
Bao Da Financial International Limited	Interest of controlled corporation	H Shares	Long position	207,760,000	1.19	6.30
Great Sphere Developments Limited	Interest of controlled corporation	H Shares	Long position	207,760,000	1.19	6.30
China Goldjoy Group Limited	Interest of controlled corporation	H Shares	Long position	207,760,000	1.19	6.30
Tinmark Development Limited	Interest of controlled corporation	H Shares	Long position	207,760,000	1.19	6.30

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Yao Jianhui	Interest of controlled corporation	H Shares	Long position	207,760,000	1.19	6.30
SCBCN-Foreign Economy and Trade Trust Co., Ltd-Fotic Wuxingbaichuan No. 13 Unitrust	Benefit owner	H Shares	Long position	199,037,000	1.14	6.03
Changan Assets-Yuhebaichuan Special Asset Management Plan	Interest of controlled corporation	H Shares	Long position	199,037,000	1.14	6.03
SCBCN-Foreign Economy and Trade Trust Co., Ltd-Fotic Yuhejingming Collective Trust Plan (Trust Unit of Phase X2)	Interest of controlled corporation	H Shares	Long position	199,037,000	1.14	6.03
China Yintai Investment Company Limited	Interest of controlled corporation	H Shares	Long position	199,037,000	1.14	6.03
Beijing Guojun Investment Company Limited	Interest of controlled corporation	H Shares	Long position	199,037,000	1.14	6.03
Shen Guojun	Interest of controlled corporation	H Shares	Long position	199,037,000	1.14	6.03
Shenwan Hongyuan Group Co., Ltd.	Benefit owner	H Shares	Long position	195,000,000	1.11	5.91
China Jianyin Investment Limited	Interest of controlled corporation	H Shares	Long position	195,000,000	1.11	5.91
Central Huijin Investment Ltd.	Interest of controlled corporation	H Shares	Long position	195,000,000	1.11	5.91

(V) Information on the Company's Largest Shareholder

As of the end of the reporting period, Zhejiang Provincial Financial Holdings Co., Ltd. held 19.96% of the shares then issued of the Company and was the Company's largest shareholder.

Zhejiang Provincial Financial Holdings Co., Ltd. is a wholly-owned subsidiary of Zhejiang Province Financial Development Company. Zhejiang Province Financial Development Company transferred all the shares held by it in the Company to Zhejiang Provincial Financial Holdings Co., Ltd., and the Company completed the business registration for such change on August 31, 2015. During the reporting period, the Company's largest shareholder changed from Zhejiang Province Financial Development Company to Zhejiang Provincial Financial Holdings Co., Ltd..

Zhejiang Provincial Financial Holdings Co., Ltd. was established in September 2012 with a registered capital of RMB12.0 billion, and is a financial investment management platform established by Zhejiang Provincial Government. Zhejiang Provincial Financial Holdings Co., Ltd. is supervised and managed by Zhejiang Provincial Department of Finance as authorized by the People's Government of Zhejiang Province. The organization code of Zhejiang Provincial Financial Holdings Co., Ltd. is 05420407-6 and the legal representative is Mr. Du Zuguo. Its business scope comprises financial equity investment, management of governmental equity investment fund and asset management, and the businesses currently carried out by its subsidiaries comprise banking, securities, futures, trust, guarantee, government funds and equity trading market.

Changes in Shares and Information on Shareholders

(VI) Issue of Bonds

On November 25, 2011, according to the approvals in the documents issued by CBRC (Yin Jian Fu [2011] No. 359) and People's Bank of China (Yin Shi Chang Zhun Yu Zi [2011] No. 106), the Company publicly issued subordinated bonds of RMB3.25 billion in the national interbank bond market. This tranche of subordinated bonds have a term of 10 years and bear interest at fixed interest rate. The Company has the option to exercise redemption right upon the expiry of the fifth year. The Company was awarded an entity credit rating of AA+ by CCXI with a stable rating outlook, and the credit rating for this tranche of subordinated bonds was AA. Relevant proceeds will be used to replenish the Company's supplementary capital and improve capital adequacy ratio and capital structure, so as to enhance the Company's strengths in business operation, improve risk resistance capability and promote the sustainable and stable development of our businesses.

On September 10, 2013, according to the approvals in the documents issued by CBRC (Yin Jian Fu [2012] No. 783) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2013] No. 46), the Company publicly issued China Zheshang Bank Co., Ltd.'s 2013 financial bonds of RMB1.5 billion in the national interbank bond market. This tranche of bonds have a term of 5 years and bear interest at fixed interest rate. Relevant proceeds will all be used by the Company to extend small and micro corporate loans in accordance with applicable laws and the approvals from regulatory authorities. On May 7, 2013, the Company was awarded an entity credit rating of AA+ by CCXI with a stable rating outlook, and the credit rating for this tranche of financial bonds was AA+.

On March 7, 2014, according to the approvals in the documents issued by CBRC (Yin Jian Fu [2012] No. 783) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2013] No. 46), the Company publicly issued China Zheshang Bank Co., Ltd.'s 2014 financial bonds of RMB4.5 billion in the national interbank bond market. This tranche of bonds have a term of 5 years and bear interest at fixed interest rate. Relevant proceeds will all be used by the Company to extend small and micro corporate loans in accordance with applicable laws and the approvals from regulatory authorities. The Company was awarded an entity credit rating of AA+ by CCXI with a stable rating outlook, and the credit rating for this tranche of financial bonds was AA+.

On December 24, 2015, according to the approvals in the documents issued by CBRC (Yin Jian Fu [2015] No. 465) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2015] No. 307), the Company publicly issued China Zheshang Bank Co., Ltd.'s 2015 financial bonds of RMB5.0 billion in the national interbank bond market. This tranche of bonds have a term of 5 years and bear interest at fixed interest rate. Relevant proceeds will all be used by the Company to extend small and micro corporate loans in accordance with applicable laws and the approvals from regulatory authorities. The Company was awarded an entity credit rating of AAA by CCXI with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

Directors, Supervisors, Senior Management, Employees and Institutions



Directors, Supervisors, Senior Management, Employees and Institutions

(I) Directors, Supervisors and Senior Management

1. Basic information of directors, supervisors and senior management

Name	Gender	Date of birth	Position	Date of joining the Bank	Term of office	Number of shares held at the beginning of period (shares)	Number of shares held at the end of period (shares)	Remuneration before taxes from the Bank during the reporting period (RMB in ten thousand)
Shen Renkang (沈仁康)	Male	January 1963	Chairman, Executive Director	July 2014	February 2015 to now	0	0	121.35
Liu Xiaochun (劉曉春)	Male	March 1959	Vice Chairman, Executive Director, President	July 2014	February 2015 to now	0	0	182.62
Wang Mingde (王明德)	Male	November 1942	Vice Chairman, Non-executive Director	August 2010	February 2015 to now	0	0	—
Zhang Luyun (張魯芸)	Female	December 1961	Executive Director	January 2015	February 2015 to now	0	0	167.34
Xu Renyan (徐仁艷)	Male	August 1965	Executive Director, Vice President	May 2004	February 2015 to now	0	0	159.72
Wang Yibing (汪一兵)	Female	April 1966	Non-executive Director	February 2015	February 2015 to now	0	0	—
Shen Xiaojun (沈小軍)	Female	July 1959	Non-executive Director	March 2009	February 2015 to now	0	0	—
Gao Qinrong (高勤紅)	Female	July 1963	Non-executive Director	May 2004	February 2015 to now	0	0	—
Hu Tiangao (胡天高)	Male	September 1965	Non-executive Director	May 2004	February 2015 to now	0	0	—
Lou Ting (樓婷)	Female	October 1976	Non-executive Director	February 2015	February 2015 to now	0	0	—
Wei Dongliang (韋東良)	Male	September 1974	Non-executive Director	February 2015	February 2015 to now	0	0	—
Jin Xuejun (金雪軍)	Male	June 1958	Independent Non-executive Director	August 2010	February 2015 to now	0	0	29.16
Tong Benli (童本立)	Male	August 1950	Independent Non-executive Director	February 2015	February 2015 to now	0	0	27.50
Yuan Fang (袁放)	Male	March 1957	Independent Non-executive Director	February 2015	February 2015 to now	0	0	27.50
Zheng Xinli (鄭新立)	Male	February 1945	Independent Non-executive Director	February 2015	February 2015 to April 2016	0	0	27.50
Dai Deming (戴德明)	Male	April 1962	Independent Non-executive Director	February 2015	February 2015 to now	0	0	27.50
Liu Pak Wai (廖柏偉)	Male	January 1948	Independent Non-executive Director	February 2015	February 2015 to now	0	0	27.50
Zheng Jindu (鄭金都)	Male	July 1964	Independent Non-executive Director	December 2015	December 2015 to now	0	0	2.50

Directors, Supervisors, Senior Management, Employees and Institutions

Name	Gender	Date of birth	Position	Date of joining the Bank	Term of office	Number of shares held at the beginning of period (shares)	Number of shares held at the end of period (shares)	Remuneration before taxes from the Bank during the reporting period (RMB in ten thousand)
Yu Jianqiang (于建强)	Male	March 1962	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	February 2015	February 2015 to now	0	0	141.26
Zheng Jianming (郑建明)	Male	January 1973	Vice Chairman of Board of Supervisors, Employee Representative Supervisor	June 2013	February 2015 to now	0	0	—
Tao Xuegen (陶学根)	Male	October 1953	Shareholder Representative Supervisor	June 2005	February 2015 to now	0	0	—
Zhou Yang (周洋)	Male	October 1988	Former Non-executive Director Shareholder Representative Supervisor	February 2015	August 2010 to February 2015 February 2015 to now	0	0	—
Huang Haibo (黄海波)	Male	February 1978	Shareholder Representative Supervisor	December 2015	December 2015 to now	0	0	—
Dong Zhoufeng (董舟峰)	Male	March 1957	Employee Representative Supervisor	March 2004	February 2015 to now	0	0	—
Ge Lixin (葛立新)	Male	October 1966	Employee Representative Supervisor	July 2004	February 2015 to now	0	0	—
Zhang Rulong (张汝龙)	Male	January 1966	Employee Representative Supervisor	July 2004	February 2015 to now	0	0	—
Jiang Zhihua (蒋志华)	Male	August 1943	External Supervisor	May 2004	February 2015 to now	0	0	29.16
Yuan Xiaoqiang (袁小强)	Male	March 1963	External Supervisor	February 2015	February 2015 to now	0	0	27.50
Huang Zuhui (黄祖辉)	Male	June 1952	External Supervisor	February 2015	February 2015 to now	0	0	27.50
Wang Jun (王军)	Male	April 1970	External Supervisor	February 2015	February 2015 to now	0	0	27.50
Ye Jianqing (叶建清)	Male	March 1963	Vice President	January 2004	February 2015 to now	0	0	178.79
Chen Chunxiang (陈春祥)	Male	October 1962	Vice President	December 2003	February 2015 to April 2016	0	0	181.97
Zhang Changgong (张长弓)	Male	October 1965	Vice President	January 2015	February 2015 to now	0	0	130.45
Xu Manxuan (徐蔓萱)	Male	October 1963	President Assistant	September 2002	February 2015 to April 2016	0	0	143.28
Feng Jiansong (冯剑松)	Male	September 1962	President Assistant	November 2008	February 2015 to now	0	0	131.47
Wu Jianwei (吴建伟)	Male	February 1971	President Assistant	November 2014	February 2015 to now	0	0	99.88
Liu Long (刘龙)	Male	September 1965	Secretary of the Board, Joint Company Secretary	September 2014	February 2015 to now	0	0	115.58

Directors, Supervisors, Senior Management, Employees and Institutions

Name	Gender	Date of birth	Position	Date of joining the Bank	Term of office	Number of shares held at the beginning of period (shares)	Number of shares held at the end of period (shares)	Remuneration before taxes from the Bank during the reporting period (RMB in ten thousand)
Wang Kefei (王克飛)	Male	May 1981	Former Non-executive Director	February 2015	February 2015 to December 2015	0	0	—
Dou Xiufang (鄧秀芳)	Female	April 1966	Former Non-executive Director	August 2010	August 2010 to February 2015	0	0	—
Wang Shuifu (王水福)	Male	February 1955	Former Non-executive Director	March 2009	August 2010 to February 2015	0	0	—
Zhou Yongli (周永利)	Male	May 1956	Former Non-executive Director	July 2007	August 2010 to February 2015	0	0	—
Chen Guoping (陳國平)	Male	May 1951	Former Independent Non-executive Director	August 2010	August 2010 to February 2015	0	0	3.33
Qian Zihui (錢子輝)	Male	September 1950	Former Independent Non-executive Director	August 2010	August 2010 to February 2015	0	0	3.33
Xu Xinqiao (徐新橋)	Male	June 1951	Former Independent Non-executive Director	June 2011	June 2011 to February 2015	0	0	3.33
Zhang Xianfei (章賢妃)	Female	February 1964	Former Shareholder Representative Supervisor Former Non-executive Director	August 2010	February 2015 to December 2015 August 2010 to February 2015	0	0	—
Lu Weiding (魯偉鼎)	Male	March 1971	Former Chairman of the Board of Supervisors, Shareholder Representative Supervisor	July 2007	August 2010 to February 2015	0	0	—
Zhong Zhexiao (鐘浙曉)	Male	December 1964	Former Shareholder Representative Supervisor	May 2005	August 2010 to February 2015	0	0	—
Yan Jianwen (嚴建文)	Male	December 1966	Former Shareholder Representative Supervisor	May 2004	August 2010 to February 2015	0	0	—
Wang Hua (王華)	Male	October 1964	Former Shareholder Representative Supervisor	May 2004	August 2010 to February 2015	0	0	—
Yu Peixiang (余培祥)	Male	October 1967	Former Employee Representative Supervisor	July 2004	August 2010 to February 2015	0	0	—
Shen Lirong (沈利榮)	Male	December 1963	Former Employee Representative Supervisor	April 2004	August 2010 to February 2015	0	0	—
Zhou Jiansong (周建松)	Male	January 1962	Former External Supervisor	May 2004	August 2010 to February 2015	0	0	3.33
Feng Disheng (馮狄生)	Male	November 1948	Former External Supervisor	August 2010	August 2010 to February 2015	0	0	3.33

Notes: (1) The total remuneration for certain directors, supervisors and senior management of the Company for the year ended December 31, 2015 has not been finally determined. The actual total remuneration is to be disclosed after it is paid.

(2) The Company's employee representative supervisors receive their remuneration with respect to their posts as employees and do not receive any remuneration as employee supervisors.

Directors, Supervisors, Senior Management, Employees and Institutions

2. Profile of directors, supervisors and senior management

Directors

Mr. Shen Renkang (沈仁康)

Mr. Shen Renkang (沈仁康) is currently the secretary of the Communist Party of China (“CPC”) committee, chairman and executive director of the Company. Post-graduate. Mr. Shen had successively held the posts of member of the CPC standing committee, vice county chief, vice county secretary of CPC committee, acting county chief and county chief of Qingtian County, Zhejiang; he served as the vice mayor of Lishui City, Zhejiang and concurrently held the position of party committee secretary of management committee of Lishui Economic Development Zone and member of the standing committee of Lishui City, Zhejiang; he served as the vice secretary of the municipal CPC committee of Lishui City, Zhejiang, during which period he concurrently held the position of politics and law committee secretary in the municipal CPC committee of Lishui City; and he also served as deputy secretary, acting mayor and mayor of Quzhou City, Zhejiang Province.

Mr. Liu Xiaochun (劉曉春)

Mr. Liu Xiaochun (劉曉春) is currently the deputy secretary of CPC committee, vice chairman, executive director and president of the Company. Undergraduate and senior economist. Mr. Liu assumed the position of vice director of editorial department of the financial research institute’s Zhejiang Rural Financial Research (《浙江農村金融研究》), section chief of credit section of international business department, manager of credit department of international business department, vice general manager of business department, general manager of international business department of Zhejiang provincial branch of the Agricultural Bank of China; vice general manager of international business department of the head office of the Agricultural Bank of China; CPC party committee member and vice president of Zhejiang provincial branch of the Agricultural Bank of China; and vice general manager and general manager of Hong Kong branch of the Agricultural Bank of China.

Mr. Wang Mingde (王明德)

Mr. Wang Mingde (王明德) is currently the vice chairman and a non-executive director of the Company. College undergraduate and senior economist. Mr. Wang had held the posts of section chief and vice president of Wenzhou branch, Bank of China; president of Bank of China Osaka branch; vice president of Tokyo branch of Bank of China; vice president of Zhejiang Provincial branch of Bank of China; vice president of Bank of China Tokyo branch; and senior expert (general manager level) of IT blueprint office of head office of Bank of China. Mr. Wang is currently vice president of Traveller Automobile Group.

Ms. Zhang Luyun (張魯芸)

Ms. Zhang Luyun (張魯芸) is currently deputy secretary of CPC committee, executive director and director of labor union working committee at the head office of the Company. EMBA, senior economist and post-secondary education assistant researcher. Ms. Zhang had held the position of vice director general of information division and chief of press section of Hangzhou Municipal Office; a member of the party committee and vice president of Hangzhou Radio & TV University; secretary for confidential information at division chief level of organization department of Zhejiang provincial party committee; a member of the party committee, vice general manager and director of Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司); and non-executive director of Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司).

Directors, Supervisors, Senior Management, Employees and Institutions

Mr. Xu Renyan (徐仁艷)

Mr. Xu Renyan (徐仁艷) is currently executive director, vice president and CPC party committee member of the Company. Postgraduate, senior accountant and certified tax agent. Mr. Xu had successively held positions of the vice section chief and the section chief of financial section, accounting department, Zhejiang provincial branch of PBOC; vice director of accounting department, Zhejiang provincial branch of PBOC; vice director and director of accounting and financial department, Hangzhou central branch, PBOC; and a member of the party committee and vice president of Hangzhou central branch, PBOC.

Ms. Wang Yibing (汪一兵)

Ms. Wang Yibing (汪一兵) is currently a non-executive director of the Company. Undergraduate and senior accountant. Ms. Wang had successively held the posts of manager of project department, assistant to general manager and vice general manager of Zhejiang Province Xingcai Real Estate Development Company (浙江省興財房地產發展公司). Ms. Wang now holds posts of manager of first investment department of Zhejiang Province Financial Development Company (浙江省財務開發公司); director of Zhejiang China Commodities City Group Co., Ltd. (浙江中國小商品集團股份有限公司), director of Caitong Securities Co., Ltd. (財通證券股份有限公司); director of Zhejiang Material Industrial Zhongda Yuantong Group Co., Ltd. (浙江物產中大元通集團股份有限公司), and manager of financial management department of Zhejiang Provincial Financial Holdings Co., Ltd. (浙江省金融控股有限公司).

Ms. Shen Xiaojun (沈小軍)

Ms. Shen Xiaojun (沈小軍) is currently a non-executive director of the Company. Undergraduate and senior economist. Ms. Shen used to work as bureau director of Shaoxing County Statistical Bureau, and during this period, she concurrently served as secretary of leading party members' group of Shaoxing County Statistical Bureau; she used to work as the secretary of leading party members' group of Shaoxing County Economic and Trade Bureau and during this period, she was also the bureau director of Shaoxing County Economic and Trade Bureau; she served as chairman of Zhejiang China Light & Textile Industrial City Group Co., Ltd. (浙江中國輕紡城集團股份有限公司); she served as chairman and director of Shaoxing County China Light & Textile Industry City Market Development and Management Co., Ltd. (紹興縣中國輕紡城市場開發經營有限公司); She now serves as vice chairman of Kuaijishan Shaoxing Rice Wine Co., Ltd. (會稽山紹興酒股份有限公司) and the chairman of the labor union of Zhejiang China Light & Textile Industrial City Group Co., Ltd..

Ms. Gao Qinhong (高勤紅)

Ms. Gao Qinhong (高勤紅) is currently a non-executive director of the Company. Postgraduate and senior economist. Ms. Gao worked as accountant and credit manager of Xiaoshan branch of Industrial and Commercial Bank of China; she served as accountant and credit manager of Zhejiang provincial branch of Industrial and Commercial Bank of China; she served as section chief of credit and loan section and division-level inspector of Hangzhou branch and vice president of Wulin sub-branch, Shanghai Pudong Development Bank Co., Ltd.; she had served successively as vice general manager and chief financial officer and director of Zhejiang Hengyi Group Co., Ltd. (浙江恒逸集團有限公司); she now works as chief financial advisor and director of Zhejiang Hengyi Group Co., Ltd. and held a concurrent position as a director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司).

Directors, Supervisors, Senior Management, Employees and Institutions

Mr. Hu Tiangao (胡天高)

Mr. Hu Tiangao (胡天高) is currently a non-executive director of the Company. EMBA and senior economist. Mr. Hu served as vice president of Dongyang sub-branch, Bank of China; he is currently a director and vice president of Hengdian Group Holdings Limited (橫店集團控股有限公司); director of Hengdian Group DMEGC Magnetics Co., Ltd. (橫店集團東磁股份有限公司); director of Apeloa Pharmaceutical Co., Ltd. (普洛藥業股份有限公司); and director of Innuevo Technology Co., Ltd. (英洛華科技股份有限公司).

Ms. Lou Ting (樓婷)

Ms. Lou Ting (樓婷) is currently a non-executive director of the Company. Undergraduate and intermediary financial economist. Ms. Lou held several positions in Jinhua branch of Bank of Communications Co., Ltd. (交通銀行股份有限公司) as assistant manager of business department I, operating department and concurrently held the positions of manager of business and sales department III, vice general manager of international business department and business development department concurrently, manager of Jindong District and Dongyang District's regional business development department III and president of Dongyang sub-branch. She is now chief executive officer of Guangsha Holding Group Co., Ltd. (廣廈控股集團有限公司).

Mr. Wei Dongliang (韋東良)

Mr. Wei Dongliang (韋東良) is currently a non-executive director of the Company. Postgraduate and electrical engineer with professional qualification of business administration economy (intermediate). Mr. Wei served as the office secretary of Zhejiang Provincial Energy Group Company Ltd. (浙江省能源集團有限公司); assistant to general manager, vice general manager and member of party committee of Zhejiang Zheneng Lanxi Power Generation Co., Ltd. (浙江浙能蘭溪發電有限責任公司); vice general manager and member of party committee of Zhejiang Province Water Conservancy and Hydropower Investment Group Co., Ltd. (浙江省水利水電投資集團有限公司); and vice director of asset operation department of Zhejiang Provincial Energy Group Company Ltd.. He is now a director and vice chairman of Qianjiang Water Resources Development Co., Ltd. (錢江水利開發股份有限公司); director of asset operation department of Zhejiang Provincial Energy Group Company Ltd.; and director and vice chairman of Zheshang Property and Casualty Insurance Company Limited (浙商財產保險股份有限公司).

Mr. Jin Xuejun (金雪軍)

Mr. Jin Xuejun (金雪軍) is currently an independent non-executive director of the Company. Post graduate and professor. Mr. Jin served as independent non-executive director of Harbin High-Tech (Group) Co., Ltd. (哈爾濱高科技(集團)股份有限公司) and Zhejiang Orient Holdings Co., Ltd. (浙江東方股份集團有限公司). Mr. Jin has been engaged in finance teaching and research work in Zhejiang University. Mr. Jin is now the president of the International Finance Association of Zhejiang Province, State Council Special Allowance Expert and Young Expert with Outstanding Contribution of Zhejiang. He now holds the posts of independent director of Zhejiang Weixing Industrial Development Co., Ltd. (浙江偉星實業發展股份有限公司), Xihu Zhongbao Co., Ltd. (新湖中寶股份有限公司) and Zhejiang Wansheng Co., Ltd. (浙江萬盛股份有限公司) respectively, and serves as an independent director of Changjiang & Jinggong Steel Building (Group) Co., Ltd. (長江精工鋼結構(集團)股份有限公司); independent non-executive director of Zuoli Kechuang Micro-finance Company Limited (佐力科創小額貸款股份投資有限公司); and director of HAKIM Co., Ltd. (漢鼎信息科技股份有限公司).

Directors, Supervisors, Senior Management, Employees and Institutions

Mr. Tong Benli (童本立)

Mr. Tong Benli (童本立) is currently an independent non-executive director of the Company. Postgraduate, professor and a senior accountant. Mr. Tong held the position of division chief of budget division of Zhejiang Provincial Department of Finance; associate dean, dean and secretary of CPC committee of Zhejiang College of Finance & Economics (now known as Zhejiang University of Finance and Economics); independent director of Zhejiang Medicine Co., Ltd. (浙江醫藥股份有限公司), Sunyard System Engineering Co., Ltd. (杭州信雅達系統工程股份有限公司), Zhejiang Narada Power Source Co., Ltd. (浙江南都電源動力股份有限公司), Soyea Technology Co., Ltd. (數源科技股份有限公司) and Zhejiang Reclaim Construction Group Co., Ltd. (浙江省圍海建設集團股份有限公司). Mr. Tong is currently an independent director of Hangzhou Jiebai Group Co., Limited (杭州解百集團股份有限公司). Mr. Tong is also the vice president of Zhejiang Provincial Auditing Society and executive director of Zhejiang Institute of Certified Public Accountants.

Mr. Yuan Fang (袁放)

Mr. Yuan Fang (袁放) is currently an independent non-executive director of the Company. Undergraduate and the securities practice qualification. Mr. Yuan served as vice president of Zhejiang Academy of Bank (now known as Zhejiang Financial College); vice division chief of finance management office, Zhejiang provincial branch of People's Bank of China; vice general manager of Zhejiang Provincial Securities Trading Center; vice president of Tianyi Securities Co., Ltd. (天一證券有限責任公司); general manager of Zhejiang Property & Stock Exchange Co., Ltd. (浙江產權交易所有限公司); vice president of Coslight Technology International Group Co., Ltd. (光宇集團有限公司). He is currently chairman of Zhejiang Provincial Securities and Listed Company Research Association.

Mr. Zheng Xinli (鄭新立)

Mr. Zheng Xinli (鄭新立) is currently an independent non-executive director of the Company. Postgraduate. Mr. Zheng was vice chief economist of State Information Center; vice director, director, planning commission spokesman and vice secretary general of Policy Research Center of State Planning Commission. He is currently serving as vice president of China Center for International Economic Exchanges, chairman of China Society of Industrial Economics and independent director of Bank of Beijing Co., Ltd. (北京銀行股份有限公司). In 2014, Mr. Zheng was recognized as one of the Top 10 Economists of the Year 2013 by the Economists Weekly.

Mr. Dai Deming (戴德明)

Mr. Dai Deming (戴德明) is currently an independent non-executive director of the Company. Doctoral degree and professor. Mr. Dai was an independent director of CRRC Corporation Limited (中國南車股份有限公司), Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司), and Beijing Xinwei Telecom Technology Group Co., Ltd. (北京信威通信科技集團股份有限公司), respectively. Mr. Dai has been teaching at the accounting department of Renmin University of China, being a lecturer, associate professor and professor successively. He currently serves as vice chairman of Accounting Society of China and independent director of Qingdao Haier Co., Ltd. (青島海爾股份有限公司) and Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司).

Directors, Supervisors, Senior Management, Employees and Institutions

Mr. Liu Pak Wai (廖柏偉)

Mr. Liu Pak Wai (廖柏偉) is currently an independent non-executive director of the Company. Doctoral degree and professor. Mr. Liu has been teaching at the Chinese University of Hong Kong, being a lecturer, senior lecturer, professor and chair professor of the Chinese University of Hong Kong successively, during which, he also worked as vice president of the Chinese University of Hong Kong. Mr. Liu now works as a professor of Institute of Global Economics and Finance, the Chinese University of Hong Kong, a director of Hong Kong Institute of Monetary Research under the HKMA, and an independent non-executive director of Hang Lung Properties Limited (恒隆地產有限公司), Transport International Holdings Limited (載通國際控股有限公司) and Hang Lung Group Limited (恒隆集團有限公司) respectively. Mr. Liu was awarded the Hong Kong Silver Bauhinia Star in 1999 and was appointed Hong Kong Justice of the Peace in 2006.

Mr. Zheng Jindu (鄭金都)

Mr. Zheng Jindu (鄭金都) is currently an independent non-executive director of the Company. Postgraduate and the qualification for the first grade lawyer. Mr. Zheng was a lecturer at the Faculty of Law of Hangzhou University (now known as Zhejiang University), a vice director and partner of Zhejiang Guoqiang Law Firm (浙江國強律師事務所) and an independent director of Changjiang & Jingong Steel Building (Group) Co., Ltd. (長江精工鋼結構(集團)股份有限公司). Mr. Zheng is currently a director and partner of Zhejiang L&H Law Firm (浙江六和律師事務所) and an independent director of Hangzhou ShenHao Technology CO., Ltd. (杭州申昊科技股份有限公司).

Supervisors

Mr. Yu Jianqiang (于建強)

Mr. Yu Jianqiang (于建強) is currently the chairman of the Board of Supervisors and a shareholder representative supervisor of the Company. Postgraduate. Mr. Yu worked successively in the Communist Youth League of Zhejiang Provincial Party Committee as executive secretary and vice minister in propaganda department. He also served as general secretary and vice chairman of Zhejiang Youth United Association. He successively worked as vice section chief and chief in the Office of the Food and Drug Administration of Zhejiang (during which period he concurrently worked as director of the planning and finance department from October 2003 to December 2005); and assistant to chief executive officer of Minsheng Life Insurance Company Ltd. (民生人壽保險股份有限公司).

Mr. Zheng Jianming (鄭建明)

Mr. Zheng Jianming (鄭建明) is currently the vice chairman of the Board of Supervisors, employee representative supervisor and director of the Board of Supervisors Office. Postgraduate and economist. Mr. Zheng successively worked as the office secretary of Zhejiang provincial branch of PBOC, and office secretary and vice director of the secretary section of Hangzhou Central Branch of PBOC. He successively held the positions of vice division chief and secretary for confidential information at director level in the General Office of the People's Government of Zhejiang Province.

Mr. Tao Xuegen (陶學根)

Mr. Tao Xuegen (陶學根) is currently a shareholder representative supervisor of the Company. Undergraduate and economist. Mr. Tao served as the director of China Zheshang Bank. He is currently serving as the deputy secretary of CPC committee of Lizi Group Co., Ltd. (李字集團有限公司).

Directors, Supervisors, Senior Management, Employees and Institutions

Mr. Zhou Yang (周洋)

Mr. Zhou Yang (周洋) is currently a shareholder representative supervisor of the Company. Undergraduate. Mr. Zhou served as an assistant to financing manager of Zhejiang Yongli Industry Group Co., Ltd. (浙江永利實業集團有限公司). He is currently the vice chairman of the board of Zhejiang Yongli Industry Group Co., Ltd. (浙江永利實業集團有限公司).

Mr. Huang Haibo (黃海波)

Mr. Huang Haibo (黃海波) is currently a shareholder representative supervisor. Undergraduate and accountant. Mr. Huang worked as financial accountant in Zhejiang Rifa Textile Machinery Co., Ltd. (浙江日發紡織機械有限公司); financial officer in Shanghai Rifa Digital System Co., Ltd. (上海日發數字化系統有限公司); financial manager in Zhejiang RIFA Holding Group Co., Ltd. (浙江日發控股集團有限公司). He is currently the chief financial officer in Zhejiang RIFA Holding Group Co., Ltd. (浙江日發控股集團有限公司).

Mr. Dong Zhoufeng (董舟峰)

Mr. Dong Zhoufeng (董舟峰) is currently an employee representative supervisor of the Company. Undergraduate and senior economist. Mr. Dong successively held the positions of vice subsection chief of planning subsection of Dinghai County Sub-branch of PBOC; clerk and section chief of planning section, president assistant and head of planning section, president assistant and director of general office, vice president of branch and vice director of State Administration of Foreign Exchange, president and director of State Administration of Foreign Exchange, member and secretary of party committee of Zhoushan Branch of PBOC; president assistant of CITIC Bank and president of Ningbo sub-branch of CITIC Bank. He served successively as deputy director of the executive office and deputy general manager of human resource department of China Zheshang Bank. He is currently the general manager of human resource department of China Zheshang Bank.

Mr. Ge Lixin (葛立新)

Mr. Ge Lixin (葛立新) is currently an employee representative supervisor of the Company. Undergraduate and economist. Mr. Ge worked at Zhejiang Branch, Agricultural Bank of China; Mr. Ge successively held the posts of executive manager, assistant to general manager and vice general manager of business management department of the China Zheshang Bank, during which, he held concurrent posts of vice general manager of small business credit center and vice general manager of corporate banking department; vice general manager and general manager of development and research department, during which, he also held concurrent positions of vice general manager of small business credit center and vice general manager of planning and finance department. He is currently general manager of asset and liability department of the head office of the China Zheshang Bank.

Mr. Zhang Rulong (張汝龍)

Mr. Zhang Rulong (張汝龍) is currently an employee representative supervisor of the Company. Undergraduate and senior economist. Mr. Zhang worked at Shaoxing sub-branch, Zhejiang provincial branch, credit and loan management division of provincial branch, Zhejiang Rongda Information Inquiry Company (浙江融達信息諮詢公司) and Shaoxing branch of Agricultural Bank of China, etc; Mr. Zhang has successively served as vice general manager of the risk management department, vice general manager of the credit assessment department, president of Chengdu branch of China Zheshang Bank. He is currently general manager of the credit assessment department of China Zheshang Bank.

Directors, Supervisors, Senior Management, Employees and Institutions

Mr. Jiang Zhihua (蔣志華)

Mr. Jiang Zhihua (蔣志華) is currently an external supervisor of the Company. College undergraduate and senior economist. Mr. Jiang served as the president of Ningbo branch and Zhejiang provincial branch of Agricultural Bank of China, and the Director of China Zheshang Bank.

Mr. Yuan Xiaoqiang (袁小強)

Mr. Yuan Xiaoqiang (袁小強) is currently an external supervisor of the Company. Postgraduate, registered tax agent, senior accountant and certified public accountant. Mr. Yuan served as the vice director of Hangzhou Tax Agency of Zhejiang. He is currently a senior partner of Zhonghui Tax Agency and Zhonghui Accounting Firm. Mr. Yuan is also a member of Chinese People's Political Consultative Conference of Zhejiang, executive director of the Chinese Certified Tax Agents Association, vice chairman and director of the Standards Committee of Certified Tax Agents Association of Zhejiang and vice chairman of Zhejiang Province Intellectuals Fellowship.

Mr. Huang Zuhui (黃祖輝)

Mr. Huang Zuhui (黃祖輝) is currently an external supervisor of the Company. Postgraduate and professor. Mr. Huang is currently the professor and doctoral supervisor of Agricultural Economical Management Department, Management School, Zhejiang University. Mr. Huang is also vice chairman of Chinese Rural Cooperative Economic Management Institute.

Mr. Wang Jun (王軍)

Mr. Wang Jun (王軍) is currently an external supervisor of the Company. Postdoctorate and researcher. Mr. Wang worked at Central Policy Research Office of the CPC and served as vice division chief and division chief; director of macroeconomic research division and vice director (in charge) of consultation research department of China Center for International Economic Exchanges. He is currently vice director (in charge) of information department of China Center for International Economic Exchanges.

Senior Management

Mr. Liu Xiaochun (劉曉春)

As for Mr. Liu Xiaochun, please refer to Mr. Liu Xiaochun's profile in the "Directors" section above.

Mr. Xu Renyan (徐仁艷)

As for Mr. Xu Renyan, please refer to Mr. Xu Renyan's profile in the "Directors" section above.

Mr. Ye Jianqing (葉建清)

Mr. Ye Jianqing (葉建清) is currently the vice president and party committee member of the Company. Postgraduate and senior economist. Mr. Ye served as vice division chief of the financial division of Zhejiang Bank School (now known as Zhejiang Financial College); director of experiment urban credit cooperative of Zhejiang Bank School; and general manager of experiment bank of Zhejiang Bank School. He successively held the positions of vice manager and manager of planning credit and loan department, Hangzhou branch, CITIC Industrial Bank, president assistant of Hangzhou branch and president of Tianshui sub-branch, party committee member, vice president, and secretary of commission for disciplinary inspection.

Directors, Supervisors, Senior Management, Employees and Institutions

Mr. Chen Chunxiang (陳春祥)

Mr. Chen Chunxiang (陳春祥) is currently Vice President and Party Committee member of the Bank. Undergraduate and senior economist. Mr. Chen held the positions of accounting instructor and vice director of Mogan business office, Deqing County, Agricultural Bank of China; vice president of Deqing County sub-branch, Agricultural Bank of China; acting president and president of Changxing County sub-branch, Agricultural Bank of China; vice president of Huzhou branch, Agricultural Bank of China; director of preparation office for the establishment of sub-branch directly under Zhejiang provincial branch, Agricultural Bank of China and president of the direct sub-branch; division chief of market development division, Zhejiang provincial branch of Agricultural Bank of China; division chief of corporate business division and agricultural credit division, Zhejiang provincial branch of Agricultural Bank of China.

Mr. Zhang Changgong (張長弓)

Mr. Zhang Changgong (張長弓) is currently vice president and party committee member of the Company. Doctoral degree. Mr. Zhang successively held the posts of assistant to general manager and vice general manager of personnel supervision department of Great Wall Securities Limited (長城證券有限責任公司); vice general manager, general manager of general affairs department, party committee member and vice president of Shenzhen branch of Industrial Bank; secretary of CPC committee and president of Guangzhou branch of Industrial Bank; secretary of CPC committee and president of Nanjing branch of Industrial Bank; primary responsible officer of preparation group for reorganization and re-establishment of Guangdong Huaxing Bank; vice president of management head office of retail banking, general manager of personal banking department, Industrial Bank, and secretary of CPC committee and president of Hangzhou branch of Industrial Bank., respectively.

Mr. Xu Manxuan (徐蔓萱)

Mr. Xu Manxuan (徐蔓萱) is currently president assistant and party committee member of the Company. Undergraduate and senior accountant. Mr. Xu successively served as vice section chief and section chief of finance infrastructure office, accountant and cashier division of Zhejiang provincial branch, Agricultural Bank of China; vice division chief of accountant and finance division; vice director of inspection office; and vice director of inspection division (division-level), Zhejiang provincial branch, Agricultural Bank of China.

Directors, Supervisors, Senior Management, Employees and Institutions

Mr. Feng Jiansong (馮劍松)

Mr. Feng Jiansong (馮劍松) is currently president assistant and party committee member of the Company and president of Beijing Branch. Postgraduate and senior economist. Mr. Feng worked as a principal staff member of the office of Nanjing branch, CITIC Industrial Bank, sub-manager of credit sub-division I, head of business department, during which period he worked as head and deputy director of Xinjiekou office and vice president of Xinjiekou sub-branch, CITIC Industrial Bank; vice manager and manager of business department of Nanjing branch, China Merchants Bank; head of preparation group of Nanjing branch, China Minsheng Bank; vice general manager of credit business department, and vice general manager of corporate business department (in charge) and general manager of China Minsheng Bank; general manager of corporate business department division I and group leader of Shaanxi International Trust and Investment working group of China Minsheng Bank.

Mr. Wu Jianwei (吳建偉)

Mr. Wu Jianwei (吳建偉) is currently president assistant of the Company. Postgraduate and senior engineer. Mr. Wu worked in Zhejiang provincial branch, Agricultural Bank of China where he successively held the positions of vice section chief of application development section of information and technology department I, section chief of sales development department, assistant to director; he served as vice director of data operation center; he held the position of vice division chief (in charge) of e-bank division and division chief of E-bank division; general manager of E-bank department; secretary of CPC Committee and president of Wenzhou branch, Agricultural Bank of China; CPC party committee member and president assistant of Inner Mongolia Autonomous Region branch of Agricultural Bank of China.

Mr. Liu Long (劉龍)

Mr. Liu Long (劉龍) is currently secretary of the Board, joint company secretary and head of Board of Directors Office and director of the CPC committee office of the Company. Undergraduate and senior accountant. Mr. Liu worked at finance and tax bureau of Changshan County, Zhejiang, during which period he served as vice director and CPC party member; secretary of CPC party committee of Tianma Town, Changshan County, Zhejiang; director and secretary of CPC committee of planning and economy committee of Changshan County, Zhejiang; vice director and CPC committee member of auditing bureau of Quzhou City, Zhejiang; county CPC standing committee member of Changshan County, Zhejiang, as well as vice county chief of Changshan County People's Government; vice secretary of CPC county committee, vice county chief and vice secretary of CPC county committee, vice secretary of CPC committee of Changshan County, Zhejiang and chairman of People's Political Consultative Conference of Changshan County, Zhejiang; director and secretary of CPC committee of the economic and information committee of Quzhou City, Zhejiang; vice secretary general and executive office director of Quzhou Municipal Government, Zhejiang.

Directors, Supervisors, Senior Management, Employees and Institutions

3. Posts held by directors and supervisors in our shareholders or their related enterprises

Name	Employing enterprise	Post	Term of Office
Wang Yibing	Zhejiang Provincial Financial Holdings Co., Ltd.	Manager of financial management department	Since 2012
Wang Mingde	Traveller Automobile Group Co., Ltd.	Vice president	Since 2010
Shen Xiaojun	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Chairman of the labor union	Since 2014
Gao Qinrong	Zhejiang Hengyi Group Co., Ltd.	Chief financial advisor	Since 2014
Hu Tiangao	Hengdian Group Holdings Limited	Director and vice president	Since 1995
Lou Ting	Guangsha Holding Group Co., Ltd.	Chief executive officer	Since 2013
Wei Dongliang	Zhejiang Provincial Energy Group Co., Ltd.	Director of asset operation department	Since 2014
Tao Xuegen	Lizi Group Co., Ltd.	Deputy secretary of CPC committee	Since 2004
Zhou Yang	Zhejiang Yongli Industry Group Co., Ltd.	Vice chairman	Since 2014
Huang Haibo	Zhejiang RIFA Holding Group Co., Ltd.	Chief financial officer	Since 2013

4. Changes in directors, supervisors and senior management

On February 9, 2015, the Company held the first extraordinary general meeting of 2015, at which Mr. Shen Renkang, Mr. Liu Xiaochun, Ms. Zhang Luyun and Mr. Xu Renyan were elected as our executive directors under the fourth session of Board of Directors; Ms. Wang Yibing, Mr. Wang Mingde, Ms. Lou Ting, Ms. Shen Xiaojun, Ms. Gao Qinrong, Mr. Hu Tiangao, Mr. Wang Kefei and Mr. Wei Dongliang were elected as our non-executive directors under the fourth session of Board of Directors; and Mr. Jin Xuejun, Mr. Tong Benli, Mr. Yuan Fang, Mr. Zheng Xinli, Mr. Dai Deming and Mr. Liu Pak Wai were elected as independent non-executive directors under the fourth session of Board of Directors; Mr. Yu Jianqiang, Mr. Tao Xuegen, Mr. Zhou Yang and Ms. Zhang Xianfei were elected as our shareholder representative supervisors under the fourth session of Board of Supervisors; Mr. Jiang Zhihua, Mr. Yuan Xiaoqiang, Mr. Huang Zuhui and Mr. Wang Jun were elected as our external supervisors under the fourth session of Board of Supervisors; and Mr. Zheng Jianming, Mr. Dong Zhoufeng, Mr. Ge Lixin and Mr. Zhang Rulong were elected as employee representative supervisors under the fourth session of Board of Supervisors.

Ms. Dou Xiufang, Mr. Wang Shuifu, Mr. Tao Xuegen, Mr. Zhou Yongli and Ms. Zhang Xianfei were no longer non-executive directors of the Company; Mr. Chen Guoping, Mr. Qian Zihui and Mr. Xu Xinqiao were no longer independent non-executive directors of the Company; Mr. Lu Weiding, Mr. Zhong Zhexiao, Mr. Yan Jianwen and Mr. Wang Hua were no longer shareholder representative supervisors of the Company; Mr. Yu Peixiang and Mr. Shen Lirong were no longer employee representative supervisors of the Company; and Mr. Zhou Jiansong and Mr. Feng Disheng were no longer external supervisors of the Company.

Directors, Supervisors, Senior Management, Employees and Institutions

On February 9, 2015, the Company held the first meeting of the fourth session of Board of Directors, at which Mr. Shen Renkang was elected as the chairman of the Board, and Mr. Liu Xiaochun and Mr. Wang Mingde as the vice chairmen of the Board; Mr. Liu Xiaochun was appointed as our president, Mr. Xu Renyan, Mr. Ye Jianqing, Mr. Chen Chunxiang and Mr. Zhang Changgong as our vice presidents, Mr. Xu Manxuan, Mr. Feng Jiansong and Mr. Wu Jianwei as our president assistants, and Mr. Liu Long as secretary to the Board.

On February 9, 2015, the Company held the first meeting of the fourth session of Board of Supervisors, at which Mr. Yu Jianqiang was elected as the chairman of the Board of Supervisors, and Mr. Zheng Jianming was elected as the vice chairman of the Board of Supervisors.

On December 8, 2015, the Company held the third extraordinary general meeting in 2015, at which Mr. Zheng Jindu was elected as independent non-executive director under the fourth session of Board of Directors, and the resignation of Mr. Wang Kefei as non-executive director was approved; Mr. Huang Haibo was elected as shareholder representative supervisor of the fourth session of Board of Supervisors, and the resignation of Ms. Zhang Xianfei as our shareholder representative supervisor was approved.

On January 29, 2016, the Company held the fourth meeting of the fourth session of Board of Directors, at which Mr. Xu Manxuan was appointed as our vice president, and his qualification for the position has been verified by the CBRC on April 20, 2016.

On April 7, 2016, Mr. Zheng Xinli submitted his resignation as independent non-executive director to the Board of the Company. According to the provisions in our Articles of Association which will be applied after the Listing of H Shares, the resignation took effect immediately on the date of submission to the Board.

On April 22, 2016, the Company engaged Mr. Wu Jianwei, Mr. Liu Long and Mr. Jiang Yulin as vice presidents of the Company at the fifth meeting of the fourth session of Board of the Company, pending the approval of the CBRC on their qualifications, and in the meantime, dismissed Mr. Chen Chunxiang as vice president of the Company.

Directors, Supervisors, Senior Management, Employees and Institutions

(II) Employees

At the end of the reporting period, we had 8,360 employees in total (including those dispatched outside). Based on the position types, 3,485 were marketing personnel, 1,213 were counter personnel, and 3,662 were mid-office and back-office personnel (including 2,803 business management personnel and 859 administrative personnel); based on educational levels, 1,287 obtained post-graduate degree or above (including 43 with doctorate degree), 5,613 obtained bachelor degree, and 1,460 obtained associate degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 10 employees had retired from the Company.

Following the remuneration policies that are in line with our development strategies, guided by the concept of people first, oriented to market, and equipped with comprehensive standardized management, the Company improved its remuneration management mechanism that determines the remuneration according to the salary levels based on position types, and optimized the remuneration determination mechanism that is based on individual performance and organizational performance. Focused mainly on capability and performance, we tried to establish and improve a market-oriented remuneration system that embodies internal fairness and external competitiveness, spurs development of both the employees and the Company, and emphasizes both welfare and incentives, and is based on the value of positions.

Centered on our operation and development strategies, based on the improvement of professional capabilities and operating results, and on the basis of carrying out all-staff training program, our Company highlights the cultivation of core, key and special talents and practices a variety of trainings including leadership training, business line core personnel training and training for personnel holding key positions, so as to raise the professional capabilities and quality of our employees at their positions. During the reporting period, the Bank held 1,235 training courses in total with 125,370 attendances.

Directors, Supervisors, Senior Management, Employees and Institutions

(III) Information on Institutions

Name of institution	Business address	Tel. No.	Postal code	Number of institution	Number of employees
Headquarters	No. 288, Qingchun Road, Hangzhou	0571-87659090	310006	1	1,091
Small Enterprise Credit Center	No. 288, Qingchun Road, Hangzhou	0571-87659510	310006	1	37
Beijing Branch	Jia 1-1, Jinrong Main Street, Xicheng District, Beijing	010-88006088	100033	6	424
Tianjin Branch	No. 37, Youyi North Road, Hexi District, Tianjin	022-23271316	300204	9	486
Shenyang Branch	No. 56, Qingnian main street, Shenhe District, Shenyang	024-31259001	110014	2	149
Shanghai Branch	No. 567, Weihai Road, Shanghai	021-61333333	200041	9	406
Nanjing Branch	No. 9, Zhongshan North Road, Gulou District, Nanjing	025-86823636	210008	10	621
Suzhou Branch	Yueliangwan International Business Center, No. 9, Cuiwei Street, Industrial Park Zone, Suzhou	0512-62995527	215123	4	204
Jinan Branch	No. 185, Heixi Road, Lixia District, Jinan, Shandong	0531-80961706	250011	4	306
Wuhan Branch	International Financial Center, No. 296, Xinhua Road, Jiangnan District, Wuhan, Hubei	027-85331508	430000	1	55
Guangzhou Branch	No. 921, Guangzhou South Avenue, Haizhu District, Guangzhou	020-89299999	510220	1	128
Shenzhen Branch	Times Science and Technology Mansion, No. 7028, Shennan Avenue, Futian District, Shenzhen	0755-82760666	518040	5	290
Chongqing Branch	Xingguang Building Block A, No. 1, Xingguang Avenue, New North Zone, Chongqing	023-88280888	401121	4	258
Chengdu Branch	No. 39, Ximianqiao Street, Wuhou District, Chengdu	028-85579955	610041	8	350
Xi'an Branch	No. 311, West Avenue, Xi'an	029-88121212	710002	7	370
Lanzhou Branch	No. 308, Baiyin Road, Chengguan District, Lanzhou	0931-8172110	730030	3	239
Hangzhou Branch	No. 736, Jianguo North Road, Hangzhou	0571-87330733	310004	27	1,393
Ningbo Branch	No. 739, Zhongxing Road, Jiangdong District, Ningbo	0574-81855678	315040	10	486
Wenzhou Branch	Zhongtong Building, No. 319, Xincheng Avenue, Wenzhou	0577-88079900	325001	8	390
Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	0575-81166006	312030	7	326
Yiwu Branch	South Hall F-zone, International Business & Trade Mansion Phase 2, Shangcheng Avenue, Yiwu, Zhejiang	0579-85190218	322000	5	263
Zhoushan Branch	Pavilion 2, No. 111, Haiyu Road, Lincheng Town, Zhoushan	0580-2260306	316021	2	88
Total		—	—	133	8,360



Internal Control

(I) Internal Control

In accordance with the requirements of the Commercial Banking Law (《商業銀行法》), the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》), the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and other laws and regulations, the Company has developed an internal control system from five aspects, namely internal environment, risk assessment, control activities, information and communications and internal supervision. The Company has established and implemented three long-term internal control mechanisms, including circular internal control improvement mechanism, internal control issues identification and rectification mechanism and internal control accountability and inspection rewards and punishment mechanism. The Company has also increased its efforts on training, examination, rectification and rewards and punishment in a systematic manner in order to impose overall control over various operating and management activities of the Company. In addition, the Company has established an internal control system which is in line with its development strategies, operating mode, business scale, product complexity and risk status.

The Company's internal control and management structure comprises three levels, namely the internal control decision-making level, the execution level and the supervision and evaluation level. In addition, the heads of branches, sub-branches and functional departments of the Company are in charge of internal control related matters, and all the employees are involved in the internal control management. The Board of Directors is responsible for establishing and implementing a comprehensive and effective internal control system, and the Company has established an risk and related party transaction control committee under the Board which is in charge of examining and supervising the effective implementation of its internal controls and internal control self-evaluations. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management of the Company with respect to the optimization of the internal control system and the performance of their internal control duties. The senior management of the Company is responsible for implementing the resolutions of the Board, formulating internal control policies, establishing procedures and measures to identify, measure, monitor and control risks, establishing and improving our internal organizational structure to ensure the effective performance of various internal control duties and monitoring, assessing and reporting on the adequacy and effectiveness of its internal control system. The Company's internal control & compliance & legal affairs department, being the department in charge of internal control management, supervises the coordination, planning, organization, implementation, examination and evaluation of its internal control system. The audit department performs supervisory functions with respect to internal control. The business departments of the Company, other than the departments mentioned above, are responsible for the specific implementation of its internal control measures.

During the reporting period, the Company has established a new organizational structure consisting of marketing system, operating system, business-supporting system and administration and management system under the operational mechanism of "Integrated Operation and Multi-center Management". Specifically, the Company set up separate internal control and compliance departments in its head office and branches in order to enhance coordination and synergies in internal control; vigorously promoted the implementation of the New Basel Capital Accord, strengthened comprehensive risk management and strived to achieve a balance between business development and risk control; promoted the organization and implementation of various training programs in an orderly manner according to the position competency requirements of various business lines and business development under the guidance of its operating strategies; streamlined the relevant systems in line with changes in the systems, procedures and business in order to further improve its institutional system; clarified the control measures and

requirements for various business lines and procedures through streamlining the major risk points and weak links thereof and regarded such risk points and weak links as key areas pending examination and auditing; amended our basic internal control and compliance systems including the Measures for Case Prevention of China Zheshang Bank (《浙商銀行案防工作辦法》), the Measures for Case Management of China Zheshang Bank (《浙商銀行案件管理辦法》) and the Administrative Measures for Internal Control and Compliance Managers of China Zheshang Bank (《浙商銀行內控合規經理管理辦法》); and strengthened our supervision with respect to audits, internal controls and the examination of our business lines, and focused on conducting in-depth and comprehensive examination on the implementation of internal control measures by local sub-branches, especially focusing on continuous tracking and examination of suspicious issues and weak links, through a combination of various examination methods.

In accordance with the Basic Rules on Enterprise Internal Control and the relevant regulatory requirements of CBRC, the Company carried out self-assessment of the effectiveness of internal control measures during the reporting period every year. Through such assessment, the Company concluded that the internal control measures were effective in all material aspects and no important or major defects relating to internal control were identified. Risks that may arise from general defects were all controllable, and we have formulated and implemented relevant rectification measures. We don't expect such defects would have a substantive impact on the security of our assets, realization of our development strategies and operational objectives, the authenticity, accuracy and completeness of our financial information as well as the effectiveness of the risk management, and would result in the Company's deviation from the control objectives.

There were no factors affecting the effectiveness of conclusions from internal control evaluation from the base date of internal control evaluation report up to the delivery date of the internal control evaluation report.

(II) Internal Audit

We have established a dedicated internal audit department and implemented a vertical internal audit management system. The internal audit department independently performs the functions of audit supervision, evaluation and consultation, and is accountable and reports its work to the Board of Directors and the Audit Committee. We have formulated an institutional system comprising the China Zheshang Bank Basic Internal Audit System (《浙商銀行內部審計基本制度》) and the China Zheshang Bank Internal Audit Standards (《浙商銀行內部審計準則》), as well as various examination methods including on-site audits, off-site audits and audit investigations.

Our audit department is responsible for the audit supervision of the business operation and management, internal control status and risk profile of the Bank. It shall report any issues identified in the auditing and provide objective auditing analysis, evaluation and conclusion, opinions, recommendations and other auditing information and supervise the rectification of such issues.

In 2015, with economic responsibility auditing of personnel holding key positions and specific auditing of major business areas as its main methods of auditing, combined with diversified working methods such as auditing accountability and unannounced auditing, the Company increased its efforts in areas that required high attention and key prevention and control measures and focused on actual auditing effects, which further improved its internal control and risk management level and promoted the stable and healthy development of all businesses across the Bank.



Social Responsibilities

During the Reporting Period, the Company actively explored the most suitable way of performing its social responsibilities while seeking to realize self-development. The Company made remarkable achievements in discharging social responsibilities throughout the year and received considerable recognitions from regulatory authorities and the social public. The Company received numerous awards such as “Excellent Financial Service Team for Small and Micro Enterprises” (小微企業金融服務優秀團隊) by CBRC and the “Award for Best Case of Practicing Social Responsibilities” (最佳社會責任實踐案例獎) by China Banking Association.

Economic Responsibility: In 2015, the Company made positive response to the call of the Chinese government to require the financial sector to support the real economy. The Company turned such request into its operating strategy at the company level, and after making an overall plan and thorough preparations, took a series of measures to “maintain economic growth, promote restructuring and improve people’s livelihood”, and made remarkable achievements in supporting real economy development. Firstly, the Company actively participated in and supported key national strategic development projects; provided financial assistance to key local development projects and core development platforms along the regions of “One Belt and One Road” and “Yangtze River Economic Belt”; supported in priority the industrial cluster plans and key quality projects in the process of building national-level new area; and gave preferential credit policies to important infrastructure-construction and industrial projects that significantly contributed to local social and economic development. Secondly, the Company made continuous efforts to promote the development of SMEs financial services. The Company actively adjusted its client positioning and service focus downward in order to meet the financing needs of the “grass-root” levels. Multiple accounts, small financing amounts of single account and wide coverage are the main features presented in the Company’s loans to SMEs. Focusing on the government’s policy guidance of “Mass Entrepreneurship and Innovation” and such hotspots and focuses as innovated payment methods and “Internet plus”, the Company actively explored “Internet plus micro-finance” and successively launched “Entrepreneurship and Innovation” loans, E-commerce loans, taxation multiple loans and other innovative products, and made great efforts to satisfy the financing needs of SMEs that conformed to the national innovation-driven strategies, industrial and environmental protection policies. Thirdly, the Company implemented the development requirements of inclusive finance voluntarily and strived to reduce the social financing costs for enterprises. The Company launched the note pool business in order to enable enterprises to manage their notes effectively and reduce their financial costs. The Company strengthened service price management, cancelled the annual fee for telephone banking services and the fees for a number of corporate and individual services including loan letter of intent, and announced that cross-bank transfer by individual clients via all electronic channels such as e-banking, mobile banking and ATM were free of charge.

Sustainable development responsibility: The Company actively implemented the “National ‘12th Five-Year Plan’ for Environment Protection” (《國家環境保護“十二五”規劃》), the “Green Credit Guidelines” (《綠色信貸指引》) and other requirements of regulatory institutions, strived to play an active role in the transition of economic growth pattern, supported the transformation of industrial structure and vigorously promoted the building of “green finance”. Firstly, by firmly upholding the philosophy of green credit, the Company made great efforts to support green credit business and extended credit loans in priority to encouraged programs under relevant industrial policies, technology innovation and renovation projects in relation to energy conservation and emission reduction. Priority was also given to such sectors including manufacturing of environmental protection equipment, development of energy saving products, integrated utilization of waste water, waste gas and waste material and marketization of advanced environmental protection technologies, thus effectively promoted the development of ecological civilization. Secondly, the Company strictly curbed

credit granted to industries with high pollution and high energy consumption, adjusted the credit access criteria for such industries regarding the indicators such as credit rating, asset size, technology, environmental protection and energy consumption, implemented quota management on loans to steel and cement industry, and vigorously controlled risks of granting credit to industries with high pollution, high energy consumption and excessive capacity. Thirdly, the Company attached great importance to the prevention and management of environmental and social risks, factored environmental and social risk management into risk management policies, and required the whole bank to strengthen environmental and social risk management over credit extension in terms of credit business guidance and control as well as structural adjustment of credit granting business.

Social and moral responsibility: The Company actively participates in social welfare undertakings for long. It also leads the staff to devote themselves to voluntary activities and insists a variety of charitable activities, including making donations for education, poverty and disaster relief and helping the disadvantaged groups. During this process, the Company formed a whole set of education-donation system covering primary school, middle school and colleges. First, the Company has actively followed the concept of low-carbon office in the ordinary course of business, implemented paperless office, strengthened conference management and advocated green consumption and low-carbon life style, to achieve the goal of “green operation” for the whole bank. Second, the Company insists in implementing Rainbow Plan, which raised donations of more than RMB3 million, a record high since the starting of the Rainbow Plan. Since the implementation of the Rainbow Plan, there were totally more than RMB10 million raised from society donations in these four annual activities, of which over RMB2 million were raised from CZB Charity Fund and our staff in a voluntary way, and over 10,000 students were assisted. Third, the Company held a large public benefit activity of “a cup of water” of China Zheshang Bank, calling branch outlets along the city streets to offer free drinking water and a place for laborers working under high temperature to have a brief rest. All branch outlets of China Zheshang Bank in Zhejiang Province were open to outdoor workers and a caring rest area, free drinking water and common heatstroke preventive medicines were provided for free. Fourth, the Company paid great attention to consumer rights protection. In 2015, we established a consumer rights protection center and built up a professional team for consumer rights protection. We carried out consumer rights protection learning activities and online knowledge competitions held by China Banking Association and were awarded the “Advanced Collectives Award” in the PRC. We created five ways to ensure that the education campaigns, such as Broadcasting Financial Literacy to Thousands of Families (金融知識進萬家活動) and Financial Literacy Month (金融知識普及月) carried out by the Bank were going smoothly, among others, we established Financial Course for Teenagers (雛鷹金融課堂) at Xiangyang school in Xiaoshan district, Hangzhou (a school for migrant workers’ children). These activities effectively enhanced the financial risk prevention awareness of the public.



Significant Events

(I) Material litigations and arbitrations

The Company was involved in certain legal proceedings in the ordinary course of business. Most of these litigations are filed by the Company in order to recover non-performing loans and include litigations because of disputes with customers. As of December 31, 2015, there were no significant pending litigations to which the Company was a defendant. The Company expects that such pending litigations will not materially and adversely affect the Company's business, financial position or operating results.

(II) Material related party transactions

During the reporting period, the Company did not have any material related party transactions. For related party transactions within the meaning of laws and regulations and accounting standards of China, please see "Notes to the Financial Statements — 36 Related Party Transactions".

(III) Material contracts and their performance

1. Significant events relating to custody, contracting and leasing

During the reporting period, none of the material contracts signed by the Company involved holding in custody, contracting or leasing any assets of other companies or vice versa beyond the normal business scope of a bank.

2. Significant guarantees

Guarantee business is an ordinary business of the Company. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by the PBOC and the CBRC, there were no other significant guarantees required to be disclosed.

(IV) Disciplinary actions imposed on the Company or its directors, supervisors and senior management during the reporting period

No significant administrative penalty was imposed and no notice of criticism was circulated by any regulatory authority to the Company or the Board of Directors and directors, Board of Supervisors and supervisors and senior management of the Company during the reporting period.



To the shareholders of Bank of Zheshang Co., Ltd

(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Bank of Zheshang Co., Ltd ("the Bank") set out on pages 115 to 208 which comprise the bank statements of financial position as at December 31, 2015, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015, and of the Bank'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.

Independent Auditor's Report

Other Matters

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, April 22, 2016

Statements of Comprehensive Income

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

	Note	Year ended December 31,	
		2015	2014
Interest income	4	47,429,810	32,198,471
Interest expense	4	(26,844,059)	(17,663,247)
Net interest income		20,585,751	14,535,224
Fee and commission income	5	4,193,813	2,691,313
Fee and commission expense	5	(92,857)	(70,117)
Net fee and commission income		4,100,956	2,621,196
Net trading gains	6	2,073	85,972
Net gains on financial investments	19	329,792	41,962
Other operating income	7	111,813	112,480
Operating income		25,130,385	17,396,834
Operating expenses	8	(8,257,286)	(6,028,345)
Impairment losses on assets	11	(7,492,687)	(4,576,256)
Operating profit		9,380,412	6,792,233
Profit before income tax		9,380,412	6,792,233
Income tax expense	12	(2,329,722)	(1,696,730)
Net profit for attributable to shareholders of the Bank		7,050,690	5,095,503
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on available-for-sale financial assets		1,077,424	328,229
Related income tax impact		(269,356)	(82,057)
Total other comprehensive income, net of tax		808,068	246,172
Total comprehensive income attributable to shareholders of the Bank		7,858,758	5,341,675
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	13	0.54	0.44

Statements of Financial Position

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

	Note	December 31,	
		2015	2014
ASSETS			
Cash and balances with central bank	14	87,649,741	75,427,000
Precious metal		1,848	—
Due from banks and other financial institutions	15	76,607,447	93,685,713
Financial assets at fair value through profit or loss	16	10,795,291	4,190,821
Derivative financial assets	17	458,534	113,452
Loans and advances to customers	18	335,228,940	252,312,436
Financial investments	19		
— Available-for-sale		49,117,403	28,068,452
— Held-to-maturity		29,042,163	18,693,282
— Debt instruments classified as receivables		431,893,606	189,704,291
Property, plant and equipment	20	2,444,632	1,824,509
Deferred income tax assets	21	2,105,271	1,251,278
Other assets	22	6,305,510	4,686,212
Total assets		1,031,650,386	669,957,446
LIABILITIES			
Due to banks and other financial institutions	23	354,657,357	214,998,181
Financial liabilities at fair value through profit or loss		500,020	—
Derivative financial liabilities	17	634,747	206,949
Customer deposits	24	516,026,296	363,279,888
Income tax payable		1,594,734	835,329
Other liabilities	26	18,644,132	9,588,870
Debt securities issued	25	89,936,036	47,898,057
Total liabilities		981,993,322	636,807,274
EQUITY			
Share capital	27	14,509,697	11,506,872
Capital reserve	27	12,181,167	6,535,858
Surplus reserve	28	2,775,091	2,070,022
Statutory general reserve	28	8,241,258	4,639,490
Investment revaluation reserve	29	958,448	150,380
Retained earnings		10,991,403	8,247,550
Total equity		49,657,064	33,150,172
Total liabilities and equity		1,031,650,386	669,957,446

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

Shen Renkang
Chairman of Board

Liu Xiaochun
President

Xu Manxuan
Chief Financial Officer

Statements of Changes in Equity

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

	Share capital (Note 27)	Capital reserve (Note 27)	Surplus reserve (Note 28)	Statutory general reserve (Note 28)	Investment revaluation reserve (Note 29)	Retained earnings	Total
Balance at January 1, 2015	11,506,872	6,535,858	2,070,022	4,639,490	150,380	8,247,550	33,150,172
Net profit for the year	—	—	—	—	—	7,050,690	7,050,690
Other comprehensive income for the year	—	—	—	—	808,068	—	808,068
Total comprehensive income	—	—	—	—	808,068	7,050,690	7,858,758
Issuance of new shares	3,002,825	5,645,309	—	—	—	—	8,648,134
Appropriation to statutory surplus reserve	—	—	705,069	—	—	(705,069)	—
Appropriation to statutory general reserve	—	—	—	3,601,768	—	(3,601,768)	—
Balance at December 31, 2015	14,509,697	12,181,167	2,775,091	8,241,258	958,448	10,991,403	49,657,064
Balance at January 1, 2014	11,506,872	6,535,858	1,560,472	3,845,359	(95,792)	4,455,728	27,808,497
Net profit for the year	—	—	—	—	—	5,095,503	5,095,503
Other comprehensive income for the year	—	—	—	—	246,172	—	246,172
Total comprehensive income	—	—	—	—	246,172	5,095,503	5,341,675
Appropriation to statutory surplus reserve	—	—	509,550	—	—	(509,550)	—
Appropriation to statutory general reserve	—	—	—	794,131	—	(794,131)	—
Balance at December 31, 2014	11,506,872	6,535,858	2,070,022	4,639,490	150,380	8,247,550	33,150,172

Statements of Cash Flows

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

	Note	Year ended December 31,	
		2015	2014
Cash flows from operating activities			
Profit before income tax		9,380,412	6,792,233
Adjustments:			
Depreciation and amortization	8	208,126	195,098
Impairment losses on loans	11	6,157,343	4,280,104
Impairment losses on other assets	11	1,335,344	296,152
Net (gains) on de-recognition of financial investments		(329,792)	(41,962)
Fair value changes in financial assets at fair value through profit or loss and derivatives		(143,766)	36,519
Interest income from financial investments	4	(22,571,678)	(7,221,238)
Interest expense from debt securities issued	4	3,222,095	1,039,596
Net change in operating assets and operating liabilities:			
Net increase in restricted deposit balances with central bank		(12,591,530)	(9,636,153)
Net decrease in due from banks and other financial institutions		19,234,613	61,746,271
Net increase in financial assets at fair value through profit or loss		(6,377,951)	(1,960,680)
Net increase in loans and advances to customers		(89,093,635)	(43,985,770)
Net increase in other operating assets		(506,482)	(152,348)
Net increase in due to banks and other financial institutions		139,659,176	87,655,872
Net increase in customer deposits		152,746,408	43,485,111
Net increase in other operating liabilities		9,694,242	2,875,277
Cash from operating activities before tax		210,022,925	145,404,082
Income tax paid		(2,693,666)	(2,075,212)
Net cash from operating activities		207,329,259	143,328,870

Statements of Cash Flows

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

	Note	Year ended December 31,	
		2015	2014
Cash flows from investing activities:			
Dividends received		550	450
Purchase of property and equipment, intangible assets and other long-term assets		(855,178)	(654,410)
Interest income from financial investments		21,486,148	6,467,400
Proceeds from disposal and redemption of financial investments		506,494,547	75,386,646
Purchase of financial investments		(780,196,212)	(267,231,564)
Net cash used in investing activities		(253,070,145)	(186,031,478)
Cash flows from financing activities:			
Proceeds from issuance of ordinary shares		8,648,134	—
Proceeds from issuance of debt securities		139,655,389	54,148,057
Cash paid for repayment of debt securities		(98,300,000)	(12,200,000)
Interest paid on debt securities issued		(2,469,856)	(871,756)
Dividends paid on ordinary shares		(7,952)	(26,708)
Net cash from financing activities		47,525,715	41,049,593
Effect of exchange rate changes on cash and cash equivalents		2,729	(751)
Net increase/(decrease) in cash and cash equivalents		1,787,558	(1,653,766)
Cash and cash equivalents at beginning of the year		17,207,750	18,861,516
Cash and cash equivalents at end of the year	35	18,995,308	17,207,750
Net cash flows from operating activities including:			
Interest received		25,107,536	24,480,931
Interest paid		(20,009,154)	(14,370,482)



Notes to the Financial Statements

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

1 GENERAL

The Bank is a national joint-stock commercial bank which was established in Zhejiang Province, the People's Republic of China (the "PRC") on July 26, 2004 with the approval from China Banking Regulatory Commission ("CBRC").

As of December 31, 2015, the registered capital of the Bank is Renminbi ("RMB") 14,509,696,778 yuan.

As of December 31, 2015, the Bank has established 133 branch outlets in 13 provinces (municipalities) of Mainland China, including 36 branches (20 of them are tier-one branches), one branch-level specialized institution and 96 sub-branches. The principal activities of the Bank include corporate and personal deposits, loans and advances, clearing and settlement service, treasury business and other banking service as approved by the CBRC.

These financial statements have been approved by the Bank's Board of Directors on April 22, 2016.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to the relevant years presented unless otherwise stated.

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2.1 Basis of presentation

The Financial Information of the Bank has been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

The Bank applied all relevant effective IFRSs in the preparation of the Financial Information.

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Bank as of the relevant periods are as follows:

		Effective for annual periods beginning on or after
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operation	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
Amendments to IFRSs	Annual improvements to IFRSs (2012–2014 cycle)	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 7	Disclosure Initiatives	January 1, 2017

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Amendment to IFRS 11

The amendments to IFRS 11 — Joint Arrangements provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

IFRS 14

The International Accounting Standards Board (“IASB”) has issued IFRS 14 — Regulatory Deferral Accounts, an interim standard on the accounting for certain balances that arise from rate-regulated activities (“regulatory deferral accounts”). IFRS 14 is only applicable to entities that apply IFRS 1 — First-time Adoption of International Financial Reporting Standards as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous Generally Accepted Accounting Principles accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral accounts.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

IFRS 16

Under IAS 17 lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The new standard will impact both the balance sheet and related ratios (capital adequacy ratio and leverage ratio), but the impact will not have material influences on total assets and liabilities. The impacts on capital adequacy ratio and leverage ratio are also immaterial.

Amendment to IAS 16 and IAS 38

The amendments to IAS 16 — Property, Plant and Equipment, clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendments to IAS 38 — Intangible Assets, establish a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances.

Amendment to IFRS 10 and IAS 28

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendments to IFRSs: Annual Improvements to IFRSs 2012–2014 Cycle

The Annual Improvements to IFRSs 2012–2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations regarding methods of disposal, the amendments to IFRS 7 — Financial Instruments: Disclosures regarding servicing contracts, the amendments to IAS 19 — Employee Benefits regarding discount rates, the amendments to IAS 34 Interim Financial Reporting regarding disclosure of information.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

IFRS 15

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

IFRS 9

IFRS 9, published in July 2014 and effective for annual periods beginning on or after January 1, 2018, will replace the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The principle and guidance on recognition and derecognition of financial instruments in IAS 39 remains unchanged.

IFRS 9 will change the way the Bank classifies and measures its financial assets. IAS 39 measurement categories ‘financial assets at fair value through profit or loss’, ‘held-to-maturity investments’, ‘loans and receivables’ and ‘available-for-sale financial assets’ will be replaced by three main categories in IFRS 9, which are ‘amortized cost’, ‘fair value through other comprehensive income’ and ‘fair value through profit or loss’. The approach for classifying financial assets will also change. Under IAS 39 the characteristics of financial assets are analyzed for any embedded derivatives and whether those have to be separated from the host contract (bifurcation of hybrid instruments). IFRS 9 uses a different approach that does not involve the bifurcation of financial assets. Instead, financial assets are classified in their entirety into a measurement category. This classification of financial assets under IFRS 9 will require the Bank to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

IFRS 9 (Continued)

For financial assets that will be classified as 'amortized cost' or 'fair value through other comprehensive income', the Bank will be required to apply an expected credit loss impairment model that will apply to both those measurement categories as well as other exposures to credit risk such as loan commitments and financial guarantees. This impairment model will replace the different impairment models in IAS 39 (the incurred loss impairment model and the impairment model for available-for-sale financial assets) as well as the requirements in IAS 37 that related to some types of credit risk exposures (such as loan commitments and financial guarantees). The main differences between the new expected credit loss impairment model compared to the incurred loss model in IAS 39 are that the expected credit loss model uses more forward-looking information and that it does not involve the existence of an objective evidence of impairment until which credit losses remain unrecognized. Consequently, financial assets in the scope of the new impairment model will require a loss allowance to be recognized throughout their lives and the relative change of credit risk since initial recognition of the financial asset drives whether that loss allowance is equal to 12-month expected credit losses or lifetime expected credit losses. Lifetime expected credit losses represent all credit losses over the remaining life of a financial asset on a probability-weighted basis. 12-month expected credit losses are a subset of the lifetime expected credit losses and represent the losses expected to arise from default events within the next 12 months after the reporting date.

Given IFRS 9 will change the way the Bank classifies and measures its financial assets, adoption of IFRS 9 on January 1, 2018 could have material impact on the Bank's financial information. In particular, calculation of impairment of financial instruments on an expected credit loss basis may result in an increase in impairment allowance. The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9, including assessing the need for any system modification related to expected credit loss model, updating financial instruments impairment policies and launching relevant staff training. The Bank has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impacts on the Bank's operating results and financial position have not been quantified.

Amendment to IAS 12

The amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses provide specific guidance to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

Amendment to IFRS 7

The amendments to IFRS 7: Disclosure Initiatives require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Except the above mentioned impact of IFRS 9, the Bank expects adoption of the above new IFRS and amendments to IFRS issued but not yet effective will not have a material effect on the Bank's operating results, financial position or other comprehensive income.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Financial year

The accounting year starts on January 1, and ends on December 31.

2.3 Functional currency

The functional currency of the Bank is RMB.

2.4 Interest income and expense

Interest income and expense for interest-bearing financial instruments is recognized in profit or loss using the effective interest method.

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

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

2.5 Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are recognized over that period. For other services, fee and commission income are recognized when the transactions are completed.

2.6 Dividend income

Dividends are recognized when the right to receive payment is established.

2.7 Government grants

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Bank will comply with the conditions associated with the grant. Government grants related to an asset are initially recognized as deferred income at fair value and then recognized in profit or loss as other operating income on a straight-line basis over the useful life of the asset. Government grants that compensate the Bank for expenses incurred are recognized in profit or loss in the periods in which the expenses are recognized.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.8 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Bank in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits.

(a) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Bank recognizes the short term employee benefits payable for those services as a liability with a corresponding increase in the expenses in profit or loss. Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

(b) Post-employment benefits

The Bank's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Bank makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in profit or loss for the period in which the related payment obligation is incurred.

The employees of the Bank participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the profit or loss when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

2.9 Current and deferred income taxes

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.9 Current and deferred income taxes (Continued)

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

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

2.10 Foreign currency translation

Monetary items denominated in foreign currency are translated into RMB with the closing rate as of the reporting date and exchange differences are recognized in the profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as of the date of initial recognition.

2.11 Cash and cash equivalents

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

2.12 Financial instruments

Financial assets and liabilities are recognized in the statement of financial position and classified into one of the categories presented below. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, respectively, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.1 Financial assets

The Bank's financial assets are classified into four categories — financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and, loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Financial assets at FVTPL have two subcategories — financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of sale in the near future; or
- it forms part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative instrument that is not designated and effective as a hedging instrument.

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

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognized directly in the profit or loss in the period in which they arise.

(b) Held-to-maturity financial investments

Held-to-maturity investments are non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.1 Financial assets (Continued)

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

Financial assets classified as loans and receivables primarily include balances with central bank, due from banks and other financial institutions, loans and advances to customers, and debt instruments classified as receivables.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the profit or loss.

Equity investments classified as available-for-sale that do not have a quoted price in an active market and whose fair value cannot be reliably determined are measured at cost, less any impairment losses, at the end of each reporting period.

Interest income related to financial assets classified as available-for-sale debt instruments is calculated using the effective interest method. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive such payments is established.

(e) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Bank at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an equity investment classified as available-for-sale below its cost is considered to be objective evidence of impairment.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.1 Financial assets (Continued)

(e) Impairment of financial assets (Continued)

For all other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets, although the decrease cannot yet be attributed to individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in collective assessment of impairment.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.1 Financial assets (Continued)

(f) Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets are impaired. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

When a financial asset is considered uncollectible, it is written off against the allowance account after all necessary procedures have been performed and the loss amount has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as an improvement in the debtor's credit rating, the previously recognized impairment loss is reversed through the profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(g) Impairment of financial assets classified as available-for-sale

When a decline in the fair value of a financial asset classified as available-for-sale has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve, and there is objective evidence that asset is impaired, the cumulative losses previously recognized in other comprehensive income are reclassified to the profit or loss in the period in which the impairment takes place.

An impairment loss on a debt investment classified as available-for-sale is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.2 Financial liabilities

The Bank's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities, carried at amortized cost.

(a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

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

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising on re-measurement recognized directly in profit or loss in the period in which they arise.

(b) *Other financial liabilities*

Other financial liabilities are measured at amortized cost, using the effective interest method.

2.12.3 Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their characteristics and risks are not clearly and closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value through profit or loss.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.4 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

2.12.5 De-recognition

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.6 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when both of the following conditions are satisfied: (i) the Bank has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Bank intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

2.12.7 Resale and repurchase agreements

Financial assets transferred as collateral in connection with standard repurchase agreements, involving fixed repurchase dates and prices are not derecognized. They continue to be recorded as Investments Classified as Held-to-Maturity Investments, Available-for-sale financial assets, Debt Instruments Classified as receivables or Loans and advances to customers as appropriate. The corresponding liability is included in Due to banks and other financial institutions.

Consideration paid for financial assets held under resell agreements are recorded in Due from banks and other financial institutions.

The difference between purchase and sale price is recognized as interest expense or income in profit or loss over the term of the agreements using the effective interest method.

2.13 Property, plant and equipment

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

(a) Cost

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

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.13 Property, plant and equipment (Continued)

(b) Depreciation and impairment

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

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

Type of assets	Estimated useful lives	Estimated residual value rates	Depreciation rate
Buildings	10–30 years	5%	3.17%–9.50%
Equipment	7 years	5%	13.57%
Motor vehicles	5 years	5%	19.00%

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

Impairment losses on property, plant and equipment are accounted for in accordance with the accounting policies as set out in Note 2.17.

(c) Disposal

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

2.14 Land use rights

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

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 2.17.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.15 Intangible assets

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

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 2.17.

2.16 Foreclosed assets

When the Bank's obligor use foreclosed asset to compensate the principal and interest of loan, foreclosed asset was initially recognized at fair value.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 2.17.

2.17 Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

2.18 Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.19 Leases

Leases in which substantially all the risk and rewards of the ownership are transferred to the lessee are classified as financing lease. Other leases are operating lease.

Rental payments of operating lease are recognized in profit or loss according to the method of straight line during the lease term.

2.20 Wealth management

The Bank acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Bank and securities investment funds, insurance companies, trust companies, and other institutions and individuals. The Bank receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Bank's statement of financial position.

2.21 Entrusted loans

The Bank conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Bank grants loans to borrowers, as an intermediary, according to the instruction of its customers. The Bank is responsible for the arrangement and collection of the entrusted loans and receives commission for the services rendered. As the Bank does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Bank.

2.22 Financial guarantee contracts

Financial guarantees are contracts that require the Bank as the guarantor (the "issuer") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount less amortization of guarantee fees recognized in accordance with the revenue recognition policy, and the best estimate of the expenditure required to settle the guarantees. Any increase in the liability relating to guarantees is taken to the profit or loss.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognized as a provision.

2.24 Segment reporting

The identification of operating segments of the Bank is on the basis of internal reports that are regularly reviewed by the Bank's chief operating decision makers in order to allocate resources to the segment and assess its performance. The Bank has determined the management team represented by the governor as its chief operating decision maker.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Bank's accounting policies. There is no difference between the accounting policies used in the preparation of the Bank's financial statements and those used in preparing the operating segment information.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Notes to the Financial Statements

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below.

(a) Impairment allowances for loans and advances to customers

The Bank regularly reviews its loan portfolios to assess impairment loss, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in that portfolio (e.g. payment default), or national or local economic conditions that correlate with defaults on the portfolio of loans in the bank. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances are collectively assessed for impairment, Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred.

(b) Fair value of financial instruments

The Bank uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practicable, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, should be made maximum use of when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Bank and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Financial Statements

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

(c) Held-to-maturity investments

The Bank classifies non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity as held-to-maturity investments. In assessing the Bank's intention and ability to hold such investments to maturity, management primarily considers the business purpose for acquiring a security, as well as the Bank's liquidity needs. This is a significant judgment because if the Bank fails to hold these investments to maturity, other than for specific and limited circumstances (e.g., sale of an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets and be precluded from classifying investments as held-to-maturity investments for two years.

(d) Income taxes

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

(e) Control over structured entity

Where the Bank acts as asset manager of structured entities, the Bank makes judgment on whether it is the principal or an agent to assess whether the Bank controls the structured entities and should consolidate them. When performing this assessment, the Bank considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Bank's exposure to variability of returns from other interests (e.g. direct investment) that it holds in the structured entities. The Bank performs reassessment periodically.

Notes to the Financial Statements

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

4 NET INTEREST INCOME

	Year ended December 31,	
	2015	2014
Interest income		
Balances with central bank	1,211,276	987,919
Due from banks and other financial institutions	4,388,954	7,359,359
Loans and advances to customers	18,905,466	16,433,411
Financial assets at fair value through profit or loss	352,436	196,544
Financial investments	22,571,678	7,221,238
Subtotal	47,429,810	32,198,471
Including: Interest income from impaired financial assets	63,476	45,025
Interest expense		
Due to banks and other financial institutions	(12,402,691)	(8,458,075)
Customer deposits	(11,219,273)	(8,165,576)
Debt securities issued	(3,222,095)	(1,039,596)
Subtotal	(26,844,059)	(17,663,247)
Net interest income	20,585,751	14,535,224
Interest income from listed financial investments (i)	2,604,820	1,409,434
Interest income from unlisted financial investments	19,966,858	5,811,804

(i) Interest income from listed financial investments is principally derived from debt securities traded within China domestic interbank bond market.

5 NET FEE AND COMMISSION INCOME

	Year ended December 31,	
	2015	2014
Fee and commission income		
Agency service	859,404	1,404,549
Wealth management business	2,131,103	353,864
Custodian and other fiduciary service	158,955	266,685
Credit commitment	483,520	265,288
Underwriting service	334,565	275,548
Settlement business	84,386	42,152
Others	141,880	83,227
Total	4,193,813	2,691,313
Fee and commission expense	(92,857)	(70,117)
Net fee and commission income	4,100,956	2,621,196

Notes to the Financial Statements

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

6 NET TRADING GAINS

	Year ended December 31,	
	2015	2014
Net gains/(losses) from:		
Trading bond	345,555	87,791
Derivative financial instruments	(371,486)	(134,572)
Exchange differences	28,004	132,753
Total	2,073	85,972

7 OTHER OPERATING INCOME

	Year ended December 31,	
	2015	2014
Government grants (i)	99,186	108,839
Dividend income	550	450
Gains on disposal of fixed assets	340	213
Other miscellaneous income	11,737	2,978
Total	111,813	112,480

(i) Government grants mainly include the amount received from the Zhejiang Provincial Bureau of Finance for rewarding the Bank's contribution to the development of local economy.

8 OPERATING EXPENSES

	Year ended December 31,	
	2015	2014
Staff costs (including directors and supervisors' emoluments) (Note 9)	4,304,025	2,722,007
General and administrative expenses	2,046,851	1,670,455
Business tax and surcharges	1,305,448	1,101,360
Depreciation of property, plant and equipment (Note 20)	120,283	114,723
Amortization of intangible assets (Note 22(iii))	22,102	18,746
Amortization of land use rights (Note 22(ii))	11,356	11,356
Amortization of long-term prepaid expenses	54,385	50,273
Rental expenses	342,303	306,354
Auditors' remuneration	6,150	1,600
Donations	14,015	8,451
Others	30,368	23,020
Total	8,257,286	6,028,345

Notes to the Financial Statements

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

9 STAFF COSTS (including directors and supervisors' emoluments)

	Year ended December 31,	
	2015	2014
Salaries and bonuses	3,543,361	2,236,575
Pension costs-Defined contribution plans	270,155	111,329
Housing funds	126,561	98,504
Labor union fee and staff education expenses	96,173	61,996
Other social security and benefit costs	267,775	213,603
Total	4,304,025	2,722,007

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	Year ended December 31, 2015				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors					
Shen Renkang	—	930	—	283	1,213
Liu Xiaochun	—	1,255	—	571	1,826
Zhang Luyun (i)	—	923	—	750	1,673
Xu Renyan	—	1,271	—	326	1,597
Non-Executive Directors					
Wang Yibing (i)	—	—	—	—	—
Wang Mingde	—	—	—	—	—
Shen Xiaojun	—	—	—	—	—
Gao Qinrong	—	—	—	—	—
Hu Tiangao	—	—	—	—	—
Lou Ting (i)	—	—	—	—	—
Wei Dongliang (i)	—	—	—	—	—
Wang Kefei (i)(ii)	—	—	—	—	—
Dou Xiufang (i)	—	—	—	—	—
Wang Shuifu (i)	—	—	—	—	—
Tao Xuegen (i)	—	—	—	—	—
Zhou Yongli (i)	—	—	—	—	—
Zhang Xianfei (i)	—	—	—	—	—

Notes to the Financial Statements

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

Name	Year ended December 31, 2015				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Independent Non-Executive Directors					
Jin Xuejun	292	—	—	—	292
Tong Benli (i)	275	—	—	—	275
Yuan Fang (i)	275	—	—	—	275
Zheng Xinli (i)	275	—	—	—	275
Dai Deming (i)	275	—	—	—	275
Liu Pak Wai (i)	275	—	—	—	275
Zheng Jindu (ii)	25	—	—	—	25
Chen Guoping (i)	33	—	—	—	33
Qian Zihui (i)	33	—	—	—	33
Xu Xinqiao (i)	33	—	—	—	33
Supervisors					
Yu Jianqiang (i)	—	1,101	—	312	1,413
Tao Xuegen (i)	—	—	—	—	—
Zhou Yang (i)	—	—	—	—	—
Huang Haibo (ii)	—	—	—	—	—
Zhang Xianfei (ii)	—	—	—	—	—
Lu Weiding (i)	—	—	—	—	—
Zhong Zhexiao (i)	—	—	—	—	—
Yan Jianwen (i)	—	—	—	—	—
Wang Hua (i)	—	—	—	—	—
Zheng Jianming (i)(iii)	—	—	—	—	—
Dong Zhoufeng (iii)	—	—	—	—	—
Ge Lixin (iii)	—	—	—	—	—
Zhang Rulong (i)(iii)	—	—	—	—	—
Yu Peixiang (i)(iii)	—	—	—	—	—
Shen Lirong (i)(iii)	—	—	—	—	—
Jiang Zhihua	292	—	—	—	292
Yuan Xiaoqiang (i)	275	—	—	—	275
Huang Zuhui (i)	275	—	—	—	275
Wang Jun (i)	275	—	—	—	275
Zhou Jiansong (i)	33	—	—	—	33
Feng Disheng (i)	33	—	—	—	33
Total	2,974	5,480	—	2,242	10,696

Notes to the Financial Statements

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

Name	Year ended December 31, 2014				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors					
Zhang Dayang	—	1,048	—	12	1,060
Shen Renkang	—	664	—	9	673
Gong Fangle	—	1,048	—	12	1,060
Liu Xiaochun	—	—	—	—	—
Xu Renyan	—	1,268	2,534	19	3,821
Non-Executive Directors					
Wang Mingde	—	—	—	—	—
Dou Xiufang	—	—	—	—	—
Shen Xiaojun	—	—	—	—	—
Gao Qinrong	—	—	—	—	—
Hu Tiangao	—	—	—	—	—
Wang Shuifu	—	—	—	—	—
Tao Xuegen	—	—	—	—	—
Zhou Yongli	—	—	—	—	—
Zhang Xianfei	—	—	—	—	—
Independent Non-Executive Directors					
Chen Guoping	200	—	—	—	200
Jin Xuejun	200	—	—	—	200
Qian Zihui	200	—	—	—	200
Xu Xinqiao	200	—	—	—	200
Supervisors					
Lu Weiding	—	—	—	—	—
Zhong Zhexiao	—	—	—	—	—
Yan Jianwen	—	—	—	—	—
Wang Hua	—	—	—	—	—
Yu Peixiang (iii)	—	—	—	—	—
Shen liron (iii)	—	—	—	—	—
Ge Lixin (iii)	—	—	—	—	—
Dong Zhoufeng (iii)	—	—	—	—	—
Jiang Zhihua	200	—	—	—	200
Zhou Jiansong	200	—	—	—	200
Feng Disheng	200	—	—	—	200
Total	1,400	4,028	2,534	52	8,014

Notes to the Financial Statements

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

- (i) At the first Extraordinary General Meeting of the Bank held on February 9, 2015, Zhang Luyun was appointed as executive director of the Bank; Wang Yibing, Lou Ting, Wang Kefei and Wei Dongliang were appointed as non-executive directors of the Bank, and Dou Xiufang, Wang Shuifu, Tao Xuegen, Zhou Yongli and Zhang Xianfei were no longer non-executive directors of the Bank; Tong Benli, Yuan Fang, Zheng Xinli, Dai Deming, Liu Pak Wai were appointed as independent non-executive directors of the Bank, and Chen Guoping, Qian Zihui and Xu Xinqiao were no longer independent non-executive directors of the Bank; Yu Jianqiang, Tao Xuegen, Zhou Yang, Zhang Xianfei, Yuan Xiaoqiang, Huang Zuhui, Wang Jun were appointed as supervisors of the Bank, and Lu Weiding, Zhong Zhexiao, Yan Jianwen, Wang Hua, Zhou Jiansong and Feng Disheng were no longer supervisors of the Bank. On the same date, Zheng Jianming and Zhang Rulong were appointed as employee supervisors by the Bank's staff through election; Yu Peixiang and Shen Lirong were no longer employee supervisors.
- (ii) At the third Extraordinary General Meeting of the Bank held on 8 December 2015, Zheng Jindu was appointed as an independent non-executive director of the Bank; Wang Kefei was no longer a non-executive director of the Bank; Huang Haibo was appointed as a supervisor of the Bank; Zhang Xianfei was no longer a supervisor of the Bank.
- (iii) Employee supervisors of the bank receive remuneration as staff, and receive no pay as supervisors.

The above total compensation packages for the directors and supervisors for the year ended December 31, 2015 have not been finalized. Management of the Bank believes that difference between the final emoluments and that disclosed above will not have significant impact on the financial information of the Bank. Upon disbursement, the final compensation will be disclosed.

(b) Five highest paid individuals

For each of the years ended December 31, 2015, the five highest paid individuals in the Bank including zero director and zero supervisor (2014: one director and zero supervisor).

The rest of the five highest paid individuals for the Relevant Periods are as follows:

	Year ended December 31,	
	2015	2014
Salaries and allowances and benefits	8,551	7,871
Discretionary bonuses	29,522	13,825
Contribution to pension schemes	408	159
Total	38,481	21,855

Notes to the Financial Statements

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of Individuals	
	Year ended December 31,	
	2015	2014
RMB500,001–RMB1,000,000	—	—
RMB1,000,001–RMB1,500,000	—	—
RMB1,500,001–RMB2,000,000	—	—
RMB2,000,001–RMB2,500,000	—	—
RMB2,500,001–RMB3,000,000	—	—
RMB3,000,001–RMB3,500,000	—	—
RMB3,500,001–RMB4,000,000	—	—
RMB4,000,001–RMB4,500,000	—	2
RMB4,500,001–RMB5,000,000	—	—
RMB5,000,001–RMB5,500,000	—	1
RMB5,500,001–RMB6,000,000	1	—
RMB6,000,001–RMB6,500,000	1	—
RMB6,500,001–RMB7,000,000	1	—
RMB7,000,001–RMB7,500,000	—	—
RMB7,500,001–RMB8,000,000	—	—
RMB8,000,001–RMB8,500,000	1	1
RMB8,500,001–RMB12,000,000	1	—

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No emoluments had been paid or payable by the Bank to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Bank or as compensation for loss of office.

During the year end 31 December 2015, no retirement benefit was paid to the directors or supervisors by a defined benefit pension plan operated by the Bank (2014: nil).

During the year end 31 December 2015, no termination benefits was paid to the directors or supervisors operated by the Bank (2014: nil).

During the year end 31 December 2015, no consideration was provided to third parties for making available directors' and supervisor' services by the Bank (2014: nil).

Notes to the Financial Statements

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

11 IMPAIRMENT LOSSES ON ASSETS

	Year ended December 31,	
	2015	2014
Loans and advances to customers (Note 18(b))		
— Collectively assessed	3,206,972	2,899,704
— Individually assessed	2,950,371	1,380,400
Debt instruments classified as receivables	1,320,527	290,531
Others	14,817	5,621
Total	7,492,687	4,576,256

12 INCOME TAX EXPENSE

	Year ended December 31,	
	2015	2014
Current income tax	3,453,071	2,307,542
Deferred income tax (Note 21)	(1,123,349)	(610,812)
Total	2,329,722	1,696,730

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Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Bank for the respective years.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended December 31,	
	2015	2014
Profit before income tax	9,380,412	6,792,233
Tax calculated at a tax rate of 25%	2,345,103	1,698,058
Tax effect arising from income not subject to tax (i)	(48,094)	(21,258)
Tax effect of expenses that are not deductible for tax purposes (ii)	32,713	19,930
Income tax expense	2,329,722	1,696,730

(i) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses and so forth, which exceed the tax deduction limits pursuant to the relevant PRC tax regulations.

Notes to the Financial Statements

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

13 BASIC AND DILUTED EARNINGS PER SHARE

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

	Year ended December 31,	
	2015	2014
Net profit attributable to shareholders of the Bank (in RMB thousands)	7,050,690	5,095,503
Weighted average number of ordinary shares in issue (in thousands)	13,037,079	11,506,872
Basic earnings per share (in RMB yuan)	0.54	0.44

(b) Diluted earnings per share

For the years ended December 31, 2015, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

14 CASH AND BALANCES WITH CENTRAL BANK

	December 31,	
	2015	2014
Cash	237,660	205,487
Mandatory reserve deposits with central bank (i)	75,555,586	62,963,143
Surplus reserve deposits with central bank (ii)	11,856,106	12,257,068
Fiscal deposits	389	1,302
Total	87,649,741	75,427,000

(i) The Bank is required to place mandatory reserve deposits and mandatory reserve for forward exchange deposits with the People's Bank of China ("PBOC"). These mandatory reserve are not available for use in the daily business of the Bank.

As of December 31, 2015, the mandatory reserve deposit rates of the Bank were as follows:

	December 31,	
	2015	2014
Mandatory reserve rate for deposits denominated in RMB	15%	18%
Mandatory reserve rate for deposits denominated in foreign currencies	5%	5%
Mandatory reserve rate for forward exchange deposits (iii)	20%	—

(ii) Surplus reserve deposits maintained with the PBOC are mainly for settlement purpose.

(iii) The calculation function of the mandatory reserve for forward exchange deposits is the product of the forward exchange contractual amounts and the mandatory reserve rate for forward exchange deposits.

Notes to the Financial Statements

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

15 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31,	
	2015	2014
Deposits with banks and other financial institutions	32,749,538	43,938,403
Placements with banks and other financial institutions	696,097	8,474,424
Notes purchased under resale agreements	14,110,812	39,571,022
Securities purchased under resale agreements	29,051,000	1,251,864
Other financial assets purchased under resale agreements	—	450,000
Total	76,607,447	93,685,713

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2015	2014
Government bonds		
— Listed outside Hong Kong	1,369,283	567,208
Other debt securities		
— Listed outside Hong Kong	9,426,008	3,623,613
Total	10,795,291	4,190,821

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As of December 31, 2015, all financial assets at fair value through profit or loss of the Bank are held for trading.

As of December 31, 2015, no financial assets at fair value through profit or loss were pledged to other banks under any repurchase agreements.

Debt securities traded within China domestic interbank bond market are included under the category of "Listed outside Hong Kong".

Notes to the Financial Statements

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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

	December 31,	
	2015	2014
Debt securities		
Issuers in the PRC		
— Government	1,369,283	567,208
— Banks and other financial institutions	4,709,895	899,392
— Corporates	4,716,113	2,724,221
Total	10,795,291	4,190,821

17 DERIVATIVE FINANCIAL INSTRUMENTS

Below listed the nominal value and fair value of derivative financial instruments held for trading:

	Nominal value	Fair value	
		Asset	Liability
December 31, 2015			
Foreign exchange forwards and swap	53,725,203	354,342	(440,107)
Currency and interest rate swap	117,978,621	100,768	(192,786)
Option contract	324,680	3,424	(1,854)
Total	172,028,504	458,534	(634,747)
December 31, 2014			
Foreign exchange forwards and swap	12,913,740	30,037	(119,741)
Currency and interest rate swap	20,882,927	83,415	(87,208)
Total	33,796,667	113,452	(206,949)

Notes to the Financial Statements

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

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	December 31,	
	2015	2014
Corporate loans and advances		
— Loans and advances	242,484,549	194,148,826
— Discounted bills	39,827,199	12,802,972
Subtotal	282,311,748	206,951,798
Personal loans and advances		
— Personal business	60,304,266	51,263,547
— Residential mortgage loans	2,204,489	659,646
— Others	602,358	147,653
Subtotal	63,111,113	52,070,846
Total	345,422,861	259,022,644
Less: allowance for impairment losses		
— Collectively assessed	(8,340,569)	(6,126,006)
— Individually assessed	(1,853,352)	(584,202)
Total	(10,193,921)	(6,710,208)
Loans and advances to customers-net	335,228,940	252,312,436

(b) Movements on allowance for losses on loans and advances to customers listed by assessment method

	December 31,			
	2015		2014	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
Balance at beginning of the year	6,126,006	584,202	4,230,275	336,060
Net impairment allowances charged to profit or loss (Note 11)	3,206,972	2,950,371	2,899,704	1,380,400
Unwinding of discount on allowance	(51,290)	(12,186)	(21,283)	(23,742)
Write-offs	(627,127)	(495,705)	(363,242)	(134,167)
Transfer out	(355,558)	(1,215,028)	(628,022)	(975,013)
Recoveries	38,570	41,698	7,244	664
Exchange differences	2,996	—	1,330	—
Balance at end of the year	8,340,569	1,853,352	6,126,006	584,202

Notes to the Financial Statements

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on allowance for losses on loans and advances to customers listed by customer category

	December 31,			
	2015		2014	
	Corporate loans and advances	Personal loans and advances	Corporate loans and advances	Personal loans and advances
Balance at beginning of the year	5,413,168	1,297,040	3,693,985	872,350
Net impairment allowances charged to profit or loss	5,655,375	501,968	3,633,858	646,246
Unwinding of discount on allowance	(41,124)	(22,352)	(35,020)	(10,005)
Write-offs	(921,206)	(201,626)	(281,499)	(215,910)
Transfer out	(1,570,586)	—	(1,603,035)	—
Recoveries	53,506	26,762	3,549	4,359
Exchange differences	2,996	—	1,330	—
Balance at end of the year	8,592,129	1,601,792	5,413,168	1,297,040

(d) Loans listed by assessment method for allowance

December 31, 2015

	Identified impaired loans and advances (ii)			Subtotal	Total
	Loans and advances for which allowance is collectively assessed (i)	for which allowance is collectively assessed	for which allowance is individually assessed		
Corporate loans and advances	278,587,473	930,767	2,793,508	3,724,275	282,311,748
Personal loans and advances	62,602,479	508,634	—	508,634	63,111,113
Allowance for impairment losses	(7,723,937)	(616,632)	(1,853,352)	(2,469,984)	(10,193,921)
Loans and advances to customers, net	333,466,015	822,769	940,156	1,762,925	335,228,940

Notes to the Financial Statements

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Loans listed by assessment method for allowance (Continued)

December 31, 2014

	Loans and advances for which allowance is collectively assessed (i)	Identified impaired loans and advances (ii)			Subtotal	Total
		for which allowance is collectively assessed	for which allowance is individually assessed	for which allowance is collectively assessed		
Corporate loans and advances	205,022,282	542,522	1,386,994	1,929,516	206,951,798	
Personal loans and advances	51,709,883	360,963	—	360,963	52,070,846	
Allowance for impairment losses	(5,811,374)	(314,632)	(584,202)	(898,834)	(6,710,208)	
Loans and advances to customers, net	250,920,791	588,853	802,792	1,391,645	252,312,436	

(i) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been identified as impaired.

(ii) Identified impaired loans and advances include loans for which objective evidence of impairment exists and have been identified as bearing impairment losses, which are measured either individually or collectively.

Notes to the Financial Statements

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

19 FINANCIAL INVESTMENTS

	December 31,	
	2015	2014
Available-for-sale financial assets		
Listed outside Hong Kong		
— Debt securities	48,072,368	24,209,664
— Interbank certificates of deposit	1,020,035	3,833,788
Unlisted		
— Equity securities	25,000	25,000
Total	49,117,403	28,068,452
Held-to-maturity investments		
Listed outside Hong Kong		
— Debt securities	29,042,163	18,693,282
Debt instruments classified as receivables		
Unlisted		
— Debt securities	—	1,100,000
— Wealth management products sponsored by banks	177,613,646	80,329,359
— Trust plans and asset management plans sponsored by other financial institutions (i)	251,104,038	76,519,926
— Interbank forfaiting (ii)	4,786,979	32,045,537
Total	433,504,663	189,994,822
Less: Allowance for impairment losses	(1,611,057)	(290,531)
Debt instruments classified as receivables — Net	431,893,606	189,704,291

Debt instruments traded within China domestic interbank bond market are included under the category of “Listed outside Hong Kong”.

(i) *Trust plans and asset management plans by security type:*

	December 31,	
	2015	2014
Purchased from trust or securities companies:		
Guaranteed by bank credit	125,011,561	23,972,941
Guaranteed by third-party companies	28,194,900	18,360,000
Pledged by certificates of deposit	67,440,353	14,859,313
Guaranteed by non-bank financial institutions	7,801,627	300,000
Collateralized by properties	7,572,675	3,080,000
Unsecured	11,784,942	4,930,002
Purchased from commercial banks		
Guaranteed by third-party banks	3,297,980	11,017,670
Total	251,104,038	76,519,926

(ii) *Interbank forfaiting are receivables bought by the Bank from the designated negotiating bank under negotiable domestic deferred payment letters of credit. The receivables will be paid irrevocably and unconditionally by the issuing bank of letters of credit on due date.*

Notes to the Financial Statements

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

19 FINANCIAL INVESTMENTS (Continued)

Financial investments are analyzed by issuer as follows:

	December 31,	
	2015	2014
Available-for-sale financial assets		
By issuer:		
— Government	8,831,872	3,902,127
— Banks and other financial institutions	33,052,926	18,112,882
— Corporates	7,207,605	6,028,443
Subtotal	49,092,403	28,043,452
Equity securities	25,000	25,000
Total	49,117,403	28,068,452
Held-to-maturity investments		
By issuer:		
— Government	9,712,756	2,476,092
— Banks and other financial institutions	19,079,407	15,967,190
— Corporates	250,000	250,000
Total	29,042,163	18,693,282
Debt instruments classified as receivables		
By issuer:		
— Wealth management products sponsored by otherbanks	177,613,646	80,329,359
— Trusts and asset management plans sponsored by non-bank financial institutions	251,104,038	76,519,926
— Other products sponsored by other banks and non-bank financial institutions	4,786,979	32,445,537
— Private bonds sponsored by corporates	—	700,000
Total	433,504,663	189,994,822
Less: Allowance for impairment losses	(1,611,057)	(290,531)
Debt instruments classified as receivables — Net	431,893,606	189,704,291

Net gains on financial investments:

	Year ended December 31,	
	2015	2014
Net gains arising from de-recognition of available-for-sale	329,792	41,962

Notes to the Financial Statements

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

20 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Motor vehicles	Construction in progress	Total
Cost					
At January 1, 2015	1,218,023	524,418	118,910	586,481	2,447,832
Additions	547	120,812	20,614	600,080	742,053
Transfer in/(out)	2,120	607	—	(2,727)	—
Disposals	—	(6,460)	(9,019)	—	(15,479)
Other transfer out	(100)	(38)	—	—	(138)
At December 31, 2015	1,220,590	639,339	130,505	1,183,834	3,174,268
Accumulated depreciation					
At January 1, 2015	(298,947)	(245,843)	(78,533)	—	(623,323)
Charge for the year	(43,504)	(62,817)	(13,962)	—	(120,283)
Disposals	—	5,943	8,027	—	13,970
At December 31, 2015	(342,451)	(302,717)	(84,468)	—	(729,636)
Net book value					
At December 31, 2015	878,139	336,622	46,037	1,183,834	2,444,632
Cost					
At January 1, 2014	1,207,113	424,900	111,555	166,746	1,910,314
Additions	10,910	101,295	10,122	423,995	546,322
Transfer in/(out)	—	466	—	(466)	—
Disposals	—	(2,243)	(2,767)	—	(5,010)
Other transfer out	—	—	—	(3,794)	(3,794)
At December 31, 2014	1,218,023	524,418	118,910	586,481	2,447,832
Accumulated depreciation					
At January 1, 2014	(253,577)	(193,628)	(66,069)	—	(513,274)
Charge for the year	(45,370)	(54,331)	(15,022)	—	(114,723)
Disposals	—	2,116	2,558	—	4,674
At December 31, 2014	(298,947)	(245,843)	(78,533)	—	(623,323)
Net book value					
At December 31, 2014	919,076	278,575	40,377	586,481	1,824,509

Notes to the Financial Statements

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

21 DEFERRED INCOME TAXES

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

	At 1 January 2015	Charged to profit or loss	Charged to other comprehensive income	At 31 December 2015
Deferred income tax assets:				
Impairment allowances for assets	984,145	906,995	—	1,891,140
Staff Salary and welfare payable	302,208	263,792	—	566,000
Fair value changes				
of derivative instruments	23,374	20,680	—	44,054
Others	69	349	—	418
Subtotal	1,309,796	1,191,816	—	2,501,612
Deferred income tax liabilities:				
Fair value changes of financial assets at fair value through profit or loss	(8,391)	(56,621)	—	(65,012)
Fair value changes of financial assets available for sale	(50,127)		(269,356)	(319,483)
Others	—	(11,846)	—	(11,846)
Subtotal	(58,518)	(68,467)	(269,356)	(396,341)
Net deferred income tax	1,251,278	1,123,349	(269,356)	2,105,271

	At 1 January 2014	Charged to profit or loss	Charged to other comprehensive income	At 31 December 2014
Deferred income tax assets:				
Impairment allowances for assets	541,498	442,647	—	984,145
Staff Salary and welfare payable	141,958	160,250	—	302,208
Fair value changes of financial assets at fair value through profit or loss	4,979	(4,979)	—	—
Fair value changes of derivative instruments	875	22,499	—	23,374
Fair value changes of financial assets available for sale	31,930	—	(31,930)	—
Others	1,283	(1,214)	—	69
Subtotal	722,523	619,203	(31,930)	1,309,796
Deferred income tax liabilities:				
Fair value changes of financial assets at fair value through profit or loss	—	(8,391)	—	(8,391)
Fair value changes of financial assets available for sale	—	—	(50,127)	(50,127)
Subtotal	—	(8,391)	(50,127)	(58,518)
Net deferred income tax	722,523	610,812	(82,057)	1,251,278

Notes to the Financial Statements

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

22 OTHER ASSETS

	December 31,	
	2015	2014
Interest receivable (i)	4,095,911	3,330,026
Guaranteed deposits paid	24,701	24,701
Funds to be settled	86,475	64,535
Advance payments	173,840	123,059
Other receivables	706,794	214,725
Less: impairment allowance	(31,353)	(25,855)
Foreclosed assets	33,960	11,820
Long-term prepaid expenses	321,622	316,914
Land use rights (ii)	382,503	393,859
Intangible assets (iii)	160,826	128,896
Others	350,231	103,532
Total	6,305,510	4,686,212

(i) *Interest receivable*

	December 31,	
	2015	2014
Due from banks, other financial institutions, and central bank	786,364	1,272,258
Financial investments and financial assets at fair value through profit or loss	2,521,257	1,435,727
Loans and advances to customers	788,290	622,041
	4,095,911	3,330,026

Notes to the Financial Statements

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

22 OTHER ASSETS (Continued)

(ii) Land use rights

	December 31,	
	2015	2014
Cost		
Balance at beginning of the year	437,162	437,162
Additions	—	—
Balance at end of the year	437,162	437,162
Accumulated amortization		
Beginning of the year	(43,303)	(31,947)
Additions	(11,356)	(11,356)
End of the year	(54,659)	(43,303)
Net book value		
End of the year	382,503	393,859

The net book value of land use rights is analyzed based on the remaining terms of the leases as follows:

	December 31,	
	2015	2014
Held outside Hong Kong		
— on medium-term lease (10–50 years)	382,503	393,859

(iii) Intangible assets

Intangible assets of the Bank are mainly computer software.

	December 31,	
	2015	2014
Cost		
Balance at beginning of the year	216,703	179,389
Additions	54,032	37,314
Balance at end of the year	270,735	216,703
Accumulated amortization		
Balance at beginning of the year	(87,807)	(69,061)
Additions	(22,102)	(18,746)
Balance at end of the year	(109,909)	(87,807)
Net book value		
End of the year	160,826	128,896

Notes to the Financial Statements

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

23 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2015	2014
Deposits from banks and other financial institutions	324,194,889	185,755,160
Placements from banks and other financial institutions	2,857,924	5,780,519
Notes sold under repurchase agreements	6,933,544	3,388,502
Securities sold under repurchase agreements	20,671,000	20,074,000
Total	354,657,357	214,998,181

24 CUSTOMER DEPOSITS

	December 31,	
	2015	2014
Corporate demand deposits	179,985,599	125,004,100
Corporate time deposits	310,115,626	211,916,613
Individual demand deposits	6,381,855	5,296,571
Individual time deposits	15,298,848	17,446,872
Other deposits	4,244,368	3,615,732
Total	516,026,296	363,279,888
Including: Pledged deposits held as collateral	75,174,823	53,490,291

Notes to the Financial Statements

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

25 DEBT SECURITIES ISSUED

	December 31,	
	2015	2014
Fixed rate subordinated debts — 2021 (i)	3,250,000	3,250,000
Fixed rate financial bonds — 2018 (ii)	1,500,000	1,500,000
Fixed rate financial bonds — 2019 (iii)	4,500,000	4,500,000
Fixed rate financial bonds — 2020 (iv)	5,000,000	—
Interbank certificates of deposit	75,686,036	38,648,057
Total	89,936,036	47,898,057

- (i) Fixed-rate subordinated debt of RMB3.25 billion was issued on November 25, 2011, with a maturity of 10 years and a fixed coupon rate of 6.5% per annum payable annually. The Bank has an option to redeem all the debts at face value on November 28, 2016.
- (ii) Fixed-rate financial bond of RMB1.5 billion was issued on September 11, 2013, with a maturity of 5 years and a fixed coupon rate of 5.0% per annum payable annually. The Bank has no option to redeem the bond before maturity.
- (iii) Fixed-rate financial bond of RMB4.5 billion was issued on March 10, 2014, with a maturity of 5 years and a fixed coupon rate of 5.7% per annum payable annually. The Bank has no option to redeem the bond before maturity.
- (iv) Fixed-rate financial bond of RMB5 billion was issued on December 24, 2015, with a maturity of 5 years and a fixed coupon rate of 3.88% per annum payable annually. The Bank has no option to redeem the bond before maturity.

As of December 31, 2015, there are no defaults on principal and interest or other breaches to the agreements with respect to debt, bonds or interbank certificates of deposit.

26 OTHER LIABILITIES

	December 31,	
	2015	2014
Interest payable (i)	10,424,981	6,742,522
Salary and welfare payable (ii)	3,397,286	1,958,166
Dividends payable	33,642	41,594
Deferred income	4,036	30,810
Sundry tax payables	427,893	304,847
Settlement fund	1,758,182	43,093
Promissory note and certified check issued	2,424,554	375,966
Others	173,558	91,872
Total	18,644,132	9,588,870

Notes to the Financial Statements

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

26 OTHER LIABILITIES (Continued)

(i) Interest payable

	December 31,	
	2015	2014
Customer Deposits	6,834,399	5,002,964
Due to banks and other financial institutions	3,284,315	1,502,940
Debt securities issued	306,267	236,618
Total	10,424,981	6,742,522

(ii) Salary and welfare payable

	December 31,	
	2015	2014
Salary, bonus, and allowance	3,348,951	1,901,456
Employee benefits	—	28,244
Labor union fee and staff education expenses	48,335	28,466
Total	3,397,286	1,958,166

27 SHARE CAPITAL AND CAPITAL RESERVE

All shares of the Bank issued are fully paid common shares, with par value of RMB1 per share. The Bank's number of shares is as follows:

	December 31,	
	2015	2014
Number of shares authorized, issued and fully paid at par value (in thousands)	14,509,697	11,506,872

Generally, transactions of the following nature are recorded in the capital reserve:

- Share premium arising from the issuance of shares at prices in excess of their par value;
- Donations received from shareholders; and
- Any other items required by the PRC regulations.

Capital reserve can be utilized for increasing paid-in capital as approved by the shareholders.

Notes to the Financial Statements

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

27 SHARE CAPITAL AND CAPITAL RESERVE (Continued)

As of December 31, 2015, the Bank's capital reserve is shown as follows:

	December 31,	
	2015	2014
Share premium (i)	12,181,167	6,535,858

(i) In 2015, 3,002,824,347 ordinary shares with a par value of RMB1 were issued at RMB2.88 per share and the capital injection was a private placement to ZFDC. The premium arising from the issuance of new shares amounting to RMB5,645,309,773 was recorded in "capital reserve". PricewaterhouseCoopers Zhong Tian CPAs Limited Company verified the capital injection, and issued the capital verification report (PwC ZT Yan Zi 2015.No.1050) on June 30, 2015.

28 SURPLUS RESERVE AND STATUTORY GENERAL RESERVE

	Surplus reserve (i)	Statutory general reserve (ii)
Balance at January 1, 2015	2,070,022	4,639,490
Appropriation to statutory surplus reserve	705,069	—
Appropriation to statutory general reserve	—	3,601,768
Balance at December 31, 2015	2,775,091	8,241,258
Balance at January 1, 2014	1,560,472	3,845,359
Appropriation to statutory surplus reserve	509,550	—
Appropriation to statutory general reserve	—	794,131
Balance at December 31, 2014	2,070,022	4,639,490

(i) *Surplus reserve*

Pursuant to the relevant PRC regulations, the Bank is required to transfer 10% of its net profit to the non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Subject to the approval of general meeting of shareholders, the statutory surplus reserve can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserve amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserve after such capitalization is not less than 25% of the ordinary share capital before capitalization.

(ii) *Statutory general reserve*

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement"), effective on July 1, 2012, on the basis of impairment allowance, the Bank establishes a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The statutory general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement.

Notes to the Financial Statements

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

29 INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax charge	Net of tax
Balance at January 1, 2015	200,507	(50,127)	150,380
Fair value changes in available-for-sale	1,407,765	(351,941)	1,055,824
Less: Amounts previously recognized in other comprehensive income reclassified to profit or loss	(330,341)	82,585	(247,756)
Balance at December 31, 2015	1,277,931	(319,483)	958,448
Balance at January 1, 2014	(127,722)	31,930	(95,792)
Fair value changes in available-for-sale	370,192	(92,548)	277,644
Less: Amounts previously recognized in other comprehensive income reclassified to profit or loss	(41,963)	10,491	(31,472)
Balance at December 31, 2014	200,507	(50,127)	150,380

30 DIVIDENDS

The Board did not recommend the payment of dividend in respect of profit for the year ended December 31, 2014. The Board will consider the recommendation of dividend in respect for the year ended December 31, 2015 during 2016.

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

- Making up prior year's cumulative losses, if any;
- Appropriation to the non-distributable statutory surplus reserve of 10% of the net profit of the Bank.

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the PRC banking regulations and (ii) the retained profit determined in accordance with IFRS.

Notes to the Financial Statements

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

31 UNCONSOLIDATED STRUCTURED ENTITIES

(a) Unconsolidated structured entities managed by the Bank

The unconsolidated structure entities managed by the Bank are wealth management products sponsored and managed by the Bank acting as an agent. Based on the analysis and research of the potential target customers, the Bank designs and offers wealth management products to meet the needs of the customers. The raised funds were invested in relevant financial markets or financial products in accordance with the contractual term of the product agreements. Investment returns would be allocated to investors according to contractual agreements. The Bank receives commission income as the manager of these wealth management products. The Bank considered its variable returns from its involvement with the structured entities are insignificant and hence it does not consolidate these structured entities.

As of December 31, 2015, the balance of unconsolidated wealth management products sponsored and managed by the Bank in terms of size amounted to RMB213,856 million (December 31, 2014: RMB41,642 million). The Bank's maximum exposure to these unconsolidated structured presented by entities is management fees which amount is insignificant.

During the years ended December 31, 2015, the Bank did not provide financial or other support to these structured entities.

(b) Unconsolidated structured entities invested by the Bank

As of December 31, 2015, the Bank invests in a number of unconsolidated structured entities mainly consisting of wealth management products, trust plans and the asset management plans sponsored and managed by other independent third parties. The principal amount and investment returns of the wealth management products invested by the Bank are guaranteed by their sponsors.

During the years ended December 31, 2015, the Bank did not provide financial or other support to these structured entities.

The table below sets out the carrying value and the Bank's maximum exposure (including interest receivable) to these unconsolidated structured entities.

	Carrying value	Maximum exposure to loss
At December 31, 2015		
Debt instruments classified as receivables		
— Wealth management products sponsored by banks	177,613,646	177,613,646
— Trust plans and asset management plans	251,104,038	251,735,711
At December 31, 2014		
Debt instruments classified as receivables		
— Wealth management products sponsored by banks	80,329,359	80,329,359
— Trust plans and asset management plans	76,519,926	77,192,249

Notes to the Financial Statements

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

32 FINANCIAL GUARANTEE AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

(a) Financial guarantee and other credit commitments

	December 31,	
	2015	2014
Acceptances	122,164,834	76,790,857
Letters of credit issued	88,744,036	37,895,534
Letters of guarantee issued	43,030,538	31,078,253
Loan commitments	5,388,500	124,600
Unused credit card limit	2,806,182	—
Total	262,134,090	145,889,244

(b) Capital commitment

	December 31,	
	2015	2014
Authorized but not contracted	97,083	720
Contracted but not yet incurred	375,839	299,652
Total	472,922	300,372

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(c) Operating leasing commitment

The future minimum lease payments under irrevocable rental contract are listed as follows:

	December 31,	
	2015	2014
Within one year	370,139	317,327
Between one year and five years	1,195,678	1,241,128
More than five years	510,769	377,963
Total	2,076,586	1,936,418

(d) Legal proceedings

As of December 31, 2015, the management of the Bank believes the legal proceedings initiated against the Bank would not have a material impact on the Bank's the financial position or operations.

Notes to the Financial Statements

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

33 ASSETS PLEDGED

	December 31,	
	2015	2014
Bonds	35,095,222	23,298,706
Bills	6,937,716	3,412,274
Total	42,032,938	26,710,980

Assets above are pledged as collateral mainly for the repurchase agreements with other financial institutions, the pledge business of treasury's cash management, entrusted loans business of foreign exchange.

34 CREDIT RISK-WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

	December 31,	
	2015	2014
Financial guarantees and credit related commitments	73,269,343	45,304,473

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

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35 CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	December 31,	
	2015	2014
Cash	237,660	205,487
Surplus deposit reserve with central bank	11,856,106	12,257,068
Deposits and placements with banks and other financial institutions	6,901,542	4,745,195
Total	18,995,308	17,207,750

Notes to the Financial Statements

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

36 RELATED PARTY TRANSACTIONS

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

(a) Transactions with ZFDC and ZFHL

Name of Shareholders	Shareholding Ratio (%)	
	December 31,	
	2015	2014
Zhejiang Province Financial Development Company	—	19.96
Zhejiang Provincial Financial Holdings Co., Ltd.	19.96	—

ZFDC is an entity wholly-owned and managed by Zhejiang Provincial Department of Finance. ZFDC is mainly engaged in the management of governmental funds of Zhejiang Province and equity investment of financial institutions. ZFDC transferred all its shares of the Bank to Zhejiang Provincial Financial Holdings Co., Ltd. (“ZJFH”), a wholly-owned subsidiary of ZFDC. The Bank completed the industrial and commercial registration of changes on August 31, 2015.

As of December 31, 2015, ZJFH’s balance of deposits with the Bank was RMB2,292,634 thousand. For the year ended of December 31, 2015, the amount of interest expense for ZJFH’s deposit with the Bank was RMB17,902 thousand.

Notes to the Financial Statements

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

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related parties

- (i) The amounts and relevant interest rate spectrum of transactions with other shareholders (including their subsidiaries) who have influence over financial and operating policies are as follows:

	December 31,	
	2015	2014
Loans and advances to customers	1,006,560	861,000
Customer deposits	7,938,165	2,896,254
Acceptances	166,590	90,020
Letters of guarantee	—	8,790

	December 31,	
	2015	2014
Loans and advances to customers	4.35%–6.42%	5.94%–6.60%
Customer deposits	0.35%–4.80%	0.42%–3.30%

	Year ended December 31,	
	2015	2014
Interest income	59,170	57,054
Interest expense	41,888	61,422
Fee and commission income	1,403	879

Notes to the Financial Statements

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

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related parties (Continued)

- (ii) The amounts and relevant interest rate spectrum of transactions with the Bank's directors, supervisors and senior management and their family members are as follows:

	December 31,	
	2015	2014
Customer deposits	2,645	8,974

	December 31,	
	2015	2014
Customer deposits	0.35%–5.10%	0.42%–5.10%

	Year ended December 31,	
	2015	2014
Interest expense	22	34
Fee and commission income	1	—

In addition, Yongli Properties Group Limited, which is under control of the Bank's supervisor Zhou Yang's immediate family, provides two business occupancy rental services for Shaoxing Branch of the Bank: 1) the lease term starts from December 1, 2006 until November 30, 2016, for a period of ten years. The annual rent is RMB1,842 thousand for the previous three years; for the fourth to the sixth year, the rent rises by 10% on the foundation of the third year; for the last four years, the rent increases by another 10% on the basis of the sixth year. 2) the lease term starts from October 1, 2012 until November 30, 2016, for a period of four years and two months, with the annual rent of RMB1,000 thousand.

The related party transactions above proceed in accordance with normal commercial terms and business procedures, consistent with the pricing principle of independent third party transactions.

(c) Government related entities

The transactions between the Bank and the government authorities, agencies, affiliates and other state controlled entities proceed under normal commercial terms and conditions. These transactions mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency service, underwriting of bonds issued by government agencies, purchases, sales and redemption of securities issued by government agencies. Management considers that transactions with these entities are activities conducted in the ordinary course of business. The Bank has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other state controlled entities.

Notes to the Financial Statements

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

36 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank.

The Bank enters into banking transactions with key management personnel in the normal course of business. During the years ended December 31, 2015, the Bank had no material transactions with key management personnel (The year of 2014: nil).

The emoluments of directors and other members of key management during the years were as follows:

	Year ended December 31,	
	2015	2014
Fees	1,792	800
Salaries and allowances and benefits	12,005	9,269
Discretionary bonuses (i)	—	12,761
Contribution to pension	4,058	160
Total	17,855	22,990

(i) As of the reporting date, the emoluments of directors and other members of key management during the years have not been decided. The amount is expected to be immaterial.

37 SEGMENT ANALYSIS

(a) Business segments

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

- Corporate banking — The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products and other types of corporate intermediary services.
- Retail banking — The retail banking segment provides financial products and services to individual customers. The range of products and services includes personal loans and advances, deposit products, bank cards business and other types of personal intermediary services.
- Treasury business — The treasury business conducts money market and repurchase transactions, debt instruments investments and financial derivatives business for proprietary trading or on behalf of customers.
- Others — Others comprise components of the Bank that are not attributable to any of the above segments, along with services that could not be allocated on a reasonable basis.

Notes to the Financial Statements

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

37 SEGMENT ANALYSIS (Continued)

(a) Business segments (Continued)

	Year ended December 31, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
External interest income	19,046,623	3,960,130	24,423,057	—	47,429,810
External interest expense	(10,689,837)	(529,436)	(15,624,786)	—	(26,844,059)
Inter-segment net interest income/ (expenses)	2,841,180	(1,240,937)	(1,600,243)	—	—
Net interest income	11,197,966	2,189,757	7,198,028	—	20,585,751
Net fee and commission income	1,830,229	24,792	2,245,935	—	4,100,956
Net trading gains	—	—	2,073	—	2,073
Net gains on financial investments	—	—	329,792	—	329,792
Other operating income	37,754	18,964	8,576	46,519	111,813
Operating expenses	(5,000,526)	(947,259)	(2,277,102)	(32,399)	(8,257,286)
— Depreciation and amortization	(105,532)	(17,419)	(85,052)	(123)	(208,126)
Impairment losses on assets	(6,987,969)	(504,718)	—	—	(7,492,687)
Profit before income tax	1,077,454	781,536	7,507,302	14,120	9,380,412
Capital expenditure	366,459	54,797	433,909	13	855,178

	December 31, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	441,178,017	65,969,587	522,381,314	16,197	1,029,545,115
Unallocated assets	—	—	—	—	2,105,271
Total assets	—	—	—	—	1,031,650,386
Segment liabilities	(504,222,345)	(23,470,603)	(454,263,462)	(36,912)	(981,993,322)

Notes to the Financial Statements

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

37 SEGMENT ANALYSIS (Continued)

(a) Business segments (Continued)

	Year ended December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
External interest income	15,079,581	3,692,047	13,426,843	—	32,198,471
External interest expense	(7,586,994)	(578,583)	(9,497,670)	—	(17,663,247)
Inter-segment net interest income/ (expenses)	2,765,647	(1,146,006)	(1,619,641)	—	—
Net interest income	10,258,234	1,967,458	2,309,532	—	14,535,224
Net fee and commission income	2,016,410	4,070	600,716	—	2,621,196
Net trading gains	—	—	85,972	—	85,972
Net gains on financial investments	—	—	41,962	—	41,962
Other operating income	54,701	22,538	647	34,594	112,480
Operating expenses	(4,393,147)	(809,371)	(801,865)	(23,962)	(6,028,345)
— Depreciation and amortization	(130,966)	(21,187)	(42,812)	(133)	(195,098)
Impairment losses on assets	(3,927,799)	(648,457)	—	—	(4,576,256)
Profit before income tax	4,008,399	536,238	2,236,964	10,632	6,792,233
Capital expenditure	296,916	54,731	302,264	499	654,410

	December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	303,402,800	55,926,527	308,866,846	509,995	668,706,168
Unallocated assets	—	—	—	—	1,251,278
Total assets	—	—	—	—	669,957,446
Segment liabilities	(347,729,759)	(23,381,998)	(265,513,150)	(182,367)	(636,807,274)

Notes to the Financial Statements

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

37 SEGMENT ANALYSIS (Continued)

(b) Geographical segments

Geographically, the Bank mainly conducts its business in the four areas listed below in Mainland China.

- “Eastern China” refers to the head office and the following areas serviced by the tier-one branches of the Bank: Head Office, Hangzhou, Ningbo, Wenzhou, Yiwu, Shaoxing, Shanghai, Nanjing, Suzhou, Zhoushan;
- “Northern China” refers to the following areas serviced by the tier-one branches of the Bank: Beijing, Tianjin, Jinan, Shenyang;
- “Southern China” refers to the following areas serviced by the tier-one branches of the Bank: Shenzhen, Guangzhou; and
- “Western China” refers to the following areas serviced by the tier-one branches of the Bank: Chengdu, Xi’an, Lanzhou, Chongqing, Wuhan.

	Year ended December 31, 2015					
	East China	North China	South China	Western China	Elimination	Total
External interest income	29,289,824	9,671,093	1,721,703	6,747,190	—	47,429,810
External interest expense	(16,481,188)	(5,701,501)	(884,777)	(3,776,593)	—	(26,844,059)
Inter-segment net interest income/(expenses)	467,882	(31,429)	317,099	(753,552)	—	—
Net interest income	13,276,518	3,938,163	1,154,025	2,217,045	—	20,585,751
Net fee and commission income	3,296,089	392,465	53,828	358,574	—	4,100,956
Net trading gains	2,073	—	—	—	—	2,073
Net gains on financial investments	329,792	—	—	—	—	329,792
Other operating income/(expenses)	136,445	(40,647)	1,246	14,769	—	111,813
Operating expenses	(5,455,636)	(1,464,447)	(326,692)	(1,010,511)	—	(8,257,286)
— Depreciation and amortization	(160,605)	(26,451)	(4,327)	(16,743)	—	(208,126)
Impairment losses on assets	(5,510,632)	(859,454)	(166,874)	(955,727)	—	(7,492,687)
Profit before income tax	6,074,649	1,966,080	715,533	624,150	—	9,380,412
Capital expenditure	280,558	20,685	21,397	532,538	—	855,178

	December 31, 2015					
	East China	North China	South China	Western China	Elimination	Total
Segment assets	965,153,651	237,892,641	63,370,751	145,154,525	(382,026,453)	1,029,545,115
Unallocated assets	—	—	—	—	—	2,105,271
Total assets	—	—	—	—	—	1,031,650,386
Segment liabilities	(920,763,520)	(236,220,351)	(63,025,891)	(144,010,013)	382,026,453	(981,993,322)

Notes to the Financial Statements

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

37 SEGMENT ANALYSIS (Continued)

(b) Geographical segments (Continued)

	Year ended December 31, 2014					
	East China	North China	South China	Western China	Elimination	Total
External interest income	19,914,475	6,753,356	969,483	4,561,157	—	32,198,471
External interest expense	(10,411,770)	(4,404,252)	(651,299)	(2,195,926)	—	(17,663,247)
Inter-segment net interest income/(expenses)	(1,368,191)	991,864	237,649	138,678	—	—
Net interest income	8,134,514	3,340,968	555,833	2,503,909	—	14,535,224
Net fee and commission income	1,550,065	417,114	63,457	590,560	—	2,621,196
Net trading gains	85,972	—	—	—	—	85,972
Net gains on financial investments	41,962	—	—	—	—	41,962
Other operating income/(expenses)	132,385	(40,899)	2,677	18,317	—	112,480
Operating expenses	(3,785,896)	(1,162,322)	(211,503)	(868,624)	—	(6,028,345)
— Depreciation and amortization	(151,746)	(24,531)	(3,405)	(15,416)	—	(195,098)
Impairment losses on assets	(3,517,982)	(580,304)	(80,612)	(397,358)	—	(4,576,256)
Profit before income tax	2,641,020	1,974,557	329,852	1,846,804	—	6,792,233
Capital expenditure	425,036	30,117	2,238	197,019	—	654,410

	December 31, 2014					
	East China	North China	South China	Western China	Elimination	Total
Segment assets	625,186,589	166,594,162	23,964,709	113,120,591	(260,159,883)	668,706,168
Unallocated assets	—	—	—	—	—	1,251,278
Total assets	—	—	—	—	—	669,957,446
Segment liabilities	(594,934,374)	(165,960,327)	(23,878,444)	(112,194,012)	260,159,883	(636,807,274)

38 SUBSEQUENT EVENTS

Up to the date of this report, the Bank had no material events for disclosure after the balance sheet date.

39 FINANCIAL RISK MANAGEMENT

Overview

The Bank's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Board of Directors is responsible for establishing the overall risk appetite of the Bank, and reviewing and approving its risk management objectives and strategies. Management establishes and implements corresponding risk management policies and procedures according to the risk management objectives and strategies. Internal audit department is responsible for the independent review of risk management and the internal control.

The primary financial risks the Bank is exposed to are credit risk, market risk (including interest rate risk, foreign exchange risk), and liquidity risk.

39.1 Credit risk

39.1.1 Credit risk measurement

The Bank is exposed to credit risk, which is the risk that counterparty will be unable to or unwilling to meet its obligations under a contract. Credit risk increases when the counterparties are within similar geographical or industry segments. Credit exposures arise principally from loans and advances, debt instruments, and due from banks and other financial institutions. There is also credit risk arising from off-balance sheet credit exposure such as loan commitments. The Bank mainly conducts its business in Eastern China, indicating a concentration risk in the Bank's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department of head office and reported to management regularly.

The Bank performs standardized credit management procedures, including credit due diligence and proposal submission, credit review and approval, loan disbursement, post-lending monitoring and non-performing loan management. The Bank enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.1 Credit risk measurement (Continued)

Apart from the credit risk exposures from loan assets, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate credit limits subject to hierarchical authorization and by timely reviewing and adjusting those limit in credit system. In addition, the Bank also provides off-balance sheet commitments and financial guarantee services to customers which may require the Bank to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

39.1.2 Impairment assessment

In accordance with the "Guideline for Loan Credit Risk Classification" issued by the CBRC, the Bank has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Bank classifies loans into the following five categories: pass, special-mention, substandard, doubtful and loss. Loans classified as substandard, doubtful and losses are regarded as non-performing loans. The primary factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, projected profitability, bank guarantees or collateral and legal responsibility of repayment. The allowance for impairment losses is assessed collectively or individually, as appropriate.

The five categories of loan classification into which the Bank classifies its loans and advances to customers are set out below:

- Pass: Borrowers can honor 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 able to service their loans currently, 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 operating income 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 recognized even when collateral or guarantees are invoked.
- Loss: Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.2 Impairment assessment (Continued)

With respect to investments in debt instruments other than financial assets at fair value through profit or loss, the Bank assesses for indicators of impairment at the end of each reporting period based on objective evidence and performs impairment assessment individually or collectively, as appropriate.

39.1.3 Risk limit control and mitigation policies

The Bank prudently manages and controls concentrations of credit risk wherever they are identified — in particular, to individual counterparties and groups, and to industries and regions. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The Bank employs a range of policies and practices to mitigate credit risk. The most prevalent of these means to mitigate credit risk taken by the Bank include the collaterals acquired, pledged deposits and corporate or individual guarantees.

The Bank implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties
- Business assets such as premises, inventory and accounts receivable
- Financial instruments such as debt securities and stocks

The fair value of collaterals should be assessed by professional valuation firms appointed by the Bank. The Bank has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collaterals. The principal types of collateral and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collateral	Maximum loan-to-value ratio
Time deposits	90%
PRC treasury bonds	90%
Financial institution bonds	80%
Residential property, commercial property, industrial plants and land use rights	70%
Vehicles	60%
General equipment	50%
Special equipment	30%

For loans guaranteed by a third-party guarantor, the Bank will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements:

	December 31,	
	2015	2014
Assets		
Balances with central bank	87,412,081	75,221,513
Due from banks and other financial institutions	76,607,447	93,685,713
Financial assets at fair value through profit or loss	10,795,291	4,190,821
Derivative financial assets	458,534	113,452
Loans and advances to customers	335,228,940	252,312,436
Financial investments		
— Available-for-sale	49,092,403	28,043,452
— Held-to-maturity	29,042,163	18,693,282
— Debt instruments classified as receivables	431,893,606	189,704,291
Other financial assets	4,217,696	3,419,262
Subtotal	1,024,748,161	665,384,222
Off-balance sheet exposures		
Acceptances	122,164,834	76,790,857
Letters of credit issued	88,744,036	37,895,534
Letters of guarantee issued	43,030,538	31,078,253
Loan commitments	5,388,500	124,600
Unused credit card limit	2,806,182	—
Subtotal	262,134,090	145,889,244
Total	1,286,882,251	811,273,466

The above table represents a worst-case scenario of credit risk exposure to the Bank as of December 31, 2015, without taking into account of any related collateral or other credit enhancements. For on-balance-sheet assets, the exposures above are based on net book value as reported in the statement of financial position.

39.1.5 Due from banks and other financial institutions and derivative instruments

The Bank's treasury business is exposed to the credit risk associated with the investment business and inter-bank business. The Bank manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly. As of December 31, 2015, the bank's balance of due from banks and other financial institutions as well as derivative instruments were neither overdue nor impaired (December 31, 2014: nil).

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances

(a) Analysis of loans and advances to customers by industry

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	50,795,800	14.70	44,519,700	17.19
Real estate	39,878,330	11.54	35,172,100	13.58
Leasing and commercial services	37,390,404	10.82	28,295,291	10.92
Wholesale and retail trade	36,978,096	10.71	30,283,523	11.69
Administration of water conservancy, environment and public facilities	21,764,906	6.30	15,182,570	5.86
Construction	21,415,271	6.20	16,980,799	6.56
Transportation, storage and postal service	6,540,180	1.89	5,987,277	2.31
Financing	5,931,548	1.72	572,500	0.22
Mining	3,985,721	1.15	3,194,234	1.23
Accommodation and catering	3,856,737	1.12	3,195,033	1.23
Electricity, gas and water production and supply	3,774,675	1.09	4,205,120	1.62
Public administration and social organisations	2,517,500	0.73	1,560,500	0.60
Culture, sports and entertainment	2,185,286	0.63	744,026	0.29
Agriculture, forestry, animal husbandry and fishery	1,596,036	0.46	972,225	0.38
Information transmission, computer services and software	1,471,659	0.43	1,242,999	0.48
Household services and other services	1,052,171	0.30	489,029	0.19
Scientific research, technology services and geological prospecting	527,852	0.15	520,100	0.20
Health, social security and social welfare	425,225	0.12	498,400	0.19
Education	397,152	0.11	533,400	0.21
Discounted bills	39,827,199	11.53	12,802,972	4.95
Total corporate loans and advances	282,311,748	81.73	206,951,798	79.90

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(a) Analysis of loans and advances to customers by industry (Continued)

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Personal loans and advances				
Personal business	60,304,266	17.46	51,263,547	19.79
Residential mortgage loans	2,204,489	0.64	659,646	0.25
Others	602,358	0.17	147,653	0.06
Total personal loans and advances	63,111,113	18.27	52,070,846	20.10
Gross amount of loans and advances before allowance for impairment	345,422,861	100.00	259,022,644	100.00

(b) Analysis of loans and advances to customers by security type (Gross amount)

	December 31,	
	2015	2014
Collateralized loans	149,906,362	140,580,818
Pledged loans	40,865,811	17,046,575
Guaranteed loans	90,575,061	70,513,308
Unsecured loans	24,248,428	18,078,971
Discounted bills	39,827,199	12,802,972
Total	345,422,861	259,022,644

(c) Analysis of loans and advances to customers by geographical areas (Gross amount)

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
East	200,043,980	57.91	157,109,174	60.66
North	65,892,661	19.08	50,038,693	19.32
West	54,167,679	15.68	40,755,847	15.73
South	25,318,541	7.33	11,118,930	4.29
Total	345,422,861	100.00	259,022,644	100.00

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(d) Analysis of loans and advances to customers by overdue and impaired status

	December 31, 2015		December 31, 2014	
	Corporate loans and advances	Personal loans and advances	Corporate loans and advances	Personal loans and advances
Neither overdue nor impaired	277,065,957	61,858,044	203,320,692	51,339,933
Overdue but not impaired	1,521,516	744,435	1,701,590	369,950
Impaired	3,724,275	508,634	1,929,516	360,963
Gross	282,311,748	63,111,113	206,951,798	52,070,846
Less: Collective impairment allowances	(6,738,777)	(1,601,792)	(4,828,966)	(1,297,040)
Individual impairment allowances	(1,853,352)	—	(584,202)	—
Total allowance	(8,592,129)	(1,601,792)	(5,413,168)	(1,297,040)
Net	273,719,619	61,509,321	201,538,630	50,773,806

(e) Loans and advances neither overdue nor impaired

The credit risk of the portfolio of loans and advances that was neither overdue nor impaired can be assessed by reference to the five-category system adopted.

December 31, 2015	Five categories of loan classification		
	Pass	Special-mention	Total
Corporate loans and advances	272,786,370	4,279,587	277,065,957
Personal loans and advances	61,673,669	184,375	61,858,044
Total	334,460,039	4,463,962	338,924,001

December 31, 2014	Five categories of loan classification		
	Pass	Special-mention	Total
Corporate loans and advances	201,600,178	1,720,514	203,320,692
Personal loans and advances	51,260,324	79,609	51,339,933
Total	252,860,502	1,800,123	254,660,625

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(f) *Loans and advances overdue but not impaired*

	December 31, 2015				
	up to 30 days	30–60 days	60–90 days	over 90 days	Total
Corporate loans and advances	767,367	160,260	327,045	266,844	1,521,516
Personal loans and advances	122,485	116,857	100,067	405,026	744,435
Total	889,852	277,117	427,112	671,870	2,265,951

	December 31, 2014				
	up to 30 days	30–60 days	60–90 days	over 90 days	Total
Corporate loans and advances	1,045,392	288,655	182,168	185,375	1,701,590
Personal loans and advances	118,758	49,713	33,485	167,994	369,950
Total	1,164,150	338,368	215,653	353,369	2,071,540

(g) *Loans and advances that is impaired*

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	December 31,	
	2015	2014
Corporate loans and advances	3,724,275	1,929,516
Personal loans and advances	508,634	360,963
Total	4,232,909	2,290,479
Fair value of collaterals		
Corporate loans and advances	2,396,817	1,768,176
Personal loans and advances	789,096	442,618
Total	3,185,913	2,210,794

The fair value of collateral is estimated based on the latest external valuations available and adjusted by the experience of realization of the current collateral and the market conditions.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(h) Loans and advances renegotiated

Reorganizing activities include approval of debtor repayment plans, modification and deferral of payments. Following reorganizing, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Reorganizing policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue to be made. These policies are under continuous review. Reorganizing is most commonly applied to term loans, in particular mid-term and long-term loans. The renegotiated loan balances of the Bank are as follows:

	December 31,	
	2015	2014
Loans and advances renegotiated	77,490	3,700

(i) Overdue loans and advances by overdue days and security type:

	December 31, 2015				
	up to 90 days	90 days to 1 year	1-3 years	over 3 years	Total
Unsecured	17,730	3,340	88,421	—	109,491
Guaranteed	1,165,748	1,093,870	411,372	—	2,670,990
Collateralized	1,343,494	1,518,289	547,450	14,374	3,423,607
Pledged	47,320	60,011	480	—	107,811
Total	2,574,292	2,675,510	1,047,723	14,374	6,311,899

	December 31, 2014				
	up to 90 days	90 days to 1 year	1-3 years	over 3 years	Total
Unsecured	—	—	199,318	—	199,318
Guaranteed	1,006,433	827,075	16,614	—	1,850,122
Collateralized	985,098	1,052,712	127,478	—	2,165,288
Pledged	907	4,357	4,000	—	9,264
Total	1,992,438	1,884,144	347,410	—	4,223,992

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.7 Debt instruments

	December 31, 2015				
	Held for trading	Available-for-sale	Held-to-maturity	Debt instruments classified as receivables	Total
RMB					
AAA	818,892	6,600,905	3,802,801	—	11,222,598
AA	568,380	468,640	700,000	—	1,737,020
A	—	225,137	—	—	225,137
Unrated (ii)	9,408,019	41,348,914	24,539,362	430,536,314	505,832,609
Sub-total	10,795,291	48,643,596	29,042,163	430,536,314	519,017,364
Foreign currency					
A	—	448,807	—	—	448,807
Unrated (ii)	—	—	—	1,357,292	1,357,292
Sub-total	—	448,807	—	1,357,292	1,806,099
Total	10,795,291	49,092,403	29,042,163	431,893,606	520,823,463

	December 31, 2014				
	Held for trading	Available-for-sale	Held-to-maturity	Debt instruments classified as receivables	Total
RMB					
A -1 (i)	239,959	1,177,497	—	—	1,417,456
AAA	551,482	4,927,965	585,000	—	6,064,447
AA	572,309	878,028	1,070,000	—	2,520,337
A	—	199,641	—	—	199,641
Unrated (ii)	2,827,071	20,860,321	17,038,282	188,222,928	228,948,602
Sub-total	4,190,821	28,043,452	18,693,282	188,222,928	239,150,483
Foreign currency					
Unrated (ii)	—	—	—	1,481,363	1,481,363
Total	4,190,821	28,043,452	18,693,282	189,704,291	240,631,846

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.7 Debt instruments (Continued)

- (i) Held for trading debt instruments in rating of "A-1" referred to short-term financing bonds held by the Bank, of which the issuer generally has a long-term credit rating being "AA+" and above.
- (ii) The unrated debt instruments classified as held-for-trading, available-for-sale and held-to-maturity mainly consist of investment and trading securities issued by the PRC Ministry of Finance, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies. The unrated debt instruments classified as receivables mainly include wealth management products sponsored by other banks with the principal and return guaranteed, interbank forfaiting investment and trust plans or asset management plans, of which the principal and return are mainly guaranteed by other financial institutions or third-party guarantors, or secured by collateral.

As of December 31, 2015, there were no overdue nor impaired debt instruments held by the Bank, and the collectively assessed impairment provision of debt instruments classified as receivables were RMB1,611,057 thousand (December 31, 2014: RMB290,531 thousand).

39.1.8 Foreclosed assets

	December 31,	
	2015	2014
Real estate and land use rights	33,960	11,820

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Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Generally the Bank does not occupy foreclosed properties for its business use. Foreclosed assets are presented in other assets in the statement of financial position.

39.1.9 Concentration risk analysis for financial assets with credit risk exposure:

As of December 31, 2015, the majority of the Bank's credit risk exposures arising from both on-balance sheet and off-balance sheet items is from Mainland China.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk

39.2.1 Overview

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

Under the principle of unified management, the Bank has basically formed a comprehensive market risk management framework, built a whole set of organising system including the board reporting, management monitoring, independent management of risk management department and independent monitoring and reporting of risk monitoring officer from risk management department. The risk management policies and procedures of the Bank are formulated based on the nature, size, complexity and risk characteristics of its business, and are consistent with bank's overall business development strategy, management capability and capital strength.

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Bank segregates all financial instruments, both on and off-balance sheet, into either the trading book or banking book, and manage risk of the two categories separately.

39.2.2 Market analysis measurement techniques

The Bank adopts appropriate and market-recognized methods to evaluate exposure of market risk for financial instrument on its trading book and banking book respectively based on reasonable assumptions and parameters.

The Bank uses duration analysis, scenario analysis, value at risk (VaR) analysis, and other risk measurement methods to evaluate related market risk of trading book. The market risk of banking book is evaluated mainly through sensitivity gap analysis and cash flow analysis.

The Bank regularly performs the subsequent review by comparing the results obtained from market risk measurement methods or models with the actual results, and then adjusts and improves market risk measurement methods or models. The bank has also established a reporting system for the results of market risk measurement and monitoring, and the overall market risk information of the Bank are reported to the board of directors and the management on a regular basis.

39.2.3 Interest rate risk

The major market risk for banking book is interest rate risk. The Bank measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and corporate net value in varied interest rate scenarios.

The Bank performs business in Mainland China in accordance with interest rate system set by the PBOC. According to previous experience, the PBOC will adjust benchmark rates for interest-earning loans and interest-bearing deposits in the same direction, but may not be in parallel.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.3 Interest rate risk (Continued)

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Non- interest bearing	Total
December 31, 2015						
Assets						
Cash and balances with central bank	87,412,081	—	—	—	237,660	87,649,741
Due from banks and other financial institutions	56,927,660	19,679,787	—	—	—	76,607,447
Financial assets at fair value through profit or loss	—	986,657	6,666,015	3,142,619	—	10,795,291
Derivative financial assets	—	—	—	—	458,534	458,534
Loans and advances to customers	128,519,258	173,984,576	30,401,427	2,323,679	—	335,228,940
Financial investments						
— Available-for-sale	417,845	5,065,855	28,870,115	14,738,588	25,000	49,117,403
— Held-to-maturity	410,071	2,391,554	13,957,662	12,282,876	—	29,042,163
— Debt instruments classified as receivables	97,901,221	234,911,811	92,222,708	2,500,000	4,357,866	431,893,606
Other financial assets	10,437	—	24,701	—	4,182,558	4,217,696
Total assets	371,598,573	437,020,240	172,142,628	34,987,762	9,261,618	1,025,010,821
Liabilities						
Due to other banks and financial institutions	(244,208,133)	(109,092,574)	(1,000,000)	—	(356,650)	(354,657,357)
Financial liabilities at fair value through profit or loss	—	(500,020)	—	—	—	(500,020)
Derivative financial liabilities	—	—	—	—	(634,747)	(634,747)
Customer deposits	(271,254,382)	(122,699,356)	(120,597,647)	(1,000,000)	(474,911)	(516,026,296)
Debt securities issued	(41,964,241)	(32,435,459)	(12,286,336)	(3,250,000)	—	(89,936,036)
Other financial liabilities	(10,437)	—	—	—	(14,330,044)	(14,340,481)
Total liabilities	(557,437,193)	(264,727,409)	(133,883,983)	(4,250,000)	(15,796,352)	(976,094,937)
Total interest sensitivity gap	(185,838,620)	172,292,831	38,258,645	30,737,762	(6,534,734)	48,915,884

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.3 Interest rate risk (Continued)

	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Non- interest bearing	Total
December 31, 2014						
Assets						
Cash and balances with central bank	75,221,512	—	—	—	205,488	75,427,000
Due from banks and other financial institutions	53,277,879	24,207,834	16,200,000	—	—	93,685,713
Financial assets at fair value through profit or loss	370,267	1,049,839	2,265,457	505,258	—	4,190,821
Derivative financial assets	—	—	—	—	113,452	113,452
Loans and advances to customers	164,727,312	77,999,475	8,721,755	863,894	—	252,312,436
Financial investments						
— Available-for-sale	3,090,585	5,944,448	12,871,626	6,069,788	92,005	28,068,452
— Held-to-maturity	519,432	4,579,752	11,234,377	2,359,721	—	18,693,282
— Debt instruments classified as receivables	44,002,808	103,800,297	39,760,898	1,400,000	740,288	189,704,291
Other financial assets	—	—	24,551	—	3,394,711	3,419,262
Total assets	341,209,795	217,581,645	91,078,664	11,198,661	4,545,944	665,614,709
Liabilities						
Due to other banks and financial institutions	(142,022,471)	(66,038,447)	(6,920,000)	—	(17,263)	(214,998,181)
Derivative financial liabilities	—	—	—	—	(206,949)	(206,949)
Customer deposits	(212,387,418)	(108,857,067)	(39,867,854)	(1,535,000)	(632,549)	(363,279,888)
Debt securities issued	(9,295,102)	(29,352,955)	(6,000,000)	(3,250,000)	—	(47,898,057)
Other financial liabilities	—	—	—	—	(7,141,590)	(7,141,590)
Total liabilities	(363,704,991)	(204,248,469)	(52,787,854)	(4,785,000)	(7,998,351)	(633,524,665)
Total interest sensitivity gap	(22,495,196)	13,333,176	38,290,810	6,413,661	(3,452,407)	32,090,044

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.3 Interest rate risk (Continued)

The currency for the Bank's majority of interest-earning assets and interest-bearing liabilities is RMB. The potential impact on net profit at each financial reporting date stated below with 100 bps changes along the yield curve is as follows:

	December 31,	
	2015	2014
100 bps up along the yield curve	(761,508)	(123,904)
100 bps down along the yield curve	761,508	123,904

For the purpose of the sensitivity analysis, the Bank adopts the following assumptions in determining business conditions and financial inputs:

- Analysis is based on static gap at each financial reporting date, regardless of subsequent changes;
- The fluctuations in interest rates of different interest-earning assets and interest-bearing liabilities are the same;
- All assets and liabilities are re-priced in the middle of relevant periods;
- No consideration of impact on customers' behavior resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of impact on off-balance sheet business from interest rate changes;
- No consideration of actions taken by the Bank with regard to interest rate changes.

Therefore, the actual results on net profit due to changes in interest rates may differ from the analysis above.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk

The Bank's business is mainly operated in China and settled in RMB. However, The Bank's assets and liabilities as well as the transactions denominated in foreign currency are exposed to the foreign exchange risk as the foreign exchange position and cash flows are affected by the fluctuations in the prevailing foreign exchange rates.

The major principle for control over foreign exchange risk of the Bank is to match assets and liabilities in different currencies and to keep the risk within limits. Based on the guidelines provided by risk management committee, relevant laws and regulations as well as evaluation on the current market, the Bank sets its risk limits and minimizes the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. For the foreign exchange risk exposure generated during trading operations, the Bank established strict position limits, risk limits and stop-loss limits, and controlled strictly through the hierarchical authorization management of traders.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk (Continued)

The tables show the Bank's total assets and liabilities at carrying amounts in RMB, categorized by the original currency.

	RMB	US Dollar (RMB equivalent)	HK Dollar (RMB equivalent)	Others (RMB equivalent)	Total
December 31, 2015					
Assets					
Cash and balances with central bank	87,059,010	585,275	2,176	3,280	87,649,741
Due from banks and other financial institutions	74,907,698	1,549,788	45,860	104,101	76,607,447
Financial assets at fair value through profit or loss	10,795,291	—	—	—	10,795,291
Derivative financial assets	458,534	—	—	—	458,534
Loans and advances to customers	324,198,431	10,394,983	—	635,526	335,228,940
Financial investments					
— Available-for-sale	48,668,569	448,834	—	—	49,117,403
— Held-to-maturity	29,042,163	—	—	—	29,042,163
— Debt instruments classified as receivables	430,526,322	651,056	—	716,228	431,893,606
Other financial assets	4,144,819	71,531	—	1,346	4,217,696
Total assets	1,009,800,837	13,701,467	48,036	1,460,481	1,025,010,821
Liabilities					
Due to other banks and financial institutions	(346,514,532)	(4,574,846)	—	(3,567,979)	(354,657,357)
Financial liabilities at fair value through profit or loss	(500,020)	—	—	—	(500,020)
Derivative financial liabilities	(634,747)	—	—	—	(634,747)
Customer deposits	(504,149,741)	(11,415,490)	(39,671)	(421,394)	(516,026,296)
Debt securities issued	(89,936,036)	—	—	—	(89,936,036)
Other financial liabilities	(14,220,157)	(99,551)	(13)	(20,760)	(14,340,481)
Total liabilities	(955,955,233)	(16,089,887)	(39,684)	(4,010,133)	(976,094,937)
Net position	53,845,604	(2,388,420)	8,352	(2,549,652)	48,915,884
Financial guarantees and credit related commitments	253,657,966	7,061,738	—	1,414,386	262,134,090

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk (Continued)

	RMB	US Dollar (RMB equivalent)	HK Dollar (RMB equivalent)	Others (RMB equivalent)	Total
December 31, 2014					
Assets					
Cash and balances with central bank	75,144,964	252,305	26,076	3,655	75,427,000
Due from banks and other financial institutions	91,768,796	1,294,578	178,196	444,143	93,685,713
Financial assets at fair value through profit or loss	4,190,821	—	—	—	4,190,821
Derivative financial assets	35,659	77,793	—	—	113,452
Loans and advances to customers	245,993,630	6,267,389	—	51,417	252,312,436
Financial investments					
— Available-for-sale	28,068,452	—	—	—	28,068,452
— Held-to-maturity	18,693,282	—	—	—	18,693,282
— Debt instruments classified as receivables	188,222,928	1,103,956	—	377,407	189,704,291
Other financial assets	3,361,223	57,062	—	977	3,419,262
Total assets	655,479,755	9,053,083	204,272	877,599	665,614,709
Liabilities					
Due to other banks and financial institutions	(199,394,302)	(11,074,994)	—	(4,528,885)	(214,998,181)
Derivative financial liabilities	(205,858)	(1,091)	—	—	(206,949)
Customer deposits	(356,485,996)	(6,613,424)	(115,921)	(64,547)	(363,279,888)
Debt securities issued	(47,898,057)	—	—	—	(47,898,057)
Other financial liabilities	(7,074,071)	(63,593)	(26)	(3,900)	(7,141,590)
Total liabilities	(611,058,284)	(17,753,102)	(115,947)	(4,597,332)	(633,524,665)
Net position	44,421,471	(8,700,019)	88,325	(3,719,733)	32,090,044
Financial guarantees and credit related commitments	140,730,787	5,006,392	—	152,065	145,889,244

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk (Continued)

The Bank's foreign exchange exposure is not material and mainly US dollars. The potential impact on net profit resulting from foreign currency translation gains/(losses) with 1% fluctuation of USD against RMB is as follows:

	December 31,	
	2015	2014
1% of appreciation of USD against RMB	612	259
1% of depreciation of USD against RMB	(612)	(259)

For the purpose of the sensitivity analysis, the Bank has considered both spot foreign exchange exposure and forward foreign exchange exposure, and adopts the following assumptions in determining business conditions and financial inputs:

- Analysis is based on static gap at each financial reporting date, regardless of subsequent changes;
- No consideration of impact on customers' behavior resulting from exchange rate changes;
- No consideration of impact on market price resulting from exchange rate changes;
- No consideration of actions taken by the Bank with regard to exchange rate changes.

Therefore, the actual results on net profit due to changes in exchange rates may differ from analysis above.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk

39.3.1 Overview

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The match between maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are all key factors when evaluating its' exposure to liquidity risk.

The Bank's assets and liabilities management department manages its liquidity risk through:

- Optimizing asset and liability structure;
- Making projections of future cash flows, and evaluating the appropriate current asset position;
- Maintaining reasonable level of liquidity reserve.
- Performing stress testing on a regular basis.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.2 Analysis of the undiscounted contractual cash flows

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

December 31, 2015	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	—	75,592,986	12,096,764	—	—	—	—	87,689,750
Due from banks and other financial institutions	—	—	4,852,182	52,659,532	20,575,765	—	—	78,087,479
Financial assets at fair value through profit or loss	—	—	—	—	401,177	7,728,477	3,989,080	12,118,734
Loans and advances to customers	4,359,537	—	—	58,567,482	190,065,399	91,042,149	9,373,733	353,408,300
Financial investments								
— Available-for-sale	—	25,000	200,000	183,559	4,153,821	31,886,064	17,967,718	54,416,162
— Held-to-maturity	—	—	—	391,468	2,510,625	15,573,789	16,146,706	34,622,588
— Debt instruments classified as receivables	—	—	—	100,102,289	244,224,980	104,100,176	4,085,935	452,513,380
Other financial assets	1,000	—	82,161	9,437	—	26,569	—	119,167
Total non-derivative financial assets	4,360,537	75,617,986	17,231,107	211,913,767	461,931,767	250,357,224	51,563,172	1,072,975,560
Non-derivative financial liabilities								
Due to other banks and financial institution	—	—	(19,487,343)	(174,295,399)	(167,411,997)	(1,001,778)	—	(362,196,517)
Financial liabilities at fair value through profit or loss	—	—	—	—	(507,911)	—	—	(507,911)
Customer deposits	—	—	(215,602,211)	(57,894,786)	(124,426,560)	(122,249,998)	(1,000,000)	(521,173,555)
Debt securities issued	—	—	—	(42,666,500)	(33,260,250)	(14,840,500)	(3,461,250)	(94,228,500)
Other financial liabilities	—	—	(3,905,063)	(10,437)	—	—	—	(3,915,500)
Total non-derivative financial liabilities	—	—	(238,994,617)	(274,867,122)	(325,606,718)	(138,092,276)	(4,461,250)	(982,021,983)
Net liquidity	4,360,537	75,617,986	(221,763,510)	(62,953,355)	136,325,049	112,264,948	47,101,922	90,953,577

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.2 Analysis of the undiscounted contractual cash flows (Continued)

December 31, 2014	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	—	62,994,310	12,466,554	—	—	—	—	75,460,864
Due from banks and other financial institutions	—	—	3,379,943	51,478,206	25,056,351	25,062,043	—	104,976,543
Financial assets at fair value through profit or loss	—	—	—	383,237	1,238,080	2,662,211	583,569	4,867,097
Loans and advances to customers	2,156,804	—	—	45,043,044	146,651,263	68,606,953	6,737,159	269,195,223
Financial investments								
— Available-for-sale	—	25,000	—	2,767,238	6,954,354	16,074,007	6,860,200	32,680,799
— Held-to-maturity	—	—	—	88,147	5,578,412	13,117,685	2,576,517	21,360,761
— Debt instruments classified as receivables	—	—	—	46,644,606	110,164,573	43,173,796	1,688,346	201,671,321
Other financial assets	—	—	64,685	—	—	31,408	—	96,093
Total non-derivative financial assets	2,156,804	63,019,310	15,911,182	146,404,478	295,643,033	168,728,103	18,445,791	710,308,701
Non-derivative financial liabilities								
Due to other banks and financial institution	—	—	(2,961,048)	(140,851,725)	(68,568,582)	(7,481,347)	—	(219,862,702)
Customer deposits	—	—	(148,718,224)	(62,858,773)	(112,535,822)	(45,882,573)	—	(369,995,392)
Debt securities issued	—	—	—	(9,756,500)	(30,286,250)	(8,096,000)	(3,672,500)	(51,811,250)
Other financial liabilities	—	—	(399,068)	—	—	—	—	(399,068)
Total non-derivative financial liabilities	—	—	(152,078,340)	(213,466,998)	(211,390,654)	(61,459,920)	(3,672,500)	(642,068,412)
Net liquidity	2,156,804	63,019,310	(136,167,158)	(67,062,520)	84,252,379	107,268,183	14,773,291	68,240,289

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.3 Derivative financial instruments cash flow

The Bank's derivative financial instruments are either settled on a net basis or a gross basis.

(a) *Derivatives settled on a net basis*

The Bank's derivatives that will be settled on a net basis include interest rate swaps.

The table below analyzes the Bank's derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet as of December 31, 2015, to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2015	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Interest rate swaps					
— outflow	—	(2,986)	(27,311)	(68,561)	(98,858)
— inflow	29	2,176	23,636	74,928	100,769
Total	29	(810)	(3,675)	6,367	1,911

December 31, 2014	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Interest rate swaps					
— outflow	(388)	(1,053)	(3,512)	(23,891)	(28,844)
— inflow	819	453	3,613	23,386	28,271
Total	431	(600)	101	(505)	(573)

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.3 Derivative financial instruments cash flow (Continued)

(b) Derivatives settled on a gross basis

The Bank's derivatives that will be settled on a gross basis include foreign exchange forwards, foreign exchange swaps and currency swaps.

The table below analyzes the Bank's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet as of December 31, 2015, to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2015	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Foreign exchange derivatives					
— outflow	(12,926,475)	(9,210,202)	(30,742,952)	(1,828,681)	(54,708,310)
— inflow	12,901,066	9,095,487	30,701,727	1,831,906	54,530,186
Total	(25,409)	(114,715)	(41,225)	3,225	(178,124)

December 31, 2014	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Foreign exchange derivatives					
— outflow	(3,482,232)	(3,829,888)	(18,976,244)	—	(26,288,364)
— inflow	4,240,832	3,834,150	18,153,461	—	26,228,443
Total	758,600	4,262	(822,783)	—	(59,921)

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.4 Maturity Analysis

The tables below summarize the maturity analysis of assets and liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period.

	Over due	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
December 31, 2015								
Assets								
Cash and balances with central bank	—	75,555,586	12,094,155	—	—	—	—	87,649,741
Precious metal	—	1,848	—	—	—	—	—	1,848
Due from banks and other financial institutions	—	—	4,852,182	52,075,478	19,679,787	—	—	76,607,447
Financial assets at fair value through profit or loss	—	—	—	—	986,657	6,666,015	3,142,619	10,795,291
Derivative financial assets	—	—	—	75,352	286,967	96,215	—	458,534
Loans and advances to customers	4,288,746	—	—	54,775,979	182,907,103	85,110,470	8,146,642	335,228,940
Financial investments								
— Available-for-sale	—	25,000	200,000	217,845	5,065,855	28,870,115	14,738,588	49,117,403
— Held-to-maturity	—	—	—	410,070	2,391,555	13,957,662	12,282,876	29,042,163
— Debt instruments classified as receivables	—	—	—	99,520,427	238,501,937	91,415,242	2,456,000	431,893,606
Other assets, including deferred income tax assets	10,085	5,455,067	82,097	974,073	2,953,177	1,203,854	177,060	10,855,413
Total assets	4,298,831	81,037,501	17,228,434	208,049,224	452,773,038	227,319,573	40,943,785	1,031,650,386
Liabilities								
Due to other banks and financial institution	—	—	(18,364,775)	(172,517,285)	(162,775,297)	(1,000,000)	—	(354,657,357)
Financial liabilities at fair value through profit or loss	—	—	—	—	(500,020)	—	—	(500,020)
Derivative financial liabilities	—	—	—	(216,257)	(331,867)	(86,623)	—	(634,747)
Customer deposits	—	—	(214,929,100)	(56,800,192)	(122,899,356)	(120,397,648)	(1,000,000)	(516,026,296)
Debt securities issued	—	—	—	(41,964,241)	(32,435,459)	(12,286,336)	(3,250,000)	(89,936,036)
Other liabilities, including deferred income tax liability	—	(4,036)	(523,964)	(14,667,637)	(4,961,791)	(70,371)	(11,067)	(20,238,866)
Total liabilities	—	(4,036)	(233,817,839)	(286,165,612)	(323,903,790)	(133,840,978)	(4,261,067)	(981,993,322)
Net liquidity gap	4,298,831	81,033,465	(216,589,405)	(77,116,388)	128,869,248	93,478,595	36,682,718	49,657,064

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.4 Maturity Analysis (Continued)

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
December 31, 2014								
Assets								
Cash and balances with central bank	—	62,963,142	12,463,858	—	—	—	—	75,427,000
Due from banks and other financial institutions	—	—	3,379,943	49,897,936	24,207,834	16,200,000	—	93,685,713
Financial assets at fair value through profit or loss	—	—	—	349,922	1,049,839	2,285,802	505,258	4,190,821
Derivative financial assets	—	—	—	60,301	29,765	23,386	—	113,452
Loans and advances to customers	2,109,160	—	—	41,248,785	139,484,384	63,218,034	6,252,073	252,312,436
Financial investments								
— Available-for-sale	—	25,000	—	2,632,636	5,998,468	13,342,646	6,069,702	28,068,452
— Held-to-maturity	—	—	—	80,037	4,859,247	11,454,295	2,299,703	18,693,282
— Debt instruments classified as receivables	—	—	—	44,743,096	103,800,297	39,760,898	1,400,000	189,704,291
Other assets, including deferred income tax assets	—	3,598,691	81,981	707,692	2,032,441	1,264,483	76,711	7,761,999
Total assets	2,109,160	66,586,833	15,925,782	139,720,405	281,462,275	147,549,544	16,603,447	669,957,446
Liabilities								
Due to other banks and financial institution	—	—	(2,961,048)	(139,078,686)	(66,038,447)	(6,920,000)	—	(214,998,181)
Derivative financial liabilities	—	—	—	(113,946)	(69,112)	(23,891)	—	(206,949)
Customer deposits	—	—	(148,118,020)	(61,421,336)	(109,913,638)	(42,291,894)	(1,535,000)	(363,279,888)
Debt securities issued	—	—	—	(9,295,102)	(29,352,955)	(6,000,000)	(3,250,000)	(47,898,057)
Other liabilities, including deferred income tax liability	—	(30,810)	(2,063,064)	(5,326,237)	(2,300,524)	(666,369)	(37,195)	(10,424,199)
Total liabilities	—	(30,810)	(153,142,132)	(215,235,307)	(207,674,676)	(55,902,154)	(4,822,195)	(636,807,274)
Net liquidity gap	2,109,160	66,556,023	(137,216,350)	(75,514,902)	73,787,599	91,647,390	11,781,252	33,150,172

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.5 Off-balance sheet items

December 31, 2015	Within		Over	Total
	1 year	1–5 years	5 years	
Acceptances	122,164,834	—	—	122,164,834
Letters of credit	88,735,215	8,821	—	88,744,036
Letters of guarantee issued	39,335,706	3,694,832	—	43,030,538
Loan commitments	5,388,500	—	—	5,388,500
Unused credit limit	2,806,182	—	—	2,806,182
Total	258,430,437	3,703,653	—	262,134,090

December 31, 2014	Within		Over	Total
	1 year	1–5 years	5 years	
Acceptances	76,790,857	—	—	76,790,857
Letters of credit	37,895,534	—	—	37,895,534
Letters of guarantee issued	30,391,355	686,898	—	31,078,253
Loan commitments	124,600	—	—	124,600
Total	145,202,346	686,898	—	145,889,244

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39.4 Fair values of financial assets and liabilities

(a) Fair value hierarchy

IFRS 13 specifies a hierarchy of fair value measurement based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Hong Kong Stock Exchange).
- Level 2: Using observable inputs other than quoted prices for assets or liabilities within Level 1, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes over-the-counter derivatives and debt instruments traded in interbank market. The input parameters like bond yield curve or counterparty credit risk are based on data from China Bond and Bloomberg.
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.4 Fair values of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value

Financial assets and liabilities in the statement of financial position which are not measured at fair value mainly include: balances with the central bank, due from banks and other financial institutions, loans and advances to customers, financial investments-held-to-maturity, financial investments-debt instruments classified as receivables, due to banks and other financial institutions, deposits from customers and debt securities issued.

The table below summarizes the carrying amounts and fair values of those financial assets and financial liabilities that are not measured at fair value, including financial investments-held-to-maturity, financial investments-debt instruments classified as receivables and debt securities issued. For the other financial instruments not measured at fair value in the statement of financial position, their fair value approximates carrying amount.

	December 31, 2015				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments					
— Held-to-maturity	29,042,163	—	29,955,988	—	29,955,988
Financial investments					
— Debt instruments classified as receivables	431,893,606	—	382,418,387	50,917,921	433,336,308
Total	460,935,769	—	412,374,375	50,917,921	463,292,296
Financial liabilities					
Debt securities issued	(89,936,036)	—	(89,538,488)	—	(89,538,488)

	December 31, 2014				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments					
— Held-to-maturity	18,693,282	—	18,848,317	—	18,848,317
Financial investments					
— Debt instruments classified as receivables	189,704,291	—	163,372,256	26,441,043	189,813,299
Total	208,397,573	—	182,220,573	26,441,043	208,661,616
Financial liabilities					
Debt securities issued	(47,898,057)	—	(47,716,472)	—	(47,716,472)

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.4 Fair values of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(i) Held-to-maturity investments and debt instruments classified as receivables

Held-to-maturity investments and debt instruments classified as receivables whose fair value is based on quoted market prices are included in level 1. If the quoted market prices are determined by reference to instruments with similar credit risk, maturity and yield characteristics where applicable, the fair value measurement will be included in level 2. When such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received are based on observable yield curves, the fair value measurement will be included in level 3.

(ii) Debt securities issued

If the fair value of debt securities issued is based on quoted market prices, it will be included in level 1. When the fair value of debt securities issued is determined by valuation techniques and all significant inputs required to calculate fair value are observable, it is included in level 2.

(c) Financial instruments measured at fair value

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
— Debt securities	—	10,795,291	—	10,795,291
Derivative financial assets	458,534	458,534		
Financial investments — Available-for-sale				
— Debt securities	—	48,072,368	—	48,072,368
— Interbank certificates of deposit	—	1,020,035	—	1,020,035
— Equity investment	—	—	25,000	25,000
Total	—	60,346,228	25,000	60,346,228
Derivative financial liabilities	—	(134,727)	—	(134,727)
Financial liabilities at fair value through profit or loss	—	(500,020)	—	(500,020)
Total	—	(634,747)	—	(634,747)

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.4 Fair values of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
through profit or loss				
— Debt securities	—	4,190,821	—	4,190,821
Derivative financial assets	—	113,452	—	113,452
Financial investments —				
Available-for-sale				
— Debt securities	—	24,209,664	—	24,209,664
— Interbank certificates of deposit	—	3,833,788	—	3,833,788
— Equity investment	—	—	25,000	25,000
Total	—	32,347,725	25,000	32,347,725
Derivative financial liabilities	—	(206,949)	—	(206,949)
Financial liabilities at fair value				
through profit or loss	—	—	—	—
Total	—	(206,949)	—	(206,949)

The Bank uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

As of December 31, 2015, all of the Bank's financial instruments measured at fair value are classified into the second level, and none is classified to the third level.

39.5 Capital management

The core of the Bank's Capital Management is capital adequacy ratio and capital rate of return. The objective of capital management is to meet external regulatory requirements and shareholder's return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management.

The Bank prudently determines the objectives of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Bank ensures the realization of the management objectives. In addition, the Bank proactively adjusts its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes modification of dividend distribution plan, raising new capital and issuance of new bonds.

Notes to the Financial Statements

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

39 FINANCIAL RISK MANAGEMENT (Continued)

39.5 Capital management (Continued)

The Bank monitors the capital adequacy rate regularly based on regulations issued by the CBRC. The Bank reports the required capital information to the CBRC on a quarterly basis.

Core tier-one capital includes share capital, capital reserve, statutory surplus reserve, statutory general reserve and retained earnings. Tier-two capital includes tier-two capital instruments and premium as well as excessive allowance for loan losses. The primary regulatory deduction item in the calculation of the capital adequacy ratio is other intangible assets (excluding land use rights).

Effective from January 1, 2013, the Bank started to implement the CBRC's regulation of "Administrative Measures for the Capital of Commercial Banks (Trial Implementation)" which was issued on June 7, 2012. The capital adequacy ratio as of December 31, 2015 under the "Trial Implementation" is as follows:

	December 31, 2015
Total capital	59,475,980
Including: Core tier-one capital	50,409,543
Tier-two capital	9,066,437
Deduction: other intangible assets	(160,826)
Total capital, net of deductions	59,315,154
Total core tier-one capital, net of deductions	50,248,716
Total tier-one capital, net of deductions	50,248,716
Total risk-weighted assets	537,252,918
Core tier-one capital adequacy ratio	9.35%
Tier-one capital adequacy ratio	9.35%
Capital adequacy ratio	11.04%

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39.6 Entrusted loans

The Bank grants entrusted loans on behalf of third-party lenders, which are not included in the financial statements.

	December 31,	
	2015	2014
Entrusted loans	48,680,706	21,833,006



Subsequent Financial Statements

Up to the date of this report, the Bank had no material events for disclosure after the balance sheet date.



浙商银行股份有限公司
CHINA ZHESHANG BANK CO., LTD.

