

## **DEZHOU BANK CO.,LTD**

### **Annual Report 2015**

In accordance with the requirements of the *Measures for Information Disclosure of Commercial Banks*, and combined with *Auditing Report of 2015 Annual Financial Statements of DEZHOU BANK CO.,LTD*. 2015 issued by the Zhongxinghua Accounting Firm, the Bank prepared the annual report for 2015, which will be detailed as follows:

#### **ONE Important Tips**

1. The Board of Directors and Directors of the Bank warrant that the information contained in this report does not exist false records, misleading statements or omissions, and will be responsible for the truth, accuracy and completeness of its contents.
2. The Board of Directors of the Bank considered and approved the annual report.
3. The financial report of the Bank for 2015 has been audited by Zhongxinghua Accounting Firm in accordance with domestic auditing standards, and issued a standard and unqualified opinion audit report.

#### **TWO Basic Profile of the Bank**

2.1 Legal Chinese name: 德州银行股份有限公司 (Dezhou Bank for short, hereinafter referred to as "the Bank")

Legal English name: DEZHOU BANK CO., LTD

2.2 Legal representative: Sun Yuzhi

2.3 Secretary of the Board of Directors: Zheng Yalin

Tel: 0534-2672609

Fax: 0534-2291775

E-mail: zhengylin@dzbchina.com

2.4 Registered address: No.1266 East Sanba Road,Dezhou City,  
Shandong Province

Office address: No.1266 East Sanba Road,Dezhou City, Shandong  
Province

Postcode: 253077

2.5 Other relevant information

Initial registration date: December 16, 2004

Unified social credit code: 913700001672740039

Tel: 0534-2291168

Fax: 0534-2672600

Website: www.dzbchina.com

### **THREE Summary of Accounting Data and Business Data**

3.1 Main profit targets for the year Unit: RMB 1,000

Item	Audit
Net Profit	199,507
Investment income	542,127
Net cash flows from operating activities	2,457,101
Net increase in cash and cash equivalents	252,028

### 3.2 Major accounting financial data

Unit: RMB 1,000

Item	2015	2014	2013
Profit before provision	795,991	804,432	641,792
of which: withdrawing provision	614,803	252,201	180,106
Total profit	181,188	552,231	461,686
Total assets	40,421,243	33,758,452	30,493,014
Stockholders' equity	3,102,073	2,910,672	2,668,326
Earnings per share (yuan / share )	0.22	0.40	0.42
Net assets per share ((yuan / share)	3.45	3.23	2.96

### 3.3 Supplementary financial data for the previous three years

Unit: RMB 1,000

Item	2015	2014	2013
Outstanding obligation	30,895,600	25,254,600	22,211,353
of which: long term deposits	5,177,776	3,825,942	2,593,580
Loan balance	19,870,236	17,382,521	15,344,007
of which: company loan	18,914,518	16,757,043	14,713,349

Personal loan	955,718	625,478	630,658
Discount	3,728,083	73,870	2,671,268
Documentary credit	168,106	3,196,889	119,341

### 3.4 Changes in shareholder's equity Unit:RMB 1,000

Capital account	Opening balance	Increase	Decrease	Closing balance
Paid-in capital	900,000	0	0	900,000
Capital surplus	560,235	0	0	560,235
Earned surplus	214,964	19,951	0	234,915
Generic Risk Reserve	216,863	0	0	216,863
Undistributed profit	1,018,610	199,507	149,240	1,068,877
Other comprehensive income	0	121,183	0	121,183
Total	2,910,672	340,641	149,240	3,102,073

## FOUR Risk Management

### 4.1 Main regulatory indicators compliance situation Unit: %

Item	Standard values	2015	2014	2013
Liquidity ratio	$\geq 25$	52.86	45.95	40.62
Non-performing loan ratio	$\leq 5$	2.60	2.26	1.80
Credit concentration of single group customer	$\leq 15$	8.66	7.81	6.03

Concentration loans of single customer	≤10	8.47	7.50	3.79
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#### 4.2 All kinds of allowance for assets

4.2.1 In accordance with the relevant provisions of the Ministry of Finance and the State Administration of Taxation, the Bank withdraws reserve for assets that bear risks and losses.

4.2.2 During the reporting period, the Bank made a general provision for loans at 1.5% of the loan balance and made a special provision for loans as required. As at the end of the reporting period, the balance of loan loss reserve was RMB 115,549.6 and the provision coverage ratio was 223.93%.

4.2.3 The Bank's balance of non-credit asset reserve was RMB 61.94 million during the reporting period.

#### 4.3 Top ten loan customers

Unit: RMB 1,000、%

Name	Loan balance	Proportion accounting for total loans
Longkou Conglin Group	300,000	1.73%
Laoling Guoqiang Investment Holding Group Co., Ltd	239,865	1.38%
Laoling Xisen Potato Industry Group Co., Ltd	232,000	1.33%
Shandong Huachao Chemical Co., Ltd	202,800	1.17%
Shandong Demian Group Co., Ltd	165,800	0.95 %

Dezhou Huangchuang Property Co., Ltd	159,400	0.92%
Dezhou Yulian Economic and Technological Development Co., Ltd	154,000	0.89%
Dezhou Shengjian machinery Co., Ltd	150,000	0.86%
Dezhou Dongfang Refrigeration Equipment Engineering Co., Ltd	148,000	0.85%
Shandong Hongnuo Construction Engineering Co., Ltd	131,000	0.75%
Total	1,882,865	10.83%

#### 4.4 Main risks faced by the Bank and corresponding strategies

Through unremitting efforts in 2015, the Bank developed stably as a whole. At present, the Bank's overall risk management has been launched, and a new mechanism for operational risk management has been set up, the management and prevention system for liquidity risk has been gradually perfected, information risk management has been well managed. The comprehensive case management has been well coordinated, risk control system has been gradually improved, the risk management level has been greatly enhanced.

##### 4.4.1 Credit risk status and management measures

As China's economy continues to decline, the economic operation enters into the new normal, pressure on credit risk management of financial institutions increases, the asset management is facing challenges. In 2015, the credit management of the Bank continued to promote the whole

process of meticulous management. In order to achieve the goal of "improving the credit management level and optimizing the quality of credit assets", a lot of work has been done in the approval process, risk customer management, loan check and management and personnel training. All these have achieved good results. First, management tools have been innovated. Risk manager assigned system and full-time approval system have been established to guarantee the prudential process of the credit. Second, the "skewed voting method" and the CRO one-vote veto mechanism have been implemented. The approval system and processes have been continuously optimized and risk management level have been enhanced. Third, basic credit management have been strengthened. Credit management system have been improved and system execution have been strengthened. Fourth, "three check" system for loans have been strictly enforced. Credit management have been strengthened continuously, efforts have been taken to curb new bad loans. Fifth, the investigation and monitoring system has been established. Distinctive and dynamic management have been enhanced on the stock customers, early warning customers and management customers. Sixth, credit risk compliance checks have been increased. Management loopholes have been timely blocked, and credit business have been promoted compliance with regulations. Seventh, construction of customer manager team have been strengthened. Guidance and training for credit personnel have been

strengthened to improve the overall quality. Eighth, provision has been increased in line with prudent operating principles because of the grim economic. At the end of 2015, the Bank's loans maintained steady growth, Board program objectives have been completed timely; SME loans grew steadily and task indicators for micro-enterprise loans have been completed successfully; industry structure continued to adjust and the investment tend to be reasonable.

#### 4.4.2 Liquidity risk situation and management measures

The Bank has established a sound liquidity risk management structure, and clarified the management responsibilities of the Board of Directors, the Board of Supervisors and the management level on liquidity risk. Following the robust risk appetite policy and regulatory requirements, a pressure transmission mechanism and a reporting process have been established. In 2015, the Bank further strengthened the management of liquidity risk. First, construction of the liquidity management system has been strengthened and special asset and liability management department has been set up to manage the liquidity risk, which improved the specialization and refinement of the management. Second, a series of management system including *Interim Measures for Liquidity Risk Management*, *Interim Measures on Interest Rate Risk and Liquidity Risk Limit*, *Liquidity Risk Emergency Plan*, *Interim Management Law on Bank Account Interest Rate Risk and Liquidity Risk Stress Test* have been



*formulated and improved*, making the system more perfect and sound. Third, the index system of liquidity risk monitoring has been continuously improved and strengthened. The liquidity risk limit index system has been added on the basis of the original index system. The risk tolerance index is lower and the sensitivity of monitoring is higher, making liquidity risk control gateway forward. Fourth, pressure testing process and methods have been further improved. We adhere to the quarterly stress tests and improve response capability for liquidity risk emergency. Fifth, asset and liability management system and position management system have been developed and constructed. By analyzing the interest rate sensitivity gap and cash flow maturity mismatch, monitoring liquidity indicators and limit, scenario analysis and stress testing, we provide scientific decision-making basis for the bank liquidity management, which greatly enhances risk management techniques and means.

#### 4.4.3 Market risk situation and management countermeasure

The Bank has formulated the *Market Risk Management Measures* and established a market risk management system, defined risk management responsibilities, reporting relationships and work processes of board of directors, board of supervisors, senior management, market risk management. In 2015, the Bank continued to strengthen the market risk control and management, and further specialized and refined its business;

clarified job settings, and strengthen staffing for risk monitoring and regulated the business operations and risk control; quota management measures have been developed, limit monitoring and over-processing have been implemented; market risk stress testing has been carried out to assess risk tolerance. We increased investment in science and technology and construct financial systems and financial management system; taking "whether the purpose of holding is transaction" as the basic standard, combining with the specific situation of the establishment of positions,we developed a clear trading account and bank account division method and divide assets of the account inside and outside the table; the interest rate risk has been measured through the gap analysis; the interest rate risk has been closely tracked, and the term structure of interest-bearing assets repricing and interest-bearing liabilities have been adjusted according to the source and utilization of funds to reduce the potential negative impact of interest rate changes on profitability; According to the situation on actual situation of the business development, the macroeconomic situation, the inter-bank notes market and capital market interest rate changes, we timely adjusted discount interest rates and debt structure and responded to market interest rate fluctuations;we daily monitored foreign exchange business, and actively responded to exchange rate risk. At present, the overall interest rate risk and exchange rate risk of the Bank are relatively small, and the market risk is controllable.

#### 4.4.4 Operational risk status and management measures

The Bank has established an operational risk management system composed of three defense lines. The first defense line is composed by relevant departments and branches for operational risk management. They shall regularly conduct self-assessment on the activities in accordance with the key control criteria to identify, measure, control, release and report on various types of operational risks. The second defense line is composed by operational risk management. They shall guide, manage and supervise the operational risk management of the Bank. The third defense line is composed by the auditing department. They shall regularly conduct evaluation, re-supervision and responsibility investigation on operation and effect of the operational risk management system. In 2015, the Bank carried out special activity named "Twelve Regression" . We comprehensively enhanced employee awareness of risk compliance and internal management and achieved good results from the activity. Process structure have been more scientific and rational; system has been continuously improved to tamp business development. The audit system has been strengthened and improved to ensure the implementation of the internal control system. The compliance culture has been initially established and the awareness of compliance has been steadily improved. At of the end of 2015, the Bank's various operational risks were controlled within the specified risk appetite and tolerance.

#### 4.4.5 Information Technology Risk and Management Measures

In 2015, the Bank gave full play to the role of the Risk Manager assigned to the Science and Technology Information Department, to further strengthen risk management. First is to strengthen the monitoring and evaluation of IT risks. Nineteen risk monitoring indicators have been established to conduct regular statistical analysis; information technology risk assessment guide has been developed to promote the scientific and normative risk assessment of Bank's information technology. Second, business continuity management has been strengthened to enhance emergency response capability. The annual business continuity plan has been drawn up and information systems business continuity exercise has been developed to enhance our ability to deal with crisis and to ensure the effectiveness of emergency programs. Third, outsourcing risk management has been strengthened. We have established the relevant management system of outsourcing risks and information base of outsourcer to evaluate the key outsourcing enterprises and the overall outsourcing risks, improve the quality of the outsourcing projects and reduce the risk of outsourcing. Fourth, we intensified checking and guidance of information technology risk to conduct on-site guidance on existing problems and urge rectification to ensure the Bank's IT security and stable operation. Fifth, we increased

the risk assessment of new projects to meet regulatory requirements and our own risk control needs.

#### 4.4.6 Legal risk

The Bank has formulated and promoted the implementation of various systems and measures to prevent legal risks. We did a good job in consulting, communication and coordination of legal affairs; we carried out legal documents examination effectively. At the same time, the Bank has intensified the unified management of the litigation business and relevant matters, formulated and implemented a strict procedure for examination and approval of litigation, and further enhanced the legal risk management level.

### 4.5. Capital composition and management

4.5.1 The range for calculation of the capital adequacy ratio: the Bank and financial institutions that meet the direct or indirect investment requirements of the CBRC's *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)*.

#### 4.5.2 Measurement results for capital adequacy ratio

In accordance with the *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* (Group Caliber)

Unit: RMB 1,000

Item	the end of 2015	the beginning of 2015	Changes during the reporting period
Net capital	3,541,278	3,200,211	341,067
Core tier one capital	3,267,298	2,906,537	360,761
Core tier one capital deductions	15,499	15,046	453
Net of core tier one capital	3,251,799	2,891,491	360,308
Other tier one capital	0	0	0
Other tier one capital deductions	0	0	0
Net of tier one capital	3,251,799	2,891,491	360,308
Tier two capital	289,479	308,720	-19,241
Credit risk weighted assets	31,238,738	25,006,328	6,232,410
Market risk weighted assets	13,441	11,680	1,761
Operational risk weighted assets	2,502,834	2,310,188	192,646
Total risk-weighted assets	33,755,013	27,328,196	6,426,817
Core tier one capital ratio	9.63%	10.58%	-0.95%
Tier one capital ratio	9.63%	10.58%	-0.95%
Capital adequacy ratio	10.49%	11.71%	-1.22%

#### 4.5.3 Risk - Weighted Asset Measurement

In line with Risk-weighted assets measured by *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)*, we adopted method of weighting for credit risk weighted asset measurement, standard method for market risk-weighted assets measurement, and basic index method for operational risk weighted assets measurement.

#### 5.4 the new capital management measures implemented by the Bank

During report period, in accordance with the requirements of the CBRC and Shandong Banking Regulatory Bureau, the Bank promoted the

implementation of the new capital management approach. We set up leading group and implementation office of the overall risk management and the new capital management guided by the chairman of the board of directors to define the organizational leadership and responsibilities.

We participated in the joint implementation of comprehensive risk management for city commercial bank alliance and new capital management method, and successfully completed the overall planning project under the leadership of the of the joint alliance, developed a scientific,rational, comprehensive overall planning of joint implementation. In accordance with the planning requirements, the Bank carried out a balance sheet system construction project in July 2015. As of the end of the reporting period, the static part has been put into trial operation and the next stage will be in the development phase of the dynamic part. In December 2015, a comprehensive risk management system and program management (PMO) project were launched. Professional consulting firms entered into formal work and helped the Bank carry out comprehensive training for risk management system construction and enhance the reserves and training of professional talents.

## **FIVE Capital Stock Change & Shareholders**

### **5.1 Shareholding Structure & Capital Stock Change**

### 5.1.1 Change of Shareholding Structure Unit: 10 Thousands Shares, %

Item	Beginning of the Year		Ending of the Year	
	Amount	Ratio	Amount	Ratio
Shares Owned by State	20000	22.222	20000	22.222
Shares Owned by Legal Person	65743	73.048	65743	73.048
Shares Owned by Natural Person	4257	4.730	4257	4.730
Total Amount of Shares	90000	100	90000	100

### 5.1.2 Change of Shareholders

Within the period of this report, 36 million stock rights owned by Laoling Guoqiang Investment Shareholding Group Co.,Ltd was transferred to Laoling City Assets Operation, Management&Investment Co.,Ltd on January 26, 2015. Another 1 million stock rights once owned by Lubei Carbon Co.,Ltd was transferred to Dezhou Wanhao Trade Co.,Ltd on March 11, 2015. Another 2.53 million stock rights once owned by Dezhou Tianyu Real Estate Development Co.,Ltd was transferred to Yongfeng Group Co.,Ltd on December 25, 2015.

## 5.2 Shareholders

### 5.2.1 Ten Major Shareholders Unit: 10 Thousands Shares, %

Shareholder	Shares Held at the Beginning of the Year	Shares Held at the End of the Year	Ratio in the Total Shares
Dezhou Finance Bureau	18000	18000	20.000%
Laishang Bank Corp.	13860	13860	15.400%
Shandong Yongtong Industry Co.,Ltd	7690	7690	8.544%
Qilu Bank Corp.	4290	4290	4.767%
Dezhou Jiacheng Real Estate Co.,Ltd	4188.4	4188.4	4.654%
Shandong International Trust Corp.	3850	3850	4.278%



Laoling City Assets Operation, Management&Investment Co.,Ltd	0	3600	4.000%
Dezhou Changhong Group Co.,Ltd	3300	3300	3.667%
Dezhou Guidu Real Estate Development Co.,Ltd	2750	2750	3.056%
Yongfeng Group Co.,Ltd	0	2530	2.811%
Sum	57928.4	64058.4	71.176%

## 5.2.2 Shareholders with More Than 5% of Shares

### 5.2.2.1 Dezhou Finance Bureau

Dezhou Finance Bureau owns 180 million shares, 20.000% of the total. It's a governmental organization and its legal representative is Niu Hongchun. It is mainly in charge of fiscal revenue and expenditure, fiscal and taxation policies, and management of state assets.

### 5.2.2.2 Laishang Bank Corp.

Laishang Bank Corp. owns 138.6 million shares, 15.400% of the total. Its registered capital is 2000 million yuan. Its business include: receiving deposits of the public, issuing short, medium and long term loans; domestic and international settlements; acceptance and discounting of bills; issuing financial bonds; issuing, accepting and selling government bonds as agent; purchasing and buying government bonds and financial bonds; inter-bank lending; purchasing and selling foreign exchange or doing so as an agent; magcard business; letter of credit and guarantee services; collecting and conducting payment as an agent and conducting insurance service as an agent; providing safe box; other businesses approved by regulatory authorities of China's banking industry.

### 5.2.2.3 Shandong Yongtong Industry Co.,Ltd

Shandong Yongtong Industry Co.,Ltd owns 76.9 million shares, 8.544% of the total. Its legal representative is Liu Chuanhong and its registered capital is 560 million yuan. Its main business include: manufacturing and sales of oxygen, nitrogen, argon and oxidized pellet, deep processing of steel residue, and sales of mineral power, pig iron and rolled steel.

### 5.2.3 Relationship with 10 major shareholders

Debt balance of 10 major shareholders of the Bank is 203.9987 million yuan, 1.03% of the total debt balance of the Bank.

## **SIX Director, supervisor, senior executive and staff**

### 6.1 Director, supervisor and senior executive

Position	Name	Sex	Unit&Position	Owning Shares
Board Chair	Shi Yuzhi	F	Board Chair of the Bank	Y
Director	Chang Qing	M	President of the Bank	Y
Director	Su Quanli	M	Vice President of Laishang Bank Corp.	N
Director	Jia Hanzhong	M	Senior Risk Officer of Qilu Bank	N
Director	Wang Fuchang	M	Board Chair of Dezhou Changhong Group Co.,Ltd	N
Director	Zheng Yulin	M	Board Secretary of the Bank	Y
Director	Liu Feng	M	Board Chair of Yongfeng Group Co.,Ltd	N
Director	Hou Yurong	F	Chief Financial Officer of the Bank	Y
Director	Cui Guihai	M	Board Chair of Dezhou Braised Chicken Group Co.,Ltd Board chair of Shandong Dezhou Braised Chicken Co.,Ltd	N
Director	Pu Bing	M	Deputy Manager of Self-Owned Assets Investment Department of Shandong International Trust Co.,Ltd	N
Independent Director	Song Lanxiang	M	Independent Director of the Bank	N

Independent Director	Gao Guangchun	M	Associate Researcher of National Academy of Economic Strategy of Chinese Academy of Social Sciences	N
Independent Director	Cai Zhen	M	Deputy Director of World Finance and Economy Department of Institute of Finance&Banking of Chinese Academy of Social Sciences	N
Chair of Board of Supervisors	Du Chengjin	F	General Supervisor of the Bank	Y
Vice Chair of Board of Supervisors	Xue Mei	F	Vice Chair of Board of Supervisors of the Bank	Y
Supervisor	Shang Weidong	M	General Manager Assistant of Dezhou Tianyu Real Estate Development Co.,Ltd	N
Supervisor	Zhang Tongzhou	M	General Manager of Dezhou Jiacheng Real Estate Group Co.,Ltd	N
Supervisor	Zhang Jianguo	M	Board Chair of Dezhou Guidu Real Estate Development Co.,Ltd	N
Independent Supervisor	Su Yuhai	M	Head of Shandong Institute of Financial Development of Shandong University of Finance and Economics	N
Independent Supervisor	Xu Dinghui	M	Full-time Layer of Shanghai Branch of Zhonglun Law Firm	N
Vice President	Li Shuhua	M	Vice President of the Bank	Y
Vice President	Zhou Chengliang	M	Vice President of the Bank	Y
Vice President	Wang Dong	M	Vice President of the Bank	Y
Vice President	Li Jintao	M	Vice President of the Bank	Y

## 6.2 Change of Directors, Supervisors and Executives during This Period of Report

During this period of report, there is no change of directors, supervisors and managers.

## 6.3 Staff

At the end of this period of report, the bank has 1325 actual employees, among whom 936 own bachelor degree or above, 68.87% of the whole,

and 353 owns associated degree, 25.97% of the whole.

## **SEVEN Governance Structure**

### 7.1 Governance

Within this period of report, according to *Company Law of the People's Republic of China*, *Law of the People's Republic of China on Commercial Banks*, *Articles of Corporation of DEZHOU BANK CO.,LTD*, the bank has improved its governance structure and further clarify responsibilities of Shareholders' Meeting, Board of Directors, Board of Supervisors and managers, through which the governance efficiency has advanced.

7.1.1 Shareholder and Shareholders' Meeting. In strict accordance with *Articles of Corporation and Rule of Procedure of Shareholders' Meeting*, the bank convene shareholders' meeting. In the year of 2015, the bank convened 2014 Annual Shareholders' Meeting, 1<sup>st</sup> Provisional Shareholders' Meeting of 2015 and 2<sup>nd</sup> Provisional Shareholders' Meeting, on which 12 proposals were approved. Issuing of notices, convening, holding and voting process of those meetings are all consistent with *Company Law* and *Articles of Corporation* to make sure that shareholders, especially small shareholders enjoy equal right to information, participation and voting and can exercise their rights.

7.1.2 Directors and Board of Directors. Within this period of report, the bank has 13 directors, composed by 4 executive directors, 6 shareholder directors and 3 independent directors. Independent directors are all

influential professionals in economic and financial fields. Board of directors is composed of Strategy Committee, Risk Management Committee, Connected Transaction Control Committee, Auditing Committee, Nominations Committee and Salary Committee, also with an Office for Board of Directors as its executive office. Its board of directors can fully fulfill its responsibilities of making rational decisions, drafting annual operation and development plan, implementing this plan and achieving a good operation through properly balancing goals set by the plan, core regulatory indicators and risk control goal.

During this period of report, the Board of Directors convened 4 meetings on which 32 proposals were passed.

During this period of report, all committees have been operating according to its rules and hold responsibilities to the board of directors, which helped it make more scientific decisions.

7.1.3 Supervisors and Board of Supervisors. The bank has 7 supervisors, composed by 2 representative supervisors, 3 shareholder supervisors and 2 independent supervisors. All the supervisors are qualified and appointed in accordance with related laws and regulations. Board of supervisors has a Nomination Committee and Supervision Committee, with an Office as its executive office.

Within the period of report, the Board of Supervisors convened 4 meetings on which 16 proposals were approved.

The board of supervisors, according to rules of *Articles of Corporation*, has fully performed its duties: supervising the bank's finance, credit and operation; supervising legality when directors, board chair, president and other senior executives perform their duties; giving advices on operation to board of directors and senior executives.

7.1.4 Executives. The bank's executives are composed of 1 president, 4 vice presidents and 1 financial director.

During this period of report, executives have devotedly implemented all the resolutions of board of directors and shareholders' meeting. As a result, the bank has been well operated.

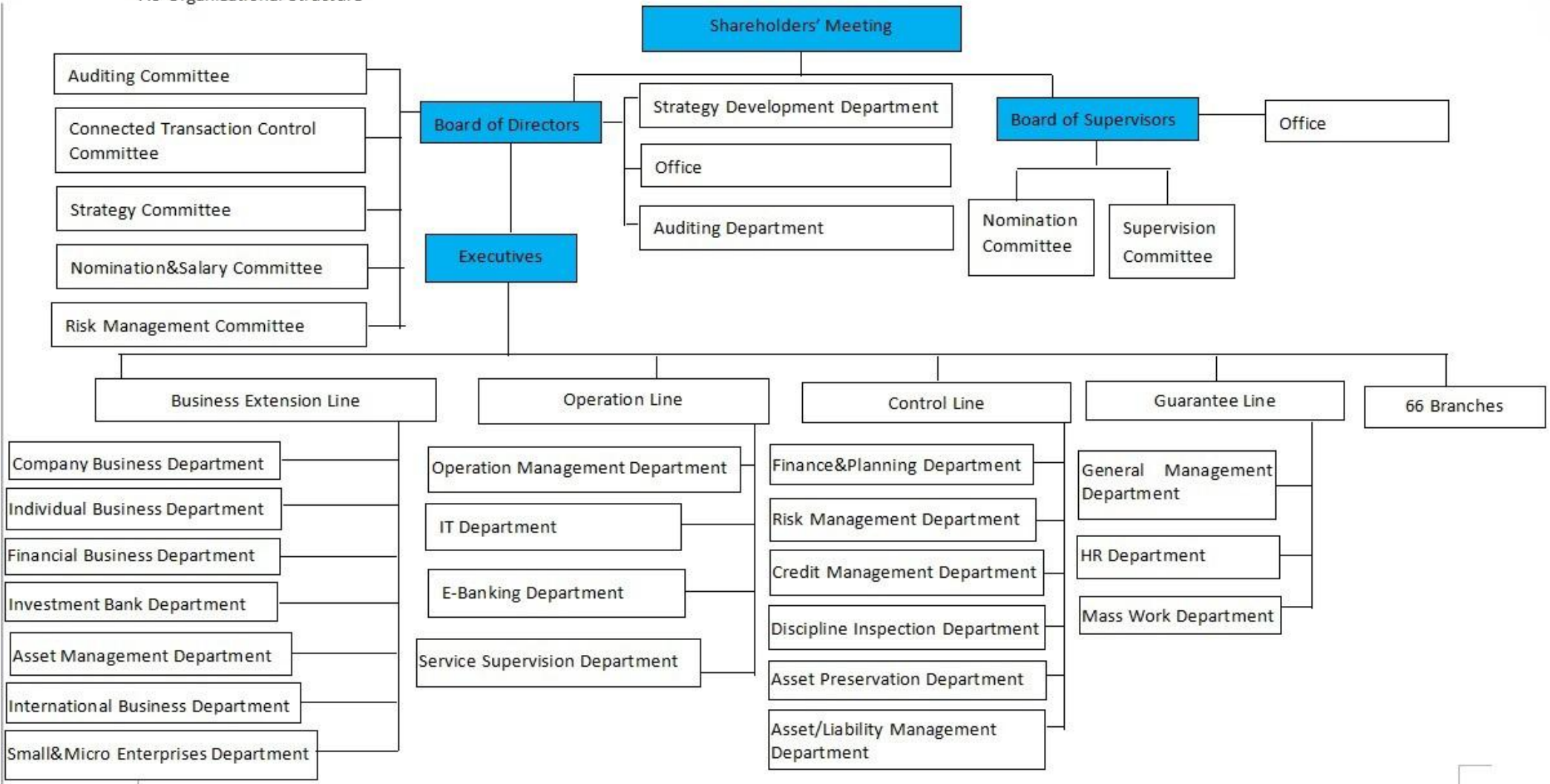
#### 7.1.5 Information Disclosure and Transparency

Within this period of report, the bank has disclosed its information on *Dezhou Daily* in strict accordance with regulations of *Measures on Information Disclosure of Commercial Banks*.

#### 7.2 Independent Directors

Within this period of report, the bank has 3 independent directors, all of them being experts in field of economics and finance. They have attended most of meetings convened by board of directors and its committees, on which they have given independent opinions and protected interests of small shareholders. As a result, they have contributed to the healthy and sustainable development of the bank.

7.3 Organizational Structure



#### 7.4 Branches

No.	Name of Branch	Address	Telephone
1	Business Department of Head Office	No.1266 East Sanba Road, Dezhou	2291661
2	Yinhe Branch	No.1111 Middle Hubin Avenue, Decheng District, Dezhou	2291927
3	Branch in Jiefang Road	No.755 Middle Jiefang Avenue, Decheng District, Dezhou	2297291
4	Branch in Dongfeng Road	No.909 Middle Dongfeng Road, Decheng District, Dezhou	2209388
5	Xiangyang Branch	No.666 South Jiefang Avenue, Decheng District, Dezhou	2297281
6	Dexing Branch	No.398 Kangbo Avenue, Economic Development Zone, Dezhou	5011715
7	Jincheng Branch	East End of 1 <sup>st</sup> Floor, Aodele Shopping Mall, East Dongfeng Road, Economic Development Zone, Dezhou	2348203
8	Sanba Branch	No.659 Middle Sanba Road, Decheng District, Dezhou	2297231
9	Xinhua Branch	No.181 Xinhua Road, Decheng District, Dezhou	2297321
10	Hexin Branch	No.1518 Middle Dongfeng Road, Decheng District, Dezhou	2297363
11	Hubing Branch	No.731 Middle Hubin Avenue, Decheng District, Dezhou	2297385
12	Scientific Park Branch	No.252 North Hubin Avenue, Decheng District, Dezhou	2291956
13	Xindu Branch	No.1388 Middle Dongfeng Road, Decheng District, Dezhou	2291907
14	Branch in East Tianqu Road	No.1-1-2, Building 1A, Tianqumingjun Community, No.699 Middle Dexing Avenue, Dezhou	2109016
15	Kangle Branch	No.163 West Dongfeng Road, Decheng District, Dezhou	2297330
16	Branch in Middle Tianqu Road	No.1615 Middle Tianqu Road, Decheng District, Dezhou	2291960
17	Xicheng Branch	No.432 West Tianqu Road, Decheng District, Dezhou	2297358
18	Huide Branch	No.368 Jinghua Avenue, Economic Development Zone, Dezhou	2297277
19	Huancheng Branch	No.551 Yingbin Avenue, Decheng	2109548



		District, Dezhou	
20	Branch in Economic Development Zone	No.1139 Jinghua Avenue, Economic Development Zone, Dezhou	2109672
21	Dongfanghong Branch	Dijingyuan Complex, No.49 Dongfanghong Road, Decheng District, Dezhou	2297222
22	Chezhan Branch	No.1426 West Dongfanghong Road, Decheng District, Dezhou	2664606
23	Xinsheng Branch	No.358 Wenhua Road, Decheng District, Dezhou	2297317
24	Beiyuan Branch	No.1621 Middle Jiefang Avenue, Decheng District, Dezhou	2231930
25	Branch in Qiancheng Community	No.44-6, Qiancheng Community, Decheng District, Dezhou	2320334
26	Branch in Tianyu Community	No.776 East Dongfeng Road, Decheng District, Dezhou	2357042
27	Branch in Government Services Center	South Zone of Dezhou Municipal Governmental Services Center	2310431
28	Ningjin Branch	No.14 Building, Huifu Community, Yangguang Street, Ningjin County, Dezhou	5539967
29	Branch in Zhengyang Road, Ningjin County	Xinhua Palace, West Side of Zhengyang Road, Ningjin County, Dezhou	5539808
30	Laoling Branch	No.65 North Xinglong Street, Laoling City, Shandong Province	6705581
31	Xinglong Branch, Laoling	No.302 South Xinglong Street, Laoling City, Shandong Province	6705776
32	Wuzhou Branch, Laoling	No.1-6, Zaocheng Complex, No.261 West Wuzhou Avenue, Laoling City, Shandong Province	6705866
33	Qihe Branch	No.256 Xinhua Street, Qihe County, Dezhou	5661621
34	Nanlong Branch, Qihe	No.655 Qilu Street, Qihe County, Dezhou	5660100
35	Branch in Yandong Community, Qihe	No.116 Qilu Street, Qihe County, Dezhou	5335037
36	Yucheng Branch	No.226 Hanhuai Street, Yucheng City, Shandong Province	7280355
37	Branch in Xingzheng Street Yucheng	No.173 Xingzheng Street, Yucheng City, Shandong Province	7280350

38	Luobei Branch, Yucheng	No.21 Luobei Community, No.282 Wenhua Street, Yucheng City, Shandong Province	7283126
39	Linyi Branch	No.198 Yingbin Road, Linyi County, Dezhou	4335199
40	Linpan Branch, Linyi	Middle Shanghai Road, Linpan Town, Linyi County, Dezhou	4861978
41	Deping Branch, Linyi	No.216 Longquan Street, Deping Town, Linyi County, Dezhou	4423386
42	Branch in Nanxin Community, Linyi	No.5-13-2013, Nanxin Community, No.419 Yingxi Street, Linyi County, Dezhou	4339326
43	Luoyuan Branch, Linyi	No.40 Luoyuan Road, Linyi County, Dezhou	4236316
44	Xiajin Branch	No.27 Complex, Shunquan Community, North Yinshan Road, Xiajin County, Dezhou	3210068
45	Branch in Nancheng Street Xiajin	No.250 Nancheng Street, Xiajin County, Dezhou	3268117
46	Jin角度 Branch, Xiajin	No.2-20, Xuefu Community, Chengxuan Street, Xiajin County, Dezhou	3210090
47	Qingyun Branch	A5 Building, Jinyu Construction Material Shopping Mall, Zhongxin Street, Qingyun County, Dezhou	3667001
48	Branch in Beihai Community, Qingyun	No.495 Shuian Complex, North Zhongxin Street, Qingyun County, Dezhou	3667011
49	Lingcheng Branch	Yufu Community, No.4 Tangcheng Road, Lingcheng District, Dezhou	8827188
50	Branch in Xinshi Street	No.8 Wenhua Road, Lingcheng District, Dezhou	8827355
51	Shiji Branch	No.36-1, Shiji Community, Xicheng Road, Lingcheng District, Dezhou	8327083
52	Pingyuan Branch	No.11-1, Business Complex, Hantang Community, Pingyuan County, Dezhou	5030026
53	Longmen Branch, Pingyuan	No.641 East Pipawan Road, Pingyuan County, Dezhou	7768180

54	Wucheng Branch	No.199 East Zhenhua Street, Wucheng County, Dezhou	6766888
55	Luquantun Branch, Wucheng	North Honghai Road, Luquantun Town, Wucheng County, Dezhou (500 Meters North of Zhongxin Square, Luquantun Town)	6769666
56	Zhenhuaxi Branch, Wucheng	No.C-3, North Part of Binhu Community, Zhenhua Street, Wucheng County, Dezhou	6766011
57	Business Division of Binzhou Branch	No.609 12 <sup>th</sup> Bohai Road, Binzhou, Shandong Province	0543-3095001
58	Boxing Branch, Binzhou	Southeast of Intersection between 3 <sup>rd</sup> Bocheng Road and 2 <sup>nd</sup> Shengli Road, Binzhou, Shandong Province	0543-2358977
59	Zouping Branch, Binzhou	North End of 1 <sup>st</sup> Liqun Road, Zouping County, Binzhou, Shandong Province	0543-4966266
60	Wudi Branch, Binzhou	No.2-4 4 <sup>th</sup> Dixin Road, Wudi County, Binzhou, Shandong Province	0543-6660091
61	Shengbin Branch, Binzhou	No.604 7 <sup>th</sup> Bohai Road, Bincheng District, Binzhou, Shandong Province	0543-3090198
62	Caihonghu Branch, Binzhou	No.488 2 <sup>nd</sup> Huanghe Road, Bincheng District, Binzhou, Shandong Province	0543-3081051
63	Jinting Branch, Binzhou	No.757 11 <sup>th</sup> Bohai Road, Bincheng District, Binzhou, Shandong Province	0543-3080395
64	Xuanjia Branch, Binzhou	No.1-115 Xuanjia Community, No.888 7 <sup>th</sup> Bohai Road, Bincheng District, Shandong Province	0543-3095821
65	Business Division of Yantai Branch	No.253 Yingcheng Street, Laishan District, Yantai, Shandong Province	0535-6793900
66	Longkou Branch, Yantai	No.189 Shiyan Road, Longkou, Yantai, Shandong Province	0535-6793929

## 7.5 Shareholders' Meeting

2014 annual shareholders' meeting was held in No.309 Meeting Room of head office on April 8, 2015. The meeting was hosted by Sun Yuzhi, Chair of the Board and 105 delegates participated, including shareholders, agents of shareholders and representatives of shareholders. Participants own 89.8 million shares, 99.78% of the total. These are all consistent with regulations of *Company Law* and *Article of Corporation*. Therefore, the meeting was legal and effective. The following documents were approved by the meeting: *2014 Annual Work Report of Board of Directors of DEZHOU BANK CO.,LTD*, *2014 Annual Work Report of Board of Supervisors of DEZHOU BANK CO.,LTD*, *2014 Annual Financial Operation Achievement and Profit Distribution Plan of DEZHOU BANK CO.,LTD*, *Reviews of Board of Supervisors of DEZHOU BANK CO.,LTD on 2014 Annual Financial Operation Achievement and Profit Distribution Plan*, *Budget Report for the Year of 2015 of DEZHOU BANK CO.,LTD*, *Evaluation Report of Board of Supervisors of DEZHOU BANK CO.,LTD on Duties Performed by Directors, Supervisors, Executives in the Year 2014*, *2014 Annual Report of Connected Transactions of DEZHOU BANK CO.,LTD*, *Report of DEZHOU BANK CO.,LTD on Transferred Shares to Dezhou Yintong Investment Co.,Ltd*, *Report of DEZHOU BANK CO.,LTD on Transferred Shares to Laoling City Assets Operation, Management&Investment Co.,Ltd*, *Proposals of DEZHOU BANK CO.,LTD to Change Rules of Procedure for Meetings of Board of Directors*.

1<sup>st</sup> Provisional Shareholders' Meeting for the year 2015 was held through communication on May 13, 2015. 72 shareholders, owning 864.9612 million shares, 96.11% of the total, submitted their votes. These were consistent with regulations of *Company Law* and *Article of Corporation*. Therefore, the meeting was legal and effective. *Report of DEZHOU BANK CO.,LTD on Transferred Shares to Dezhou Wanhao Trade Co.,Ltd* was reviewed on the meeting.

2<sup>nd</sup> Provisional Shareholders' Meeting for the year 2015 was held through communication on December 25, 2015. 74 shareholders, owning 816.1682 million shares, 90.69% of the total, submitted their votes. These were consistent with regulations of *Company Law* and *Article of Corporation*. Therefore, the meeting was legal and effective. *Report of DEZHOU BANK CO.,LTD on Transferred Shares to Yongfeng Group Co., Ltd* was reviewed on the meeting.

## 7.6 Work of Board of Directors

The 2<sup>nd</sup> Session of the 4<sup>th</sup> Board of Directors was held in No.406 Meeting Room of Yantai Branch on March 17, 2015. The quorum for such a meeting is 13, including 3 independent directors. With participation of 13 directors or their agents, the meeting was legal and effective. The following documents were approved: *2014 Annual Work Report of DEZHOU BANK CO.,LTD*, *2014 Annual Work Report of Board of*

*Directors of DEZHOU BANK CO.,LTD, 2014 Annual Financial Operation Achievement and Profit Distribution Draft of DEZHOU BANK CO.,LTD, Financial Budget Draft for the Year 2015 of DEZHOU BANK CO.,LTD, Primary Review of Board of Directors of DEZHOU BANK CO.,LTD on Duties Performed by Directors, Supervisors and Executives in the Year 2014, Proposal of Board of Directors of DEZHOU BANK CO.,LTD to Change Members of Strategy Committee, Internal Auditing Report for the Year 2014 or Internal Auditing Plan for the Year 2015 of DEZHOU BANK CO.,LTD, Risk Management Report of the Year 2014 or Risk Management Plan for the Year 2015 of DEZHOU BANK CO.,LTD, 2014 Annual Report of Connected Transactions of DEZHOU BANK CO.,LTD, Proposal of Salary Reform for the Year 2015 of DEZHOU BANK CO.,LTD, Proposal to Establish Training Institute of DEZHOU BANK CO.,LTD, Development Plan of DEZHOU BANK CO.,LTD from the Year of 2015 to 2019, General Plan of DEZHOU BANK CO.,LTD for Information Technology from the Year of 2015 to 2017, Report of DEZHOU BANK CO.,LTD on Transferred Shares to Yintong Investment Co., Ltd, Report of DEZHOU BANK CO.,LTD on Transferred Shares to Laoling City Assets Operation, Construction & Investment Co.,Ltd, Proposal of DEZHOU BANK CO.,LTD to Change Rules of Procedure for Board of Directors, Proposal of DEZHOU BANK CO.,LTD to Change Rules of Procedure for Risk Management Committee of Board of Directors, Proposal of Board of Directors of DEZHOU BANK CO.,LTD to Convene 2014 Annual Shareholders' Meeting.*

The 3<sup>rd</sup> Session of the 4<sup>th</sup> Board of Directors was held through communication on April 29, 2015. The quorum for such a meeting is 13, including 3 independent directors. With participation of 13 directors or their agents, the meeting was legal and effective. *Report of DEZHOU BANK CO.,LTD on Transferred Shares to Dezhou Wanhao Trade Co.Ltd* was reviewed on this meeting.

The 4<sup>th</sup> Session of the 4<sup>th</sup> Board of Directors was held through communication on December 10, 2015. The quorum for such a meeting is 13, including 3 independent directors. With participation of 12 directors or their agents, the meeting was legal and effective. *Report of DEZHOU BANK CO.,LTD on Transferred Shares to Yongfeng Group Co.,Ltd* and *Proposal of Board of Directors of DEZHOU BANK CO.,LTD to Convene the 2<sup>nd</sup> Provisional Shareholders' Meeting* were reviewed and approved on this meeting.

The 5<sup>th</sup> Session of the 4<sup>th</sup> Board of Directors was held in No.301 Meeting Room of head office on December 25, 2015. The quorum for such a meeting is 13, including 3 independent directors. With participation of 13 directors or their agents, the meeting was legal and effective. The following documents were reviewed and approved in this meeting: *Work Report of the Year 2015 of DEZHOU BANK CO.,LTD, Draft of Work Plan for the Year 2016 of DEZHOU BANK CO.,LTD, Suggestions of*

*DEZHOU BANK CO.,LTD on 2014 Annual Prudential Supervision Conference and Report on Its Implementation of Such Suggestions, Plan of DEZHOU BANK CO.,LTD to Transfer Bad Loans in Package for Disposal, Regulations on Asset Management of DEZHOU BANK CO.,LTD, Plan of DEZHOU BANK CO.,LTD on Asset Management from the Year 2016 to 2018, Proposal of DEZHOU BANK CO.,LTD to Issue Secondary Asset Bond, Proposal of DEZHOU BANK CO.,LTD on Development Plan of Branches, Proposal of Board of Directors of DEZHOU BANK CO.,LTD to Convene 1<sup>st</sup> Provisional Shareholders' Meeting of the Year 2016.*

#### 7.7 Implementation of Resolutions by Board of Directors

Within this period of report, Board of Directors has devoted itself in implementing resolutions of shareholders' meeting. At request of shareholders' meeting, the board has made development strategy, implemented overall risk management concept, conducted comprehensive inspections of its business operation and risk management, distributed annual profits accordingly and supervised the implementation of budget. All these work have ensured both steady growth of its business and comprehensive risk control.

#### 7.8 Work of Board of Supervisors

##### 7.8.1 Meetings

The 2<sup>nd</sup> Session of the 4<sup>th</sup> Board of Supervisors was held in No.405 Meeting Room on March 17, 2015. The quorum for such a meeting is 7, including 2 external supervisors. With participation of 7 supervisors or their agents, according to *Company Law* and *Articles of Corporation*, the meeting was legal and effective. The following documents were reviewed and approved on the meeting: *2014 Annual Work Report of DEZHOU BANK CO.,LTD*, *2014 Annual Work Report of Board of Supervisors of DEZHOU BANK CO.,LTD*, *Opinions of Board of Supervisors on 2014 Annual Financial Operation Achievement and Profit Distribution Plan*, *Primary Review of Board of Supervisors of DEZHOU BANK CO.,LTD on Duties Performed by Directors, Supervisors and Executives in the Year 2014*, *Internal Auditing Report for the Year 2014 or Internal Auditing Plan for the Year 2015 of DEZHOU BANK CO.,LTD*, *Report of Board of Supervisors of DEZHOU BANK CO.,LTD on Annual Evaluation Results of Auditing Department of the Year 2014*.

The 3<sup>rd</sup> Session of the 4<sup>th</sup> Board of Supervisors was held through communication on July 13, 2015. The quorum for such a meeting is 7, including 2 external supervisors. With participation of 7 supervisors or their agents, according to *Company Law* and *Articles of Corporation*, the meeting was legal and effective. *Report of DEZHOU BANK CO.,LTD on Business Operation from January to June*, *Report of DEZHOU BANK CO.,LTD On Twelve Returns Campaign* and *Report of DEZHOU BANK CO.,LTD on Internal Auditing from January to June* were reviewed and approved on the meeting.

The 4<sup>th</sup> Session of the 4th Board of Supervisors was held through communication on November 30, 2015. The quorum for such a meeting is 7, including 2 external supervisors. With participation of 7 supervisors or their agents, according to *Company Law* and *Articles of Corporation*, the meeting was legal and effective. *Report of DEZHOU BANK CO.,LTD on Business Operation from January to September* and *Report of DEZHOU BANK CO.,LTD on Internal Auditing from January to September* were reviewed and approved on the meeting.

The 5<sup>th</sup> Session of the 4th Board of Supervisors was held in No.1801 Meeting Room on December 25, 2015. The quorum for such a meeting is 7, including 2 external supervisors. With participation of 7 supervisors or their agents, according to *Company Law* and *Articles of Corporation*, the meeting was legal and effective. The following documents were reviewed and approved on the meeting: *2015 Annual Work Report of DEZHOU BANK CO.,LTD*, *Work Plan for the Year 2016 of DEZHOU BANK CO.,LTD*, *Summary of DEZHOU BANK CO.,LTD on Twelve Returns Campaign*, *Suggestions of DEZHOU BANK CO.,LTD on 2014 Annual Prudential Supervision Conference and Report on Its Implementation of Such Suggestions*, *Report of DEZHOU BANK CO.,LTD On Internal Auditing of the 4<sup>th</sup> Quarter of the Year 2015*.

7.8.2 Chair of Board of Supervisors attended the 2<sup>nd</sup> Session of the 4<sup>th</sup> Board of Directors held on March 17, 2015 and the 5<sup>th</sup> Session of the 4<sup>th</sup> Board of Directors held on December 25, 2015. She also supervised convening, reviewing and voting of the 3<sup>rd</sup> Session of the 4<sup>th</sup> Board of Directors held on April 29, 2015 and the 4<sup>th</sup> Session of the 4<sup>th</sup> Board of Directors held on December 10, 2015.

7.8.3 Independent Opinions of Board of Supervisors on Relative Issues

In accordance with *Company Law* and *Articles of Corporation*, in order to protect interests of shareholders and staff, the Board of Supervisors has conducted supervision of directors and executives for the duties they have performed. Details are as following:

7.8.3.1 Legality of Operation

After examination of the legality of operation, the Board of Supervisors believes that: within this period of report, the bank has been operated and managed legally, its business performance is objective and authentic and its internal control is constantly improving; its decision making procedure is legal and neither directors nor executives conduct any behavior during operation and management that is against rules or does harm to interest of shareholders.

7.8.3.2 Authenticity of Financial Report

After conducting careful review of Auditing Report of 2015 Annual Financial Statements, the Board of Supervisors believe that: the report objectively and authentically reveals the operation and achievements of the bank.

7.8.3.3 Connected Transactions

Within this period of report, there is no insider transaction or any behavior that does harm to interests of shareholders or causes asset losses. All connected transactions are fair and do no harm to interest of the bank.

#### 7.8.3.4 Implementation of Resolutions Made by Shareholders' Meeting

Members of Board of Supervisors attended sessions of Board of Directors and shareholders' meetings. They have no disagreement about reports and drafts reviewed on shareholders' meetings. They also supervise the implementation of all resolutions made by shareholders' meeting and they believe that its Board of Directors and senior executives have fully implemented all the resolutions.

### **EIGHT Work Plan for the Year 2016**

Guided by spirits of the 5<sup>th</sup> Plenary Session of the 18<sup>th</sup> Central Committee of CPC and Central Economic Work Conference, led by Dezhou Municipality and Dezhou Party Committee, managed by Party Committee and board of directors of the Bank, the Bank will keep improving its services in 2016 by further strengthening internal control, ensuring asset quality, strengthening risk prevention and control, advancing transformation of development mode and accelerating innovation. We constantly enhance the brand influence and competitiveness in the new economic norm, and strive to explore the development in line with the Bank's characteristics. Major plans of the Bank in 2016 are as follows:

Business development plan: Based on the full forecast of the economic and financial situation in 2016, we will comprehensively analyze the internal and external situations faced by the operation and formulate the Bank's annual business objectives and plans. By the end of 2016, the asset of the Bank will be reach 50 billion yuan, an increase of 8.581 billion yuan and 20.72% over the last year. The debt is expected to reach 46.5 billion yuan, an increase of 8.348 billion yuan over the beginning and an increase of 21.88% over the last year. The balance of deposits will be reach 38.5 billion yuan, an increase of 6.32 billion yuan and an increase of 19.64% compared with the beginning of the year; the balance of loans (including discounts) will be 22.5 billion yuan, an increase of 2.63 billion yuan and 13.24% over the beginning of the year; owners equity will reach 233 million, an increase of 7.13%. The annual profit before provisioning will reach 600 million yuan, making net profit 276 million yuan, cost-income ratio will be controlled within 45%. Asset profit margin will be more than 0.61% and the capital profit margin will be 8.36% or more. Annual comprehensive loan interest rate will remain at 96% or more, non-performing loan rate will be controlled within 3%, non-accrual loan balance will be lower than the non-performing loans, provision coverage can reach regulatory requirements. The capital adequacy ratio will be more than 10.5%, the core level of capital adequacy ratio will be more than 9.5%. The growth rate, increment and



person of credit granting of small micro-enterprise loan will achieve the three given goals. The proportion of liquidity will be in line with regulatory requirements, there will be no cases and major accidents in the whole year.

Capital increase plan: In order to further strengthen the development foundation, the Bank plans to raise shares for the shareholders and legal persons of domestic high-quality corporate in accordance with the regulatory requirements and needs of the Bank. We plans to raise 500 million shares, making the total share capital of the Bank reach 1.4 billion shares and the capital adequacy index meet the needs of the Bank.

**Plan for risk prevention and control:** **First**, comprehensive risk management system shall be improved, and comprehensive risk management system framework for managing credit risk, market risk, operational risk and liquidity risk shall be gradually built. **Second**, Bank's risk appetite and risk tolerance shall be controlled generally, authorization management, credit management, asset quality classification management and provision management shall be unified to ensure business security. **Third**, bottom line of thinking shall be established to increase the personnel punishment for poor management to prevent moral hazard. **Fourth**, risk management shall be moved forward, risk management monitoring shall be implemented comprehensively, risk monitoring, early warning and reporting system shall be established to improve the effectiveness of risk monitoring reports.

**Plan for institutional building:** **First**, management of branches and guidance shall be strengthened. Adaptive products shall be developed according to different consumer demands of economy and fiance in different regions. **Second**, development of the county branch shall be accelerated. Appropriate model for the development of county branches shall be explored and its development vitality shall be continuously enhanced. **Third**, the development model of community branches shall be optimized to further clarify the location of urban branches and look for business development direction and breakthrough. **Fourth**, in the channel construction, the branches and electronic channels shall be promoted to develop integrally, comprehensive coverage of customer service and the ability to copy customers channels shall be enhanced.

**Plan for internal control:** **First**, "Twelve Regression" activities shall be continued to deepen and long-term mechanism shall be established to consolidate the "Twelve Regression" activities and to ensure the healthy development of the Bank. **Second**, compliance culture shall be promoted, and internal training shall be strengthened to enhance the awareness of compliance of cadres and employees. **Third**, internal control system shall be improved, the development foundation shall be further consolidated to promote the overall level of business management and continuous improvement. **Fourth**, key inspection projects shall be launched to strengthen the rectification of the problem. The accountability for

violations shall be more toughed to assure the effective implementation of security systems and accountability for violations.

2016 is the first year of the 13th Five-Year Plan, which is also a key year for the Bank's transformation and development. At the same time, the intensity of financial reform and opening up and serious environment have aggravated the banking industry competition. Therefore, in 2016, the Bank is faced with both serious challenges and tremendous development opportunities. The Bank will focus on the decision and deployment of the board of directors and transformation improve foresight, systematization and flexibility, enhance the confidence and determination of development, unite and lead the staff to work hard for a better tomorrow of the Bank.

### **NINE Important Issue**

#### 9.1 Major issues for litigation and arbitration

By the end of 2015, the litigation amount of the Bank as the plaintiff sued the borrower to repay the loan principal and interest was RMB 38.65 million.

#### 9.2 Management for major trusteeship, guarantee, commitment and entrusted asset

During the reporting period, there was no issues for material custody, guarantee, commitment or entrusted asset management.

#### 9.3 Issues for increasing or decreasing the registered capital, splitting and merging

During the reporting period, there was no issues for increasing or decreasing the registered capital, splitting and merging.

### **TEN Financial Report**

#### 10.1 Audit opinion

The financial and accounting report of the Bank for the year 2015 has been audited by Zhongxinghua Accounting Firm and was issued the standard unqualified audit report.

#### 10.2 Financial Statements: (Attached)