



中国光大银行
CHINA EVERBRIGHT BANK

China Everbright Bank Company Limited

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

Stock Code : 6818

2014 ANNUAL REPORT



Important Notice

The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Company hereby warrant the authenticity, accuracy and completeness of the content of this report and that there are no false representations, misleading statements or material omissions, and jointly and severally accept full responsibility for the information in this report.

In accordance with the profit distribution plan of the Company for the year, the Company will distribute to all shareholders a cash dividend of RMB1.86 (before tax) for every 10 shares, totaling RMB8,682,312 thousand. Please refer to the “Report of the Board of Directors” for details.

The 30th meeting of the Sixth Session of the Board of Directors of the Company was convened in Beijing on March 27, 2015, at which the 2014 Annual Report of the Bank was considered and approved. 15 out of 18 eligible Directors attended the meeting in person. Mr. Ma Teng, Director, Mr. Yang Jigui, Director, and Mr. Feng Lun, Independent Non-Executive Director, did not attend the meeting in person due to other official duties. Mr. Zhao Huan, Director, was authorized by Mr. Ma Teng and Mr. Yang Jigui to attend the meeting and exercise the voting right on their behalf, and Mr. Qiao Zhimin, Independent Non-Executive Director, was authorized by Mr. Feng Lun to attend the meeting and exercise the voting right on his behalf.

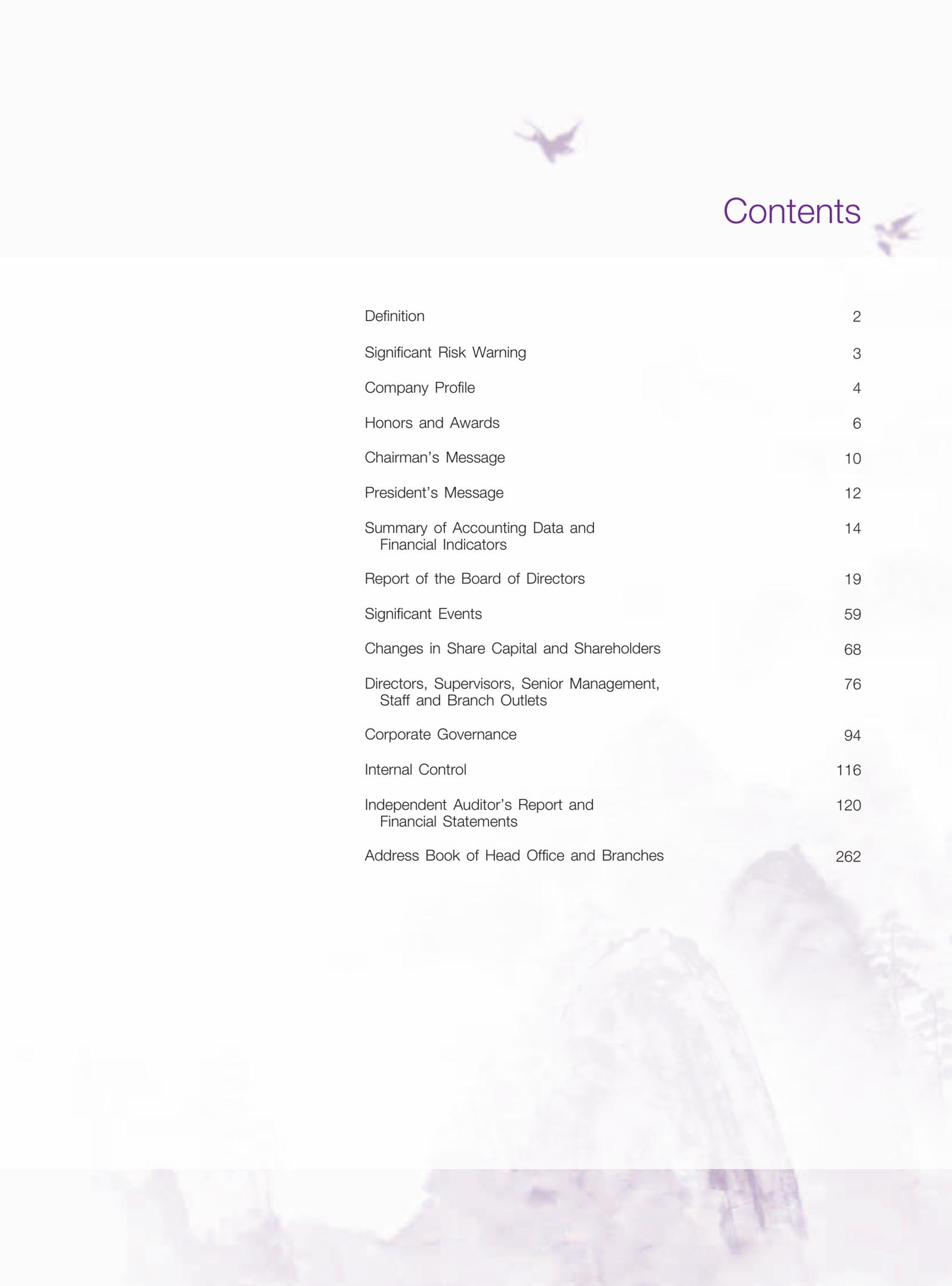
The financial report of the Company for the year 2014 were prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) and the International Financial Reporting Standards (“IFRSs”) and were audited by KPMG Huazhen (Special General Partnership) and KPMG in accordance with China Standards on Auditing and Hong Kong Standards on Auditing, respectively. Both auditors issued standard unqualified audit reports.

Mr. Tang Shuangning, Chairman of the Board of Directors, Mr. Zhao Huan, President, and Mr. Xie Rong, Independent Non-Executive Director, hereby warrant the authenticity, accuracy and completeness of the financial report in this report.

Unless otherwise stated, all monetary sums stated in this report are expressed in Renminbi/RMB.

Forward-looking statements such as future plans of the Bank mentioned in this report do not constitute actual commitments of the Bank to the investors. Investors are cautioned against the investment risks.

In this report, “We/we”, the “Company”, the “Bank”, “our Company”, “Whole Bank” and “China Everbright Bank” refer to China Everbright Bank Company Limited, and the “Group” refers to China Everbright Bank Company Limited and its subsidiaries.



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Definition

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

Ministry of Finance	:	Ministry of Finance of the People's Republic of China
Central Bank	:	The People's Bank of China
CBRC	:	China Banking Regulatory Commission
CSRC	:	China Securities Regulatory Commission
CIC	:	China Investment Corporation
CHI	:	Central Huijin Investment Ltd.
Everbright Group	:	China Everbright Group Limited (renamed from China Everbright (Group) Corporation on 8 December 2014 as a result of its restructuring)
SSE	:	Shanghai Stock Exchange
HKSE	:	The Stock Exchange of Hong Kong Limited

(II) The following glossary contains explanations of certain terms used in connection with products of the Company to facilitate the understanding of investors.

“Smart Interest Earner” (增利易) is a rolling Renminbi deposit service, under which funds in a client's demand deposit account, apart from a certain balance remained, are automatically transferred, on a daily basis, to the client's revolving time deposit account with a pre-set proportion of balances with maturity of 7 days, 3 months, 6 months and 1 year respectively.

“Corporate Payment Card” (單位結算卡) is a magnetic strip or IC bank card issued by the Company to corporate clients, who will use the card with a password to get access to various settlement services of its corporate account, including account enquiry, cash deposit and withdrawal, fund transfer and remittance, POS consumption and self-served bank statement collection.

“Everbright Cloud Payment Platform” (光大•雲繳費) is an open-end payment platform of the Company enabling payment of over 430 types of bills in over ten areas including water, electricity, telecommunications and gas, covering 28 provinces, 70 major cities and serving over 300 million customers.

“Pension and Benefits Express” (養福全程通) provides companies and employees with one-stop services for managing their pension and benefits, in an O2O model by taking advantage of the full range of financial service licenses held by Everbright Group to integrate various financial service resources.

Significant Risk Warning

The Company has disclosed herein the major risks involved in its operations and the proposed risk management measures in this report. Please refer to the “Management Discussion and Analysis” in the “Report of the Board of Directors” for details.

Company Profile

I. Basic Information

- (I) Registered Chinese Company Name: 中國光大銀行股份有限公司 (Abbreviation: 中國光大銀行 or 光大銀行)
Registered English Company Name: CHINA EVERBRIGHT BANK COMPANY LIMITED
(Abbreviation: CEB BANK)
- (II) Legal Representative: Tang Shuangning
Authorised representatives: Zhao Huan, Cai Yunge
- (III) Secretary to the Board of Directors, Company Secretary: Cai Yunge
Securities Affairs Representative: Li Jiayan
Assistant to Company Secretary: Lee Mei Yi
Contact Address: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing
Postal code: 100033
Tel: 010-63636363
Fax: 010-63636713
E-mail: IR@cebbank.com
Investor hotline: 010-63636388
- (IV) Registered Address: Beijing
Office Address: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing
Postal code: 100033
Website: www.cebbank.com
- (V) Principal Place of Business in Hong Kong: 30/F, Far East Finance Centre, No. 16,
Harcourt Road, Admiralty, Hong Kong
- (VI) Newspaper and Website Designated for Information Disclosure:
Newspaper designated for information disclosure: China Securities Journal, Shanghai Securities News,
Securities Times, Securities Daily
Websites designated by CSRC for publication of A share annual report:
SSE's website: www.sse.com.cn,
Company's website: www.cebbank.com.
Websites for publication of H share annual report:
HKSE's website: www.hkex.com.hk,
Company's website: www.cebbank.com
Copies of annual report are available at: Office of the Board of Directors of the Bank
- (VII) Stock Exchanges for Listing of Shares:
A share: SSE
Abbreviated name: Everbright Bank; Stock code: 601818
H share: HKSE
Abbreviated name: CEB Bank; Stock code: 6818

(VIII) Change in Registration during the reporting period:

Initial registration date: June 18, 1992

Initial registration place: Beijing

Initial registration authority: Enterprise Registration Bureau of the State Administration for Industry & Commerce of the People's Republic of China

Date of change of registration: March 9, 2011

Changed registration place: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing

Business license registration number for enterprise legal person: 100000000011748

Code of financial authority: B0007H111000001

Tax registration No: 110102100011743

Code of organisation: 10001174-3

(IX) Changes in major businesses and controlling shareholders since the listing of A shares

There are no changes in major businesses since the listing of A shares of the Company. Please refer to the Chapter of "Significant Events" for details in relation to the changes in controlling shareholders.

(X) Auditors

Domestic Auditor: KPMG Huazhen (Special General Partnership)

Office Address: 8/F, Office Tower E2, Oriental Plaza, Beijing;

Certified Public Accountants for Signature: Jin Naiwen, Huang Aizhou

Overseas Auditor: KPMG

Office Address: 8/F, Prince's Building, No. 10, Charter Road, Central, Hong Kong

(XI) A Share Legal Advisor: Jun He Law Offices

H Share Legal Advisor: Herbert Smith Freehills

(XII) A Share Depository: Shanghai Branch, China Securities Depository and Clearing Corporation Limited

Office Address: 36/F, China Insurance Building, No. 166, Lujiazui East Road, Pudong New District, Shanghai

H Share Registrar: Computershare Hong Kong Investor Services Limited

Office Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

(XIII) H Share Compliance Advisor: China International Capital Corporation Hong Kong Securities Limited

Office Address: 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Honors and Awards

1. In January 2014, the Award Presentation Ceremony for the Chinese Financial Industry Leaders 2013 organized by JRJ.com was held in Beijing, at which the Bank won the Best Mobile Banking Award, the Best Credit Card Brand Award and the Best Asset Custodian Bank Award.
2. In January 2014, the 11th Financial Annual Champion Award Ceremony organized by hexun.com was held in Beijing, at which the Bank won the awards for the Best Internet Financial Innovative Bank for 2013, the Best Credit Card Brand for 2013, the Excellence Brand for Online Banking and the Excellence Brand for Mobile Banking.
3. In January 2014, results of the 2013 Chinese Financial Institutions Gold Medal List – Golden Dragon Award organized by the Financial News were announced. The Bank won the awards for the Best Joint-stock Bank of the Year, the Best E-bank of the Year and the Internet Innovative Bank of the Year.
4. In January 2014, the 6th China Corporate Social Responsibility Summit organized by Xinhuanet and the Research Centre for Corporate Social Responsibility of the Department of Economics at the Chinese Academy of Social Sciences was held in Beijing, at which the Bank won the award for 2013 China's Outstanding Enterprise for Corporate Social Responsibility.
5. In January 2014, the Bank's Card Centre won the 2013 Award for Outstanding Contributions from JCB International Credit Card Co. Ltd. In March 2014, the centre was named an "Integrity and Committed Entity that Emphasizes Quality, Creditability and Contract Compliance in the National Protection for the Interests of Consumers" at the ceremony for the selection of "Integrity and Committed Entities for the National Protection for the Interests of Consumers" on 15 March 2014 organized by the market survey centre of the China Association for Quality Promotion. In June 2014, the centre won the 2014 Industrial Leading Influential Brand Award at the 2014 (3rd) China Finance Summit & "Glory and Dream" influential brand release ceremony co-organized by 30 financial and mass media organizations such as China.com.cn and Chinanews.com.
6. In January 2014, results of the selection of the best banks for 2013 organized by Investor Journal were announced. The Bank's WeChat banking service was selected as the Best WeChat Banking.
7. In March 2014 at the 2014 China Wealth Management Summit Forum & the 6th Gold Wealth Management Award Presentation Ceremony organized by Shanghai Securities News, the Bank's "Sunshine Smart" brand was rated as the Best Banking Wealth Management Brand, while its private banking was rated as Private Banking with the Greatest Potential.



8. In March 2014, the China Internet Finance Champion List was announced at the Spring Summit of the China Internet Finance Conference. The Bank's "Yaoyao E-Payment" was rated as China Internet Finance Top 100 Brands. In June 2014 at the 2014 Internet Finance Summit Forum and Award Ceremony organized by Shanghai Securities News, the Bank's "Yaoyao E-Payment" won the Award for the Product with Best User Experience.
9. In June 2014, the Listed Company Gold Bull Awards organized by China Securities Journal were announced. The Bank continued to stay on the 2013 Gold Bull Listed Company Top 100 List.
10. In June 2014 at the ceremony for the release of the 2013 Social Responsibility Report on China Banking and in recognition of social responsibility organized by the China Banking Association, the Bank won the 2013 Best Social Responsibility Practice Case Award. In August 2014, the Bank received a President's Award for 2013-2014 from the Community Chest of Hong Kong.
11. In July 2014 at the Gold Bull Wealth Management Forum & 2013 Gold Bull Wealth Management Product Award Ceremony organized by China Securities Journal, the Bank's wealth management product "Stable Growth I" won the Gold Bull Bank Wealth Management Product Award (Net Value Type). In the same month, the Bank received an award for the Best Wealth Management Bank of the Year at the 2014 Banking Development Forum and the 2nd Banking Selection and Award Presentation Ceremony organized by Sina.com.
12. In August 2014, the Bank received the Best Asset Custodian Bank award at the 2014 China Asset Management Annual Conference & the 7th Century Asset Management Golden Shell Award Ceremony held by 21st Century Business Herald in Shanghai.
13. In September 2014, results of the selection of 2014 Chinese CFO's Most Trusted Banks organized by the CFO magazine were announced. The Bank won the Best Enterprise Annuity Service Award.



Honors and Awards

14. In September 2014, results of the selection of the “Win in China Brand 2013-2014” were announced at the 10th China Corporate Integrity & Competitiveness Forum Summit 2014 organized by Economy Magazine and other organizations. The Bank was named China’s Most Influential Joint-stock Bank in Small and Micro Financial Services, China Preferred Brand in terms of Customer Satisfaction for Financial Services of Small and Micro Enterprises, China Preferred Brand in terms of Customer Satisfaction for Overseas Financial Services and China’s Most Competitive Bank for Overseas Financial Services. In November 2014, on the 2014 China Small and Micro Finance List announced by National Business Daily, the Bank’s “Sunshine Easy Loan” was named 2014 Small and Micro Finance Excellence Brand. In December 2014 at the 9th Annual Conference on SME Entrepreneurs, the Bank was named 2014 Top Ten Nationwide Commercial Bank in Support of the Development of SMEs. “Sunshine Easy Loan”, a small and micro finance featured product of the Bank, was named 2014 Most Popular Featured Financial Product of Nationwide SMEs.
15. In November 2014 at the 2013-2014 China Excellence Financial Award presentation ceremony organized by Economic Observer, the Bank won the award for Excellent Personal Financial Service Bank of the Year.
16. In December 2014 at the eastmoney.com’s 2014 Eastmoney Top Banking Award Ceremony held in Shanghai, the Bank received an honour as the Most Innovative Bank 2014 and the Best Mobile Bank 2014.
17. In December 2014, results of the 15th China Best Financial IT Innovation selection organized by Securities Times were announced. The Bank won the award for the China’s Best Internet Innovative Bank 2014.
18. In December 2014, results of the “China Business News” Financial Value List sponsored and organized by China Business News were announced. The Bank won the awards for the Bank with the Best Brand Presentation and the Bank with the Best Brand Value Credit Card.

19. In December 2014 at the 2014 (12th) Annual Conference on the Competitiveness of Chinese Enterprises & the 2014 (6th) Award Presentation Ceremony for Financial Institutions of Excellent Competitiveness by China Business Journal in Beijing, the Bank won the awards for Competitive Brand Building Bank, Competitive Small and Micro Financial Service Bank and Excellent Pension Service Bank.
20. In December 2014, results of the 3rd Annual Award Ceremony for the “Chinese Financial Industry Leaders” organized by JRJ.com were announced. The Bank won the Best Chinese Bank Award, the Best Brand Award for Online Banking, the Best Service Award for Mobile Banking, the Best Retail Banking Award and the Best Private Banking Award.
21. In December 2014, the 2014 1st Financial Times Annual Conference & the Award Ceremony for the Gold List of Chinese Financial Institutions co-organized by the Financial News and the Finance Research Institute of the Chinese Academy of Social Sciences was held in Beijing. The Bank won the awards for the Best Technology Innovative Bank of the Year and the Best Credit Card Business Bank of the Year.

Chairman's Message



TANG Shuangning
Chairman

2014 was a year of challenges and opportunities as China's economy entered into the "new normal state".

In 2014, Everbright Group accomplished the decade-long restructuring and reform after much toil and effort.

In 2014, we fought our way out!

The Book of Changes says the receptive brings about sublime success. Aiming at sublime success, we named our group Everbright; and then under the Everbright Group, we established the Everbright Bank. The Everbright Group and the Bank were inseparable in a way that one cannot survive without the other. In virtue of that, the Everbright had a year with no regrets and remorse.

On 8 December 2014, Everbright Group announced the consummation of its restructuring, marking a new chapter for its development under the new name of "China Everbright Group Limited". Adopting vertical and horizontal approaches to enhance strategic planning and decision making, China Everbright Bank has laid a solid foundation for its future development by increasing capital, stabilizing scale, adjusting structure, improving quality, and strengthening management.



“ The Book of Changes says the receptive brings about sublime success. Aiming at sublime success, we named our group Everbright; and then under the Everbright Group, we established the Everbright Bank. The Everbright Group and the Bank were inseparable in a way that one cannot survive without the other. In virtue of that, the Everbright had a year with no regrets and remorse. ”

The market fluctuates from year to year. A good year is conducive to a company's business performance while a challenging year underlines its strengths and capabilities. Looking back, I would like to express my respect and admiration to the management and the staff of China Everbright Bank for their diligence and efforts as well as to the Board of China Everbright Bank for their vision and leadership amid the economic downturn and market liberalization.

As the new normal state has taken shape, the new Everbright has set sail. Where is it sailing for? Please look forward to our business performance in the year of 2015.

TANG Shuangning
Chairman of Board of Directors
27 March 2015

President's Message



ZHAO Huan
President

Adhering to the keynote of making progress while ensuring the stability, the Bank remained calm, overcame obstacles, deepened the reforms and promoted the development in the face of the complicated external conditions in 2014. In the operational practice, the Bank emphasized “structural adjustment, growth stability, risk prevention and efficiency improvement”. The Bank continued to solidify the foundation for development and maintain the overall positive growth momentum through upholding the “deposits-based” operation strategy, proactively strengthening the structural adjustments and comprehensively enhancing risk controls.

As at the end of 2014, the Group recorded the total assets of RMB2.74 trillion, up by 13.33% compared with the end of the previous year. The scale of various loans reached RMB1.3 trillion, up by 11.42% compared with the end of the previous year. The general deposit balance was RMB1.79 trillion, up by 11.22% compared with the end of the previous year. The net profit attributable to shareholders was RMB28.883 billion, up by 8.12%. The capital adequacy ratio stood at 11.21% and the core capital adequacy ratio at 9.34%. The provision coverage ratio was 180.52%, with the provision-to-loan ratio stood at 2.16%. The Bank achieved its target of continued business growth with stability. Meanwhile, the brand image and brand value further improved as the Bank was ranked No. 59 in the “Top 1000 World Banks” by U.K. magazine *Banker* with a leap of 16 places from last year. According to the Best China Brands released by Interbrand, a leading global brand consultant, the Bank was ranked No. 40 with a brand value of RMB34.5 billion.

“Adhering to the keynote of making progress while ensuring the stability, the Bank remained calm, overcame obstacles, deepened the reforms and promoted the development in the face of the complicated external conditions in 2014. In the operational practice, the Bank emphasized “structural adjustment, growth stability, risk prevention and efficiency improvement”. The Bank continued to solidify the foundation for development and maintain the overall positive growth momentum through upholding the “deposits-based” operation strategy, proactively strengthening the structural adjustments and comprehensively enhancing risk controls.”

These hard-won results were achieved by all of the Company's employees who faced challenges with courage and aggressiveness, together with supports from our clients (new or existing), shareholders and all sectors in the community. On behalf of the Bank, I would like to express our heartfelt gratitude to all those who showed care and support to the Company's business development, and all the Company's employees who worked hard in the field.

In 2015, the Bank will grasp the opportunities from Everbright Group's successful reform and restructuring while sticking to the keynote of “making progress while maintaining stability”. The Bank will actively adapt to the economic “new normal state” on the basis of stabilizing the pace of development and quality of assets, with an aim to make contributions to the national strategic plans, the development of the real economy and the social financial needs. In addition, the Bank will accelerate the business transformation, adjust the development approaches, and strengthen the structural adjustments while promoting the strategic international presence and infrastructure development, enhancing the capabilities to expand the market share, advance innovative development and enforce the rule of law. The Bank will strive for a balanced development of the size, quality and efficiency of the business, and further improve the market position and brand value, so as to reward our shareholders and the society with better results.

ZHAO Huan

President

27 March 2015

Summary of Accounting Data and Financial Indicators

I. Key financial data and indicators

	2014	2013	Change (%)	2012	2011	2010
Operating performance (RMB million)						
Net interest income	58,259	50,862	14.54	50,263	39,440	30,423
Net fee and commission income	19,157	14,952	28.12	9,479	6,973	4,709
Operating income	78,771	65,527	20.21	60,070	46,198	35,728
Operating expenses	(30,008)	(26,473)	13.35	(22,685)	(18,289)	(15,126)
Impairment losses on assets	(10,209)	(4,633)	120.35	(5,795)	(3,698)	(3,491)
Profit before tax	38,554	34,421	12.01	31,590	24,211	17,111
Net profit	28,928	26,754	8.13	23,620	18,085	12,794
Net profit attributable to equity shareholders of the Bank	28,883	26,715	8.12	23,591	18,068	12,791
Scale indicators (RMB million)						
Total assets	2,737,010	2,415,086	13.33	2,279,295	1,733,346	1,483,950
Net loans and advances to customers	1,271,430	1,142,138	11.32	997,331	868,782	760,555
Total liabilities	2,557,527	2,262,034	13.06	2,164,973	1,637,196	1,402,487
Deposits from customers	1,785,337	1,605,278	11.22	1,426,941	1,225,278	1,063,180
Equity attributable to equity shareholders of the Bank	178,975	152,839	17.10	114,178	96,035	81,365
Share capital	46,679	46,277	0.87	40,435	40,435	40,435
Per share (in RMB)						
Net assets per share attributable to equity shareholders of the Bank	3.83	3.30	16.06	2.82	2.38	2.01
Basic and diluted earnings per share	0.62	0.66	-6.06	0.58	0.45	0.36
Profitability indicators (%)						
Return on average total assets	1.12	1.14	-0.02 percentage point	1.18	1.12	0.95
Return on average net assets	17.36	21.48	-4.12 percentage point	22.54	20.44	20.99
Net interest spread	2.06	1.96	+0.1 percentage point	2.34	2.30	2.06
Net interest margin	2.30	2.16	+0.14 percentage point	2.54	2.49	2.17
Proportion of fee and commission income in operation income	24.32	22.82	+1.5 percentage point	15.78	15.09	13.18
Cost-to-income ratio	30.02	31.84	-1.82 percentage point	30.19	32.12	35.53

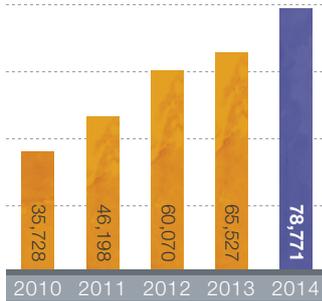
	2014	2013	Change (%)	2012	2011	2010
Capital adequacy indicators(%)						
Core capital adequacy ratio	9.34	9.11	+0.23 percentage point	8.00	7.89	8.15
Capital adequacy ratio	11.21	10.57	+0.64 percentage point	10.99	10.57	11.02
Proportion of total equity in total assets	6.56	6.34	+0.22 percentage point	5.02	5.55	5.49
Asset quality indicators(%)						
Non-performing loan ratio percentage point	1.19	0.86	+0.33	0.74	0.64	0.75
Provision coverage ratio	180.52	241.02	-60.50 percentage point	339.63	367.00	313.38
Provision-to-loan ratio	2.16	2.07	+0.09 percentage point	2.53	2.36	2.34

Note: Capital adequacy ratios for 2014 and 2013 were calculated in accordance with the new measures. Capital adequacy ratio for 2010-2012 were calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks(released by the CBRC on December 28, 2006).

Summary of Accounting Data and Financial Indicators

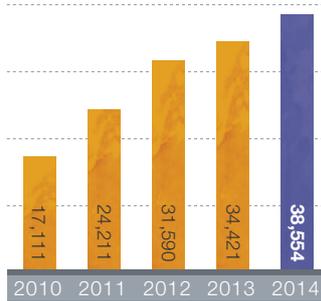
Operating income

Unit: RMB million



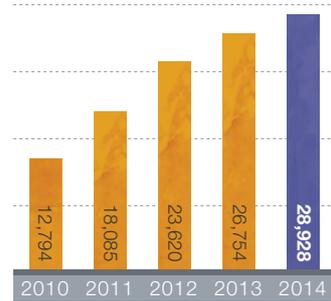
Profit before tax

Unit: RMB million



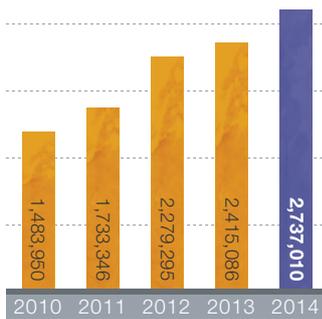
Net profit

Unit: RMB million



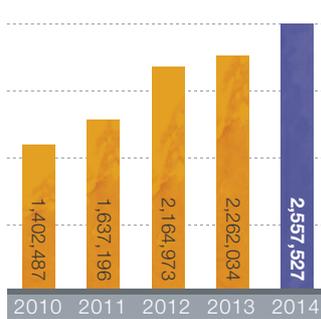
Total assets

Unit: RMB million



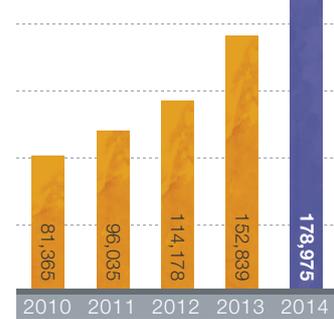
Total Liabilities

Unit: RMB million



Equity attributable to equity shareholders of the Bank

Unit: RMB million



II. Supplementary Financial Indicators

Unit:%

Item		Standard value	31 December 2014	31 December 2013	31 December 2012
Liquidity ratio	RMB	≥25	45.90	33.12	51.25
	Foreign currency	≥25	109.61	59.65	45.88
Loan to deposit ratio	RMB	≤75	70.86	72.06	71.50
	Currencies converted into RMB	≤75	70.10	72.59	71.52
Loan exposure to single largest customer		≤10	3.05	3.70	4.39
Loan exposure to top ten customers		≤50	15.19	18.92	23.73

Note: The above indicators of the Bank are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the corresponding period.

Summary of Accounting Data and Financial Indicators

III. Capital Composition under New Measures

Capital adequacy ratios calculated in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* (released by the CBRC on June 7, 2012) are as follows:

Unit: RMB million, %

Item	31 December 2014		31 December 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net capital base	212,719	208,280	175,351	173,178
1.1 Core tier-1 capital	179,356	177,853	153,037	152,090
1.2 Core tier-1 capital deductions	(2,085)	(4,955)	(1,920)	(2,742)
1.3 Net core tier-1 capital	177,271	172,898	151,117	149,348
1.4 Other tier-1 capitals	10	–	4	–
1.5 Other tier-1 capital deductions	–	–	–	–
1.6 Net tier-1 capital	177,281	172,898	151,121	149,348
1.7 Tier-2 capital	35,438	35,382	24,230	23,830
1.8 Tier-2 capital deductions	–	–	–	–
2. Credit risk weighted asset	1,766,454	1,744,119	1,546,021	1,530,287
3. Market risk weighted asset	4,400	4,400	5,749	5,749
4. Operational risk weighted asset	127,377	126,051	107,091	106,041
5. Total risk weighted assets	1,898,231	1,874,570	1,658,861	1,642,077
6. Core tier-1 capital adequacy ratio	9.34	9.22	9.11	9.10
7. Tier-1 capital adequacy ratio	9.34	9.22	9.11	9.10
8. Capital adequacy ratio	11.21	11.11	10.57	10.55

- Note:
- In accordance with the relevant provisions as stipulated in Articles 174 and 175 of the Regulation Governing Capital of Commercial Banks (Provisional), commercial banks, during the compliance transition period, should calculate and disclose the consolidated and non-consolidated capital adequacy ratios according to the Regulation Governing Capital Adequacy of Commercial Banks and this Regulation, and make clear relevant information disclosure contents. The above are relevant data and information of consolidated and non-consolidated capital adequacy ratios calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).
 - All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the Provisional Regulation, should calculate the consolidated capital adequacy ratios. The invested financial institutions within the scope of consolidated management include Everbright Financial Leasing Co., Ltd., Shaoshan Everbright Village Bank Co., Ltd., and Jiangsu Huai'an Everbright Village Bank Co., Ltd.
 - Core tier-1 net capital = Core tier-1 capital – Core tier-1 capital deductions; Net tier-1 capital = Net core tier-1 capital + Other tier-1 capitals – Other tier-1 capital deductions; Total net capital = Net tier-1 capital + Tier-2 capital – Tier-2 capital deductions.
 - As at the end of the reporting period, the aggregate amount of risk exposure of the Bank's credit risk asset portfolio after mitigation was RMB3,088,494 million.
 - Please refer to the website of the Bank for details of the capital composition.

Report of the Board of Directors

I. Management Discussion and Analysis

(I) Economic, Financial and Regulatory Environment

The world economy continued to revive in 2014, although vulnerabilities remained in the foundation of global recovery. In contrast with a faster momentum of growth in the United States, the Eurozone seemed lackluster and Japan faltered in the doldrums, mixed with prominent structural weaknesses across emerging markets and a grim outlook for Russia. International commodities led by petroleum began to bottom off after price slumps.

China's macro economy, while signaling positive progress amid steady paces with major metrics within a reasonable range and growth staying ahead worldwide, has headed into a "new normal state" under the elevated downward pressure.

Monetary policies remained stable, witnessed by a stable growth in lending of financial institutions, the increased total financing size and advancement of the deposit insurance system. As the interest rate liberalization was stepped up, monetary control entered a spiral of interest rate cuts as reflected by a significant growth year-on-year in bond issuance as well as the surging turnover of equities. Financial regulatory policies were refined to better regulate interbank businesses and promote standardized innovations in asset and liability operations. The deposit deviation indicator was introduced, together with the revised calculation of loan to deposit ratio and the optimized repayment term for small and macro enterprises.

Looking forward, when 2015 will be a prolonged post-crisis correction period for the world economy, it should be less likely to see a fundamental improvement in the weak recovery course given the uncertainties in monetary policies of major countries, trade and investments and commodity prices. In the "new normal state", China is to shift its growth base from traditional drivers to new frontlines, paying higher attention to stable growth under the key note of "advancing in stability". To extend the headroom for development, the Silk Road Economic Belt and the 21st Century Maritime Silk Road are expected to make substantive progress, and specific measures should be rolled out for the integration of Beijing-Tianjin-Hebei and the Yangtze River Economic Belt. Monetary policies are to remain moderately easy with the prudent key note, whilst more proactive fiscal policies are expected.

(II) Review of Main Work during the Reporting Period

1. Developed liabilities business vigorously

Under the "deposits-based" strategy with a focus on stabilizing the weight of core deposits, the Company vigorously developed core liabilities through continuous structural optimization and steady expansion in scale. As at the end of the reporting period, the balance of the Company's general deposits reached RMB1.79 trillion, with a significant improvement in the weight of core deposits. The optimized liabilities structure led to the Company's steadily improved net interest spread and profitability. Meanwhile, the Company strengthened monitoring and management on deposit deviation to ensure that it is in compliance with regulatory requirements.

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2. Stepped up the rebalancing of credit portfolio

Actively following credit requirements under the national prudent monetary policies, the Company adopted an approach of “plan management, upper limit control, balanced granting and dynamic adjustments” on total loans to ensure a balanced and steady growth in total credit portfolio. Diversified financing services were provided to the real economy through investment banking, asset management, interbank and leasing channels. The national credit guidelines was finalized and new loans were selectively granted to major infrastructure construction, urbanization projects, qualified small and micro enterprises and the agriculture-related industries. The demand of consumer and housing credit sector were supported with the balances of retail loans, credit card overdrafts and personal mortgage loans grew rapidly.

3. Defended the bottom line for risk management

The Company attached great importance to identification, control and mitigation of key risks. Exercising strict control over credit risk, the Company was active in adjusting the credit portfolio, to contain the credit exposure increase in industries with excess production capacity and commodity trading; and strengthened risk mitigation for key regions, sectors and customers. Keeping mindful of liquidity and market risks, the Company established a centralized group-wide liquidity management mechanism and improved cash flow forecast; and strictly managed market risk limit with enhanced active management, thus ensuring the liquidity and market risk tolerance indicators within the thresholds. With heightened oversight on operational and legal case risks, the Company defined internal control accountabilities to mend loopholes in system, improve management mechanism and effectively prevent legal cases.

4. Enhanced product innovations

Clinging to the innovation-driven approach, the Company continued to improve the innovation mechanism to foster new growth drivers. The Company’s corporate banking business developed “Smart Interest Earner” and “Corporate Payment Card, supported the General Administration of Customs to upgrade the clearance system for the integration of Beijing-Tianjin-Hebei, and became one the first members of the regional bank guarantee alliance. The Company’s retail banking business launched the first wealth management product based on quantitative hedging portfolio; and the E-banking arm rolled out “Cloud Payment” platform, a well-positioned brand to facilitate cross-border partnership with the renown Internet giants. Furthermore, the Company continued to promote strategic innovations in investment banking, asset management, custody and credit card segments, to increase the fee-based income from settlement, agency and transaction services.

5. Pushed forward channel development in an orderly way

The Company continued to develop both physical outlets and electronic channels. Outlet network expansion at prefecture level was expedited, with additional 9 tier-2 branches and 90 outlets in the year. Responding to the call on Shanghai Free Trade Zone, the Company’s sub-branch in the Shanghai Free Trade Zone was upgraded to a tier-2 branch. To cater for the “last mile” consumer needs for financial services, the Company refined management on banking outlets in communities, and established 481 community banking outlets during the year. We comprehensively enhanced the construction of E-banking channels, and we offer products and services through online, mobile, telephone, WeChat and other remote or electronic banking. We are ranking ahead among peers in terms of the number and amount of transactions and the diversion rate of counter-based transactions in the year.

6. Strengthened the construction of the information system

On an independent and controllable basis, the Company pushed ahead with system integration to provide a strong support to business operations. The Company completed key projects including the Enterprise Customer Information File (ECIF) system for corporate banking and the private banking system to improve customer service capabilities; upgraded and transformed the bond trading system with stock exchanges, futures margin deposit system and the IC bankcard system to advance product innovation and optimization; further refined the customer risk alert system and the interbank assets and liabilities management system to improve the risk alert and prevention capabilities; and accelerated the development of nationwide centralized operation system, completed the 2nd generation payment system and optimized the customer pricing management system to improve operational efficiency.

7. Reinforced capital management and replenishment

While strictly implementing compliance with the New Basel Accord, the Company started a consulting project on retail verification and compliance self-assessment, improved compliance documentation and the risk asset measuring system, and completed the quantitative impact study (QIS) using old standardized approaches, new standardized approaches and advanced approaches. Under the Advanced Approaches and Compliance Scheme for Capital Management, the Company comprehensively initiated an internal capital adequacy assessment process to strengthen daily monitoring and alerts on capital adequacy, and updated the Company's capital replenishment plan for the next 3 to 5 years. Seizing favorable market opportunities, the Company issued tier-2 capital bonds with principal of RMB16.2 billion to replenish the Company's capital strength. As at the end of the year, the Company's capital adequacy ratio and core capital adequacy ratio both satisfied regulatory requirements.

(III) Overall operations

During the reporting period, under the guidance of the Board, the Company laid emphasis both on business development and risk management under the "deposit-based" strategy, and desirable business results were achieved. With steady growth in assets and liabilities, the Company attained new progress in structural optimization, a profit growth in line with expectations and asset quality as scheduled, leading to stronger risk resistance capacity and further enhancing the Company's brand image and market value.

1. Steady growth of business scale with strengthened structural adjustment

As at the end of the reporting period, the total assets of the Group were RMB2,737,010 million, representing an increase of RMB321,924 million, or 13.33% as compared with those at the end of the previous year. The total liabilities were RMB2,557,527 million, representing an increase of RMB295,493 million or 13.06% as compared with the end of the previous year. Total deposits from customers were RMB1,785,337 million, representing an increase of RMB180,059 million or 11.22% as compared with the end of the previous year. Total loans and advances were RMB1,299,455 million, representing an increase of RMB133,145 million or 11.42% as compared with those at the end of the previous year. Loan-to-deposit ratio of currencies converted into RMB was 70.10%, which was well controlled within the statutory limit. Retail loan accounted for 35.28% of total loans and advances, representing an increase of 1.72 percentage points as compared with those at the end of the previous year, showing a significant adjustment in the loan structure.

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2. Continuous increase of operation income and optimization of income structure

During the reporting period, operation income of the Group was RMB78,771 million, representing an increase of RMB13,244 million or 20.21% as compared with the previous year. Actual operating expenses were RMB30,008 million, representing an increase of RMB3,535 million or 13.35% as compared with the previous year. Profit before tax was RMB38,554 million, representing an increase of RMB4,133 million or 12.01% as compared with the previous year. Net profit was RMB28,928 million, representing an increase of RMB2,174 million or 8.13% as compared with the previous year.

During the reporting period, net fee and commission income of the Group was RMB19,157 million, representing a year-on-year increase of RMB4,205 million or 28.12%, and becoming the main driver for the increase of net operating income. The proportion of net fee and commission income to net operating income reached 24.32%, representing a year-on-year increase of 1.50 percentage points. The income structure was optimized.

3. Stable asset quality and overall controllable risks

As at the end of the reporting period, the Group's non-performing loans were RMB15,525 million, representing an increase of RMB5,496 million as compared with the end of the previous year. Non-performing loan ratio was 1.19%, up by 0.33 percentage points as compared with the end of the previous year. Credit provision coverage ratio was 180.52%, down by 60.50 percentage points as compared with the end of the previous year.

4. Successful issuance of tier-2 capital bonds and improvement in capital adequacy

As at the end of the reporting period, the Group's capital adequacy ratio reached 11.21%, up by 0.64 percentage points as compared with that at the end of the previous year. Core tier-1 capital adequacy ratio and tier-1 capital adequacy ratio was 9.34%, up by 0.23 percentage points as compared with that at the end of the previous year.

(IV) Income Statement Analysis

1. Changes in items of Income Statement

Unit: RMB million

Item	2014	2013	Change
Net interest income	58,259	50,862	7,397
Net fee and commission income	19,157	14,952	4,205
Net trading gains/(losses)	1,279	(1,090)	2,369
Dividend income	3	3	–
Net (losses)/gains arising from investment securities	(99)	88	(187)
Net foreign exchange (losses)/gains	(210)	367	(577)
Other operating income	382	345	37
Operating expenses	30,008	26,473	3,535
Impairment losses on assets	10,209	4,633	5,576
Profit before tax	38,554	34,421	4,133
Income tax	9,626	7,667	1,959
Net profit	28,928	26,754	2,174
Net profit attributable to Equity shareholders of the Bank	28,883	26,715	2,168

2. Operating income

During the reporting period, operation income of the Group was RMB78,771 million, representing an increase of RMB13,244 million or 20.21% as compared with the previous year, mainly due to the increase of net interest income and net fee and commission income. During the reporting period, the proportion of net fee and commission income was 24.32%, representing a year-on-year increase of 1.50 percentage points. The proportion of net interest income was 73.96%, down by 3.66 percentage points as compared with the previous year.

The following table sets out the comparison of the composition of the Group's operating income between 2014 and 2013.

Unit: %

Item	2014	2013
Net interest income	73.96	77.62
Net fee and commission income	24.32	22.82
Other income	1.72	(0.44)
Total net operating income	100.00	100.00

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3. Net interest income

During the reporting period, the Group's net interest income was RMB58,259 million, representing a year-on-year increase of RMB7,397 million or 14.54%, mainly attributable to the continuous growth of operation scale and year-on-year increase in net interest margin.

The Group's net interest spread was 2.06%, representing a year-on-year increase of 10 base points. Net interest margin was 2.30%, representing a year-on-year increase of 14 base points. The main reasons for such increases are as follows: (i) significant improvement in the yield of investments and placements and deposits with banks and other financial institutions; (ii) the accelerated growth of deposit and loans with higher interest spread accounted for greater proportion and heightened overall interest margin level.

Unit: RMB million, %

Item	2014			2013		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
Interest-earning assets						
Loans and advances	1,268,646	79,880	6.30	1,128,800	70,608	6.26
Investments	565,889	29,494	5.21	548,717	27,349	4.98
Deposits with the Central Bank	334,135	5,034	1.51	304,775	4,535	1.49
Placements and deposits with banks and other financial institutions	360,092	19,518	5.42	372,596	17,590	4.72
Total interest-earning assets	2,528,762	133,926	5.30	2,354,888	120,082	5.10
Interest income		133,926			120,082	
Interest-bearing liabilities						
Deposits from customers	1,684,370	45,911	2.73	1,497,953	37,617	2.51
Placements and deposits from banks and other financial institutions	591,536	27,188	4.60	655,386	29,508	4.50
Debt securities issued	56,611	2,568	4.54	47,849	2,095	4.38
Total interest-bearing liabilities	2,332,517	75,667	3.24	2,201,188	69,220	3.14
Interest expense		75,667			69,220	
Net interest income		58,259			50,862	
Net interest spread			2.06			1.96
Net interest margin			2.30			2.16

Note: 1. Net interest spread is the difference between average yield of total interest-earning assets and average cost of total interest-bearing liabilities;

2. Net interest margin is net interest income divided by the average balance of total interest-earning assets.

The following table sets forth the breakdown of changes in interest income and interest expense of the Group due to changes in business scale and the interest rate in 2014.

Unit: RMB million

Item	Volume	Interest rate	Changes in interest
Loans and advances	8,805	467	9,272
Investments	895	1,250	2,145
Deposits with the Central Bank	442	57	499
Placements and deposits with banks and other financial institutions	(678)	2,606	1,928
Interest-earning assets	9,209	4,635	13,844
Changes in interest income			13,844
Deposits from customers	5,081	3,213	8,294
Placements and deposits from banks and other financial institutions	(2,935)	615	(2,320)
Debt securities issued	397	76	473
Interest-bearing liabilities	4,260	2,187	6,447
Changes in interest expense			6,447
Net interest income			7,397

4. Interest income

During the reporting period, the Group's interest income was RMB133,926 million, representing a year-on-year increase of RMB13,844 million or 11.53%, mainly due to the interest income from loans and advances.

(1) Interest income from loans and advances

During the reporting period, the Group's interest income from loans and advances was RMB79,880 million, representing a year-on-year increase of RMB9,272 million or 13.13%, mainly due to (i) the steady development of business with a larger volume of loans and advances, and (ii) the loan structural adjustment that resulted in more investments in high-yield products such as small and micro loans, which in turn lifted the overall yields of loans and advances.

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The following table sets forth the average balance, interest income, and average yield of major types of loans and advances of the Group in 2014:

Unit: RMB million, %

Item	2014			2013		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	811,303	51,851	6.39	748,788	47,281	6.31
Retail loans	432,880	27,027	6.24	360,320	22,067	6.12
Discounted bills	24,463	1,002	4.10	19,692	1,260	6.40
Loans and advances	1,268,646	79,880	6.30	1,128,800	70,608	6.26

(2) Interest income from investments

The Group's interest income from investments was RMB29,494 million, representing a year-on-year increase of RMB2,145 million or 7.84%.

(3) Interest income from placements and deposits with banks and other financial institutions and financial assets held under resale agreements.

The Group's interest income from placements and deposits with financial institutions and assets held under resale agreements was RMB19,518 million, representing a year-on-year increase of RMB1,928 million or 10.96%.

5. Interest expense

The Group's interest expense was RMB75,667 million, representing a year-on-year increase of RMB6,447 million or 9.31%, mainly due to the increase of interest expense on deposits from customers.

(1) Interest expense on deposits from customers

During the reporting period, interest expense on deposits from customers was RMB45,911 million, representing a year-on-year increase of RMB8,294 million or 22.05%, mainly due to two factors: (i) along with steady business development, deposits from customers increased as compared with the previous year; and (ii) impacted by the accelerated interest rate liberalization, the deposit interest rates further floated upward, together with more time deposits and wealth management, which increased the deposit costs.

The following table sets forth the average balance, average cost and interest expense for major types of deposits from customers of the Group in 2014:

Unit: RMB million, %

Item	2014			2013		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
Corporate deposits	1,286,024	33,537	2.61	1,171,533	29,155	2.49
Including: Corporate demand deposits	437,277	3,145	0.72	418,500	2,931	0.70
Corporate time deposits	848,747	30,392	3.58	753,033	26,224	3.48
Retail deposits	398,346	12,374	3.11	326,420	8,462	2.59
Including: Retail demand deposits	96,676	597	0.62	84,124	416	0.49
Retail time deposits	301,670	11,777	3.90	242,296	8,046	3.32
Total deposits from customers	1,684,370	45,911	2.73	1,497,953	37,617	2.51

- (2) Interest expense on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements

During the reporting period, the interest expense on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements of the Group was RMB27,188 million, representing a year-on-year decrease of RMB2,320 million or 7.86%.

- (3) Interest expense on debt securities issued

The Group's interest expense on debt securities issued was RMB2,568 million, representing a year-on-year increase of RMB473 million or 22.58%.

6. Net fee and commission income

During the reporting period, the Group's net fee and commission income was RMB19,157 million, representing a year-on-year increase of RMB4,205 million or 28.12%, mainly due to the significant increase of bank card service fees and wealth management service fees. Due to the increase of income from the credit card business, the bank's card service fees represented a year-on-year increase of RMB2,703 million or 38.16%. Due to expansion of wealth management business, wealth management service fees represented a year-on-year increase of RMB1,064 million or 46.56%.

The aggregate amount of service fees from various agent businesses of the Bank (excluding the custody services) was RMB847 million. Among them, agent service fees from bank security and trust businesses amounted to RMB259 million, accounting for 30.58%; agency service fees from precious metal business amounted to RMB234 million, accounting for 27.63%; insurance agency service fees amounted to RMB112 million, accounting for 13.22%.

The following table sets forth the major components of net fee and commission income of the Group in 2014:

Unit: RMB million

Item	2014	2013
Fee and commission income	20,445	15,762
Underwriting and advisory fees	1,701	1,885
Bank card service fees	9,787	7,084
Settlement and clearing fees	1,824	1,590
Wealth management service fees	3,349	2,285
Acceptance and guarantee fees	1,134	901
Agency service fees	847	787
Custody and other fiduciary business fees	1,065	804
Others	738	426
Fee and commission expense	(1,288)	(810)
Net fee and commission income	19,157	14,952

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7. Other income

The Group's other income were RMB1,355 million, representing a year-on-year increase of RMB1,642 million, mainly due to increase in net trading gains as a result of changes in market conditions.

The following table sets forth the major components of other incomes.

Unit: RMB million

Item	2014	2013
Net trading gains/(losses)	1,279	(1,090)
Dividend income	3	3
Net (losses)/gains from investment securities	(99)	88
Net foreign exchange (losses)/gains	(210)	367
Other operating income	382	345
Total	1,355	(287)

8. Operating expenses

During the reporting period, the Group's operating expenses were RMB30,008 million, representing a year-on-year increase of RMB3,535 million or 13.35%. Cost-to-income ratio was 30.02%, representing a year-on-year decrease of 1.82 percentage points. During the reporting period, staff costs, which were the largest proportion of operating expenses amounted to RMB13,360 million, representing a year-on-year increase of RMB1,670 million or 14.29%, mainly due to the increase in the number of branches and employees.

The following table sets forth the major components of operating expenses:

Unit: RMB million

Item	2014	2013
Staff costs	13,360	11,690
Premises and equipment expenses	4,084	3,366
Business tax and surcharges	6,361	5,607
Others	6,203	5,810
Total	30,008	26,473

9. Impairment losses on assets

During the reporting period, impairment losses on assets were RMB10,209 million, representing a year-on-year increase of RMB5,576 million or 120.35%.

The following table sets forth the major components of impairment losses on assets:

Unit: RMB million

Item	2014	2013
Impairment losses on loans and advances	9,981	4,336
Impairment release on held-to-maturity investments	(252)	(30)
Impairment (release)/losses on available-for-sale financial assets	(13)	4
Impairment losses on debt securities classified as receivables	207	–
Others	286	323
Total impairment losses on assets	10,209	4,633

10. Income tax

During the reporting period, income tax was RMB9,626 million, representing a year-on-year increase of RMB1,959 million or 25.55%.

(V) Balance Sheet Analysis

1. Assets

At the end of the reporting period, the total assets of the Bank reached RMB2,737,010 million, representing an increase of RMB321,924 million or 13.33% as compared with the end of the previous year, mainly due to the increase in loans and advances, investment in securities and other financial assets, placements with banks and other financial institutions, and financial assets held under resale agreements, and other items.

The following table sets forth the composition of total assets of the Group at the end of the reporting period:

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Total loans and advances	1,299,455		1,166,310	
Provision for impairment of loans	(28,025)		(24,172)	
Net loans and advances	1,271,430	46.45	1,142,138	47.29
Deposits with banks and other financial institutions	40,316	1.47	67,153	2.78
Cash and deposits with Central Bank	354,185	12.94	312,643	12.95
Investment in securities and other financial assets	589,626	21.54	494,927	20.49
Placements with banks and other financial institutions, and financial assets held under resale agreements	419,415	15.33	293,473	12.15
Interests receivable	14,621	0.53	13,074	0.54
Fixed assets	13,043	0.48	12,629	0.52
Goodwill	1,281	0.05	1,281	0.05
Deferred tax assets	3,034	0.11	4,015	0.17
Other assets	30,059	1.10	73,753	3.06
Total assets	2,737,010	100.00	2,415,086	100.00

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(1) Loans and advances

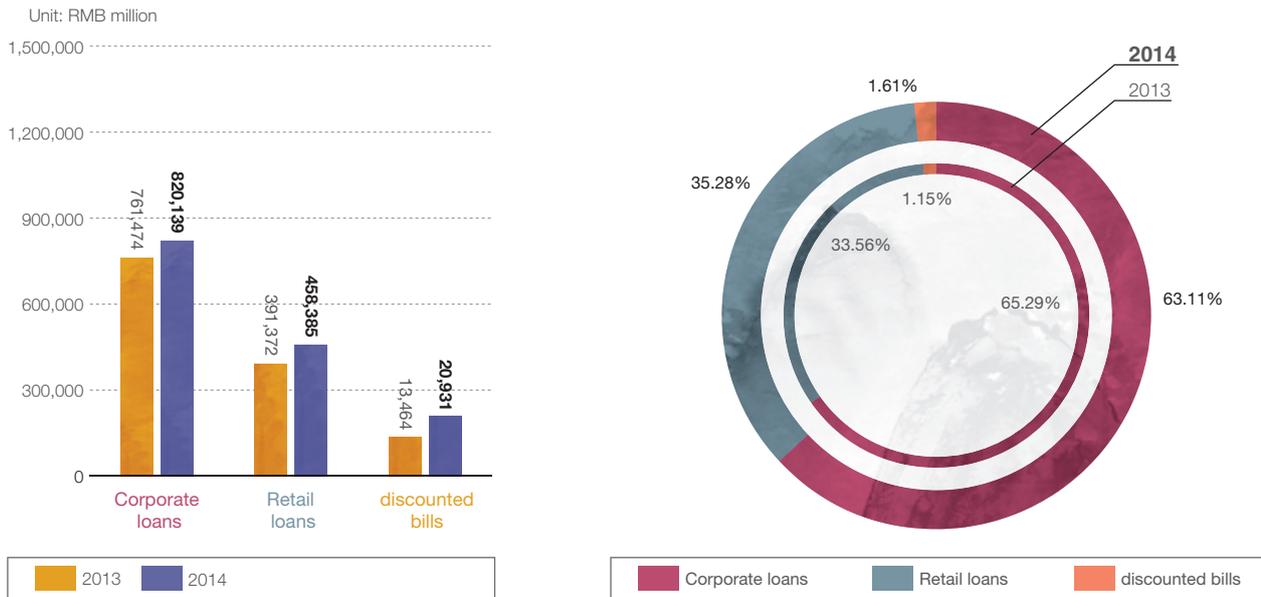
As at the end of the reporting period, the Group's total loans and advances were RMB1,299,455 million, representing an increase of RMB133,145 million or 11.42%, as compared with the end of the previous year. The loan structure was adjusted significantly: the percentages of corporate loans and discounted bills decreased while that of the retail loans increased.

The following table sets forth the major components of the Group's loans and advances:

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Corporate loans	820,139	63.11	761,474	65.29
Retail loans	458,385	35.28	391,372	33.56
Discounted bills	20,931	1.61	13,464	1.15
Total loans and advances	1,299,455	100.00	1,166,310	100.00

Major items of loans and advances to customers of the Group as at the end of the reporting period



(2) Investments

As at the end of the reporting period, the Group's investment in securities and other financial assets was RMB589,626 million, representing an increase of RMB94,699 million as compared with the end of the previous year, accounting for 21.54% of total assets, and representing an increase of 1.05 percentage points, as compared with the end of the previous year.

The following table sets forth the major components of the Group's investment in securities and other financial assets:

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	4,377	0.74	12,490	2.52
Positive fair value of derivatives	1,082	0.18	1,870	0.38
Available-for-sale financial assets	138,559	23.50	111,948	22.62
Held-to-maturity investments	111,697	18.94	105,920	21.40
Debt securities classified as receivables	333,911	56.64	262,699	53.08
Total investment in securities and other financial assets	589,626	100.00	494,927	100.00

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(3) Types and amounts of financial bonds held

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	454	1.25	6,315	15.14
Available-for-sale financial assets	14,981	41.27	7,568	18.14
Held-to-maturity investments	20,861	57.48	27,831	66.72
Total	36,296	100.00	41,714	100.00

(4) Top 10 financial bonds held

Unit: RMB million, %

Name of bonds	Nominal value	Current interest rate	Expiring date	Provision for impairment Losses
Bond 1	2,412	One-year time deposit interest rate+0.72	2015-04-27	–
Bond 2	1,690	4.89	2016-10-24	–
Bond 3	1,460	5-day average of 3-month Shibor+0.3	2016-06-16	–
Bond 4	1,160	4.23	2021-11-05	–
Bond 5	1,070	5-day average of 3-month Shibor-0.20	2018-06-09	–
Bond 6	1,050	4.04	2019-07-22	–
Bond 7	1,050	One-year time deposit interest rate+0.7	2019-09-23	–
Bond 8	1,040	3.42	2015-08-02	–
Bond 9	960	One-year time deposit interest rate+0.65	2015-03-20	–
Bond 10	940	3.42	2018-11-25	–

(5) Goodwill

The Group's goodwill cost was RMB6,019 million. As at the end of the reporting period, the provision for impairment losses on goodwill was RMB4,738 million, and the carrying value of goodwill was RMB1,281 million, which was the same as that at the end of the previous year.

2. Liabilities

As at the end of the reporting period, the Group's total liabilities reached RMB2,557,527 million, representing an increase of RMB295,493 million or 13.06% as compared with the end of the previous year, mainly due to the increase of deposits from customers.

The following table sets forth the composition of the Group's total liabilities:

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Due to the Central Bank	30,040	1.17	–	–
Deposits from customers	1,785,337	69.81	1,605,278	70.97
Deposits from banks and other financial institutions	507,187	19.83	438,604	19.39
Placements from banks and other financial institutions, and financial assets sold under repurchase agreements	88,516	3.46	113,981	5.04
Negative fair value of derivatives	781	0.03	2,465	0.11
Accrued staff costs	9,668	0.38	8,149	0.36
Taxes payable	3,829	0.15	2,605	0.12
Interests payable	29,950	1.17	20,949	0.93
Debt securities issued	89,676	3.51	42,247	1.87
Other liabilities	12,543	0.49	27,756	1.21
Total liabilities	2,557,527	100.00	2,262,034	100.00

Note: Deposits from customers include structured deposits measured at fair value as specified, same hereinafter.

As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB1,785,337 million, representing an increase of RMB180,059 million or 11.22%, as compared with the end of the previous year.

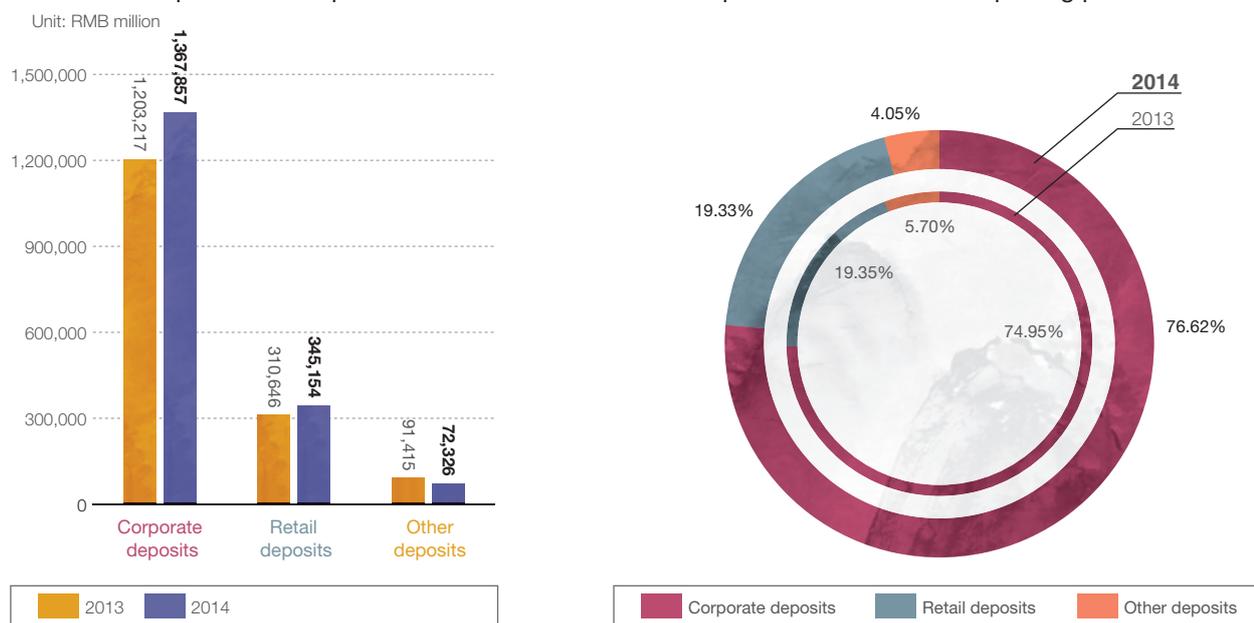
The following table sets forth the composition of the Group' deposits from customers:

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Corporate deposits	1,367,857	76.62	1,203,217	74.95
Including: Corporate demand deposits	486,562	27.26	434,902	27.09
Corporate time deposits	881,295	49.36	768,315	47.86
Retail deposits	345,154	19.33	310,646	19.35
Including: Retail demand deposits	119,794	6.71	104,140	6.49
Retail time deposits	225,360	12.62	206,506	12.86
Other deposits	72,326	4.05	91,415	5.70
Total deposits from customers	1,785,337	100.00	1,605,278	100.00

Report of the Board of Directors

Composition of deposits from customers of the Group as at the end of the reporting period



3. Equity of shareholders

As at the end of the reporting period, the equity attributable to equity shareholders of the Bank was RMB178,975 million, representing an increase of RMB26,136 million as compared with the end of the previous year. It was mainly due to (i) the increase of net profit attributable to equity shareholders of the Bank by RMB28,883 million; (ii) the decrease of equity by RMB8,029 million due to the distribution of dividend for 2013.

The following table sets forth the composition of the equity attributable to equity shareholders of the Bank:

Unit: RMB million

Item	December 31, 2014	December 31, 2013
Share capital	46,679	46,277
Capital reserve	33,365	32,537
Other comprehensive income	222	(3,830)
Surplus reserve	12,050	9,199
General reserve	33,903	29,861
Retained earnings	52,756	38,795
Total equity attributable to equity shareholders of the Bank	178,975	152,839
Non-controlling interests	508	213
Total equity	179,483	153,052

4. Off-balance sheet items

The Group's off-balance sheet items are mainly credit commitments, including loan and credit card commitments, acceptances bills, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB772,280 million, representing an increase of RMB19,742 million as compared with that as at the end of the previous year, of which, loan and credit card commitments increased by RMB30,686 million, letters of guarantee issued increased by RMB10,485 million and letters of credit issued decreased by RMB25,123 million.

The following table sets forth the composition of Group's credit commitments:

Unit: RMB million

Item	December 31, 2014	December 31, 2013
Loan and credit card commitments	131,532	100,846
Acceptances	473,866	469,996
Letters of guarantee issued	62,459	51,974
Letters of credit issued	104,238	129,361
Guarantees	185	361
Total	772,280	752,538

(6) Cash Flow Analysis

Net cash inflow generated from the Group's operating activities was RMB34,699 million, of which cash outflow generated from operating assets was RMB255,752 million; cash inflow generated from operating liabilities was RMB239,264 million.

Net cash outflow from investing activities was RMB92,527 million, of which cash inflow generated from disposal and redemption of investments, dividend income and disposal of fixed assets was RMB193,501 million; cash outflow generated from activities including payments on acquisition of investments and acquisition of fixed assets was RMB286,028 million.

Net cash inflow from financing activities was RMB38,782 million, of which cash inflow generated from Issuance of tier-2 capital bonds and inter-bank negotiable certificate of deposits (NCD) was RMB51,909 million; cash outflow generated from redemption and interest payment of debt securities issued and dividends paid was RMB13,127 million.

(7) Analysis of Loan Quality

1. Distribution of loans by industry

During the reporting period, the Bank proactively adjusted its credit portfolio by industry in response to the economic restructuring and industrial transformation and upgrade in China, with reduced proportion of loans to the manufacturing, wholesale and retail industries and increased proportion of loans to household- and consumption-related industries.

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The following table sets forth the distribution of Group's loans by industry:

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Manufacturing	234,451	28.59	240,618	31.60
Wholesale and retail trade	149,031	18.17	162,310	21.32
Real estate	125,922	15.35	94,243	12.38
Transportation, storage and postal services	63,537	7.75	67,991	8.93
Leasing and commercial services	51,533	6.28	38,375	5.04
Construction	47,193	5.75	41,159	5.41
Water, environment and public utility management	38,684	4.72	25,753	3.38
Mining	32,004	3.90	26,973	3.54
Production and supply of power, gas and water	23,047	2.81	19,498	2.56
Public administration and social organization	10,374	1.26	13,626	1.79
Others	44,363	5.42	30,928	4.05
Subtotal of corporate loans	820,139	100.00	761,474	100.00
Personal loans	458,385	—	391,372	—
Discounted bills	20,931	—	13,464	—
Gross loans and advances to customers	1,299,455	—	1,166,310	—

Note: Other industries consist of agriculture, forestry, animal husbandry and fishery; accommodation and catering; financial services; scientific research, technical services and geological prospecting; resident services and other services; health, social security and social welfare; culture, sports and entertainment, etc.. Same hereinafter.

2. Distribution of loans by region

The distribution of loans by region remained relatively stable. The proportion of loans to Yangtze River Delta and Pearl River Delta decreased while those in the Western and Northeastern areas increased, leading to a more balanced regional posture.

The following table sets forth the distribution of Group's loans by region:

Unit: RMB million, %

Region	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	261,847	20.15	250,463	21.47
Pearl River Delta	170,874	13.15	160,803	13.79
Bohai Rim	239,130	18.40	219,134	18.79
Central	195,254	15.02	174,989	15.00
Western	197,769	15.22	175,022	15.01
Northeastern	80,385	6.19	68,881	5.91
Hong Kong	14,535	1.12	12,269	1.05
Head Office	139,661	10.75	104,749	8.98
Gross loans and advances to customers	1,299,455	100.00	1,166,310	100.00

3. Types of loan guarantee and their proportions

The percentage of guaranteed loans, mortgage loans and pledged loans accounted for 69.40%, and the remaining unsecured loans were mainly offered to customers with relatively high credit ratings.

The following table sets forth the distribution of Group's loans by guarantee type:

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Unsecured loans	397,697	30.60	360,232	30.89
Guaranteed loans	293,787	22.61	265,632	22.78
Mortgage loans	492,366	37.89	433,976	37.21
Pledged loans	115,605	8.90	106,470	9.12
Gross loans and advances to customers	1,299,455	100.00	1,166,310	100.00

Report of the Board of Directors

4. Top 10 loan customers

Unit: RMB million, %

Name	Industry	December 31, 2014 Balance of loans	Proportion to total loans	Proportion to net capital
Borrower A	Transportation, storage and postal services	6,495	0.50	3.05
Borrower B	Public administration and social organization	4,795	0.37	2.25
Borrower C	Real estate	3,400	0.26	1.60
Borrower D	Real estate	3,150	0.24	1.48
Borrower E	Public administration and social organization	2,730	0.21	1.28
Borrower F	Leasing and commercial services	2,609	0.20	1.23
Borrower G	Transportation, storage and postal services	2,510	0.19	1.18
Borrower H	Real estate	2,350	0.18	1.10
Borrower I	Wholesale and retail trade	2,288	0.18	1.08
Borrower J	Production and supply of power, gas and water	2,000	0.15	0.94
Total amount		32,327	2.48	15.19

Note: The proportion of the balance of loans to net capital is calculated according to the relevant requirements of the CBRC.

5. Five-category loan classification

The non-performing loans of the Group increased as a result of factors including the economic slowdown and increasing downside pressure. As at the end of the reporting period, the balance of non-performing loans was RMB15,525 million, representing an increase of RMB5,496 million as compared with that as at the end of the previous year. Non-performing loan ratio was 1.19%, up by 0.33 percentage point as compared with that as at the end of the previous year.

The following table sets forth the five-category loan classification of the Group:

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Normal	1,241,912	95.57	1,140,392	97.78
Special attention	42,018	3.24	15,889	1.36
Substandard	8,685	0.67	5,768	0.50
Doubtful	4,864	0.37	2,496	0.21
Loss	1,976	0.15	1,765	0.15
Gross loans and advances to customers	1,299,455	100.00	1,166,310	100.00
Performing loans	1,283,930	98.81	1,156,281	99.14
Non-performing loans	15,525	1.19	10,029	0.86

6. Loan migration ratio

Unit: %

Loan migration ratio of normal loans	4.08	1.77	1.32
Loan migration ratio of special attention loans	26.68	17.47	6.01
Loan migration ratio of substandard loans	64.04	86.45	46.68
Loan migration ratio of doubtful loans	28.77	21.48	7.86

7. Restructured loans and overdue loans

(1) Restructured loans

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Proportion to total loans	Balance	Proportion to total loans
Restructured loans and advances	4,632	0.36	109	0.01
Less: Restructured loans and advances overdue for more than 90 days	858	0.07	15	0.00
Restructured loans and advances overdue for less than 90 days	3,774	0.29	94	0.01

(2) Please refer to “Notes to financial statements” for details of overdue loans.

8. Non-performing loans by business type

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Corporate loans	11,939	76.90	7,717	76.95
Retail loans	3,586	23.10	2,312	23.05
Discounted bills	—	—	—	—
Total amount of non-performing loans	15,525	100.00	10,029	100.00

Report of the Board of Directors

9. Distribution of non-performing loans by region

Unit: RMB million, %

Region	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	4,609	29.69	3,435	34.25
Pearl River Delta	3,011	19.40	1,127	11.24
Bohai Rim	1,519	9.78	1,762	17.57
Central	1,983	12.77	1,236	12.32
Western	1,927	12.41	715	7.13
Northeastern	631	4.07	346	3.45
Hong Kong	—	—	—	—
Head Office	1,845	11.88	1,408	14.04
Total amount of non-performing loans	15,525	100.00	10,029	100.00

10. Distribution of non-performing loans by industry

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Manufacturing	5,201	33.50	3,529	35.19
Wholesale and retail trade	5,092	32.80	3,113	31.04
Real estate	469	3.02	229	2.28
Transportation, storage and postal services	121	0.78	429	4.28
Leasing and commercial services	31	0.20	40	0.40
Water, environment and public utility management	—	—	—	—
Construction	201	1.29	148	1.48
Mining	618	3.98	78	0.78
Production and supply of power, gas and water	—	—	—	—
Public administration and social organization	12	0.08	25	0.25
Others	194	1.25	126	1.25
Subtotal of corporate loans	11,939	76.90	7,717	76.95
Personal loans	3,586	23.10	2,312	23.05
Discounted bills	—	—	—	—
Total amount of non-performing loans	15,525	100.00	10,029	100.00

11. Distribution of non-performing loans by guarantee type

Unit: RMB million, %

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Unsecured loans	2,911	18.75	2,317	23.10
Guaranteed loans	6,344	40.86	2,988	29.79
Mortgage loans	5,590	36.01	4,140	41.29
Pledged loans	680	4.38	584	5.82
Total amount of non-performing loans	15,525	100.00	10,029	100.00

12. Repossessed assets and provision for impairment

Unit: RMB million

Item	December 31, 2014	December 31, 2013
Reposessed assets	308.49	335.25
Of which: Land, buildings and structures	308.49	334.35
Others	–	0.90
Less: Provision for impairment	4.19	4.19
Net value of reposessed assets	304.30	331.06

13. Provision for loan impairment and write-offs

The Group's provision for loan impairment includes provision for corporate loans, retail loans and discounted bills. The Group conducted impairment tests on the carrying value of credit assets on the balance sheet date, and provision for impairment would be recognized through profit or loss for the current period if there was objective evidence indicating that the credit assets were impaired.

The following table sets forth the changes in the provision for impairment of loans to customer of the Group:

Unit: RMB million

Item	December 31, 2014	December 31, 2013
Balance at the beginning of the year	24,172	25,856
Charge for the year	10,548	6,719
Release for the period	(567)	(2,383)
Recoveries	330	207
Unwinding of discount (note)	(558)	(367)
Write-offs during the year	(4,096)	(2,240)
Disposal in the year	(1,804)	(3,620)
Balance at the end of the year	28,025	24,172

Note: It refers to cumulative interest income of impaired loans due to the subsequent increase in present value over time.

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14. Interests receivable and provision for bad debts

(1) Change in on-balance sheet interests receivable

Unit: RMB million

Item	Balance at the beginning of the period	Increase in the year	Decrease in the year	Balance at the end of the year
On-balance sheet interests receivable	13,103	97,222	95,668	14,657

(2) Provision for bad debt of interests receivable

Unit: RMB million

Item	December 31, 2014	December 31, 2013	Increase
Balance of provision for bad debt of interests receivable	36	29	7

15. Other receivables and their provision for bad debts

(1) Change in other receivables

Unit: RMB million

Item	December 31, 2014	December 31, 2013	Increase
Other receivables	2,866	2,627	239

(2) Provision for bad debt of other receivables

Unit: RMB million

Item	December 31, 2014	December 31, 2013	Increase
Balance of provision for bad debt of other receivables	500	448	52

16. Major measures for non-performing asset management and write-off policies of doubtful debts

Against the complicated and difficult landscape at home and abroad, the Company proactively stepped up its efforts in stress testing that its crisis management for recovery and disposal has been constantly strengthening; strengthened its system building to facilitate efficient work mechanism; strengthened its management and control by managing the procedures and key aspects; timely arranged batch disposal and write-off of provision for doubtful debts and achieved obvious results for risk resolution. As at the end of the reporting period, various types of non-performing assets totaled RMB13,908 million have been disposed, outperformed the disposal target for the year. Of which, cash recovered amounted to RMB3,957 million and repossessed assets amounted to RMB159 million, debt restructured amounted to RMB3,135 million, doubtful debts written off amounted to RMB4,096 million and equity assignment amounted to RMB2,561 million.

The Company proactively pushed forward the write-off of doubtful debts by revising *the Administrative Measures on Write-off of Doubtful Debts (2014) and Administrative Measures on Write-off of Doubtful Debts for Micro-enterprises*. The Head Office timely transmitted the policy to Branches with an aim to implement daily management of the review on write-off items reported by the Branches. As at the end of the reporting period, the Bank accumulatively wrote off 56,786 doubtful debts, with the principal balance of RMB4,096 million. Of which, 229 corporate loans were written off, with the principal balance of RMB2,351 million; 274 retail loans were written off, with the principal balance of RMB342 million; 56,283 credit card transactions have been written off, with the transaction amount of RMB1,403 million. In accordance with the principle of “filing after account write-off”, the Company will continue to recover the write-off items.

(VIII) Capital Adequacy Ratio

Please refer to the “Summary of Accounting Data and Financial Indicators” for details.

(IX) Segment Performance

The Group divided its business into different segments by geographical areas and business lines for management purpose. Fund lending between different regional and business segments will be conducted at an internal transfer price determined on the basis of market interest rate, and interest income and interest expenses among segments will be recognized.

The following table lists the operating performance of the Group’s various regional and business segments.

Please refer to “Notes to financial statements” for more details.

1. Performance by region

Unit: RMB million

Item	2014		2013	
	Operating income	Total profit	Operating income	Total profit
Yangtze River Delta	12,289	3,987	11,600	2,896
Pearl River Delta	8,429	2,333	7,543	4,168
Bohai Rim	13,243	6,122	11,724	6,773
Central	9,982	4,214	8,574	4,521
Western	8,848	3,715	7,961	4,327
Northeastern	3,900	1,479	3,345	1,317
Head Office	21,772	16,543	14,713	10,462
Hong Kong	308	161	67	(43)
Total	78,771	38,554	65,527	34,421

Report of the Board of Directors

2. Performance by business function

Unit: RMB million

Item	2014		2013	
	Operating income	Total profit	Operating income	Total profit
Corporate banking business	47,199	23,555	40,686	22,273
Retail banking business	26,144	10,227	21,377	9,289
Treasury business	5,231	4,651	3,263	2,712
Other business	197	121	201	147
Total	78,771	38,554	65,527	34,421

(X) Others

1. Changes in Major Financial Indicators and Reasons

Unit: RMB million, %

Item	December 31, 2014	December 31, 2013	Increase or decrease	Major reasons for change
Deposits with banks and other financial institutions	40,316	67,153	-39.96	Decrease in scale of deposits with banks based on treasury position and changes in the market interest rate
Financial assets at fair value through profit or loss	4,377	12,490	-64.96	Decrease in financial assets held for trading
Positive fair value of derivatives	1,082	1,870	-42.14	With market interest rates trending down, interest-related derivative assets and liabilities both decreased on revaluation
Financial assets held under resale agreements	286,682	169,182	69.45	Increase in scale of financial assets held under resale agreements based on liquidity management
Other assets	30,059	73,753	-59.24	Decrease in exposure of on-balance sheet wealth management investments
Negative fair value of derivatives	781	2,465	-68.32	Affected by changes in RMB exchange rate, the loss from revaluation of some foreign exchange swaps decreased
Taxes payable	3,829	2,605	46.99	Increase in expenses on provision for impairment, decrease in tax deductible asset loss, increase in profit tax payable.
Interests payable	29,950	20,949	42.97	Increase in scale of deposits from customers and increase in interest rate
Debt securities issued	89,676	42,247	112.27	Issuance of inter-bank negotiable certificate of deposits (NCD) and tier-2 capital bonds
Other liabilities	12,543	27,756	-54.81	Decrease in scale of mismatched on-balance sheet wealth management assets and liabilities
Surplus reserve	12,050	9,199	30.99	Appropriation to surplus reserve
Retained earnings	52,756	38,795	35.99	Increase in profit for the period

Item	December 31, 2014	December 31, 2013	Increase or decrease	Major reasons for change
Net (losses)/gains arising from investment securities	(99)	88	-212.50	Loss incurred in handling equities attributable
Net trading gains/(losses)	1,279	(1,090)	Not applicable	Affected by changes in RMB exchange rate, the forward valuation of some foreign exchange swaps increased. Meanwhile, bond price kept rising, and the valuation of and gains from disposal of bonds held for trading significantly increased
Net foreign exchange (losses)/gains	(210)	367	-157.22	Affected by changes in Renminbi exchange rate, the spot settlement gains of some foreign exchange swaps increased, and there was a negative correlation with net gains from changes in fair value
Impairment losses on assets	(10,209)	(4,633)	120.35	Increase in amount of provisions for impairment loss on loans

2. Overdue and outstanding debts

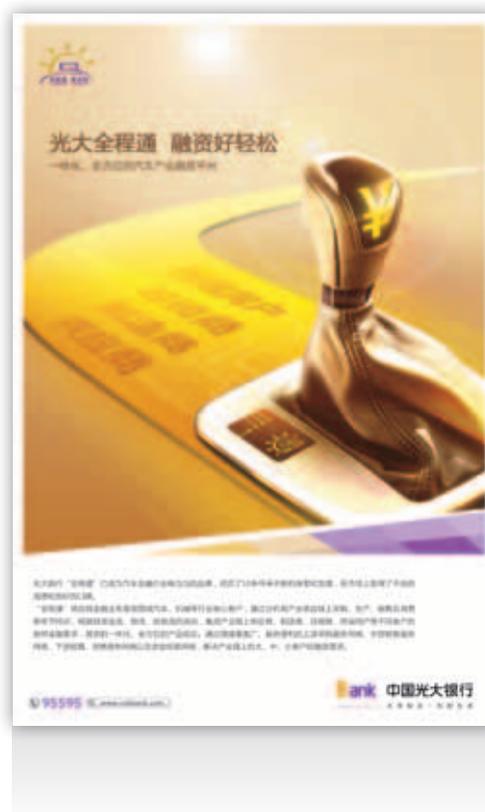
During the reporting period, the Bank did not incur any overdue and outstanding debts.

(XI) Performance of Business Segments

1. Corporate banking business

(1) Corporate deposits and loans

The Company stepped up restructuring of assets and liabilities, enhanced product integration and innovation, actively responded to the government's strategies, launched loan services for urbanization at an appropriate time, strengthened the professional vehicle financial services brand of "Full Link, Link Full", effectively prevented and controlled credit risks, and provided customers with comprehensive financial services, thus achieving a steady rise in profitability. As at the end of the reporting period, the Bank's corporate deposits amounted to RMB1,370,323 million (including those in other deposits), representing a year-on-year increase of RMB164,796 million or 13.67%. Of these deposits, core corporate deposits amounted to RMB1,065,292 million, representing a year-on-year increase of RMB107,176 million or 11.19%, indicating continued optimisation in deposit composition. The Bank's corporate loans (excluding discounted bills) totalled RMB820,139 million, representing a year-on-year increase of RMB58,665 million or 7.70%.



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(2) Small and micro banking business

The Company continued to step up its support to small and micro real economies by allocating more credit resources to small and micro enterprises. In line with the clients' demands for short-term, fairly-priced and quickly-approved finance, the Company optimised its small and micro credit review and approval processes to make itself an efficient service provider. Committed to its business strategy of providing "small-amount, decentralised, standardised and convenient" services, the Company launched several innovative products such as the "Sunshine Easy Loans", further enriching its SME product inventory. As at the end of the reporting period, the balance of the Bank's small and micro lending amounted to RMB246,485 million¹, representing a year-on-year increase of RMB44,316 million or 21.92%, well above the bank-wide lending growth rate.

(3) Investment banking business

The Bank actively provided customers with debt financing services, including short-term commercial papers, medium-term notes, super-short-term commercial papers, private placement notes and collective notes of small and micro enterprises. As at the end of the reporting period, the Bank served as a leading underwriter for non-financial corporate debt financing instruments of RMB275,100 million in aggregate, representing a year-on-year increase of 42.40%, ranking second in the same type of joint-stock commercial banks. As a financial advisor, the Bank designed and provided customers with financial solutions including financial derivatives, debt financing instruments and structured financing.

(4) Asset custody business

The Company's custody business adhered to the strategies of "development promotion, market expansion, service opportunities, and risk control" and the Company increased its strength in the sales of custody products. The Company secured its leading position among its peers in terms of scale in managing funds of insurance companies, providing asset management for client assets of securities companies, and bank wealth management funds of banks. Meanwhile, the Company enhanced product innovation according to market demand and established a sound system for custody products, in order to increase its market service capability. As at the end of the reporting period, both the asset size of and the income from the Company's custody business hit a record high, with the former reaching RMB2,836,117 million, an increase of 65.33% year-on-year, and the latter reaching RMB969 million, up by 35.52% year-on-year.

(5) Pension business

Continued to focus on marketing of corporate annuity and maintaining customer relationships, the Bank stepped up its pension business by expanding products such as "Enjoyable Welfare Plan" targeting at deferred remuneration, "Flexible Welfare Plan" targeting at corporate benefits integration and self-selection. The Bank made every effort in establishing the "Pension and Benefits Express" brand for financial services to provide a full range of all-round and one-stop comprehensive financial services. With good reputation established in the industry, the Bank's pension business was bestowed with many awards. As at the end of the reporting period, the assets of corporate annuity and pensions under the custody of the Bank amounted to RMB32,289 million, with 951,500 personal pension accounts managed by the Bank.

¹ Based on the SME categorisation standards jointly issued by the Ministry of Industry and Information Technology and other three ministries in 2011 and the regulatory requirements of CBRC.

(6) Trade banking business

The Company vigorously promoted the standardization of trade finance products and product innovation, systematically pushed forward its business in the Shanghai Pilot Free Trade Zone, stepped up the business collaborations between CEB branches in mainland China and its Hong Kong Branch, and proactively formulated its strategic plan for the development of overseas business and the establishment of overseas institutions. The Company constantly improved its electronic supporting system, further reinforced the system of rules and regulations and carried out risk identification, thereby maintaining the steady development of trade banking business. As at the end of the reporting period, the fee-based income of trade banking business recorded a year-on-year increase of 20.18%.

2. Retail banking business

(1) Personal deposit business

The retail banking business line of the Company adheres to the “deposits-based” operating strategy and ensured the growth of its total personal deposits and increased the proportion of its core deposits through a smooth restructuring to satisfy the regulatory requirements on retail deposit deviation. As at the end of the reporting period, the personal deposits of the Company amounted to RMB415,014 million (including those in other deposits), representing an increase of RMB15,263 million as compared with that at the end of the previous year, among which the core deposits amounted to RMB248,943 million, up by RMB11,986 million as compared with that at the end of the previous year and accounting for 60% of personal deposits. Daily average balance of its personal deposits amounted to RMB398,039 million, representing a year-on-year increase of RMB71,814 million, among which, daily average balance of its core deposits amounted to RMB229,235 million, representing a year-on-year increase of RMB10,869 million. Through restructuring, the costs of deposits were reduced and the average interest rate of personal deposit decreased by 20BPs as compared to its highest point.

(2) Personal loan business

Shifting the focus of its personal loan business towards high-yield and low-risk lending, the Company increased comprehensive consumer loans and high-yield housing loans while constraining the low-interest and low-yield personal loans, achieving increased loan volume and price, optimized structure, controllable quality and industrial leading performance. As at the end of the reporting period, the balance of personal loans (excluding credit cards) amounted to RMB320,271 million, representing an increase of RMB30,390 million or 10.48% from the end of the previous year. The lending pricing recorded a year-on-year increase of 10BP and was therefore higher than the industrial average interest rate. The NPL ratio of personal loans remained low.

(3) Private banking business

Targeted at middle- and high-end customers, the Company accelerated the development of private banking business by establishing an open product platform, optimizing customer experience and offering differentiated services. As at the end of the reporting period, the Company had 18,311 private banking customers, representing an increase of 3,765 customers or 25.9% from the end of the previous year. The total assets under management amounted to RMB168,519 million, up by RMB36,023 million or 27.18% from the end of the previous year.

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(4) Bank card business

A. Debit card business

The Bank continued to promote innovation in its debit card products and their features. Through expanding the application in various sectors, the Bank developed financial IC cards and commenced cooperation in various sectors including transportation, social security, education, and community services. Meanwhile, it subdivided customer groups and issued specific debit cards to cater for customers groups in need of various services including payroll credit, micro financing and offshore financing. As at the end of the reporting period, the Bank issued 50,560,000 debit cards in total, representing a year-on-year increase of 3,670,000 cards.

B. Credit card business

The Bank proactively explored its credit card business in terms of introducing O2O customers using internet and mobile internet, as well as product sales mode. The Bank was the first in the industry to create a sales platform with interactive bills, and launched products including the Growing Prosperity Co-branded Card, Sunshine Deposit Loan In-One Card, and Visa Overseas Privileged Card, maintaining a positive development momentum. As at the end of the reporting period, 3,757,600 new credit cards were issued, bringing the accumulated number of credit cards issued to 23,771,700. The new transaction volume of this year was RMB794,048 million, representing a year-on-year increase of 35.82%. Balance of credit card overdraft was RMB139,648 million, a year-on-year increase of 33.34%. Overdue rate for bills due over 180 days was 0.66%, representing a year-on-year decrease of 0.26 percentage point. The total income of credit cards was RMB14,424 million, representing a year-on-year increase of 36.20%.

3. Treasury and interbank business

(1) Treasury business

Pursuant to the requirements of the Second-generation Payment System of the Central Bank, the Company formulated the management framework and operation model for its treasury business to step up its operations in the money market. On the basis of ensuring its own liquidity safety, the Company optimised and adjusted the bond accounts portfolio in terms of type and term, allocating more resources to government bonds and corporate bonds with high safety and profitability. The customer-driven business was growing steadily and achieved better operational results. As at the end of the reporting period, the Company's RMB and foreign currency denominated assets reached RMB332,910 million, accounting for 12.2% of its total assets. Among them, the bond portfolio of the Bank reached RMB247,200 million, with government bonds accounting for 41%. The settlement volume of its RMB denominated bonds totalled RMB12.6 trillion. According to the statistics of China Bond Information Net, the Bank ranked first among the joint-stock commercial banks.

(2) Interbank business

Taking risk management and liquidity safety as its first priority, the interbank business of the Company adjusted its product structure, strengthened its refined management, and carried out reform of the specialized institution for interbank business pursuant to the requirements of regulatory authorities to achieve healthy business development. The Company continued to advance its collaboration with other banks in asset and liability businesses and to vigorously expand its cooperation with nonbanking financial institutions. As at the end of the reporting period, the balances of interbank deposits, placements with banks and discounted notes were RMB507,187 million, RMB40,316 million, and RMB20,931 million respectively.

(3) Precious metal business

The Company constantly accelerated the adjustment of business structure and product innovation to achieve the stable and rapid development of the precious metal business, and actively participated in the innovative business offered on the International Board of Shanghai Gold Exchange, becoming one of the first international members of the Exchange. The Company established an industry-leading comprehensive set of precious metal product lines, including six major product categories, namely financing, hedging, trading, physical substance, investment and wealth management products. To further meet customer demands, the Company launched innovative products such as Sunshine gold, automatic gold investment and “Safe Gold Leasing” (黃金租賃寶). As at the end of the reporting period, the Company had approximately 226,600 precious metal trading customers, and recorded a domestic proprietary and agent trading volume of 182.8 tonnes and a transaction amount of RMB46,130 million, representing a year-on-year increase of 102% and 84% respectively.



4. Asset management business

Continuing to adjust and optimize its business structure as well as system and mechanism, the asset management business of the Company strengthened the allocation of standardized assets including bonds with high risk-adjusted returns and capital-based intermediary projects, and reduced the proportion of non-standardized debt assets while improving the quality of non-standardized assets through structured finance, resulting in a year-on-year increase of over 80BPs in the average annual return of investment and wealth management business. In terms of wealth management product business, the proportion of capital from off-balance-sheet investment funds and institutional clients was increased along with the growing proportion of net-valued open-ended products. The structural reform of wealth management division was accomplished to optimize business system and mechanism. As at the end of the reporting period, the balance of wealth management products reached RMB854,632 million, up by RMB352,332 million or 70.14% from the end of the previous year; the wealth management products issued during the year totaled RMB2.13 trillion, representing a year-on-year increase of RMB630 billion or up 42%. Net fee income of the wealth management business increased by 47.06% year-on-year.

5. E-banking business

Aiming at building its e-banking business into a product delivery platform, a trading platform and a client development platform, the Company continued to expand its e-banking customer base at a relatively high speed and further strengthened its services through electronic channels. To build up an inclusive financial system, the Company launched “CEB Cloud Payment” as the largest open platform for online payment in China, thus increasing the brand awareness and market influence of its e-banking business. Major progress was made in innovative businesses including online custody of housing funds and open-platform banking. The real-time smart identification of high risk e-banking transactions and concurrent intervention were realized to reduce the fraud rate on electronic channels. As at the end of the reporting period, the total number of retail E-banking customers reached 15.38 million and that of mobile banking reached 12.58 million; the number of e-banking transactions during the year amounted to 1.37 billion with a total transaction value of RMB34.30 trillion, and an industry leading counter replacement rate of 92% was achieved; e-banking business recorded a comprehensive income of RMB3.15 billion, representing a year-on-year increase of 52%.

Report of the Board of Directors

(XII) Business Innovation

To further optimize its innovation system, the Company improved its capability of exploring innovative value, and proactively put innovation into practice, hence enhancing its competitiveness through innovation. The Company established sound innovative system and mechanism from the key aspects of innovation including innovation inspiration, achievement incubation, efficiency evaluation, appraisal and incentive, resources allocation and team building, and stepped up the innovation inspiration mechanism of “Golden Idea” and “Innovation Salon” as well as the incubation mechanism of “Innovation Lab”. Some industry-leading innovative products such as “Smart Interest Earner”, “Corporate Payment Card” and “CEB Cloud Payment” were launched to promote the innovation of product and services in relation to the Company’s principal businesses including corporate finance, retail finance, financial market and Internet finance. Closely following the technological achievements and industry trends in Internet, big data, cloud computing and social media, the Company unleashed the development momentum driven by information technology, and was awarded the “Best Bank of the Year for Technological Innovation” by Financial News.



(XIII) Information Technology

The Company’s operation remained safe and sound. There was no major security incident throughout the year.

The Company completed the comprehensive optimization of its core system and the integrative front-banking system of the Head Office to significantly enhance system efficiency, improve its capability of providing customers with integrated financial service in each stage of industrial chain with the integration of the supply chain system with whole process operation system, and launched the private banking system to effectively carry out differentiated marketing on customers. In addition, the Company pushed forward the establishment of Internet finance platform to further upgrade its open financial platform, optimized the largest domestic cloud payment technology platform in China to maintain its advantage in the technology of payment business, and completed the development of pricing system and marketing and sales management system to effectively support the Company’s operational decisions. With its growing capabilities for technological innovation, the Company successfully carried out over 20 technological innovation projects and obtained multiple patents. In the technology development competition for 2014 held by the People’s Bank of China, several projects developed by the Company were recognized as reaching or maintaining the leading position in the PRC.

(XIV) Human Resources Management

Proactively adapting to the new changes in the domestic and international financial market, the Company optimized the human resources allocation mechanism and ensured the priority to key businesses and first-lines in allocation of human resources to improve the efficiency of labor investment. The Company pushed forward the adjustment of organizational structure and functions of the Head Office and branches to meet the business development needs and adapt to market changes, enhanced performance management by

optimizing incentive and constraint mechanism, and accelerated the construction of talent pool at all levels to facilitate the career development of the professionals. The foundation for human resources management and services was further reinforced through the emphasis on refined management and the improvement of rules and regulations.

(XV) Investment Analysis

1. Equity investment

- (1) As at the end of the reporting period, the balance of the Company's long-term equity investment was RMB2,875 million, representing an increase of RMB1,951 million or 211.15% as compared with the previous year, including an increase of RMB70 million in its capital injection into Shaoshan Everbright Village Bank Co., Ltd., an increase of RMB1.98 billion in its capital injection into Everbright Financial Leasing Co., Ltd. as well as an transfer of RMB99 million from the item of long-term equity investments to the item of available-for-sale financial assets resulting from the amendment to the Accounting Standards for Enterprises No. 2 – Long-term Equity Investments during the year.
- (2) Holding of shares of other listed companies

Stock code	Stock name	Number of shares held (shares)	Shareholding Proportion (%)	Closing book value
V	Visa Inc	4,061	0.0027	USD1.0827 million

- (3) Holding of shares of unlisted financial enterprises

Unit: RMB ten thousand, ten thousand shares, %

Investment entity	Investment Amount	Number of Shares	Shareholding percentage	Closing Book value	Profit or Loss in the reporting period	Change in Owner's equity in the reporting period	Accounting Item	Source of Shares
Everbright Financial Leasing Co., Ltd.	270,000	333,000	90	270,000	40,108.36	260,108.36	Long-term equity investments	Initial stock
Shaoshan Everbright Village Bank Co., Ltd.	10,500	10,500	70	10,500	1,501.63	11,501.63	Long-term equity investments	Initial stock
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	7,000	7,000	70	7,000	195.18	195.18	Long-term equity investments	Initial stock
China Unionpay Co., Ltd.	9,750	7,500	2.56	9,750	126,355.00	114,010.00	Available-for-sale financial assets	Investment

- (4) Trading of shares of other listed companies

As at the end of 2013, the Bank held 700,954 shares at Central China Land Media Co., Ltd. (Stock Code on Shenzhen Stock Exchange: 000719, Abbreviated name: CCLM, of which the shares held by the Bank were pledged assets). All of the shares were sold in the third quarter of 2014. Save as disclose above, the Bank had not conducted any trading of shares of listed companies.

Report of the Board of Directors

2. Use of raised funds during the reporting period

On December 20, 2013, the Company was listed on the main board of HKSE. On January 12, 2014, proceeds of HKD1,601 million were raised upon the issue of additional 402,305,000 H shares, when the Company partially exercised the over-allotment option. After deduction of relevant listing expenses, all other net proceeds were used to replenish core capitals, improve the capital adequacy ratio and support business development.

3. Major uses of non-raised funds

The Bank did not conduct any major investment using non-raised fund.

4. Analysis of subsidiaries

(1) Everbright Financial Leasing Co., Ltd.

Everbright Financial Leasing Co., Ltd. was established in May 2010 with a registered capital of RMB800 million. It is engaged in financial leasing business, and was registered in Wuhan, Hubei Province. Its registered capital reached RMB3,700 million upon completion of increase of registered capital in October 2014. During the reporting period, Everbright Financial Leasing Co., Ltd. focused on equipment direct lease and sale & lease-back, while leveraging its strength in the supplier leasing model to expand to industries such as the new energy vehicles and explore business opportunities in the aviation sector. As at the end of the reporting period, its total assets, net assets and net profits were RMB23,453 million, RMB4,218 million and RMB401 million respectively.

(2) Shaoshan Everbright Village Bank Co., Ltd.

Established in September 2009, Shaoshan Everbright Village Bank Co., Ltd has provided commercial banking services such as services in relation to deposit-taking and lending. Its place of registration is Shaoshan, Hunan Province with a registered capital of RMB50 million. In 2014, its registered capital increased to RMB150 million. During the reporting period, it maintained sound and rapid development. As at the end of the reporting period, its total assets, net assets, net profit, general deposits and loan balance were RMB753 million, RMB183 million, RMB15.02 million, RMB561 million and RMB264 million respectively.

(3) Jiangsu Huai'an Everbright Village Bank Co., Ltd.

Jiangsu Huai'an Everbright Village Bank Co., Ltd. was established in February 2013 with a registered capital of RMB100 million. It has provided commercial banking services such as deposit-taking and lending. It was registered in Huai'an City, Jiangsu Province. During the reporting period, the Bank has been committed to serve the agriculture, farmer and rural areas and achieved relative rapid growth by actively in small and micro financing business. As at the end of the reporting period, its total assets, net assets, net profit, general deposits and loan balance were RMB687 million, RMB103 million, RMB1.9518 million, RMB503 million and RMB423 million respectively.

(XVI) Special Purpose Entities Controlled by the Bank and Structured Products

1. There are no special purpose entities controlled by the Bank.
2. The structured products whose equities are held by the Group but not recognized in the consolidated financial statement mainly include special asset management plans. Please refer to the notes to the financial statements for details.

(XVII) Risk Management

1. Credit Risk Management

The Bank dynamically adjusted its credit policies so as to revitalize existing lending and make good use of new credit resources. The Bank continued to strengthen risk prevention in lending to industries with serious overcapacity and production material wholesale business, while it guided new credit resources and released existing credit resources towards areas such as urbanization, consumer goods, industry transformation and upgrading and key national development projects and gave more support to the development of the green economy and the circular economy.

System, mechanism and procedures were improved to enhance effectiveness of risk management. The Company re-examined and amended regulations on credit for the group clients to strengthen risk control on credit concentration risk and risk prevention for extending credit of a sizable amount. The Bank improved its corporate credit review and approval procedures for better efficiency, while it strengthened the whole process management of credit business by focusing on key elements and key nodes of credit business and implementing a risk warning system featured by comprehensive warning, timely report and rapid response.

The Company emphasized the prevention of systemic risk and the control of credit risk. The Company paid particular attention to the monitoring of loans to local government financing vehicles (LGFVs), real estate projects, industries with overcapacity as well as commodities financing. A list of customers for intensive post-credit surveillance was put into place to enable a dynamical monitoring of customers with potential risks. The loss of assets was minimized through strengthening the risk solution and the recovery of existing non-performing loans and overdue loans.

Please refer to the notes to the financial statements for more details on credit risk management.

2. Liquidity Risk Management

The Bank persisted in prudent liquidity risk management policy and ensured its sound liquidity. The major measures were as follows. Liquidity risk management guidelines were issued to facilitate detailed risk management practice from different perspectives. The internal fund transfer pricing (FTP) was determined and adjusted in an objective and flexible manner, which delivered forward-looking liquidity guidance and unified liquidity management. The dynamic monitoring of wealth management and interbank products was enhanced with daily monitoring of the liquidity risk exposure limit, regular liquidity stress tests and contingency arrangements. Liquidity exposure limit was set in a prudent manner and special attention was given to the impact on the liquidity in the market by factors such as central bank monetary policy adjustment, the use of innovative liquidity adjustment tools, changes in the reserve requirement and deposit ratio, and the introduction of deposit insurance system, so as to make proper liquidity arrangements in advance. Related liquidity risk management policies were improved according to the *Administrative Measures for Liquidity Risks of Commercial Banks (Tentative)* released by the CBRC, to ensure the Bank's compliance with BASEL III requirements on liquidity indicators, and attentions were paid to impacts on liquidity indicators by the structural adjustments of assets and liabilities. Liquidity risks were reduced by adjusting on-balance sheet items such as diversified liabilities and the liquidity gap was filled up by the employment of derivative financial instruments such as currency swap. The Bank's contingency system for liquidity risk was improved while the mechanism for regular liquidity contingency exercises were set up, leading to better resilience against liquidity risk.

Please refer to notes to the financial statements for further details of liquidity risk management of the Bank.

Report of the Board of Directors

3. Market Risk Management

The Bank continuously improved the market risk management system. The Bank optimized the structure of market risk exposure limit, adjusted the exposure limit level according to changes in the market and business development, and implemented unified monitoring and reporting of market risks. The Bank strengthened its market research and analysis, and adopted pro-actively management of interest rate risk and exchange rate risk according to the changes in macroeconomic environment and market conditions. Before any new product was launched, it would go through market risk review and be subjected to risk exposure limit management. With improved techniques of market risk management, the Bank conducted pricing and risk measurement for various basic financial products and complex derivatives, which served as the basis for sensitivity index calculation, stress test, measurement of value at risk, risk assets calculation and daily limit monitoring.

Please refer to the notes to the financial statements for further details of market risk management of the Bank.

4. Operational Risk Management

The Bank continuously improved the operational risk management framework, integrated the management resources of internal control and operational risk management system, enhanced the training, supervision and management efforts of basic operating units including secondary branches, sub-branches and community banks. Adhering to the general principles of multi-level management and emphasis on priorities, the Bank strengthened the operational risk management responsibilities of business and functional departments, and incorporated operational risk management into product design, management systems, operational procedures and duty requirements for timely warning, reminding, reporting and handling of operational risk, so as to prevent the occurrence of material operational risks and banking incidents. The Bank implemented the rotation and mandatory leave systems for staff in key positions, stepped up investigation on staff's unusual funds transactions, improved the contingency planning for extraordinary events, which enhanced the standards and effectiveness of operational risk management and established a good operational risk management culture.

Please refer to notes to the financial statements for further details of the operational risk management of the Bank.

5. Compliance Risk Management

The Bank established an external compliance database through the consultation project of implementing internal control standards and compliance management, and the system development was completed and applied across the Bank. The Company conducted annual evaluation and review on rules and regulations, during which over 1,000 items were reviewed. By actively tracking changes in laws and regulations, the Company's Legal and Compliance Department play a leading role in providing advance guidance, compliance review and consultation. In addition, the Bank established a compliance manager management system based on business lines and geographic regions for monitoring internal control and compliance on a regular basis, and strengthened monitoring of and early warnings for daily internal control and compliance risks. The Company carried out audits and compliance assessments, including 421 comprehensive audits and 192 special audits on sub-branches during the year. The Company also strengthened the building up of the team of compliance managers by implementing relevant certification system, and increased the number of full-time compliance managers.

6. Reputation Risk Management

The Company combined reputation risk management and its strategic development and corporate brand building efforts to further optimise and improve its warning mechanism and countermeasures for reputation risk. In daily management, the Bank strengthened staff's profession training and ethical hazard constraint,

and made regular or ad hoc investigation and rectification of various subjects which might cause reputation risks so as to prevent and mitigate potential reputation risk as much as possible. In the design, marketing and promotion process of any business or product, the factor of reputational risk would be taken into full consideration in order to avoid any possible damage to the Bank's reputation and image.

7. Anti-money Laundering Management

The Company strengthened anti-money laundering management and guidance across the Company. The anti-terrorist financing data model was developed to strengthen the monitoring of terrorist financing activities and expanding the monitoring scope of the blacklist system. The Bank enhanced the development of anti-money laundering system with better functions and established the indicator system for monitoring unusual transactions with higher capabilities of automatic processing. In addition, the Bank analysed different types of money laundering activities and developed data models so as to enhance its capability and efficiency of anti-money laundering initiatives. The Company also increased training and public awareness education on anti-money laundering and expanded the target audience for receiving anti-money laundering training.

(XIII) Outlook of the Bank

1. Competitive landscape and development trend of the industry

In 2014, the overall economy in China remained stable despite of a number of difficulties and challenges, including the downward pressure of the economy, the pains from structural adjustment, the increasing difficulties in production and operation of enterprises and higher potential default risks. In view of the complex environment in China and overseas, the banking industry maintained a stable growth in terms of asset scale and overall profit amidst the increasingly intensive industry competition.

In 2015, China's economy is in a "new normal state", with accelerated interest rate liberalization, the booming of internet finance and the emergence of private banks, posing more severe challenges to traditional banks. The domestic banking industry will step up its structural adjustment and strategic transformation and seek for new sources of profit growth in order to cope with various risks from the high leverage ratio and bubble economy. Upon the introduction of the deposit insurance system, a divergence is expected to occur in the competition landscape of the Chinese banking industry.

2. Development strategy of the Company

The Bank will adhere to the *Overall Strategies for 2013-2016* with an emphasis on "structure adjustment, steady growth, risk prevention and enhanced efficiency", implement the operating strategy of deposits as its business foundation to develop core debt business, strengthen structural adjustment and proactively replenish capital with an aim to promote the synergy and growth of corporate banking, retail banking and financial market business.

3. Operational planning and targets, potential risks and measures

Operational planning and targets

In 2015, the Bank will adhere to organic growth model with a focus on business development and asset quality under the guidance of overall strategic planning of the Bank. In particular, the efforts will be put on enhancing profitability of branches, reinforcing the system that enables resource allocation to align with budget targets and boosting rational growth of the deposit business and loan business. Assuming there is no material change in current operational environment and regulatory policies, the Bank will strive for achieving the loan growth target of around 14%, in an attempt to elevate the comprehensive revenue level.

Report of the Board of Directors

Potential risks:

- (1) Higher pressure from rebound in non-performing loans. Due to factors such as the economic slowdown, structural adjustment and excessive productivity, the credit asset quality of banks is under more downward pressure. There is also increasing pressure of operation risk and compliance management risk, as a result of the rapid development of the business innovation and non-credit businesses.
- (2) Growing pressure in profit growth. Factors including the promotion of interest rate liberalization, the narrowed interest rate spreads, the sluggish growth in the real economy, the rebound of non-performing loans, the development of internet finance and the increasingly intensive competition in the industry will have impact on the profit growth of the Bank in the future.

Countermeasures:

- (1) Enhancing the effectiveness of risk control. The Bank should optimize loan management and reinforce the accountability mechanism of non-performing loans. We should also specify the risk management duties of various departments and strengthen the dynamic management of credit approval delegation. Risk management capabilities of the branches should be enhanced through reinforcing the training and qualifications certification of risk control managers and relationship managers. Moreover, we should establish a stringent control system on the total amount of credit approval for connected customers by improving the identification of de facto controllers of enterprises and the centralized management of credit extension to connected enterprises.
- (2) Pushing ahead with the strategic business: We should actively develop the credit card, wealth management and investment banking businesses in order to maintain the revenue contributed by the fee-based business. In addition, we should put more efforts on innovation to promote business innovation and accelerate the structural adjustment on products, businesses and revenue.
- (3) Optimizing the structure of assets and liabilities. We should continue developing core deposits to ensure a stable growth in the market share of general deposits while optimizing the ratio and structure of corporate deposits and maintaining a stable increase in retail deposits. Through further improving allocation of credit resources, adjusting credit structure, strengthening credit collection and estimate on credit availability, we ensure that the total amount and the pace will be in line with regulatory requirements so as to maintain the control on industries with productivity surplus and serve the real economy.

4. Capital demand planning

The Company will continue to optimize its integrated capital management system, strengthen capital allocation, and improve the efficiency of capital utilization through various innovative models including asset securitization. We will continuously pay attention to risk adjusted return on capital (RAROC) and economic profit (EP), strengthen constraints on capital, and maintain a reasonable growth in risk assets. We will further strengthen the endogenous capital supplement mechanism, and support steady growth in risk assets by improving return on capital. We will also improve the mechanism for diversified and multi-channel external capital supplement, and push ahead with the issue of the innovative capital instruments such as preference shares.

II. Formulation and Implementation of Profit Distribution Policy

(I) Profit distribution policy

In accordance with the articles of association of the Bank ("Articles of Association"), the Bank may distribute cash dividend if the both profit for the year and accumulated undistributed profit are positive. The profit to be distributed in cash per annum shall be no less than 10% of the distributable profit of the year.

(II) Profit distribution plan for the year 2014

1. RMB2,850,974 thousand which amounts to 10% of RMB28,509,743 thousand, the net profit after tax in 2014, to be appropriated to the statutory surplus reserve fund.
2. RMB4,042,246 thousand to be appropriated to the general reserve in 2014 in accordance with relevant requirements of the Ministry of Finance.
3. A cash dividend of RMB1.86 per 10 shares (before tax), amounting to an aggregate of RMB8,682,312 thousand, to be distributed to all existing shareholders, which accounted for 30.06% of the consolidated net profit attributable to the equity shareholders of the Bank. The cash dividends will be denominated and declared in Renminbi, and distributed to shareholders of A shares in Renminbi, and distributed to shareholders of H shares in Hong Kong Dollar. The exchange rate for the calculation of actual distribution amount in Hong Kong Dollar is based on the average benchmark exchange rate of Renminbi against Hong Kong Dollar as published by the People's Bank of China one week preceding the date of the general meeting of the shareholders of the Bank for the year 2014 (the "AGM") (including the day of the AGM).

After the implementation of the above profit distribution plan, the undistributed profits of RMB12,934,211 thousand in 2014 will be carried forward to the next year.

The Bank did not implement the capitalization of capital reserves in 2014.

The above profit distribution plan is subject to the approval at the AGM for the year 2014. The date of convening the AGM, the closure of register of members and details in relation to the distribution of the cash dividend will be set out in the circular to be published by the Company in due course.

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when the cash dividends are distributed. Any shares of the Company registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. If shareholders of H shares intend to change their shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant governmental authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company as at the relevant record date.

In accordance with the *Individual Income Tax Law of the People's Republic of China (2011 Revision)*, its implementation regulations and *SAT Notice [2011] No. 348* issued by the State Administration of Taxation ("SAT"), if the individual holders of the H shares who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends with China under the relevant tax agreements, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at the rate of 10%. Should the individual holders of the H Shares are residents of the countries which had an agreed tax rate of less than 10% with China under the relevant tax agreements, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at the rate of 10%. In that case, if the relevant individual holders of the H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant

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shareholders submit the evidence required by the notice of the tax agreement to the share register of the Company at Computershare Hong Kong Investor Services Limited within the timeline set out in the notice to be published by the Company. The Company will assist with the tax refund subject to the approval of the competent tax authority. Should the individual holders of the H Shares are residents of the countries which had an agreed tax rate of over 10% but less than 20% with China under the tax agreements, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreements. In the case that the individual holders of the H Shares are residents of the countries which had an agreed tax rate of 20% with China, or which has not entered into any tax agreement with China, or otherwise, the Company shall withhold and pay the individual income tax at the rate of 20%.

The profit distribution plan for the year 2014 of the Company did not make any adjustment or amendments to the existing cash dividend policy of the Company. The profit distribution plan complied with the Articles of Association, which contains clear and definite standards and proportion for dividend distribution and follows relevant decision-making procedures and mechanism. The Board of Directors and the Board of Supervisors discussed and considered the profit distribution plan and the Independent Non-Executive Directors performed their duties to safeguard the legitimate interests of minority shareholders.

(III) Profit distribution and cash dividend for the last three years

For 2014, the Bank will distribute a cash dividend of RMB1.86 per 10 shares (before tax) to all shareholders and will not implement the capitalization of capital reserves. For 2013, the Bank distributed a cash dividend of RMB1.72 per 10 shares (before tax) to all shareholders and did not implement the capitalization of capital reserves. For 2012, the Bank distributed a cash dividend of RMB0.58 per 10 shares (before tax) to all shareholders and did not implement the capitalization of capital reserves.

Unit: RMB million, %

Item	2014	2013	2012
Cash dividend	8,682.31	8,028.80	2,345.22
Proportion to net profit attributable to shareholders of the Bank	30	30	10

III. Fulfilling of Corporate Social Responsibility

During the reporting period, the Bank's donations for charity and other purposes reached RMB9,340,000 in total.

Please refer to the websites of the SSE, HKSE (in the form of overseas regulatory announcement) and the Company for the full text of the social responsibility report published by the Company.



Significant Events

I. Principal Business Activities

The Bank is engaged in banking and relevant financial services.

II. Reserve

Please refer to the Consolidated Statement of Changes in Equity for details about reserve change of the Company.

III. Fixed Assets

Please refer to the notes to the financial statements of the Company for details about the change in fixed assets of the Bank as at the end of the reporting period.

IV. Purchase, Sale or Repurchase of the Bank's Listed Securities

During the reporting period, the Bank and its subsidiaries did not purchase, sell or repurchase any listed securities of the Bank.

V. Pre-emptive Right

The Articles of Association has no provision on pre-emptive right, and shareholders of the Bank have not been granted any pre-emptive right.

VI. Retirement and Benefits

Please refer to the notes to the financial statements for details about the retirement benefits provided by the Bank.

VII. Major Customers

As at the end of the reporting period, the Top 5 major customers of the Bank accounted for no more than 30% of the Bank's interest income and other operating income.

VIII. Material Litigation, Arbitration and Negative Media Reports

During the reporting period, the Bank was not involved in any material litigation, arbitration or any event relating to negative media reports.

Significant Events

IX. Use of Capital by the Controlling Shareholders or Other Related Parties for Non-operating Purposes

During the reporting period, there was no capital of the Bank which was used by the controlling shareholders or other related parties for non-operating purposes.

X. Material Acquisitions, Sales or Disposals of Assets and Merger

During the reporting period, the Bank was not involved in any material acquisitions, sales or disposals of assets or merger.

XI. The Implementation of Share Incentive Scheme

As at the end of the reporting period, the Bank had not implemented any share incentive scheme.

XII. Connected Transactions of the Bank under the “Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”)

In accordance with the Hong Kong Listing Rules, the transactions between the Bank and its connected persons (See the definition in the Hong Kong Listing Rules) constitute connected transactions of the Bank. The Bank monitors and manages these connected transactions in accordance with the Hong Kong Listing Rules.

1. Non-exempt connected transaction

On 31 October 2014, as approved by the Board of the Company, the Company entered into a subscription agreement (the “Subscription Agreement”) with China Everbright (Group) Corporation (“China Everbright (Group)”) in relation to a connected transaction, pursuant to which China Everbright (Group) proposed to subscribe part of the domestic preference shares to be issued by the Company (the “Transaction”), the details of which were set out in the Company’s announcement dated 31 October 2014 on “Connected Transaction – Subscription of domestic preference shares by controlling shareholder”.

On the date of the announcement of the Transaction, China Everbright (Group) directly held 2,057,280,034 shares of the Company, representing approximately 4.41% of the total issued share capital of the Company. Due to the proposed restructuring, China Everbright (Group) is deemed to be a controlling shareholder of the Company, and hence a connected person of the Company. Therefore, the subscription constituted a connected transaction of the Company and was subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to the Subscription Agreement, China Everbright (Group) will subscribe an aggregate of up to 10,000,000 domestic preference shares at the par value of RMB100 per share, with a total subscription price up to RMB1,000,000,000. The actual amount of the preference shares to be subscribed shall be separately agreed and determined by China Everbright (Group) and the Company, subject to the limit authorised by the regulatory institution. Assuming 10,000,000 preference shares are fully converted, the preference shares will account for approximately 0.78% of the enlarged issued shares of the Company. Assuming all preference shares (i.e. 300,000,000 preference shares) are fully converted according to the preference shares issuance plan, the 10,000,000 preference shares under the subscription will account for approximately 0.64% of the enlarged issued shares of the Company. The subscription under the Transaction will be part of a tranche of the preference shares issuance. The coupon rate for the relevant tranche of preference shares at the time of issuance shall be determined by the Bank based on price inquiry in the market or in other manners approved by the regulatory authorities. China Everbright (Group) has undertaken not to participate in the inquiry process for the coupon rate of the preference shares to be issued, and to accept the finalized coupon rate in accordance with the procedures and requirements stipulated by CSRC and other competent authorities. The terms and conditions of the preference shares to be subscribed by China Everbright (Group) under the Subscription Agreement, as part of the preference shares issuance, are the same as the terms and conditions of the Company's preference shares issuance plan, the details of which are set out in the Company's announcement dated 31 October 2014 on "Connected Transaction – Subscription of domestic preference shares by controlling shareholder".

The Transaction was proposed to and passed by the independent shareholders by way of ordinary resolution at the 2014 third extraordinary general meeting held by the Company on 23 December 2014. As at the end of the reporting period, the application for the required approval from the relevant government and regulatory institutions (CBRC and CSRC) is still in progress.

2. Exempted Connected Transactions

During the reporting period, a series of connected transactions were entered into between the Bank and its connected persons in the ordinary course of business of the Bank. Pursuant to Chapter 14A of the Hong Kong Listing Rules, such connected transactions were exempted from reporting, annual review, announcement and independent shareholders' approval requirements.

XIII. Material Contracts and Their Performance

(I) Significant events in respect of holding in custody, contracting, leasing assets

During the reporting period, the Company has not entered into any material contracts in relation to custody, contracting or leasing any assets of the Company or other companies.

(II) Significant Guarantee

The provision of guarantee business is one of the routine operations of the Bank. During the reporting period, the Bank did not have any material guarantees which were required to be disclosed save for the financial guarantees within its business scope as approved by the People's Bank of China and CBRC.

Significant Events

(III) Explanatory Notes and independent opinion of Independent Non-Executive Directors concerning the provision of external guarantee by the Bank

In accordance with relevant regulations and requirements of the Notice Concerning Certain Issues on Regulating the Capital Flow between Listed Companies and Related Parties and Listed Companies' Provision of Guarantee to Other Parties (Zheng Jian Fa [2003] No. 56) of CSRC, the Independent Non-Executive Directors of the Bank reviewed external guaranties provided by the Bank on an open, fair and objective basis and issued their opinion as follows:

It was verified that the provision of external guarantee is one of the routine operations within the Bank's business scope which has been approved by the People's Bank of China and CBRC. As at the end of the reporting period, the Bank provided guarantee for RMB180 million payable interests of financial bonds of the Everbright Group, and the Everbright Group provided counter guarantee with its 50 million shares of a large-size securities company. The guarantee amounted to RMB40 million provided by the Bank to Jiangsu Huai'an Everbright Village Bank Co., Ltd., a subsidiary of the Bank, for making application to Huai'an Central Sub-Branch of the People's Bank of China in respect of re-lending loans in support of farmers was considered and approved at the 27th Meeting of the Sixth Session of the Board of Directors and the 3rd extraordinary general meeting for 2014 of the Bank. For details, please refer to the announcement in relation to the provision of guarantee for subsidiary on December 6, 2014. As at the disclosure date of this report, the provision of such guarantee has not yet taken place. Save as the abovementioned, the balance of other guarantee operations of the Bank amounted to RMB62,464 million, representing a year-on-year increase of 19.77%.

Attaching importance to the risk management of guarantee business, the Bank formulated specific business management measures and operating procedures, and effectively monitored and prevented the risks in guarantee business by on-site and off-site inspections. During the reporting period, such business operated normally and no violation of guarantees took place in the Bank.

Independent Non-Executive Directors of China Everbright Bank Company Limited

Mr. Zhang Xinze, Mr. Qiao Zhimin, Mr. Xie Rong, Ms. Fok Oi Ling Catherine, Mr. Xu Hongcai, Mr. Feng Lun

(IV) Other material contracts

During the reporting period, all contracts regarding daily operation of the Bank were properly performed and the Bank had no other material contracts.

XIV. Important Undertakings of the Bank or Shareholders Holding More than 5% of Shares and Their Performance

During the reporting period, there were no new undertakings by the Company or shareholders holding 5% or more of the shares. As of the end of the reporting period, all continuous undertakings made by the Company and shareholders holding 5% or more of the shares were fulfilled. Please refer to the 2013 Annual Report of the Bank for the details of the relevant undertakings.

XV. Appointment and Resignation of Accounting Firm

(I) Appointment of auditors for auditing the annual financial statements

KMPG Huazhen (Special General Partnership) was appointed by the Bank as the domestic auditor for 2014. Jin Naiwen and Huang Aizhou were the authorized signatories for the audit report. KPMG was appointed as the overseas auditor for 2014. The auditing fee payable was RMB8.90 million (exclusive of reimbursement and value-added tax). These two firms had consecutively provided audit services to the Bank for ten years and two years, respectively.

(II) Appointment of Internal Control Auditor

KPMG Huazhen (Special General Partnership) was appointed as the auditor for reviewing the internal control of the Bank for 2014 and the auditing fee payable to KMPG Huazhen (Special General Partnership) was RMB1.00 million (inclusive of reimbursement and value-added tax).

XVI. Investigation and Administrative Penalty by Regulatory Authorities

During the reporting period, none of the Bank, its Directors, Supervisors, Senior Management, shareholders holding more than 5% of its shares was subject to any investigation, administrative penalty or public censure by the CSRC, or public censure by any stock exchange, or any penalty imposed by any regulatory body which has significant impact on the Bank's operation.

XVII. Other Significant Events

(I) Exercise of over-allotment option ("greenshoe option")

On December 20, 2013, the Bank was listed on the main board of HKSE. On January 12, 2014, the Bank partially exercised the over-allotment option and issued 402,305,000 H shares with proceeds of HKD1,601 million.

(II) Capital Increase in Shaoshan Everbright Village Bank Co., Ltd.

In March 2014, the Bank increased its investment in Shaoshan Everbright Village Bank Co., Ltd. by RMB70 million. After the capital increase, the investment of the Bank to Shaoshan Everbright Village Bank Co., Ltd. amounted to RMB105 million. Shaoshan Everbright Village Bank Co., Ltd. completed all the procedures required for the amendment of the industry and commerce registration on April 9, 2014.

(III) Issuance of Tier-2 Capital Bonds

On June 9, 2014, the Bank successfully issued 10-year Tier-2 capital bonds with a fixed coupon of 6.20% in an aggregate amount of RMB16.2 billion in China's inter-bank bond market and the Bank is entitled to redeem the bonds at the end of the fifth year.

Significant Events

(IV) Capital Increase in Everbright Financial Leasing Co., Ltd.

In October 2014, the Bank increased its investment in Everbright Financial Leasing Co., Ltd. (the “Everbright Leasing”) by RMB1.98 billion. After the capital increase, the total investment of the Bank to the Everbright Leasing amounted to RMB2.70 billion. Everbright Leasing completed all the procedures required for the amendment of the industry and commerce registration on October 13, 2014.

(V) Restructuring of the Everbright Group

As approved by the State Council, China Everbright (Group) Corporation was transformed from a wholly state-owned enterprise into a joint stock company and was renamed as China Everbright Group Limited. The new joint stock company was jointly promoted and established by the Ministry of Finance and CHI. Pursuant to the Founder Agreement, CHI made its capital contribution to the Everbright Group by the 9 billion shares of the Bank that it held. After the completion of procedures for the change of equity interests, the percentage of shares of the Bank directly held by the Everbright Group increased to 23.69% from 4.41%, while the percentage of shares of the Bank directly held by CHI changed from 41.24% to 21.96%. China Everbright Group Limited was formally established on December 8, 2014. CSRC and Securities & Futures Commission of Hong Kong granted the waivers to CHI from making a general offer with respect to the change of equity interests. The procedures related to the change of equity interests are still in progress.

(VI) Domestic Issuance of Preference Shares

The general meeting of the Bank considered and approved the resolution in relation to the domestic issuance of Preference Shares on December 23, 2014. The aggregate number of the Preference Shares proposed to issue shall not exceed 300 million shares and the aggregate amount of proceeds shall not exceed RMB30 billion. The Bank is currently pushing forward relevant work in relation to the issuance of Preference Shares. For details, please refer to the announcement of the Bank dated October 31, 2014.

XVIII. Significant Events of Subsidiaries

During the reporting period, Everbright Financial Leasing Co., Ltd., completed the capital increase with its registered capital increased to RMB3.7 billion from RMB0.8 billion. It had no material litigation or arbitration, acquisition or disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged KPMG Huazhen (Special General Partnership) to audit its financial report for 2014 and verify the capital increase.

During the reporting period, Shaoshan Everbright Village Bank Co., Ltd. completed the capital increase with its registered capital increased to RMB150 million from RMB50 million. It had no material litigation or arbitration, acquisition or disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged Baker Tilly China Certified Public Accountants (天職國際會計師事務所) to audit its financial report for 2014 and verify the capital increase.

During the reporting period, Jiangsu Huai’an Everbright Village Bank Co., Ltd. had no material litigation or arbitration, acquisition or disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged Huai’an Xinrui Public Accounting Firm (淮安新瑞會計師事務所) to audit its financial report for 2014.

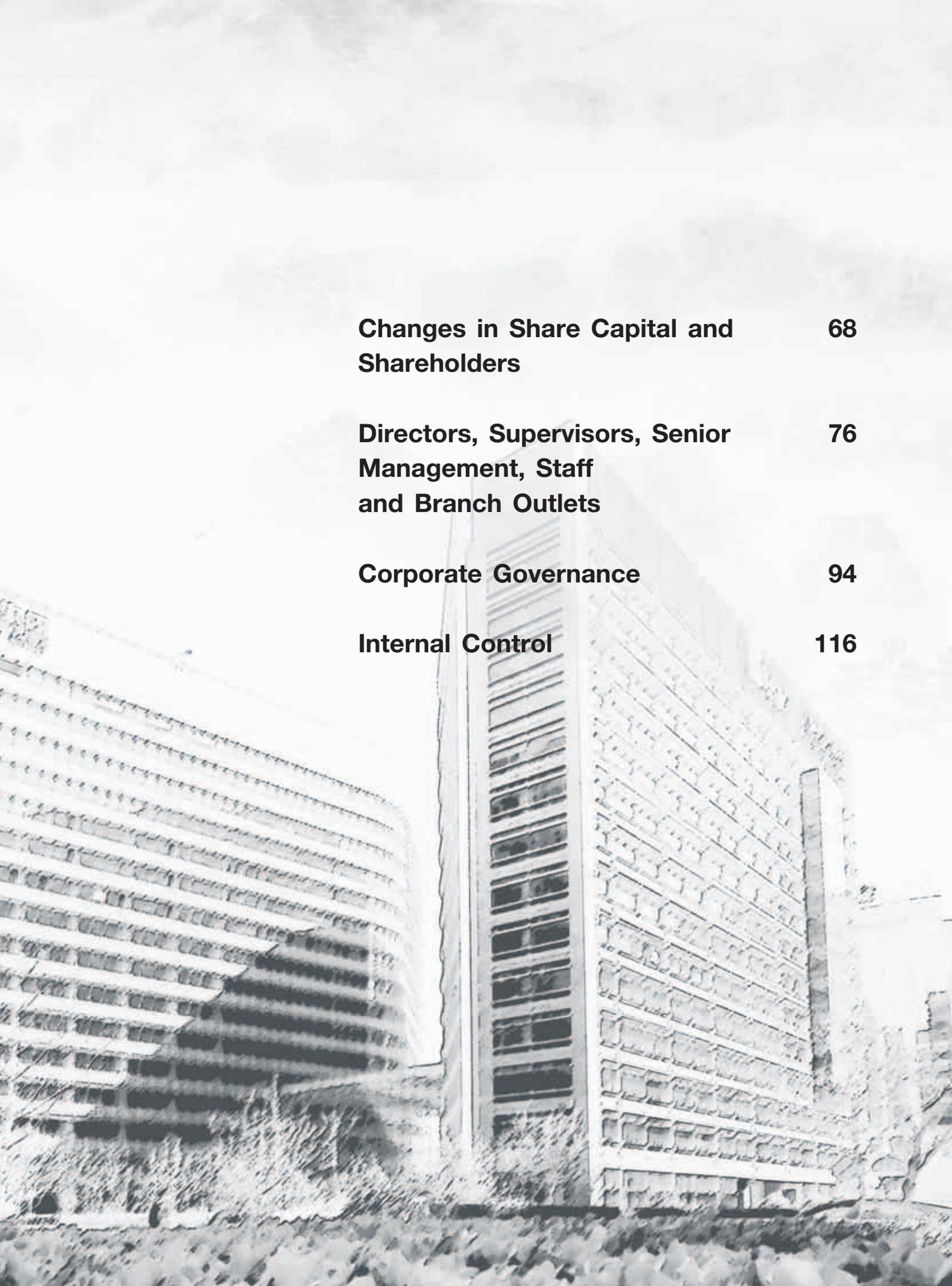
XIX. Review of Annual Results of the Company

The Bank's external auditors KPMG Huazhen (Special General Partnership) and KPMG respectively audited the Company's financial statements for 2014, which were prepared according to PRC GAAP and IFRS, and issued the standard unqualified auditor's reports. The Board of Directors of the Bank and its Audit Committee have reviewed the annual results and financial reports of the Bank for the year ended December 31, 2014.

XX. Publication of Annual Report

The Annual Report, in Chinese and English, prepared by the Bank in accordance with the IFRS and Hong Kong Listing Rules are available at the websites of the HKSE and the Bank.





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Changes in Share Capital and Shareholders

I. Changes in share capital

Unit: share, %

	Before change		Increase or decrease after change (+,-)			After change	
	Number	Percentage	New share issuance	Others	Sub-total	Number	Percentage
I. Shares subject to trading moratorium							
1. Shares held by the State	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	-	-	-	-	-	-	-
3. Shares held by other domestic shareholders	-	-	-	-	-	-	-
Including: Shares held by domestic non state-owned legal persons	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-
4. Shares held by overseas shareholders	3,397,848,000	7.34	-	-3,397,848,000	-3,397,848,000	-	-
Including: Shares held by overseas legal persons	3,397,848,000	7.34	-	-3,397,848,000	-3,397,848,000	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium							
1. Renminbi ordinary shares	39,850,590,000	86.11	-	-40,230,500	-40,230,500	39,810,359,500	85.29
2. Domestic listed foreign shares	-	-	-	-	-	-	-
3. Overseas listed foreign shares	3,028,352,000	6.55	402,305,000	3,438,078,500	3,840,383,500	6,868,735,500	14.71
4. Others	-	-	-	-	-	-	-
III. Total shares	46,276,790,000	100.00	402,305,000	-	402,305,000	46,679,095,000	100.00

II. Securities Issuance and Listing

(I) Share issuance for the last three years

The Bank did not issue any shares in 2012. On December 20, 2013, the Bank was listed on the main board of HKSE (please refer to the 2013 Annual Report for details); On January 12, 2014, the Bank partially exercised the over-allotment option (please refer to the “Significant Events” for details).

(II) Securities issuance and redemption

On June 9, 2014, the Bank successfully issued 10-year Tier-2 capital bonds with a fixed coupon of 6.20% in an aggregate amount of RMB16.2 billion in China’s inter-bank bond market, and the Bank is entitled to redeem the bonds at the end of the fifth year.

On March 13, 2009, the Bank issued 10-year first tranche subordinate bonds of 2009 with a fixed coupon of 3.75% in an amount of RMB3 billion in China’s inter-bank bond market, and the Bank is entitled to redeem the bonds at the end of the fifth year. On March 17, 2014, the Bank exercised the redemption option of the issuer and redeemed all the first tranche subordinate bonds of 2009 in the amount of RMB3 billion. For details, please refer to the announcement of the Bank dated February 18, 2014.

On June 7, 2012, the Bank successfully issued 15-year subordinated bonds with a fixed coupon of 5.25% in an aggregate amount of RMB6.7 billion in China’s inter-bank bond market, and the Bank is entitled to redeem the bonds at the end of the tenth year.

(III) The Bank had no employee shares, and there was also no change in the total number of shares, shareholding structure or assets and liabilities as a result of bonus issue, capitalization of the capital reserve, rights issue, issuance of new shares, non-public offering of shares, exercise of warrants, adoption or exercise of share incentive scheme, mergers, conversion of convertible corporate bonds, capital reduction, listing of internal employee shares or for other reasons.

III. Number of Shareholders

Unit: Share

	A shares	H shares
Total number of shareholders as at the end of the reporting period	316,665	1,275
Total number of shareholders as at the fifth trading day prior to the disclosure of the A share annual report	377,754	1,175

IV. Shareholding of Top 10 Shareholders

Unit: share, %

Name of shareholder	Nature	Change in the reporting period	Shareholding percentage	Shareholding Number		
				Shares not subject to trading moratorium	Shares subject to trading moratorium	Shares pledged or frozen
CHI	State-owned	-26,304,189	41.24	19,250,916,094	-	-
Hong Kong Securities Clearing Company Nominees Limited, including:	-	444,529,500	14.70	6,861,086,500	-	Unknown
Ocean Fortune Investment Limited	Overseas legal person	25,861,000	3.39	1,584,273,000	-	-
China Life Reinsurance Company Limited	Domestic legal person	-	2.23	1,041,260,000	-	-
China Everbright Group Limited	Domestic legal person	4,183,775	4.41	2,057,280,034	-	-
China Everbright Limited	Overseas legal person	-114,520,045	3.37	1,572,735,868	-	-
China Reinsurance (Group) Corporation	Domestic legal person	-1,311,547	2.05	954,836,367	-	-
Shenergy (Group) Co., Ltd.	Domestic legal person	-1,052,168	1.64	766,002,403	-	-
Hongta Tobacco (Group) Co., Ltd.	Domestic legal person	-739,561	1.15	538,417,850	-	-
Guangzhou Maritime Transport (Group) Company Ltd.	Domestic legal person	423,932,589	0.91	423,932,589	-	-
Shanghai Chengtou Holding Co., Ltd.	Domestic legal person	-484,167	0.76	352,485,083	-	-
China Electronics Corporation	Domestic legal person	101,900,000	0.72	334,446,842	-	-

The connecting relationship or concerted actions among the above shareholders: China Reinsurance (Group) Corporation is a subsidiary of CHI; China Life Reinsurance Company Limited is a subsidiary of China Reinsurance (Group) Corporation; China Everbright Limited is a subsidiary of China Everbright Holdings Company Limited. China Everbright Group Limited, China Everbright Holdings Company Limited and China Everbright Limited have the same individual as Chairman and certain members of their senior managements are overlapping; Guangzhou Maritime Transport (Group) Company Ltd. and Ocean Fortune Investment Limited are the subsidiaries of China Shipping (Group) Company. Save for the above, the Bank is not aware of any connecting relationship or concerted actions among the above shareholders.

Changes in Share Capital and Shareholders

- Note:
1. The total number of H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it as at the end of the reporting period was 6,861,086,500 shares. Save for the 1,584,273,000 and 1,041,260,000 H shares of the Bank held by Ocean Fortune Investment Limited and China Life Reinsurance Company Limited respectively, all of which were held under the name of Hong Kong Securities Clearing Company Nominees Limited, the number of the remaining H shares of the Bank held under the name of Hong Kong Securities Clearing Company Nominees Limited was 4,235,553,500 H shares.
 2. During the reporting period, some shareholders, including CHI, reduced holding of state-owned shares, which resulted in the reduction in amount of shares held.
 3. As approved by the State Council, China Everbright (Group) Corporation was transformed from a wholly state-owned enterprise into a joint stock company and was renamed as China Everbright Group Limited. The new joint stock company was jointly promoted and established by the Ministry of Finance and CHI. CHI made its capital contribution to the Everbright Group by the 9 billion shares of the Bank that it held. The procedures for the change of equity interest are still in progress.

V. Shareholding of the top 10 shareholders not subject to trading moratorium

Shareholding of the top 10 shareholders not subject to trading moratorium of the Bank is consistent with that of the top 10 shareholders.

VI. Table of Changes in Number of Shares Subject to Trading Moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the period	Number of shares released from trading moratorium in the reporting period	Increase in number of shares subject to trading moratorium in the reporting period	Number of shares subject to trading moratorium at the end of the period	Reason for trading moratorium	Date of release from trading moratorium
Hong Kong Securities Clearing Company Nominees Limited	3,397,848,000	3,397,848,000	-	-	Lock-up period for H shares	2014.06.21

VII. Confirmation on the Bank's compliance with requirement of sufficiency of public float under the Hong Kong Listing Rules

Based on publicly available information and to the knowledge of the Directors, as at December 31, 2014, the Bank has maintained the minimum public float as required by the Hong Kong Listing Rules and the waiver granted by the HKSE.

VIII. Profile of substantial shareholders of the Bank

(I) CHI

1. Basic information

Company name	:	Central Huijin Investment Ltd.
Date of establishment	:	December 2003
Business nature	:	wholly state-owned company
Legal Representative	:	Ding Xuedong
Registered capital	:	RMB828.209 billion
Paid-in capital	:	RMB828.209 billion
Place of registration	:	New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing
Business nature	:	Equity investment in major state-owned financial enterprises in accordance with authorization by the State Council; Other relevant businesses approved by the State Council
Organization registration number	:	71093296-1

2. Development strategy

CHI is mandated to make equity investment in major state-owned financial enterprises in accordance with authorization by the State Council. It shall, to the extent to its capital contribution, exercise the rights and perform the obligations as an investor in major state-owned financial enterprises, on behalf of the State in light of the applicable laws to achieve the goal of preserving and increasing the value of state-owned financial assets. CHI does not conduct any other business or commercial activities, nor does it intervene in the day-to-day business operation of the major state-owned financial enterprises in which it has a controlling equity interest.

3. Equity held in listed companies

As at December 31, 2014, the shareholdings of CHI in other listed companies were as follows:

Company Name	Shareholding Percentage	Unit: %
Industrial and Commercial Bank of China Limited	35.12	
Agricultural Bank of China Limited	40.28	
Bank of China Limited	65.52	
China Construction Bank Corporation	57.26	
New China Life Insurance Company Limited	31.34	

Changes in Share Capital and Shareholders

(II) Everbright Group

1. Basic information

Company name	:	China Everbright Group Limited
Date of establishment	:	November 1990 (it was renamed on December 8, 2014 due to restructuring)
Business nature	:	State-owned joint stock limited company(non-listing)
Legal Representative	:	Tang Shuangning
Registered capital	:	RMB60 billion
Place of registration	:	No. 25, Taipingqiao Avenue, Xicheng District, Beijing
Business mode	:	Investment and management.
Business scope	:	Investment in and management of financial enterprises, including banking, securities, insurance, funds, trust, futures, leasing and gold and silver transactions; asset management; investment in and management of non-financial enterprises.
Organization registration number	:	10206389-7

2. Development strategy

The strategic goal for the planning period is to develop Everbright Group into a first-class financial holding group up to international standards with Chinese characteristics, which is featured with distinctive focus, capital adequacy, stringent internal control and rational management. Business positioning: on the basis of providing integrated financial services, form a strategic layout with prominence to major financial businesses, steady development of industry, unified pace in Hong Kong with China's mainland, and integration of financial industries. Objectives of the Group: promote the sharing of resources within the Group, optimize the Group's industrial layout, deepen internal linkage, explore the management modes and cooperation ways conducive to the display of the integrated financial advantages and the synergy of forces, push forward the transformation of China Everbright into a financial holding group, and explore ways for the reform of national financial system. Since the implementation of strategic planning, the Group has achieved remarkable results, effectively enhanced the overall strength, and gradually consummated the integrated financial functions, further improved the degree of internationalization, and consolidated core competitiveness.

3. Shareholding in other listed companies

As at December 31, 2014, the shareholding of Everbright Group in other listed company was as follows:

Unit: %

Company Name	Shareholding Percentage
Everbright Securities Co., Ltd.	33.92

IX. Substantial shareholders' and other persons' interests or short positions in shares and underlying shares of the Company under Hong Kong laws and regulations

As at 31 December 2014, so far as was known to Directors and Supervisors of the Company, the following persons or corporations (other than Directors, Supervisors or Chief Executives of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Hong Kong Securities and Futures Ordinance ("HKSF") or as otherwise notified to the Company were as follows:

Name of substantial shareholder	Notes	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of the relevant shares in issue (%) ^{6,7}	Percentage of the total issued shares (%) ^{6,7}
China Shipping (Group) Company	1	H	Interest of controlled corporation	Long	1,579,835,000	23.00	3.38
China Shipping (Hong Kong) Holdings Co. Ltd.	1	H	Interest of controlled corporation	Long	1,579,835,000	23.00	3.38
Ocean Fortune Investment Limited	1	H	Beneficial owner	Long	1,579,835,000	23.00	3.38
CHI	2	H	Interest of controlled corporation	Long	1,041,260,000	15.15	2.23
China Reinsurance (Group) Corporation	2	H	Interest of controlled corporation	Long	1,041,260,000	15.15	2.23
China Life Reinsurance Company Ltd.	2	H	Beneficial owner	Long	1,041,260,000	15.15	2.23
UBS Group AG	3	H	Person having a security interest/ Interest of controlled corporation	Long	613,531,898	8.93	1.31
UBS AG	3	H	Interest of controlled corporation	Short	421,695,891	6.13	0.90
			Beneficial owner/Person having a security interest/Interest of controlled corporation	Long	613,531,898	8.93	1.31
			Beneficial owner	Short	421,695,891	6.13	0.90
National Council for Social Security Fund		H	Beneficial owner	Long	584,200,000	8.50	1.25
Jingwei Textile Machinery Co., Ltd.	4	H	Interest of controlled corporation	Long	389,603,000	5.67	0.83
Zhongrong International Trust Co., Ltd.	4	H	Beneficial owner	Long	389,603,000	5.67	0.83
Everbright Group	5	A	Beneficial owner/Interest of controlled corporation	Long	13,089,751,960	32.88	28.04
CHI	5	A	Beneficial owner/Interest of controlled corporation	Long	24,295,504,421	61.02	52.04

Changes in Share Capital and Shareholders

- Note:
1. Ocean Fortune Investment Limited had a long position in 1,579,835,000 H shares of the Company. As far as the Company is aware, Ocean Fortune Investment Limited was wholly-owned by China Shipping (Hong Kong) Holdings Co. Ltd., while China Shipping (Hong Kong) Holdings Co. Ltd. was wholly-owned by China Shipping (Group) Company. In accordance with the HKSFO, China Shipping (Hong Kong) Holdings Co. Ltd. and China Shipping (Group) Company were deemed to have interests in 1,579,835,000 H shares held by Ocean Fortune Investment Limited.
 2. China Life Reinsurance Company Ltd. had a long position in 1,041,260,000 H shares of the Company. As far as the Company is aware, China Life Reinsurance Company Ltd. was wholly-owned by China Reinsurance (Group) Corporation, while 84.91% of the issued share capital of China Reinsurance (Group) Corporation was held by CHI. In accordance with the HKSFO, China Reinsurance (Group) Corporation and CHI were deemed to have interests in 1,041,260,000 H shares held by China Life Reinsurance Company Ltd.
 3. UBS AG directly held a long position in 474,711,898 H shares and a short position in 421,695,891 H shares. UBS AG had a long position in 135,177,000 H shares that have a security interest. UBS AG was deemed to be interested in a total of 3,643,000 H shares held by its following wholly-owned subsidiaries:
 - (1) UBS Fund Management (Switzerland) AG had a long position in 870,000 H shares of the Company.
 - (2) UBS Global Asset Management (Australia) Ltd had a long position in 119,000 H shares of the Company.
 - (3) UBS Global Asset Management (Deutschland) GmbH had a long position in 132,000 H shares of the Company.
 - (4) UBS Global Asset Management (Japan) Ltd had a long position in 63,000 H shares of the Company.
 - (5) UBS Global Asset Management (Singapore) Ltd had a long position in 300,000 H shares of the Company.
 - (6) UBS Global Asset Management (UK) Ltd had a long position in 2,159,000 H shares of the Company.

Accordingly, UBS AG directly and indirectly held a long position in 613,531,898 H shares and a short position of 421,695,891 H shares of the Company in total. A 96.64% of the issued share capital of UBS AG was owned by UBS Group AG. UBS Group AG was deemed to have interests in the long position in 613,531,898 H shares and in the short position in 421,695,891 H shares held by UBS AG in accordance with the HKSFO.

In addition, the long position in 101,140 H shares and the short position in 421,695,891 H shares involved derivatives, among which, the long position in 96,750 H shares was physically settled (on exchange), the long position in 4,390 H shares was cash settled (off-exchange), the short position in 861 H shares was cash settled (on exchange) and the short position in 421,695,030 H shares was cash settled (off exchange).

4. Zhongrong International Trust Co., Ltd. had a long position in 389,603,000 H shares of the Bank. As far as the Bank is aware, 36.80% of the issued share capital of Zhongrong International Trust Co., Ltd. was held by Jingwei Textile Machinery Co., Ltd. In accordance with the HKSFO, Jingwei Textile Machinery Co., Ltd. was deemed to have interests in the long position in 389,603,000 H shares held by Zhongrong International Trust Co., Ltd.
5. Everbright Group directly held a long position in 11,057,280,034 A shares of the Company. Everbright Group was deemed to be interested in 2,032,471,926 A shares of the Company in total by virtue of its control over the following corporations:
 - (1) China Everbright (Jiangsu) Investment Company Limited (光大控股(江蘇)投資有限公司) had a long position in 64,516,000 A shares of the Company.
 - (2) China Everbright Limited had a long position in 1,572,735,868 A shares of the Company.
 - (3) Everbright Environmental Protection (China) Company Limited (光大環保(中國)有限公司) had a long position in 48,387,000 A shares of the Company.
 - (4) Meiguang Enyu (Shanghai) Properties Company Limited (美光恩御(上海)置業有限公司) had a long position in 148,156,258 A shares of the Company.

- (5) China Everbright Investment Management Corporation had a long position in 48,387,000 A shares of the Company.
- (6) Everbright Financial Holding Asset Management Co., Ltd. had a long position in 150,289,800 A shares of the Company.

Accordingly, Everbright Group directly and indirectly held a long position in 13,089,751,960 A shares of the Company in total.

CHI had a long position in 10,250,916,094 A shares of the Company, while China Reinsurance (Group) Corporation had a long position in 954,836,367 A shares of the Company. As far as the Company is aware, as 84.91% of the issued share capital of China Reinsurance (Group) Corporation and 55.67% of the issued share capital of Everbright Group were owned by CHI, CHI was deemed to have interests in the long position in 954,836,367 A shares of China Reinsurance (Group) Corporation and 13,089,751,960 A shares of Everbright Group in accordance with the HKSFO. Therefore, CHI directly and indirectly held a long position in 24,295,504,421 A shares of the Company in total.

- 6. As at December 31, 2014, the total issued share capital of the Company was 46,679,095,000 shares, including 39,810,359,500 A shares and 6,868,735,500 H shares.
- 7. The percentage shareholdings are calculated by rounding to two decimal places.

Save as disclosed above, as at 31 December 2014, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the HKSFO, or which were recorded in the register required to be kept by the Company under Section 336 of the HKSFO.

X. Interests or short positions of Directors, Supervisors and Chief Executives in shares, underlying shares and debentures of the Company under Hong Kong laws and regulations

As at 31 December 2014, as far as the Directors and Supervisors of the Company are aware, none of the Directors, Supervisors nor the Chief Executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Divisions 7 and 8 of Part XV of the HKSFO) which were required to be recorded in the register required to be kept under Section 352 of the HKSFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

I. Profile of Directors, Supervisors and Senior Management

Name	Title	Gender	Age	Term of service	Total remuneration from the Bank during the reporting period (Pre-tax, RMB ten thousand)	Whether received remuneration from the shareholders' unit
Mr. Tang Shuangning	Secretary of CPC Committee of the Bank, Chairman, Non-Executive Director	Male	60	2007.07-2015.11	-	Yes
Mr. Gao Yunlong	Vice Chairman, Non-Executive Director	Male	56	2014.12-2015.11	-	Yes
Mr. Zhao Huan	Deputy Secretary of CPC Committee of the Bank, Executive Director, President	Male	51	2014.04-2015.11	78.10	-
Mr. Ma Teng	Deputy Secretary of CPC Committee of the Bank, Executive Director, Vice President	Male	56	2015.03- 2015.11	125.60	-
Mr. Wu Jian	Non-Executive Director	Male	44	2007.12-2015.11	-	Yes
Ms. Narentuya	Non-Executive Director	Female	59	2011.03-2015.11	-	Yes
Mr. Wu Gang	Non-Executive Director	Male	56	2011.03-2015.11	-	Yes
Ms. Wang Shumin	Non-Executive Director	Female	58	2012.02-2015.11	-	Yes
Mr. Wang Zhongxin	Non-Executive Director	Male	59	2012.06-2015.11	-	Yes
Mr. Wu Gaolian	Non-Executive Director	Male	62	2013.01-2015.11	-	Yes
Mr. Zhao Wei	Non-Executive Director	Male	43	2015.02-2015.11	-	Yes
Mr. Yang Jigui	Non-Executive Director	Male	48	2015.02-2015.11	-	Yes
Mr. Zhang Xinze	Independent Non-Executive Director	Male	68	2011.11-2015.11	21.00	-
Mr. Qiao Zhimin	Independent Non-Executive Director	Male	62	2013.01-2015.11	39.00	-
Mr. Xie Rong	Independent Non-Executive Director	Male	62	2013.01-2015.11	37.00	-
Ms. Fok Oi Ling Catherine	Independent Non-Executive Director	Female	56	2014.01-2015.11	35.33	-
Mr. Xu Hongcai	Independent Non-Executive Director	Male	50	2015.02-2015.11	-	-
Mr. Feng Lun	Independent Non-Executive Director	Male	55	2015.02-2015.11	-	-
Mr. Cai Haoyi	Chairman of the Board of Supervisors	Male	60	2012.11-2015.11	126.86	-
Mr. Mu Huijun	Vice Chairman of the Board of Supervisors	Male	58	2009.11-2015.11	125.60	-
Mr. Yin Lianchen	Shareholder Supervisor	Male	48	2014.12-2015.11	-	Yes
Mr. Wu Junhao	Shareholder Supervisor	Male	49	2009.11-2015.11	-	Yes
Mr. Yu Erniu	External Supervisor	Male	65	2012.11-2015.11	29.50	-
Mr. James Parks Stent	External Supervisor	Male	69	2013.01-2015.11	29.50	-
Ms. Chen Yu	Employee Supervisor	Female	49	2003.07-2015.11	195.09	-
Mr. Ye Donghai	Employee Supervisor	Male	51	2012.11-2015.11	194.24	-
Mr. Ma Ning	Employee Supervisor	Male	43	2012.11-2015.11	282.20	-
Ms. Li Jie	Member of CPC Committee of the Bank, Vice President	Female	56	2003.01-	125.60	-
Mr. Zhang Huayu	Member of CPC Committee of the Bank, Vice President	Male	56	2006.02-	125.60	-
Mr. Lu Hong	Member of CPC Committee of the Bank, Vice President	Male	51	2009.03-	125.60	-
Mr. Qiu Huofa	Member of CPC Committee of the Bank, Vice President, General Manager of Beijing Branch	Male	54	2012.12-	125.60	-
Mr. Wu Jian	Member of CPC Committee of the Bank, Secretary of Disciplinary Committee, Vice President	Male	53	2014.01-	91.30	-
Mr. Yao Zhongyou	Member of CPC Committee of the Bank, Vice President	Male	51	2014.05-	58.10	No
Mr. Cai Yunge	Member of CPC Committee of the Bank, Secretary to the Board (Vice Presidency Level)	Male	43	2014.05-	58.10	-
Total remuneration received from the Bank					2028.92	

Note:

1. The final remunerations of certain Directors, Supervisors, Senior Management of the Bank are pending confirmation and will be disclosed upon confirmation.
2. The remuneration of Senior Management is calculated based on their actual term of service.
3. As at the end of the reporting period, none of the Directors, Supervisors and Senior Management held any shares of the Bank.
4. As at the end of the reporting period, the Bank had not implemented any share option scheme, and none of the Directors, Supervisors and Senior Management of the Bank held any share option of the Bank's shares or had been granted any restrictive shares.

II. Directors, Supervisors and Senior Management Resigned during the Reporting Period

Name	Title	Gender	Age	Term	Total remuneration from the Bank during the reporting period (Pre-tax, RMB ten thousand)	Whether received the remuneration from the shareholders' unit
Mr. Luo Zhefu	Vice Chairman, Non-Executive Director	Male	61	2009.04-2014.07	-	Yes
Mr. Wu Qing	Executive Director	Male	61	2003.01-2014.12	125.60	-
Mr. Zhou Daojiong	Independent Non-Executive Director	Male	81	2013.01-2015.02	-	-
Mr. Chen Shuang	Shareholder Supervisor	Male	47	2004.08-2014.10	-	Yes
Mr. Wang Pingsheng	Shareholder Supervisor	Male	57	2012.11-2014.10	-	Yes
Ms. Zhang Chuanju	Shareholder Supervisor	Female	57	2009.11-2014.04	-	Yes
Mr. Shan Jianbao	Member of the CPC Committee, Executive Vice President	Male	60	2000.01-2014.09	93.20	-
Mr. Liu Jun	Member of the CPC Committee, Executive Vice President	Male	42	2009.03-2014.07	82.40	-
Total remuneration received from the Bank					301.20	

III. Changes of Directors, Supervisors and Senior Management during the Reporting Period

(I) Changes of Directors

1. In January 2014, the CBRC approved Ms. Fok Oi Ling Catherine's appointment qualification as Independent Non-Executive Director, and Mr. Wang Wei ceased to perform the duties of Independent Non-Executive Director.
2. The CBRC approved Mr. Zhao Huan's appointment qualification as Executive Director in April 2014.
3. On May 9, 2014, the 20th meeting of the Sixth Session of the Board of Directors of the Bank approved the resignation of Mr. Zhou Daojiong from the position of Independent Non-Executive Director of the Sixth Session of the Board of Directors of the Bank. As the number of Independent Non-Executive Directors of the Bank would fall below the statutory minimum requirement, Mr. Zhou Daojiong will continue to perform his duties as Independent Non-Executive Director of the Sixth Session of the Board of Directors of the Bank until the appointment qualification of the new Independent Non-Executive Director has been approved by the CBRC. In February 2015, Mr. Zhou Daojiong ceased to be an Independent Non-Executive Director of the Bank.
4. Mr. Luo Zhefu tendered his resignation from his positions of Vice Chairman and Non-Executive Director of the Bank due to change of work on July 14, 2014.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

5. On August 29, 2014, the Bank convened the 23rd meeting of the Sixth Session of the Board of Directors, where Mr. Gao Yunlong was nominated as a candidate for Non-Executive Director of the Sixth Session of the Board of Directors; at the second extraordinary general meeting for 2014 of the Bank held on October 15, 2014, Mr. Gao Yunlong was elected as Non-Executive Director of the Bank; at the 26th meeting of the Sixth Session of the Board of Directors of the Bank held on October 31, 2014, Mr. Gao Yunlong was elected as the Vice Chairman of the Sixth Session of the Board of Directors of the Bank. In December 2014, the CBRC approved his appointment qualification as Vice Chairman.
6. On October 31, 2014, the Bank convened the 26th Meeting of the Sixth Session of the Board of Directors, where Mr. Zhao Wei and Mr. Xu Hongcai were nominated as the candidates for Non-Executive Director and Independent Non-Executive Director respectively of the Sixth Session of the Board of Directors; at the 3rd extraordinary general meeting for 2014 of the Bank held on December 23, 2014, Mr. Zhao Wei and Mr. Xu Hongcai were elected as Non-Executive Director and Independent Non-Executive Director respectively of the Sixth Session of the Board of Directors. In February 2015, the CBRC approved the appointment qualifications of Mr. Zhao Wei as Non-Executive Director and Mr. Xu Hongcai as Independent Non-Executive Director.
7. On December 3, 2014, Mr. Wu Qing resigned as Executive Director of the Bank due to retirement.
8. On December 5, 2014, the Bank convened the 27th Meeting of the Sixth Session of the Board of Directors, where Mr. Yang Jigui and Mr. Feng Lun were nominated as the candidates for Non-Executive Director and Independent Non-Executive Director of the Sixth Session of the Board of Directors respectively; at the 3rd extraordinary general meeting for 2014 of the Bank held on December 23, 2014, Mr. Yang Jigui and Mr. Feng Lun were elected as Non-Executive Director and Independent Non-Executive Director of the Sixth Session of the Board of Directors respectively. In February 2015, the CBRC approved the appointment qualifications of Mr. Yang Jigui as Non-Executive Director and Mr. Feng Lun as Independent Non-Executive Director.
9. On December 5, 2014, the Bank convened the 27th Meeting of the Sixth Session of the Board of Directors, where Mr. Ma Teng was nominated as the candidate for Executive Director of the Sixth Session of the Board of Directors; at the 3rd extraordinary general meeting for 2014 of the Bank held on December 23, 2014, Mr. Ma Teng was elected as Executive Director of the Sixth Session of the Board of Directors. In March 2015, the CBRC approved the appointment qualifications of Mr. Ma Teng as Executive Director.

(II) Changes of Supervisors

1. Ms. Zhang Chuanju resigned from the position of Supervisor of the Bank due to work reasons on April 1, 2014.
2. Mr. Wang Pingsheng resigned from the position of Supervisor of the Bank due to work reasons on October 16, 2014.
3. Mr. Chen Shuang resigned from the position of Supervisor of the Bank due to work reasons on October 21, 2014.
4. The Bank convened the 14th Meeting of the Sixth Session of the Board of Supervisors on October 31, 2014, Mr. Yin Lianchen was nominated as the candidate for Supervisor of the Sixth Session of the Board of Supervisors of the Bank; on December 23, 2014, Mr. Yin Lianchen was elected as Supervisor of the Sixth Session of the Board of Supervisors of the Bank at the 3rd extraordinary general meeting for 2014 of the Bank.

(III) Changes of Senior Management

1. On June 27, 2014, the Bank convened the 22nd meeting of the Sixth Session of the Board of Directors whereby Mr. Yao Zhongyou was appointed as Executive Vice President of the Bank. In August 2014, the CBRC approved Mr. Yao Zhongyou's appointment qualification as the Executive Vice President of the Bank.
2. On June 27, 2014, the Bank convened the 22nd meeting of the Sixth Session of the Board of Directors, whereby Mr. Cai Yunge was appointed as the Secretary to the Board of Directors (Executive Vice President level) of the Bank. In August 2014, the CBRC approved the appointment qualification of Mr. Cai Yunge as the Secretary to the Board of Directors, and Mr. Lu Hong ceased to be the Secretary to the Board of Directors of the Bank.
3. Mr. Liu Jun resigned from the position of Executive Vice President of the Bank due to change of job assignment on July 30, 2014.
4. Mr. Shan Jianbao resigned from the position of Executive Vice President of the Bank due to retirement on September 22, 2014.
5. On December 5, 2014, the 27th meeting of the Sixth Session of the Board of Directors of the Bank appointed Mr. Wu Jian as the Executive Vice President of the Bank. In December 2014, the CBRC approved the appointment qualification of Mr. Wu Jian as the Executive Vice President.

IV. Changes in Information of Directors and Supervisors during the Reporting Period

1. Mr. Wu Jian, Ms. Narentuya, Mr. Wu Gang, Ms. Wang Shumin and Mr. Wu Gaolian, all being Non-Executive Directors of the Bank, concurrently serve as Directors of China Everbright Group Limited.
2. Mr. Zhang Xinze, an Independent Non-Executive Director of the Bank, ceased to be the Director of Lubin Shuwei Management consulting (Beijing) Co., Ltd..
3. Mr. Xie Rong, an Independent Non-Executive Director of the Bank, ceased to be Independent Directors of Tianjin Capital Environmental Protection Group Company Limited and Sinopharm Group Co., Ltd..
4. Mr. Yu Erniu, an External Supervisor of the Bank, concurrently serves as Independent Director of Hithink Flush Information Network Co., Ltd. and Director of Shanghai Benemae Pharmaceutical Corporation.
5. Mr. James Parks Stent, an External Supervisor of the Bank, concurrently serves as an Independent Director of XacBank in Mongolia.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

V. Procedures for determining the remunerations of the Directors, Supervisors and Senior Management and the actual remunerations paid

Remunerations of Directors and Senior Management are verified and paid in accordance with the rules of relevant authorities as well as the Articles of Association. The remuneration plan is reviewed by the Remuneration Committee of the Board of Directors before it is submitted to the Board of Directors for consideration of approval, of which the remuneration plan for Directors is subject to the approval of the shareholders' meeting.

Remunerations of Supervisors are verified and paid in accordance with the rules of relevant authorities as well as the Articles of Association. The remuneration plan is subject to the approval of the shareholders' meeting after it is reviewed by the Board of Supervisors.

Please refer to the above table for the detailed remunerations of Directors, Supervisors and Senior Management.

VI. Positions Held by Directors, Supervisors and Senior Management in the Shareholder Units of the Bank

Name	Name of shareholder	Title	Term
Mr. Tang Shuangning	China Everbright Group Limited China Everbright Limited	Secretary of CPC Committee, Chairman, Chairman of the Board of Directors	Jun. 2007 to the present
Mr. Gao Yunlong	China Everbright Group Limited	Vice Chairman, General Manager	Jul. 2014 to the present
Mr. Zhao Huan	China Everbright Group Limited	Member of CPC Committee	Jan. 2014 to the present
Mr. Wu Jian	CHI	Designated Director, Director of Everbright Equity Management Department of Division II of Banking Department	Director: Dec. 2014 to the present Designated Director: Dec. 2007 to the present
Ms. Narentuya	China Everbright Group Limited CHI	Director Designated Director	Director: Apr. 2012 to the present Designated Director: Dec. 2010 to the present
Mr. Wu Gang	China Everbright Group Limited CHI	Director Designated Director	Director: Dec. 2014 to the present Designated Director: Dec. 2010 to the present
Ms. Wang Shumin	China Everbright Group Limited CHI	Director Designated Director	Director: Dec. 2014 to the present Designated Director: Dec. 2011 to the present
Mr. Wang Zhongxin	China Everbright Group Limited CHI	Director Designated Director	Director: Dec. 2014 to the present May 2012 to the present
Mr. Wu Gaolian	CHI	Designated Director	Designated Director: Nov. 2012 to the present
Mr. Zhao Wei	China Everbright Group Limited China Re Asset Management Co., Ltd	Director Secretary of CPC Committee, Vice Chairman, General Manager	Director: Dec. 2014 to the present Apr. 2012 to the present
Mr. Yang Jigui	China Shipping (Group) Company	Assistant General Manager	Mar. 2014 to the present
Mr. Yin Lianchen	China Everbright Limited	Chief Investment Officer	Apr. 2012 to the present
Mr. Wu Junhao	Shenergy (Group) Co., Ltd.	Manager of Financial Management Department	Apr. 2011 to the present
Mr. Yao Zhongyou	Everbright Financial Holding Asset Management Co., Ltd.	Director	Apr. 2010 to the present

Note: On December 8, 2014, China Everbright (Group) Corporation was renamed as China Everbright Group Limited.

VII. Resumes of the Directors, Supervisors and Senior Management

(I) Directors

Mr. Tang Shuangning

Mr. Tang joined the Bank as Chairman of the Board of Directors in July 2007. Currently, he is also Chairman of China Everbright Group Limited, Chairman of China Everbright Holdings Company Limited, Chairman of China Everbright Limited, Chairman of China Everbright International Limited, member of the Board of Directors of Everbright Securities Co., Ltd. and member of the Board of Directors of Sun Life Everbright Life Insurance Co., Ltd. He was Deputy General Manager of Shenyang Branch of China Construction Bank (“CCB”), Deputy General Manager and General Manager of Shenyang Branch of People’s Bank of China (“PBC”) and Deputy Director General and Director General of Shenyang Branch of State Administration of Foreign Exchange. He served successively as Director-General of the Credit Management Department of PBC, Director-General of the Currency, Gold and Silver Bureau of PBC and Director-General of the First Banking Supervision Department of PBC. From April 2003 to June 2007, he was Vice Chairman of CBRC, and Vice President of the China Society for Finance and Banking and Advisor of the Investment Association of China. He is a graduate of Dongbei University of Finance and Economics and holds a master’s degree in Investment and Economics and is a senior economist. He is a member of the Eleventh National Committee of CPPCC, a deputy to the Eighteenth National Congress of the Communist Party of China (“CPC”), a member of the Twelfth National People’s Congress and Vice Chairman of Agricultural Committee of the National People’s Congress. He is awarded “Special Government Allowance” by the State Council of China.

Mr. Gao Yunlong

Mr. Gao has served as the Vice Chairman of the Bank since December 2014. He currently serves as Vice Chairman and General Manager of China Everbright Group Limited. From 1994 to June 2014, he successively served as Deputy Head, Head and senior engineer of divisions of China Development Bank, as well as adjunct professor, Deputy Mayor of Baise of Guangxi Zhuang Autonomous Region, Vice Chairman of Guangxi Zhuang Autonomous Region of China National Democratic Construction Association (“CNDCA”), Chairman of Guangxi Zhuang Autonomous Region of CNDCA, Deputy Governor of Qinghai Province, Chairman of Qinghai Province of CNDCA, Executive Director and Deputy General Manager of China Everbright (Group) Corporation. He graduated from Tsinghua University with a doctoral degree in Chemical Engineering. He is a senior engineer, professor and supervisor of postgraduates at Tsinghua University. He is also a member of the 11th and the 12th National Committee of the Chinese People’s Political Consultative Conference.

Mr. Zhao Huan

Mr. Zhao became the Deputy Secretary of CPC Committee of the Bank in January 2014, Executive Director in April 2014 and President of the Bank in March 2014. Currently he is also a member of CPC Committee of China Everbright Group Limited. From March 2001 to March 2011, he successively served as Deputy General Manager of Corporate Business Department of CCB, Deputy General Manager of Xiamen Branch, General Manager of Corporate Business Department and General Manager of Shanghai Branch. From March 2011 to January 2014, he served as Executive Vice President and a member of CPC Committee of CCB (since December 2010). In 1986, he graduated from Xi’an Jiaotong University with a major in Management Engineering. He holds a certificate of senior economist.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

Mr. Ma Teng

Mr. Ma has been Deputy Secretary of the CPC Committee and Vice President of the Bank since December 2014 and Executive Director since March 2015. From December 2010 to December 2014, he has been a member of the CPC Committee and Executive Vice President of the Bank. From November 2009 to December 2010, he acted as General Manager of Financial Management Department of Everbright Group. From March to November 2009, he acted as a member of CPC Committee of China Everbright Industrial (Group) Co., Ltd. From June 2005 to February 2009, he acted as the Deputy Secretary of CPC Committee, Director and Chief Executive Officer of China Bohai Bank. From July 1984 to June 2005, he served as Secretary of the CPC Committee, General Manager of Peony Card Center and General Manager of Bank Card Department in the ICBC; he also served as Secretary of the CPC Committee and President of Hebei Branch, Secretary of the CPC Committee and President of Wuhan Branch and Deputy Director of General Office of the Headquarters. He graduated from Dongbei University of Finance and Economics, and obtained a bachelor's degree in Economics and a doctoral degree in Political Economics from Zhongnan University of Economics and Law. He is a senior economist.

Mr. Wu Jian

Mr. Wu became a member of the Board of Directors of the Bank in December 2007. He is now working in CHI as Director of Everbright Equity Management Department of Division II of Banking Department, and he also serves as a Director in China Everbright Group Limited and China Everbright Industrial (Group) Company Limited. He was Deputy Chief of Risk Warning Division, Chief of Risk Measurement Division and Assistant General Manager of the Risk Management Department of the Head Office of CCB, General Manager of the Risk & Policy Management Department of Shanghai Pudong Development Bank and Director of the Basel II Implementation Office. He is a graduate of the Postgraduate School of Chinese Academy of Social Sciences and holds a doctoral degree in Economics. He is a senior and postdoctoral researcher of the Financial Research Institute of PBC.

Ms. Narentuya

Ms. Narentuya became a member of the Board of Directors of the Bank in December 2010. She is now working in CHI and also serves as a Director in China Everbright Group Limited. From December 1983 to October 2010, she successively served as Deputy Section Chief of the Industrial Enterprises Section of the Department of Finance of Inner Mongolia, Section Chief of the Central Enterprises Section in the Department of Finance of Inner Mongolia on behalf of the Ministry of Finance, Deputy Inspection Commissioner and Inspection Commissioner of Ministry of Finance to Inner Mongolia. She graduated from the Department of Finance of Tianjin University of Finance and Economics and majored in Finance. She is a senior accountant and a non-practicing member of the Chinese Institute of Certified Public Accountants.

Mr. Wu Gang

Mr. Wu became a member of the Board of Directors of the Bank in December 2010. He is now working in CHI and also serves as a Director in China Everbright Group Limited. From September 1994 to October 2010, he successively served as Deputy Section Chief in the Department of Foreign Exchange and Foreign Affairs of the Ministry of Finance, Deputy Section Chief and Section Chief of the Department of International Cooperation MOF, Section Chief and Deputy Director-General of the International Department of the Ministry of Finance, Deputy Director-General and Inspector (Director-General level) of the Department of Administration and Politics of the Ministry of Finance. He was a Second Secretary of the Permanent Mission of China to the United Nations. He graduated from the Department of Foreign Languages of Wuhan University and majored in English, and later obtained a master's degree in Public Administration from National University of Singapore.

Ms. Wang Shumin

Ms. Wang became a member of the Board of Directors of the Bank in December 2011. She is currently working in CHI and concurrently a Director of China Everbright Group Limited and CITIC Construction & Investment Securities Co., Ltd. She served as Deputy Section Chief and Section Chief in the Department of Treaty and Law of the Ministry of Finance from June 1986 to October 1991, Deputy Director-General of the Policy and Regulation Department of the State Administration of Foreign Exchange (“SAFE”) from November 1991 to May 1994, Deputy Director-General of the Balance of Payments Department of SAFE, Deputy Director-General and Inspector of the Supervision and Inspection Department of SAFE from June 1994 and August 2004. Ms. Wang served as spokesperson of SAFE. She was a member of the Board of Directors of CCB from September 2004 to June 2011. Currently, she is an arbitrator of China International Economic and Trade Arbitration Commission. She graduated from Zhongnan University of Economics and Law and majored in Law. She is a senior economist and is also a lawyer.

Mr. Wang Zhongxin

Mr. Wang became a member of the Board of Directors of the Bank in June 2012. He is currently working in CHI. From 1986 to 1993, he successively served as Deputy Section Chief and Section Chief of Fiscal and Financial Department of Office of Finance and Trade in Shanxi and Assistant to Mayor of Datong, Shanxi. From August 1993 to May 2012, he served as Deputy Commissioner of Office of Commissioners to Taiyuan and Jinan of Audit Department, Deputy Head, Deputy Commissioner and Commissioner of Office of Commissioners to Chongqing of Audit Department, Section Chief of Social Insurance Audit Division of Audit Department, and Section Chief of Scientific Engineering Audit Division of Audit Department. He graduated from Shanxi University of Finance & Economics and majored in accounting. He holds a certificate of senior auditor.

Mr. Wu Gaolian

Mr. Wu became a Director of the Bank in January 2013. He is now working in CHI and also serves as a Director of China Everbright Group Limited. He served as a committee member of County Committee, Deputy County Magistrate and Deputy Managing County Magistrate of Fusong, Jilin from August 1985 to March 1992. He served as General Manager of Tonghua Branch, Jilin and Deputy General Manager of Jilin Branch of the People’s Insurance Company (The People’s Insurance (Property) Company of China, Ltd.) from March 1992 to December 1997. Mr. Wu also served as General Manager of Guangxi Branch of The People’s Insurance Company (The People’s Insurance (Property) Company of China, Ltd.) from December 1997 to December 2000 and General Manager of Liaoning Branch of the People’s Insurance Company from December 2000 to July 2003. From July 2003 to August 2008, he was appointed as a Vice President of the People’s Insurance Company (Group) of China (People’s Insurance Company of China Holdings Company). Mr. Wu served as Director and President of China Reinsurance (Group) Corporation from August 2008 to August 2012. He graduated from Graduate School of Chinese Academy of Social Science and majored in Monetary and Banking. He holds a master’s degree and is a senior economist.

Mr. Zhao Wei

Mr. Zhao has served as a Director of the Bank since February 2015. He is currently the Party Secretary, Vice Chairman and General Manager of China Re Asset Management Co., Ltd.. From March 2003 to April 2012, he successively served as the General Manager of China Life (Hong Kong) Asset Management Company of China Life Insurance Company, President of China Life Franklin Asset Management Co., Limited, Vice President of New China Asset Management Co., Ltd., and Deputy Party Secretary of China Re Asset Management Co., Ltd. He graduated from the Research Institute for Fiscal Science of the Ministry of Finance with a doctoral degree in Economics.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

Mr. Yang Jigui

Mr. Yang has served as a Director of the Bank since February 2015. He is currently the Assistant General Manager and General Manager of Treasury and Finance Department of China Shipping (Group) Company, and serves concurrently as Director of CIB Fund Management Co., Ltd. and Chairman of Board of Supervisors of China Shipping Haisheng Co., Ltd. (a company listed on Shanghai Stock Exchange). From July 2002 to March 2014, Mr. Yang successively served as Deputy Head of Planning and Finance Department (Acting Head), General Manager of Planning and Finance Department and General Manager of Treasury and Finance Department of China Shipping (Group) Company. He graduated from Shanghai Maritime University, majoring in Finance and Accounting. He has a master's degree and is a senior accountant.

Mr. Zhang Xinze

Mr. Zhang became an Independent Non-Executive Director of the Bank in November 2011. He is concurrently an Independent Director of Fujian Hongbo Printing Co., Ltd., and Zhangjiagang Rural Commercial Bank Ltd. He was a Non-Executive Director of Bank of China. From March 1987 to August 2004, he had served as Chief of Price Survey, Chief of Economic Analysis, Deputy Director-General and Inspector of Survey and Statistics Department of PBC, Inspector of Credit Information System Bureau of the PBC, and Deputy Director General of Credit Information Center of the PBC. He graduated from Renmin University of China and majored in Finance. Mr. Zhang is a research fellow.

Mr. Qiao Zhimin

Mr. Qiao became an Independent Non-Executive Director of the Bank in January 2013. He is concurrently an Independent Director of Wuhan Rural Commercial Bank. He had worked for the Bank of China ("BOC") from February 1978 to July 1996 and served at various positions in BOC, including Deputy Division Director of the Finance and Accounting Department of the Head Office, Deputy General Manager of Luxemburg Branch and Deputy General Manager of the General Planning Department of the Head Office. Mr. Qiao had also worked for PBC from July 1996 to July 2003 and served at various positions, including Deputy Director General of the Accounting Department and Deputy Director General of the Regulatory Department I. He also served as Chief of Regulation Team (Director-General level) for ICBC. He was Director of the Finance and Accounting Department of CBRC from July 2003 to January 2007. Mr. Qiao was appointed as Vice Chairman of the Fourth Session of the Supervisory Board and Chairman of the Fifth Session of the Supervisory Board for China Minsheng Banking Corp., Ltd. from January 2007 to April 2012. Mr. Qiao graduated from Hunan College of Finance and Economics and majored in Finance. He holds a master's degree and is a senior accountant.

Mr. Xie Rong

Mr. Xie became an Independent Non-Executive Director of the Bank in January 2013. He is a Professor of Shanghai National Accounting Institute and an Independent Director of Shanghai Baosight Software Co., Ltd., Shenwan Hongyuan Group Co., Ltd. and China Traditional Chinese Medicine Co. Limited and a Director of SAIC Motor Corporation Limited and Shanghai Electric Group Company Ltd.. Mr. Xie was an Independent Non-executive Director of China CITIC Bank. He served as Associate Professor, Professor, Doctorial Tutor and Deputy Head of Accounting Institute of Shanghai University of Finance and Economics from December 1985 to December 1997. During that period, Mr. Xie visited and conducted research at University of Warwick in the United Kingdom for one year and became a part-time Certified Accountant of Da Hua Certified Public Accountants Co. Ltd. and Price Waterhouse Da Hua Certified Public Accountants. He became a Partner of KPMG Huazhen Certified Public Accountants from December 1997 to October 2002 and a Professor and Deputy Dean of Shanghai National Accounting Institute from October 2002 to August 2012. He is currently a member of the Supervisory Committee for Postgraduate of Accounting of Academic Degrees Committee of the State Council and a member of Advisory Committee of Corporate Governance of Listed Companies of SSE. Mr. Xie graduated from Shanghai University of Finance and Economics and majored in accounting. He holds a doctoral degree in Economics and is a senior non-practicing certified public accountant. Mr. Xie is entitled to the "Special Government Allowance" by the State Council.

Ms. Fok Oi Ling Catherine

Ms. Fok became an Independent Non-Executive Director of the Bank in January 2014. Currently, she is Honorary Chairman of the Hong Kong Chamber of Commerce in China – Shanghai, a voting member of the Hong Kong Professionals and Senior Executives Association and a member of the Finance and Economics Group under its Economic Affairs Committee, and a member of the Hong Kong Women Professionals & Entrepreneurs Association. From 1981 to 2006, she served successively in the Hongkong and Shanghai Banking Corporation Limited (“HSBC”) as Manager of the International Trade Financing Division and the Commercial Credit Division, Regional Director of industrial and commercial banking and trade finance, Chief of the Risk Management Department of retail banking, and Regional Director of retail banking and Director of wealth management and investment products for the retail banking business. Ms. Fok served as chief of retail banking business at HSBC Bank (China) Company Limited from 2006 to 2009. From 2010 to 2012, she served as Director of business integration of Asia-Pacific Region of HSBC, and a marketing and management counsel to the retail banking business of Bank of Communications Co., Ltd. (“BOCC”). She holds a master’s degree in Business Administration from the Chinese University of Hong Kong. She is an Associate of the Hong Kong Institute of Bankers and a Certified Financial Management Planner.

Mr. Xu Hongcai

Mr. Xu has served as a Director of the Bank since February 2015. He is currently the Director of the Information Department of China Centre for International Economic Exchanges. From June 1998 to March 2010, he successively served as the Deputy General Manager at Shanghai Office of GF Securities, Vice President at Beijing Venture Capital Co., Ltd. and Professor of Capital University of Economics and Business. He is a graduate from the Chinese Academy of Social Sciences with a doctoral degree in Economics and holds a certification of researcher.

Mr. Feng Lun

Mr. Feng has served as a Director of the Bank since February 2015. He is currently Chairman of Vantone Holdings Co., Ltd., Director of China Capital Investment (Group) Co., Ltd., Independent Director of Hengtian Real Estate Company Limited, Independent Director of Beijing Science Park Development (Group) Co., Ltd. and Independent Director of NetEase, Inc.. From January 1991 to March 2011, he successively served as founding partner of Hainan Agriculture High Technology Investment Joint Development Corporation, Chairman of Board of Directors of Hainan Vantone Enterprise (Group) Co., Ltd. and Chairman of Beijing Vantone Real Estate Co., Ltd.. He graduated from Graduate School of China Academy of Social Sciences, majoring in Law. He holds a doctoral degree.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

(II) Supervisors

Mr. Cai Haoyi

Mr. Cai became a member of the Board of Supervisors of the Bank in November 2012 and was appointed as Chairman of the Board of Supervisors in January 2013. He had served at various positions for PBC from 1986 to 2007, including Deputy Director General of Postgraduate School of Financial Research Institute, Deputy Director General of Financial Research Institute, Deputy Director General of Research Department, and Secretary General of Monetary Policy Committee. Mr. Cai was appointed as a Non-Executive Director of BOC from 2007 to November 2012. He graduated from Department of Economics of Peking University and Postgraduate School of Financial Research Institute of the PBC. He holds a bachelor's degree, a master's degree and a doctoral degree in Economics and is a research fellow. He is a Postgraduate Tutor of PBC School of Finance, Tsinghua University, Doctoral Tutor of University of International Business and Economics and Postdoctoral Tutor of Financial Research Institute of the PBC. He is also a Director of China Society for Finance and Banking. Mr. Cai is entitled to the "Special Government Allowance" by the State Council.

Mr. Mu Huijun

Mr. Mu became a member of the Board of Supervisors and Vice Chairman of the Board of Supervisors of the Bank in November 2009 (He had served as Acting Chairman of the Board of Supervisors from September 2010 to November 2012). He is Deputy Director of the Working Committee of the Labor Union Committee of the Bank, and Chairman of the Board of Supervisors of Everbright Financial Leasing Co. Ltd., Director of China Everbright Investment Management Corporation and Director of Shanghai Everbright Convention and Exhibition Centre Limited. He was Deputy General Manager of Yantai Branch of the PBC, Director for Administration and Director for Legislation in the Legal Affairs Department of the PBC, Director for General Administration in the Department of Supervisors of Central Financial Working Committee, full-time member of the Board of Supervisors of China Everbright Group Limited and the Board of Supervisors and Deputy Director of the Office of the Board of Supervisors of China Citic Group assigned by the State Council, and Director and General Manager of the Financial Management Department of Everbright Group. He graduated from Beijing College of Politics and Law and attended the on-job postgraduate course in the Party School of the Central Committee of the CPC in 2000.

Mr. Yin Lianchen

Mr. Yin became a member of the Board of Supervisors in December 2014. He is currently the Chief Investment Officer in China Everbright Limited and a Director of Everbright Securities Co., Ltd.. Since April 2002, he successively served as the General Manager of Corporate Administration Department, Managing Director of Securities Brokerage Department and Director of Corporate Communications Department of China Everbright Limited, Chief Representative of China of Moody's KMV, Deputy General Manager of Beijing Yonder Investment Group, division chief in the Executive Office of China Everbright (Group) Corporation and Assistant General Manager of China Everbright Limited. He graduated in Western Financial Accounting major from Nankai University and obtained a master's degree.

Mr. Wu Junhao

Mr. Wu became a member of the Board of Supervisors in November 2009. He is Manager of the Financial Management Department of Shenergy Group Limited. He was an Executive Deputy General Manager of Shanghai New Resources Investment Consulting Company, Deputy General Manager of Shanghai Bailitong Investment Company, Deputy Director of Shanghai Shenergy Asset Management Co., Ltd., Deputy Director, Director and Senior Director of the Asset Management Department and Deputy (Acting) Director of Financial Management Department of Shenergy (Group) Co., Ltd.. He graduated from East China Normal University and obtained a master's degree in Enterprise Management at East China Normal University.

Mr. Yu Erniu

Mr. Yu became an External Supervisor of the Bank in November 2012. He is also an Independent Director of the First-Trust Fund Management Co., Ltd. and Hithink Flush Information Network Co., Ltd., and Director of Shanghai Benemae Pharmaceutical Corporation. He served as a staff and Deputy Director-General and Director-General of the Department of Personnel and Education of the Ministry of Finance. Mr. Yu was appointed as a designated Director of Huijin to BOC, a member of the Board of Directors, Director of the Human Resource Department, Chief of the Organization Department of the CPC Committee and Chairman of the Labor Union of China Investment Co., Ltd. and Director of CEB. He is a graduate of economic management studies from the PLA Air Force Political College. He also obtained a master's degree in Economic Laws from Capital University of Economics and Business.

Mr. James Parks Stent

Mr. James Parks Stent became an External Supervisor of the Bank in January 2013. He is currently an Independent Director of XacBank of Mongolia. He was previously appointed as Independent Director of the Bank and China Minsheng Banking Corp., Ltd., and Council member of Beijing Heritage Protection & Research Center. He was also CEO of China Ecological Tourism Company, advisor to International Water Resource Management Institute (IWMI), Director, Senior Vice President, Executive Vice President and Senior Executive Vice President of Bank of Asia Public Company Ltd, CEO of Rama Tower, Vice President of Crocker National Bank USA and Assistant Vice President of Citibank. He is a graduate of University of California, Berkeley and holds a master's degree in Public Affairs of Woodrow Wilson School of Public and International Affairs of Princeton University.

Ms. Chen Yu

Ms. Chen became a member of the Board of Supervisors in July 2003. She is currently General Manager of the Planning and Finance Department of the Bank and a Director of China Everbright Financial Leasing Co., Ltd. She was Deputy Division Chief and Division Chief of the Finance and Accounting Department of the Head Office, Assistant General Manager, General Manager of the Planning and Finance Department and Assistant Director of the Banking Department of the Head Office, Deputy General Manager of Beijing Branch, and Deputy (Acting) General Manager of the Planning and Finance Department of the Head Office of the Bank. She graduated from Capital University of Economics and Business.

Mr. Ye Donghai

Mr. Ye became an Employee Supervisor in November 2012 and is currently General Manager of the Audit Department of the Bank. Mr. Ye served as a teacher of Beijing Management College for Geology Cadres and worked at various positions in Beijing Normal University, including section member of the Financial Department, Section Head and Deputy Head of the Planning Department. He also served at various positions in the Bank, including Assistant General Manager (Deputy General Manager level) of the Planning and Finance Department, Deputy (Acting) General Manager of the Finance and Accounting Department, Deputy General Manager of Tianjin Branch, and Deputy (Acting) General Manager and General Manager of the Audit Department. Mr. Ye graduated from Renmin University of China and holds a master's degree in Economics. He is a senior accountant.

Mr. Ma Ning

Mr. Ma became an Employee Supervisor of the Bank in November 2012. He is currently the Deputy General Manager of Beijing Branch of the Bank. He had served at various positions in the Bank, including Business Officer of the Finance and Accounting Department, Assistant to the Chief, Deputy Chief, Chief of Finance Management Division of Finance and Accounting Department, Assistant General Manager and Deputy General Manager of Finance and Accounting Department (currently the Planning and Finance Department), and Deputy General Manager of Beijing Branch. Mr. Ma graduated from Liaoning University and holds a master's degree.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

(III) Senior Management

Mr. Zhao Huan

Please refer to his biographical details in “Directors” above.

Mr. Ma Teng

Please refer to his biographical details in “Directors” above.

Ms. Li Jie

Ms. Li became an Executive Vice President of the Bank in August 2003 and a Member of the CPC Committee of the Bank in January 2003. She also concurrently serves as a Director of China UnionPay Co., Ltd. and Sun Life Everbright Life Insurance Co., Ltd.. She was General Manager of the Planning and Finance Department (the Finance and Accounting Department) of the Bank. From October 1988 to April 2001, she worked at different positions in BOCC, including Deputy Chief of the Planning Division of Jinan Branch of BOCC, Chief of the Finance and Accounting Division of Jinan Branch of BOCC, Deputy General Manager of Jinan Branch of BOCC, and Deputy General Manager and General Manager of Zhuhai Branch of BOCC. She worked in Huaiyin Office of Jinan Branch of Industrial and Commercial Bank of China (“ICBC”) and in Huaiyin Office of Jinan Branch of the People’s Insurance Company of China. From August 1983 to July 1986, she attended the Open University of China, majoring in Finance. She is an accountant.

Mr. Zhang Huayu

Mr. Zhang became the Executive Vice President of the Bank in March 2007 and a Member of the CPC Committee of the Bank in February 2006. Before that he was the Assistant President of the Bank and the Head of the Banking Department of the Head Office. From November 1994 to February 2001, he worked at various positions of BOCC, including Division Chief for Credit Management in the Credit Approval Department of Zhengzhou Branch of BOCC, and Deputy General Manager and General Manager of Xi’an Branch of BOCC. He was Director of the General Office of Shangqiu Region Branch of the PBC in Henan Province, General Manager of Xiayi County Sub-Branch of the PBC in Shangqiu region and Director of the Urban Credit Union in Shangqiu region. He is a graduate of Hunan College of Finance and Economics and holds an MBA degree of University of California, USA and a master’s degree in Economic Management of University of International Business and Economics. He is a senior economist.

Mr. Lu Hong

Mr. Lu became the Executive Vice President of the Bank in December 2010, and a member of the CPC Committee of the Bank in March 2009. He joined the Bank in 1994 and served at various positions of the Bank, including Business Manager in the Securities Department, Division Chief in the Executive Office for the Board, Assistant General Manager of the Planning and Treasury Department, General Manager of the Planning and Finance Department of Beijing Branch of the Bank, Deputy General Manager and General Manager of the Planning and Finance Department (the Finance and Accounting Department) of the Bank, and Deputy General Manager of Financial Accounting Department of the Head Office. He became Secretary of the Board of the Bank (Assistant President level) in September 2009. He was an engineer in the Planning Institute of the Ministry of Railway and Business Manager in the Investment Banking Department of Huaxia Securities Co., Ltd. He is a graduate of Shanghai Railway Institute and holds a Master’s degree in railway engineering and a doctoral degree in Applied Economics of Xi’an Jiaotong University. He is a senior economist.

Mr. Qiu Huofa

Mr. Qiu became the Executive Vice President of the Bank in July 2013, and a member of the CPC Committee of the Bank in December 2012. He joined the Bank in 2001 and served at various positions, including Secretary of CPC Committee and General Manager of Guangzhou Branch, Secretary of the CPC Committee and General Manager of the Banking Department of the Head Office, and Secretary of the CPC Committee and General Manager of Beijing Branch. From 1987 to 2001, he worked for the Bank of Communications and served at various positions, including General Manager of Wuchang Sub-Branch of Wuhan Branch, member of the CPC Committee and Deputy General Manager of Wuhan Branch, and Secretary of the CPC Committee and General Manager of Changsha Branch. Mr. Qiu graduated from Zhongnan University of Economics and Law and majored in Money and Banking Studies. He holds a master's degree in Finance. He is a Deputy to the 15th Session of National People's Congress of Xicheng District, Beijing. He is a senior economist.

Mr. Wu Jian

Mr. Wu became the Executive Vice President of the Bank in December 2014, and a member of the CPC Committee of the Bank in January 2014, and Secretary of Disciplinary Committee (Executive Vice President level) of the Bank. In December 1997, he joined the Bank, and successively served as Deputy General Manager (Acting) of Market Development Department of the Head Office, General Manager of Credit Card Business Department, Deputy General Manager of Nanjing Branch, General Manager of Retail Banking Department, General Manager of R & D Department, General Manager of Strategic Management Department, General Manager of Shenyang Branch, General Manager of SME Business Department and General Manager of Human Resources Department. From October 1996 to December 1997, he acted as Director of Comprehensive Analysis Division of Balance of Payments Department of SAFE. From October 1995 to October 1996, he served as Section Chief of Foreign Capital Management Center of the State Council Leading Group Office of Poverty Alleviation and Development. From 1987 to 1995, he worked at the Laboratory of General Office of the NPC Standing Committee, and successively served as Vice Director of Economic Research Group (Deputy Division Chief level) and Director (Division Chief level). In 1982, he graduated from Shanghai Jiaotong University and obtained a bachelor's degree in engineering. In 1987, he graduated from Renmin University of China and obtained a master's degree in Economics, holding the title of Assistant Researcher.

Mr. Yao Zhongyou

Mr. Yao has served as the Executive Vice President of the Bank since August 2014 and a member of the CPC Committee of the Bank since May 2014. He also serves concurrently as a Director of Everbright Financial Holding Asset Management Co., Ltd. From November 2009 to May 2014, he served successively as the Deputy General Manager of the Equity Management Department of China Everbright (Group) Corporation, an Executive Director, a Member of the CPC Committee and the Vice President of Everbright Financial Holding Asset Management Co., Ltd. as well as the General Manager of the Financial Management Department of China Everbright (Group) Corporation. From July 1984 to November 2009, he served successively as the Cadre and the Deputy Manager of the International Banking Department in Hebei Branch of China Construction Bank, the President of and Secretary to the CPC Committee members' group of Chengde Branch of China Construction Bank, as well as the Director of the General Office, the Vice President and a member of the CPC Committee of Hebei Branch of China Construction Bank. He graduated from Wuhan University and holds a master's degree. He is a senior economist.

Mr. Cai Yunge

Mr. Cai has served as the Secretary to the Board of the Bank since August 2014 and Member of the CPC Committee of the Bank (Executive Vice President level) since May 2014. From November 2008 to April 2013, he served as Member of the CPC Committee members' group and Deputy Chief of the Development and Reform Commission of Guangdong Province. From September 2003 to November 2008, he served successively as Principal Staff Member, Deputy Division Chief and Division Chief of the General Office of Supervisory Division II of the China Banking Regulatory Commission. From August 1996 to September 2003, he served successively as Staff Member of Planning and Treasury Department, Senior Staff Member of Credits Management Department and the Principal Staff Member of Banking Supervisory Department II of People's Bank of China. He graduated from Financial Research Institute of People's Bank of China, with a doctoral degree. He is a senior economist.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

VIII. Directors' and Supervisors' Interests in Competing Business

None of the Directors and Supervisors had interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

IX. Financial, Business and Kinship Relationships among Members of the Board of Directors

Except as disclosed in this report, none of the members of the Board of Directors had any relationship, including financial, business, kinship relationships or other material relationship.

X. Directors and Supervisors' Interests in Contracts and Service Contracts

None of the Directors or Supervisors of the Company had a material interest in any material contracts to which the Company or any of its subsidiaries was a party during the reporting period. None of the Directors or Supervisors of the Company entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (excluding statutory compensation).

XI. Changes of Core Technology Team and Key Technology Staff

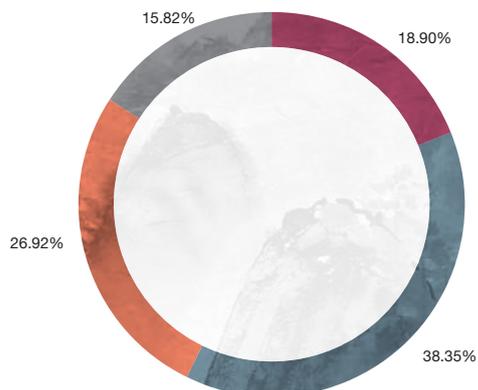
During the reporting period, the branches and the Head Office employed 41 new senior management staff to serve as persons-in-charge of departments or above, while 26 employees retired, resigned or left their office, resulting in a net increase of 15 employees.

XII. Employees

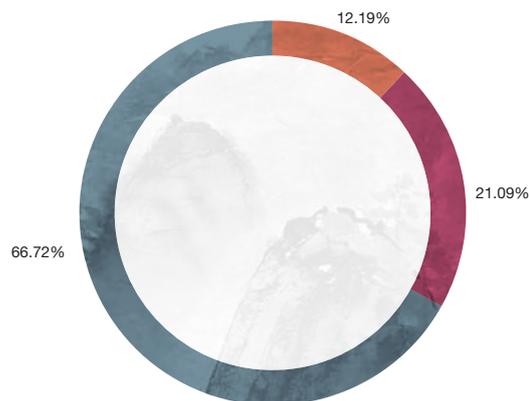
(I) General

As at the end of the reporting period, the Bank had 39,015 employees (exclusive of those of subsidiaries), including 33,625 employees with labour contracts, 5,390 employees under labour dispatch employment, and 476 retired employees. In terms of education level, 30,787 incumbent employees held a bachelor's degree or above, accounting for 78.91%, including 4,754 incumbent employees with a postgraduate degree or above, accounting for 12.19%. As for business area, there were 7,375 employees in the corporate banking business sector, accounting for 18.90%; 14,964 employees in the retail banking business sector (including the credit card business and E-banking business), accounting for 38.35%; 10,502 operation support staff (including tellers), accounting for 26.92%; 6,174 general management and support staff, accounting for 15.82%.

Area of business of employees



Education level of employees



(II) Remuneration policies for employees

In response to market competition, the Bank has established a standardized remuneration system with focus on both efficiency and fairness. The remuneration of employees comprises four components, namely, basic salary, position-based salary, performance-based bonus and benefits. On the basis of maintaining fairness, the Bank has given preferential treatment to frontline employees to attract and motivate key and core personnel.

(III) Training plans

By focusing on its developmental strategy and key tasks of the year, and with an aim to enhance the effectiveness of training, the Company began to manage staff training in accordance with the “1+4+1” model (1 training plan, 4 training management systems and 1 set of working guidelines). This has improved the input-output ratio of the Bank’s training expenditure, created a favourable learning environment for employees and laid a solid foundation for its business development. During the year, 3,791 training sessions were held with a total of 226,173 enrolments.

The Company actively launched the establishment of an electronic training platform by opening a public WeChat account “Sunshine Micro Lessons”. By publishing learning materials every working day, employees can learn by adopting a distributed learning approach. The Company also continued to improve its web-based distance education platform, and produced and purchased 65 web-based distance learning courses during the year, recording 580,000 views and representing a year-on-year increase of 36.8%.

(IV) Employees of subsidiaries

As at the end of the reporting period, Everbright Financial Leasing Co., Ltd. had 79 formal employees, including 15 administrative staff, 31 business staff and 33 supporting staff, with 96% of them holding a bachelor’s degree or above.

As at the end of the reporting period, Shaoshan Everbright Village Bank Co., Ltd. had 27 employees, including 3 administrative staff, 17 business staff and 7 supporting staff, with 60% of them holding a bachelor’s degree or above.

Directors, Supervisors, Senior Management, Staff and Branch Outlets

As at the end of the reporting period, Huai'an Everbright Village Bank Co., Ltd. had 47 employees, including 4 administrative staff, 32 business staff and 11 supporting staff, with 44.7% of them holding a bachelor's degree or above.

XIII. Business outlets

In 2014, the Bank continued to step up its efforts in the establishment of branches, and 7 tier-2 branches in Ordos, Linfen, Zhanjiang, Putian, Yichang, Yueyang and Jiujiang commenced operation. The sub-branch in Shanghai Waigaoqiao Bonded Zone was upgraded to a tier-2 branch in Shanghai Pilot Free Trade Zone, while 90 outlets also gradually commenced operation. As at the end of the reporting period, the Bank had opened 951 branches and outlets in 98 economically developed cities in 29 provinces, autonomous regions and municipalities across the country (including Hong Kong), including 37 tier-1 branches (including Hong Kong branch), 55 tier-2 branches and 859 outlets (including sub-branches in different cities, county-level sub-branches, sub-branches in the same city and banking department of branches).

Details of the Bank's employees and business outlets are as follows:

Name of branch	Number of outlets	Number of employees	Total assets (RMB million)
Head Office	1	6,094	1,092,246
Beijing Branch	63	2,760	359,376
Shanghai Branch	53	1,884	184,784
Tianjin Branch	32	1,091	62,148
Chongqing Branch	23	924	70,868
Shijiazhuang Branch	30	942	65,229
Taiyuan Branch	28	985	50,029
Hohhot Branch	12	510	29,636
Dalian Branch	21	669	36,277
Shenyang Branch	27	989	55,165
Changchun Branch	26	758	31,824
Heilongjiang Branch	34	1,013	36,853
Nanjing Branch	29	1,151	98,810
Suzhou Branch	20	864	63,543
Wuxi Branch	6	273	35,263
Hangzhou Branch	34	1,256	71,948
Ningbo Branch	19	808	49,695
Hefei Branch	34	1,103	76,735
Fuzhou Branch	28	1,039	44,534
Xiamen Branch	13	423	31,501
Nanchang Branch	13	437	36,105
Jinan Branch	23	728	39,266
Qingdao Branch	26	837	52,022
Yantai Branch	11	398	22,796
Zhengzhou Branch	41	1,231	63,728
Wuhan Branch	28	940	44,008
Changsha Branch	39	1,021	53,460
Guangzhou Branch	67	2,146	118,960
Shenzhen Branch	45	1,379	156,870

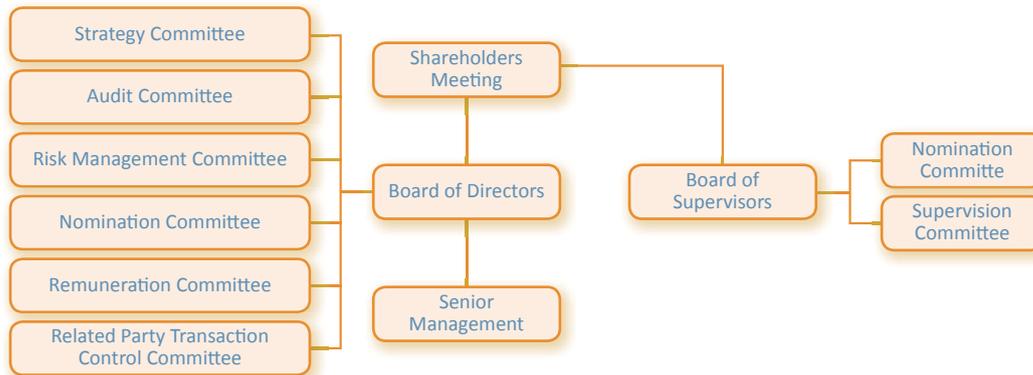
Name of branch	Number of outlets	Number of employees	Total assets (RMB million)
Nanning Branch	21	728	39,351
Haikou Branch	19	629	27,973
Chengdu Branch	23	843	61,825
Kunming Branch	19	655	31,868
Xi'an Branch	27	904	66,721
Urumqi Branch	5	142	6,913
Guiyang Branch	5	192	13,524
Lanzhou Branch	6	182	6,488
Hong Kong Branch	1	87	26,933
Adjustment on consolidation			(698,994)
Total	952	39,015	2,716,281

Note: 1. The employees of the Head Office included 3,196 staff in the Credit Card Centre and 1,618 staff in the 95595 Customer Satisfaction Centre.

2. The number of outlets, employees and the total assets in the above table excluded that of the subsidiaries of the Bank.

Corporate Governance

I. Corporate Governance Structure



II. Overview

Aiming at the best corporate governance practices in the A-share and H-share markets, the Company has been continuously improving its corporate governance. With the establishment of a sound corporate governance structure and a framework of procedures essential for a modern corporate system, it has taken steady steps for the implementation of good corporate governance. In 2014, the Company strictly complied with *the Company Law*, *the Securities Law*, *the Law on Commercial Banks*, *Code of the Corporate Governance for Listed Companies*, *the Guidance on the Corporate Governance of Commercial Banks*, *the Guidelines for the Due Diligence Performance of the Board of Commercial Banks*, *the Guidelines for the Board of Supervisors of Commercial Banks* and *the Hong Kong Listing Rules*. The Bank's corporate governance had no deviation from *the Company Law* and related requirements of the CSRC.

During the reporting period, pursuant to a series of supervisory regulations implemented by the national authorities, and in a move to further improve the Company's corporate governance as an A+H listed bank and satisfy the requirements for the issuance of preference shares, the Company amended its *Articles of Association* twice. Meanwhile, *Rules of Procedures of the General Meeting*, *Rules of Procedures of the Board of Directors* and *Rules of Procedures of the Board of Supervisors* were also amended accordingly. *Board Diversity Policy* was formulated pursuant to *the Hong Kong Listing Rules*.

The Board of Directors of the Company exercised the functions set out in Code Provision D.3.1 of Appendix 14 of *the Hong Kong Listing Rules* to review the Company's corporate governance policies and practices, to review the training and continuous professional development of the Directors and the Senior Management, to review the Company's policies and practices on compliance with legal and regulatory requirements, to review the Company's compliance with *the Model Code* and the compliance manual applicable to employees, to review the Company's compliance with the code provisions of Appendix 14 of *the Hong Kong Listing Rules* and the disclosure in the Corporate Governance section of this Annual Report.

During the reporting period, the Company published regular reports, 98 A share *ad hoc* announcements (including H share announcements), 137 H share *ad hoc* announcements (including A share overseas regulatory announcements), and disclosed 2013 annual report, 2014 interim report and other *ad hoc* announcements including changes in executive directors in the Japanese market, to ensure the authenticity, accuracy, completeness, fairness and timeliness of information disclosure, and to safeguard the legitimate rights and interests of the investors and parties concerned.

The Company won for the second consecutive time the Excellent Board of Directors Prize in the Tenth Gold Round Table Award for Boards of Chinese Listed Companies sponsored by *the Directors & Boards Magazine*.

The Board of Directors of the Company has reviewed the implementation and execution of its work during the reporting period, solicited feedbacks from the senior management of the Company, and concluded that the Board of Directors of the Company has effectively performed their duties, and it has safeguarded the interests of the Company and its shareholders.

III. General Meeting of Shareholders

(I) Details of the General Meetings of Shareholders convened

During the reporting period, the Company held one annual general meeting of shareholders, three extraordinary general meetings of shareholders, one A shareholders' class meeting and one H shareholders' class meeting in conformity with the procedures specified in *the Articles of Association*.

On March 28, 2014, the Company convened the first extraordinary general meeting of shareholders in 2014. By way of voting, the meeting considered and passed *the Resolution on the Appointment of Mr. Zhao Huan as an Executive Director of the Company*.

On June 27, 2014, the Company convened the annual general meeting of shareholders for 2013. By way of voting, the meeting considered and approved *the Work Report of the Board of Directors for 2013, the Work Report of the Board of Supervisors for 2013, the Financial Budget for 2014, the Audited Accounts Report for 2013, the Profit Distribution Plan for 2013, the Proposal on appraisal of the audit work for the year 2013 performed by KPMG Huazhen and the re-appointment of KPMG Huazhen as the external auditor of the Company for the year 2014, the Proposal in relation to the remuneration standards of the directors of the Company for the year 2013, the Proposal in relation to the remuneration standards of the supervisors of the Company for the year 2013, the Proposal of the appointment of Mr. Qiu Dong as an independent non-executive director of the sixth session of the board of directors of the Company and the Proposal on the proposed amendments to the Articles of Association of the Company*.

On October 15, 2014, the Company convened the second extraordinary general meeting for 2014. By way of voting, the meeting considered and passed *the Proposal on the Appointment of Mr. Gao Yunlong as the Non-Executive Director of the Company, the proposed amendments to the Rules of Procedures of the General Meeting of the Company, the proposed amendments to the Rules of Procedures of the Board of Directors of the Company, and the proposed amendments to the Rules of Procedures of the Board of Supervisors of the Company*.

Corporate Governance

On 23 December 2014, the Company convened the third extraordinary general meeting for 2014. By way of voting, the meeting considered and passed the following resolutions: Resolution on Proposed Amendments to the Articles of Association of the Company, Resolution on the Domestic Non-public Issuance of Preference Shares, Resolution on the Non-public Issuance of Preference Shares to China Everbright (Group) Corporation and the Connected Transaction, Resolution on the Signing of the Conditional Preference Shares Subscription Agreement with China Everbright (Group) Corporation, Resolution on the Impact of Dilution of Returns for the Current Period Arising from Issuance of Preference Shares on the Key Financial Indicators of the Company and Adoption of Measures for Making up the Shortfall, Resolution on the Shareholder Return Plan for 2014-2016, Resolution on the Appointment of Mr. Zhao Wei as a Non-Executive Director of the Sixth Session of the Board of Directors of the Company, Resolution on the Appointment of Mr. Xu Hongcai as an Independent Director of the Sixth Session of the Board of Directors of the Company, Resolution on the Appointment of Mr. Yin Lianchen as a Shareholder Representative Supervisor of the Sixth Session of the Board of Supervisors of the Company, Resolution on the Appointment of Mr. Ma Teng as an Executive Director of the Sixth Session of the Board of Directors of the Company, Resolution on the Appointment of Mr. Yang Jigui as a Non-Executive Director of the Sixth Session of the Board of Directors of the Company, Resolution on the Appointment of Mr. Feng Lun as an Independent Director of the Sixth Session of the Board of Directors of the Company, and Resolution on the Provision of Guarantee for Jiangsu Huai'an Everbright Village Bank Co., Ltd..

On December 23, 2014, the Company convened the first A Shareholders' Class Meeting for 2014. By way of voting, the meeting considered and passed the *Proposal on the Amendments to the Articles of Association of the Company and the Proposal on the Domestic Non-public Issuance of Preference Shares*.

On December 23, 2014, the Company convened the first H Shareholders' Class Meeting for 2014. By way of voting, the meeting considered and passed the *Proposal on the Amendments to the Articles of Association of the Company and the Proposal on the Domestic Non-public Issuance of Preference Shares*.

The resolutions of above meetings are published on the websites of the SSE, the HKSE and the Company.

(II) Implementation of the resolutions of the General Meetings of Shareholders by the Board of Directors

According to the resolutions of the annual general meeting of shareholders, the Board of Directors earnestly implemented the financial budget for 2014, distributed dividends in accordance with the profit distribution plan, re-appointed KPMG Huazhen (Special General Partnership) to undertake the external audit of the Company in 2014, and submitted the Articles of Association of the Company (revised) to the CBRC. According to the resolutions of the extraordinary general meetings of shareholders, the Company timely applied for the CBRC approvals of appointment qualifications of the new directors.

(III) Attendance Record of Directors in the Shareholders' General Meetings

Name	Attendance	Attendance in person
Mr. Tang Shuangning	4	3
Mr. Gao Yunlong	1	1
Mr. Zhao Huan	3	3
Mr. Wu Jian	4	4
Ms. Narentuya	4	4
Mr. Wu Gang	4	4
Ms. Wang Shumin	4	4
Mr. Wang Zhongxin	4	4
Mr. Wu Gaolian	4	4
Mr. Zhou Daojiong	4	0
Mr. Zhang Xinze	4	2
Mr. Qiao Zhimin	4	4
Mr. Xie Rong	4	3
Ms. Fok Oi Ling Catherine	4	2

- Note:
- In accordance with Code Provision A.6.7 of Appendix 14 of the Hong Kong Listing Rules, independent non-executive directors should attend general meetings of the Company. Some independent non-executive directors of the Company were unable to attend relevant general meetings in 2014 due to other official duties.
 - In accordance with Code Provision E.1.2 of Appendix 14 of the Hong Kong Listing Rules, the Chairman of the Board of Directors should attend annual general meetings. Mr. Tang Shuangning, Chairman of the Company, was unable to attend the 2013 Annual General Meeting convened on 27 June 2014 due to other official duties and authorised Mr. Luo Zhefu, Vice Chairman of the Company, to chair the meeting.

IV. Directors and Board of Directors

(I) Board Composition

As the decision-making body of the Company, the Board of Directors is responsible for convening the general meeting of shareholders, reporting to it and implementing resolutions passed at the meeting. The Board of Directors shall also make strategies, operation plans and investment proposals and formulate various proposals on financial budget, final account, risk capital allocation, profit distribution and appointment of senior management. As at the end of the reporting period, the Board of Directors consisted of 14 directors, including 1 Executive Director (Mr. Zhao Huan), 8 Non-Executive Directors (Mr. Tang Shuangning, Mr. Gao Yunlong, Mr. Wu Jian, Ms. Narentuya, Mr. Wu Gang, Ms. Wang Shumin, Mr. Wang Zhongxin and Mr. Wu Gaolian) and 5 Independent Non-Executive Directors (Mr. Zhou Daojiong, Mr. Zhang Xinze, Mr. Qiao Zhimin, Mr. Xie Rong and Ms. Fok Oi Ling Catherine).

Corporate Governance

The Company has paid special attention to the diversity of the members of the Board of Directors. In accordance with the relevant requirements set out in the Hong Kong Listing Rules, the Company has formulated a Board Diversity Policy that allows the Nomination Committee to comprehensively evaluate the Director candidates and submit its recommendation to the Board of Directors, based on the candidates' gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, etc. The Nomination Committee is also responsible for evaluating the structure, number of members and composition of the Board of Directors (including attributes such as skills, knowledge and experience), and recommending to the Board any adjustments that correspond with the strategy of the Company. Out of the 14 Directors of the Company as at the end of the reporting period, 3 are female, 8 hold a postgraduate degree or above with 3 holding a doctoral degree. Engaged in the operational and managerial work in the commercial banking sector for an extensive period of time, the Executive Directors are highly experienced. The Non-Executive Directors have held key positions in their respective field and possess a wealth of managerial experience. The Independent Non-Executive Directors are experts in finance, accounting and auditing who can provide the Company with professional advice in different areas.

For the details of the biographies of the Company's Directors, please refer to "Directors, Supervisors and Senior Management, Staff and Branch Outlets" of this Annual Report.

(II) Functions of the Board of Directors

- (i) to convene the Shareholders' General Meetings and report its work to the Shareholders' General Meetings;
- (ii) to implement the resolutions passed at the Shareholders' General Meetings;
- (iii) to determine the Company's business plans and investment proposals;
- (iv) to formulate the Company's proposals on annual financial budgets, final account and risk-based capital allocation and to decide on major changes in and adjustments to their implementation;
- (v) to formulate the Company's profit distribution proposals and loss make-up proposals;
- (vi) to formulate proposals on the increase or reduction of the Company's registered capital, the issuing of bonds or other securities and the listing;
- (vii) to draw up plans for material acquisitions and repurchases by the Company;
- (viii) to formulate proposals for the merger, division or dissolution or change of form of the Company;
- (ix) to formulate the related party transaction management system, to consider and approve the major related party transactions other than those required to be approved by the Shareholders' General Meetings in accordance with laws, administrative regulations, department rules and the rules of the securities regulatory authorities of the jurisdiction where the shares of the Company are listed, and to report to the Shareholders' General Meetings on the implementation of the related party transaction management policy and the related party transactions;
- (x) to formulate the Company's operating development strategies and capital plans and to monitor the implementation of the strategies and assume ultimate responsibility for the capital plans;

- (xi) to consider and approve matters within the scope authorised by the Shareholders' General Meeting, such as external investment, asset acquisitions and disposals, asset pledge and guarantees;
- (xii) to decide on the establishment of the Company's internal management departments and the Company-wide operation and management system reform plans;
- (xiii) to appoint or remove the Company's President and Secretary to the Board of Directors; and to appoint or remove the Company's Senior Management personnel, including Executive Vice President, the person in charge of finance and Assistant President, and other persons required, in the opinion of the Board of Directors, to be appointed or removed by the Board of Directors according to the nomination of the President, and to determine their remunerations, rewards and punishments;
- (xiv) to decide on the Company's basic management policies, which principally relate to human resources, financial matters and remuneration, and its policies on risk tolerance, risk management and internal control;
- (xv) to formulate the amendment plans for the Articles of Association;
- (xvi) to establish the Company's information disclosure policy, to manage the information disclosure matters of the Company, and to assume ultimate responsibility for the authenticity, accuracy, completeness and timeliness of the Company's accounting and financial reporting system;
- (xvii) to monitor the performance of duties by senior management personnel and ensure their effective performance of duties;
- (xviii) to hear the President's work report and inspect the President's work;
- (xix) to propose at the Shareholders' General Meeting to appoint or replace the accounting firm which undertakes auditing work for the Company;
- (xx) to assess and improve the Company's corporate governance on a regular basis;
- (xxi) to preserve the legal rights of depositors and other stakeholders;
- (xxii) to establish a management mechanism for identifying and censoring the conflict of interests between commercial banks and shareholders especially major shareholders;
- (xxiii) to exercise other duties and powers conferred by laws, regulations, department rules, regulatory documents, the Articles of Association and the Shareholders' General Meeting.

Please refer to the Articles of Association for the detailed duties and powers of the Board of Directors.

(III) Board Meetings and Resolutions

During the reporting period, the Board of Directors held 13 meetings, including 6 on-site meetings and 7 meetings by written resolutions. The Board of Directors reviewed a total of 73 proposals and considered 23 reports, playing an effective role in scientific decision-making.

Corporate Governance

The Board of Directors of the Company continued to enhance the strategic management; considered the re-inspection report of *the Overall Strategy for 2013-2016* presented by the management; paid close attention to the implementation of strategies and urged the management to enhance structural adjustment; continuously improved the capital management system to tamp the capital foundation and grasped the opportunity to the successful issuance of tier-2 capital bonds; formulated preference shares issuance plan and laid a solid foundation for the sustainable development of the Company; attached high importance to the construction of a comprehensive risk management system with reasonable risk appetite and strengthened risk management in key areas; improved internal audit and optimised its system continuously by hiring accounting firms to carry out internal control audits; carried out information disclosure work by strictly following the regulatory provisions in order to build up a positive reputation in the capital market.

The resolutions of all Board Meetings of the Company are published on the websites of the SSE, the HKSE and the Company.

(IV) Attendance records of Directors at board meetings

Attendance records of Directors at board meetings

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Tang Shuangning	13	13	0	0
Mr. Gao Yunlong	1	1	0	0
Mr. Zhao Huan	10	10	0	0
Mr. Wu Jian	13	13	0	0
Ms. Narentuya	13	13	0	0
Mr. Wu Gang	13	13	0	0
Ms. Wang Shumin	13	13	0	0
Mr. Wang Zhongxin	13	13	0	0
Mr. Wu Gaolian	13	13	0	0
Mr. Zhou Daojiong	13	6	1	6
Mr. Zhang Xinze	13	11	2	0
Mr. Qiao Zhimin	13	12	1	0
Mr. Xie Rong	13	13	0	0
Ms. Fok Oi Ling Catherine	12	12	0	0

- Note:
1. In December 2014, the appointment of Mr. Gao Yunlong became effective upon the approval of his appointment qualifications by the CBRC.
 2. In April 2014, the appointment of Mr. Zhao Huan became effective upon the approval of his appointment qualifications by the CBRC.
 3. In January 2014, the appointment of Ms. Fok Oi Ling Catherine became effective upon the approval of her appointment qualifications by the CBRC.
 4. In accordance with the spirit of "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Offices) in Enterprises" promulgated by the Organisation Department of the Central Committee of the Communist Party of China, Mr. Zhou Daojiong tendered his resignation to the Bank in May 2014 and ceased to attend meetings of the Board of Directors.

(V) Appointment, re-election and resignation of Directors

In accordance with the Articles of Association, Directors shall be elected and replaced at the general meeting of shareholders, and the term of office for Directors (including Non-Executive Directors) is three years starting from the date when the appointment qualifications are approved by the CBRC. Directors can be re-elected and reappointed when the term of office has expired and the term of office of the re-elected and re-appointed directors commences from the date when such re-election and re-appointments are approved at the general meeting of shareholders.

The term of office for the Independent Non-Executive Directors is the same as that of other directors. The term of office for the Independent Non-Executive Directors shall conform to applicable laws and provisions of regulatory authorities.

The *Articles of Association* stipulates the procedures for appointing, re-electing and removing directors. The Nomination Committee of the Board of Directors preliminarily reviews the qualification and conditions of each Director candidate and submits a proposal to the Board of Directors, which will examine and accept (if think fit) the proposal for relevant candidates and further submit it to the general meeting of shareholders for approval.

(VI) Board Statement on the Financial Statements

The Senior Management has provided sufficient explanation and information for the Board of Directors to make judgments in respect to the submitted financial statements and other data for approval. The directors shall be obliged to prepare the financial statements which truly reveal the business performance of the Company for the year ended December 31, 2014. To the best knowledge of the Directors, there are no major uncertain matters or situation with potentially serious influence on the sustainable operation of the Company.

V. Chairman and Chief Executive (President)

The roles and work of the Chairman of the Board and the President are performed by different individuals, and their respective responsibilities are clearly defined and divided, which is in compliance with the provisions of the Hong Kong Listing Rules. Mr. Tang Shuangning is the Chairman of the Board of Directors of the Company and he is responsible for convening the meetings of the Board of Directors, ensuring that all Directors attending the Board Meeting are properly briefed on issues to be reviewed or reported, managing the operation of the Board of Directors, making sure that all key and appropriate issues are discussed by the Board of Directors in a constructive and timely manner. Mr. Zhao Huan as President is responsible for the operation and management of the Company, the implementation of the Board resolutions, and the execution of the Company's strategies and business plans.

VI. Performance of Independent Non-executive Directors

(I) Independence of Independent Non-executive Directors

The six Independent Non-Executive Directors of the Company are not involved in the factors influencing the independence mentioned in Rule 3.13 of the Hong Kong Listing Rules. The Company has received the letter of annual confirmation about the independence issued by each Independent Non-Executive Director according to Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all Independent Non-Executive Directors have complied with the independence requirements under the Hong Kong Listing Rules.

Corporate Governance

(II) Attendance Record of Independent Non-Executive Directors at board meetings

See the details in Section (IV) of this chapter.

(III) Attendance Record of Independent Non-Executive Directors at shareholders' meetings

See the details in Section (III) of this chapter.

(IV) Independent Non-Executive Directors' Objections to the Related Matters of the Company

During the reporting period, none of the Independent Non-Executive Directors of the Company had raised any objections to the proposals of the Board of Directors and other proposals.

(V) Performance of Independent Non-Executive Directors

As at the end of the reporting period, the Company has five Independent Non-Executive Directors, accounting for one-third of the Board members. The Chairman of the Nomination Committee, the Remuneration Committee, the Related Party Transaction Control Committee and the Audit Committee of the Board are all Independent Non-Executive Directors. During the reporting period, the Independent Non-Executive Directors expressed their independent opinions on all issues affecting the interests of minority shareholders, including remuneration of Directors and Senior Management, appointment and removals of Directors and Senior Management, profit distribution plans, and preference shares issuance proposals and major related party transactions in accordance with the Articles of Association. In all Board Committees, each of the Independent Non-Executive Directors gave full scopes of their professional edges, offered professional opinions and suggestions on issues under discussion in a constructive manner. During the period the Board of Directors was not in session, the Independent Non-Executive Directors read the Company's internal documents and information on the Bulletin of the Board and participated in the communication meetings of the Board of Directors, communicated actively with other Directors, Supervisors, Senior Management and external auditors, etc. to keep abreast of the business management situation in respects of internal control, strategy transformation, business development, risk management and to obtain necessary information for decision-making. The Directors went to places like Chengdu and Shanghai for site visits and research, conducted in-depth discussions and exchanged information with the responsible persons and officials, and helped branch offices and dispatched organisations to solve the practical issues by understanding and reviewing the difficulties they encountered at work. The Independent Non-executive Directors also formed an effective communication mechanism with the Company through frequent connection via emails and phone calls. The management actively adopted the suggestions from the Independent Non-Executive Directors, and these suggestions have played a positive role in the aspects such as defining strategic direction of the Company, improving management level and directing the business development, etc..

VII. Performance of Board Committees

The Board of Directors has set up the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Remuneration Committee, and the Related Party Transaction Control Committee. During the reporting period, the Board Committees held 26 meetings including 2 meetings of the Strategy Committee, 6 meetings of the Audit Committee, 6 meetings of the Risk Management Committee, 7 meetings of the Nomination Committee, 2 meetings of the Remuneration Committee, and 3 meetings of the Related Party Transaction Control Committee. During such meetings, 59 proposals were reviewed and 24 reports were considered. The Board Committees fully studied and discussed various material issues in the Company's operation in accordance with their division of responsibilities to provide professional support for the Board of Directors to make scientific decisions.

(I) Strategy Committee

At the end of the reporting period, the Strategy Committee consists of 7 directors with members including Executive Director Mr. Zhao Huan, Non-Executive Directors Ms. Narentuya, Mr. Wu Gang, Ms. Wang Shumin, Mr. Wang Zhongxin, and Independent Non-Executive Directors Mr. Zhou Daojiong and Ms. Fok Oi Ling Catherine.

Primary duties and responsibilities of the Strategy Committee include reviewing and discussing plans on capital management and replenishment, annual operating plans and major investment programs, and conducting researches and making suggestions on the Company's business objectives and medium-term and long-term development strategies.

During the reporting period, the Strategy Committee reviewed and passed *the Company's Operating Plans and Financial Budget Plans for 2014*, *the Proposal of Increasing Capital to Everbright Financial Leasing Co., Ltd*, *the Proposal of Increasing Capital to Shaoshan Everbright Village Bank*, *the Proposal of Domestic Non-public Issuance of Preference Shares*, and considered *the Report on the Re-examination and Related Proposed Changes on Strategy*.

During the reporting period, the Strategy Committee convened two meetings (both being on-site meeting), reviewed four proposals and considered one report. Details about the attendance of the relevant Committee members are as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Luo Zhefu	1	1	0	0
Mr. Zhao Huan	1	1	0	0
Mr. Wu Qing	2	2	0	0
Ms. Narentuya	2	2	0	0
Mr. Wu Gang	2	2	0	0
Ms. Wang Shumin	2	2	0	0
Mr. Wang Zhongxin	2	2	0	0
Mr. Zhou Daojiong	2	1	0	1
Ms. Fok Oi Ling Catherine	1	1	0	0

Corporate Governance

Note:

1. On July 14, 2014, due to change of job assignment, Mr. Luo Zhefu resigned from the positions as the Vice Chairman and a Non-Executive Director of the Company.
2. On December 3, 2014, due to retirement, Mr. Wu Qing resigned from the position as an Executive Director of the Company.
3. The appointment of Independent Non-Executive Director Ms. Fok Oi Ling Catherine became effective upon the approval of her appointment qualifications as an Independent Non-Executive Director by the CBRC in January 2014.
4. In accordance with the spirit of “Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Offices) in Enterprises” promulgated by the Organisation Department of the Central Committee of the Communist Party of China, Mr. Zhou Daojiong tendered his resignation to the Bank in May 2014 and ceased to attend meetings of the Board of Directors.

(II) Audit Committee

The Audit Committee is chaired by an Independent Non-Executive Director and the majority of the members of the Audit Committee are Independent Non-Executive Directors. As at the end of the reporting period, the members include Independent Non-Executive Directors Mr. Xie Rong (Chairman), Mr. Zhang Xinze, Mr. Qiao Zhimin and Non-Executive Directors Mr. Wu Jian and Ms. Narentuya.

Primary duties and responsibilities of the Audit Committee include examining the Company’s internal control system and monitoring the implementation; inspecting and monitoring the Company’s internal audit system; guiding the work of internal audit departments; commenting on the appointment of external auditors; guiding and monitoring the work of external auditors; and being responsible for the Company’s annual audit.

During the reporting period, the Audit Committee considered the annual financial audit reports for A shares and H shares, interim review reports, regular reports such as quarterly report on the implementation of agreed procedures, internal control reports, the re-appointment of auditors and other important matters; considered summaries and plans for internal audit, *Management Proposal for 2013* and report on rectifications; reviewed and discussed the reports on the annual, interim and quarterly operation and off-site inspection. The Committee also invited KPMG Huazhen (Special General Partnership) to make a presentation on liquidity risk control and bad debts in banks.

In accordance with the requirements of the *Annual Report Procedures of the Audit Committee of the Board of Directors*, the Company’s Audit Committee has been earnestly responsible for the Company’s annual audit, considered the report on the financial audit arrangements and progress for 2014 by the auditors and communicated on major audit issues. In March 2015, the Audit Committee held the 19th meeting of the Audit Committee of the Sixth Session of the Board of Directors and reviewed the Company’s financial statements provided by the auditors, and were of the view that the financial statements truly, accurately and completely reflected the Company’s overall situation and formed a resolution which was later submitted to the Board of Directors for consideration.

During the reporting period, the Audit Committee convened a total of six meetings (4 on-site meetings, 2 meetings by written resolutions), reviewed 10 proposals and considered 13 reports. Details about the attendance of the relevant committee members are as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Xie Rong	6	6	0	0
Mr. Wu Jian	6	6	0	0
Ms. Narentuya	6	6	0	0
Mr. Zhang Xinze	6	5	1	0
Mr. Qiao Zhimin	6	5	1	0

(III) Risk Management Committee

As at the end of the reporting period, one Non-Executive Director chaired the Risk Management Committee, with members including Executive Director Mr. Zhao Huan, Non-Executive Directors Mr. Wu Jian (Chairman), Mr. Wang Zhongxin and Mr. Wu Gaolian and Independent Non-Executive Director Mr. Qiao Zhimin.

Primary duties and responsibilities of the Risk Management Committee of the Board of Directors include: reviewing the risk management strategy of the Company and the acceptable overall risk level; supervising the risk control of the Senior Management in credit, market, liquidity, operation, IT and market reputation and so on; evaluating the basic risk management system and management mechanism of the Company; reviewing and determining the capital adequacy ratio management objective; reviewing and supervising the implementation of the capital planning; making suggestions on the information disclosure of capital adequacy ratio.

During the reporting period, the Risk Management Committee of the Board of Directors, within the scope of authorization, focused on and reviewed the following matters: 2014 capital management scheme of the Company and the capital planning for 2015-2018; amendments of policies related to major risk management and capital management; the liquidity risk management practices, contingency management and contingency exercise plans; the periodic risk management reports submitted by the Senior Management; the report on management of risk limits; a review of the credit policies; steel trade credit exposure and risk mitigation reports. In accordance with the authorities delegated, the Risk Management Committee of the Board of Directors submitted the risk appetite setting proposal, capital management policies amendment and capital management planning reports and other proposals, and other reports including the annual risk management report and the policy amendments related to liquidity risk management.

During the reporting period, the Risk Management Committee of the Board of Directors convened six meetings (four on-site meetings and two meetings by way of written resolution), reviewed 13 proposals and considered 11 work reports. The attendance of relevant committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Wu Jian	6	6	0	0
Mr. Zhao Huan	3	3	0	0
Mr. Wang Zhongxin	6	6	0	0
Mr. Wu Gaolian	6	6	0	0
Mr. Qiao Zhimin	6	5	1	0

Corporate Governance

(IV) Nomination Committee

As at the end of the reporting period, all members of the Nomination Committee are Independent Non-Executive Directors, including Mr. Zhou Daojiong (Chairman), Mr. Zhang Xinze, Mr. Qiao Zhimin, Mr. Xie Rong and Ms. Fok Oi Ling Catherine.

Primary duties and responsibilities of the Nomination Committee include: building the talent pool of qualified alternate Directors and members of the Senior Management; drafting the procedures and the selection criteria of the Directors and Senior Management, preliminarily reviewing the job qualifications and conditions of candidates, and offering suggestions to the Board of Directors; offering the suggestions of the composition of other Board Committees for the Board's approval in accordance with the nomination of the Chairman of the Board of Directors and taking into account the specialty and willingness of the Directors as well as the actual needs of the Board of Directors; evaluating the board structure, number of board members and composition (including skills, knowledge and experience) each year and offering suggestions on the adjustment to be made to the members of the Board of Directors in collaboration with the Company's strategies; evaluating the training and professional development of the Directors and Senior Management.

During the reporting period, the Nomination Committee actively implemented the relevant director appointment proposal upon the H share listing of the Company, and reviewed the appointment qualifications of directors; completed the relevant selection and appointment procedures in replacement of directors based on the work requirements; conducted in-depth studies on the regulatory policies for selecting the qualified candidates as Independent Non-executive Directors; drafted the plans for adjusting Board Committees; conducted research in the matters in relation to the adjustment of Senior Management including the President, Vice President and Secretary to the Board of Directors, etc. and reviewed relevant appointment qualifications and offered suggestions to the Board of Directors; formulated Board Diversity Policy for the members of the Board in accordance with the requirements of the Hong Kong Stock Exchange.

During the reporting period, the Nomination Committee convened seven meetings in total (5 on-site meetings and 2 meetings by written resolutions) and reviewed 17 proposals. The attendance of relevant committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Zhou Daojiong	7	3	1	3
Mr. Zhang Xinze	7	5	2	0
Mr. Qiao Zhimin	7	6	1	0
Mr. Xie Rong	7	7	0	0
Ms. Fok Oi Ling Catherine	6	6	0	0

- Note:
- In accordance with the spirit of "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Offices) in Enterprises" promulgated by the Organisation Department of the Central Committee of the Communist Party of China, Mr. Zhou Daojiong tendered his resignation to the Bank in May 2014 and ceased to attend the meetings of the Board of Directors.
 - The appointment of Independent Non-Executive Director Ms. Fok Oi Ling Catherine became effective upon the approval of her appointment qualifications as an Independent Non-Executive Director by the CBRC in January 2014.

(V) Remuneration Committee

The Remuneration Committee is chaired by an Independent Non-Executive Director and the majority of the members of the Remuneration Committee are Independent Non-Executive Directors. As at the end of the reporting period, the members included Independent Non-Executive Directors Mr. Qiao Zhimin (Chairman), Mr. Zhou Daojiong, Mr. Zhang Xinze, Mr. Xie Rong and Ms. Fok Oi Ling Catherine, and Non-Executive Directors Mr. Tang Shuangning, Mr. Wu Gang, Ms. Wang Shumin and Mr. Wu Gaolian.

Primary duties and responsibilities of the Remuneration Committee include: drafting the remuneration management system for the Directors and Senior Management, offer suggestions to the Board and regulate the implementation of the system; reviewing the duty performance of Directors and Senior Management and proposing advice on the examination and evaluation relating to them to the Board of Directors; offering suggestions on the remuneration plan for Directors and Senior Management and submitting the same to the Board of Directors for approval; reviewing the basic systems with respect to salary and benefits of the Company, offering the same to the Board of Directors for approval and supervising its implementation, etc.

During the reporting period, the Remuneration Committee, in accordance with *Measures on Duty Performance Evaluation for Directors (Trial for Implementation)*, conducted assessment on the overall duty performance of the Board of Directors from the perspectives of working hours, work specifications and work quality and organized self-assessment among Directors on their diligence and faithfulness in performing their obligations, which provided references to the Board of Supervisors for assessing the duty performance of the Board of Directors; after the H share listing, the remuneration structure for Independent Non-Executive Directors was adjusted and improved by setting up a subsidies for the Special Committee of the Board of Directors in addition to basic remuneration and Independent Non-Executive Directors were encouraged to better contribute to the Special Committee of the Board of Directors; organized the implementation of assessment and evaluation work on the annual performance of the Senior Management and engaged in the duty reporting of Senior Management one by one before submitting a conclusion report on the assessment results to the Board of Directors for approval; drafted the proposal on the remuneration of directors and senior management and submitted the same to the general meeting of shareholders for approval after the consideration of the Board of Directors.

During the reporting period, the Remuneration Committee convened two meetings in total (both being on-site meetings) and reviewed 4 proposals. The attendance of relevant committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Qiao Zhimin	2	1	1	0
Mr. Tang Shuangning	2	2	0	0
Mr. Wu Gang	2	2	0	0
Ms. Wang Shumin	2	2	0	0
Mr. Wu Gaolian	2	2	0	0
Mr. Zhou Daojiong	2	0	2	0
Mr. Zhang Xinze	2	2	0	0
Mr. Xie Rong	2	2	0	0
Ms. Fok Oi Ling Catherine	1	1	0	0

Corporate Governance

- Note:
1. In accordance with the spirit of "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Offices) in Enterprises" promulgated by the Organisation Department of the Central Committee of the Communist Party of China, Mr. Zhou Daojiong tendered his resignation to the Bank in May 2014 and ceased to attend the meetings of the Board of Directors.
 2. The appointment of Independent Non-Executive Director Ms. Fok Oi Ling Catherine became effective upon the approval of her appointment qualifications as an Independent Non-Executive Director by the CBRC in January 2014.

(VI) Related Party Transaction Control Committee

As at the end of the reporting period, the members and chairman of the Related Party Transaction Control Committee are all Independent Non-Executive Directors. The members include Independent Non-Executive Directors Ms. Fok Oi Ling Catherine (Chairman), Mr. Zhang Xinze, Mr. Qiao Zhimin and Mr. Xie Rong.

The primary duties and responsibilities of the Related Party Transaction Control Committee include: filing the common related party transactions; reviewing the major related party transactions and submitting the same to the Board of Directors for consideration; providing detailed reports to the Board of Directors on the overall status, risk level and structural distribution of the related party transactions conducted in the year; preparing the related party transactions management measures and submitting the same to the Board of Directors for implementation after approvals have been obtained; taking up the responsibility of identifying the related parties of the Company, reporting the same to the Board of Directors and the Board of Supervisors, and announcing the identities of such related parties to the relevant staff of the Company.

During the reporting period, the Related Party Transaction Control Committee considered and passed the *Proposal on Electing the Chairman of the Related Party Transaction Control Committee of the Sixth Session of the Board of Directors, 2013 Report on Related Party Transactions, Proposal on the Approval of RMB5 Billion Credit Extension for the Related Legal Person China Power Finance Co., Ltd., and Proposal on the Approval of RMB3 Billion Credit Extension for the Related Legal Person Everbright Securities Co., Ltd.* The committee filed eight common related party transactions reported by the management, issued 4 updated lists of related legal persons and confirmed on the information of the related natural persons of the primarily responsible person and immediate relatives of the branches.

During the reporting period, the Related Party Transaction Control Committee held three meetings in total (two on-site meetings and one meeting by way of written resolution) and reviewed 5 proposals. The attendance of relevant committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Ms. Fok Oi Ling Catherine	3	3	0	0
Mr. Wu Qing	2	1	1	0
Mr. Zhang Xinze	3	3	0	0
Mr. Qiao Zhimin	3	3	0	0
Mr. Xie Rong	3	3	0	0

Note: Mr. Wu Qing retired from the position of Executive Director of the Company on 3 December 2014.

VIII. Supervisors and the Board of Supervisors

The Board of Supervisors fully implements the regulatory requirements and shares and coordinates different work with the Board of Directors and Senior Management. It also performs various regulatory duties in accordance with the law and prudently formed the supervision and evaluation opinions on the Board of Directors, Senior Management and their members in order to facilitate their effective duty performance; examined financial reports and profit distribution proposals as well as conducted targeted financial supervision around the preparation and implementation of important financial decisions of the Bank; further enhanced the supervision on risk management and internal control and promoted the compliant and steady operation of the Bank by listening to reports, conducting interviews with various departments and carrying out investigations; and presented comments and suggestions on business development and remuneration management issues of the Bank for the decision-making reference by the Board of Directors and Senior Management. The Board of Supervisors plays an active role in improving corporate governance and maintaining sustainable and steady development of the Bank.

(I) Composition of the Board of Supervisors

The Board of Supervisors consists of 9 members, including 3 Equity Supervisors, 4 Employee Supervisors and 2 External Supervisors. The members of the Board of Supervisors all have rich experience in banking, finance and business management with sufficient expertise and independence, and such structure ensures the effective functioning of the Board of Supervisors.

The Board of Supervisors has set up the Nomination Committee and the Supervision Committee.

(II) Ways of Performing the Supervision Duties

The primary ways for the Board of Supervisors to perform its regulatory duties include: holding regular meetings, participating in and attending the General Meetings of Shareholders as nonvoting delegates, meetings of the Board of Directors and all Special Committees, attending all meetings of the Senior Management as nonvoting delegates, reviewing different types of business management reports of the Bank, reviewing the work reports of all business lines and branches, conducting the collective or individual survey in branches, and sending supervision suggestions and minutes of meeting to the Board of Directors and Senior Management. In the above-mentioned forms, the Board of Supervisors supervised the Board of Directors and Senior Management in duty performance, financial management, risk management and internal control management.

(III) Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors, in accordance with the relevant provisions in its *Articles of Association* and the rules of procedure, convened 7 meetings of the Board of Supervisors, including 5 on-site meetings and 2 meetings by written resolutions, and reviewed 15 proposals and considered 6 reports, including regular reports of the Company, reports on evaluation of the duty performance of the Board of Directors and Senior Management, reports of internal control and profit distribution proposals, and formed clear opinions on relevant proposals.

During the reporting period, the Company convened 4 General Meetings of Shareholders and convened 13 meetings of the Board of Directors. The Board of Supervisors attended all General Meetings of Shareholders and all meetings of the Board of Directors as non-voting delegates and supervised the compliance and legality of the meetings of Board of Shareholders and Board of Directors, the voting procedures and the attendance, speeches and voting of the directors.

Corporate Governance

(IV) Operation of Special Committees of the Board of Supervisors

The two committees under the Board of Supervisors are the Nomination Committee and the Supervision Committee. The Nomination Committee consists of 4 members while the Supervision Committee consists of 6 members. The chairmen of both committees are External Supervisors.

1. Nomination Committee

The members of the Nomination Committee include Mr. Yu Erniu (Chairman), Mr. Cai Haoyi, Mr. James Parks Stent and Mr. Ma Ning.

Primary duties and responsibilities: giving suggestions on the size and composition of the Board of Supervisors to the Board of Supervisors; drafting the selection procedure and criteria of Supervisors and submitting the same for the Board of Supervisors' consideration; and preliminarily reviewing the qualifications and conditions of the supervisor candidates and giving suggestions.

During the reporting period, the Nomination Committee of the Board of Supervisors convened 4 meetings, all of which were on-site meetings and considered 3 proposals, namely the *Proposal on the Confirmation of the 2013 Remuneration Standards for Supervisors*, the *Proposal on the Adjustment of Members of the Special Committees of the 6th Session of the Board of Supervision* and the *Proposal on Nomination by Shareholder of Yin Lianchen as the Candidate for Supervisor of the Bank*. The Nomination Committee also reviewed the reports of all remuneration management systems of the Bank and discussed the Methods of Evaluation of the Duty Performance of Supervisors.

2. Supervision Committee

The members of the Supervision Committee include Mr. James Parks Stent (Chairman), Mr. Mu Huijun, Mr. Wu Junhao, Mr. Yu Erniu, Mr. Chen Yu and Mr. Ye Donghai.

Primary duties and responsibilities: proposing the supervision plan for the duty performance of Directors, Senior Management, which will be reviewed and approved by the Board of Supervisors before the implementation; conducting the departure appraisal of directors and reporting the same to the Board of Directors after such appraisal is approved by the Board of Supervisors; drawing the plan for supervising the Company in operation and decision-making, risk management and internal control, and being responsible for implementation after such plan is approved by the Board of Supervisors; making the plan for supervising the financial activities of the Company, and being responsible for implementation after such plan is approved by the Board of Supervisors; understanding the situation of preparing the regular reports of the Board of Directors and relevant material adjustments and reporting the same to the Board of Supervisors; communicating with relevant Special Committees of the Board of Directors, relevant departments of the Company and intermediaries, and giving supervision suggestions to the external auditors engaged by the Company.

During the reporting period, the Supervision Committee of the Board of Supervisors convened 5 meetings, all of which were on-site meetings, and considered 5 proposals, namely the 2013 Annual Report, Summary and Results Announcement, 2013 Internal Control Evaluation Report, Proposal on Reviewing the 2014 Half Year Report and Summary on A Share and the Interim Report and Results Announcement on H Share, the Regulatory Evaluation of the Board of Supervisors on the 2013 Duty Performance of the Board of Directors and the Regulatory Evaluation of the Board of Supervisors on the 2013 Duty Performance of Senior Management. It also reviewed the reports of loans of local government financing platforms, the report on the business about the transfer of beneficiary right, the report on all trainings of the Bank, and risk management trainings, the report on the impacts of the new regulation on the interbank business and the report on implementation of advanced approach of capital management.

(V) Performance of the Board of Supervisors

The Board of Supervisors had no objection to the supervision matters during the reporting period.

IX. Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has adopted a code of practice in relation to the securities transactions by Directors and Supervisors as set out in the Model Code. All Directors and Supervisors confirmed that they have always complied with the Model Code for the year ended December 31, 2014. The Company also adopted guidelines with respect to the purchase and sale of the Company's securities by relevant employees and the guideline is no less exacting than the Model Code. It had not come to the attention of the Company that any employee was in violation of the guidelines during the reporting period.

X. Auditors' Remuneration

Please refer to "Significant Events" of this Annual Report for details.

XI. Training of Directors and Supervisors

The Board of Directors and the Board of Supervisors of the Company paid continuous attention to training, organized directors to take part in relevant business trainings so as to improve their duty performance capabilities. During the reporting period, some directors participated in *2014 Qualification Training Course for Independent Directors* and the follow-up trainings organized by SSE, 2014 special training course for Directors and Supervisors sponsored by Beijing Securities Regulatory Bureau, special training course for Independent Directors of Listed Companies in Beijing held by the Listed Companies Association of Beijing and lectures on cutting-edge issues of banks sponsored by China Banking Association. The Company also invited intermediaries to hold seminars interpreting the prompts for the responsibilities and related risks of Directors of H-shares listed companies, liquidity risk management and non-performing loans of banks. The Board of Supervisors organized the Supervisors to participate in training courses with regard to corporate governance held by Beijing Securities Regulatory Bureau. The Chairman of the Board of Supervisors of the Company also attended the work symposiums of the Boards of Supervisors of banks whose equities were controlled and held by CIC.

With regard to trainings on corporate governance, policies and regulations and business operation management, the Company's Directors and Supervisors complied with Code Provision A.6.5 of Appendix 14 of the Hong Kong Listing Rules.

XII. Senior Management

The Senior Management of the Company consists of 9 members. The Senior Management is responsible for the operation and management of the Company; implementing the resolutions of the Board of Directors, implementing the strategic plans, operation plans and investment plans approved by the Board of Directors; and planning for the establishment of internal management departments and the basic management system of the Company, and formulating the specific administrative rules.

During the reporting period, the Senior Management, in accordance with the development strategy of the Company, carried out all operation and management work actively and effectively, earnestly implemented the operating plan and financial budget determined by the Board of Directors, comprehensively achieved the development targets established at the beginning of year and ensured the steady growth of business and continuous increase of profits.

Corporate Governance

XIII. Evaluation Mechanism and Incentive System of Senior Management

In accordance with the relevant provisions of the *Provisional Measures for Performance Assessment of Senior Management Personnel*, the Remuneration Committee of the Board of Directors established the implementation plan for performance assessment of Senior Management. In accordance with the overall operation of the Company and in consideration of the duty performance of the Senior Management, it was studied by the relevant board committee and then reported to the Board of Directors for consideration, in order to determine the performance evaluation grade of each Senior Management personnel and prepare the remuneration plan accordingly.

XIV. Registration and Management of Information Insiders

The Company paid high attention to the establishment and implementation of the system for management of insider information and insiders, strictly followed the regulations governing the domestic and overseas insider information and the *System for Management of Insider Information and Insiders of the Company*, undertaken registration for insiders, provided timely reminders to the Directors, Supervisors, Senior Management and other related parties about the regulations including the blackout periods before the information disclosure of regular reports, and introducing the management of insider information into the *Management Measures of Accountability* of the Company. During the reporting period, there was neither supervising measure nor administrative penalty given by regulatory authorities due to insider trading.

XV. Business, Personnel, Asset, Organization and Financial Independence of the Bank from Substantial Shareholders

The substantial shareholders were independent from the business, personnel, asset, organization and financial affairs of the Bank, ensuring its operational independence.

XVI. There is no competition with other banks due to partial change of ownership, industrial nature, national policies or acquisition and merger.

XVII. Implementation of Information Disclosure

After the listing of H-shares, the Company faced major changes in information disclosure, including inconsistency in accounting principles, more stringent standard of regulatory policies and significant increase in the content of disclosures. In compliance with the regulatory requirements of Shanghai and Hong Kong, the Company fully complied their regulation principles and managed the time limit of disclosure in both markets at the same time, organized preparation process in a timely manner, prepared the disclosure work in the A+H shares annual reports, interim reports and quarterly reports, coordinated disclosure requirements of material matters of listed companies adopted by domestic and overseas regulatory authorities, strictly formulated principles for announcement of material matters, cautiously developed disclosing procedures and programs, released *ad hoc* announcements on time including the reorganization of China Everbright Group, issuance of preferred shares and adjustment in Directors, Supervisors and Senior Management, with a total number of 235 *ad hoc* announcements issued in the year, and guaranteed consistency of information disclosed in Japan and the H-shares market pursuant to the regulatory requirements regarding the issuance of POWL in the Japanese capital market.

XVIII. Investor Relationship

During the reporting period, the Company strictly abided by relevant provisions of domestic and overseas laws and regulations as well as the requirements of the regulatory authorities, managed the investors relationship through various ways and continuously improved the communication between the Company and its investors. The Company held the first press conference for financial results of A+H shares and investor meetings in Hong Kong, through which communications with over 70 institutional investors and analysts at home and aboard were made. The Bank held its interim results announcement in the SSE, through which communications with over 100 institutional investors, analysts and media correspondents at home and aboard were made. The Company met investors, investment bank managers and analysts through meetings and site visits for 180 person-times, answered investors' inquiry calls at home and aboard for 330 times and replied to emails over 210 times. An English website for investor relationship was launched and updated frequently to keep overseas investors informed about the latest of the Company.

XIX. Company Secretary and Assistant to Company Secretary under the Hong Kong Listing Rules

Mr. Cai Yunge (Board Secretary of the Company) is appointed as the Company Secretary under the Hong Kong Listing Rules and Ms. Lee Mei Yi (a director of Corporate Services Department of Tricor Services Limited) is appointed as the Assistant to Company Secretary under the Hong Kong Listing Rules. The main interior contact person of the Company is Mr. Cai Yunge. During the reporting period, Mr. Cai Yunge and Ms. Lee Mei Yi had participated in relevant professional training for no less than 15 hours in compliance with Rule 3.29 of the Hong Kong Listing Rules.

XX. Shareholders' Rights

- (I) Upon the request of shareholders separately or jointly holding more than 10% of the voting shares, the Company should convene an extraordinary general meeting within two months.
- (II) Shareholders separately or jointly holding more than 3% shares of the Company can put forward a temporary proposal to the Board of Directors 10 days before the general meeting of shareholders; and the Board of Directors should issue supplementary notices within two days after receiving the temporary proposal and submit the temporary proposal to the general meeting of shareholders for consideration.
- (III) Upon the request of shareholders separately or jointly holding more than 10% of the Company's shares, the Chairman of Board of Directors of the Company should convene and preside over a temporary board meeting within 10 days.
- (IV) Shareholders of ordinary shares of the Bank shall have the following rights:
 1. Collecting dividends and other forms of benefits distributed on the basis of the number of shares held by them;
 2. Attending or entrusting proxy to attend meetings of shareholders and exercise the voting rights;
 3. Supervising business operation of the Bank and putting forward suggestions or inquiries accordingly;

Corporate Governance

4. Transferring shares in accordance with laws, regulations, rules, regulatory documents, relevant regulations of the securities regulatory authority of the jurisdiction where shares of the Bank are listed as well as the Articles of Association;
5. Obtaining relevant information according to the Articles of Association, including the Company's financial and accounting report; status of share capital of the Bank; minutes of shareholders' general meeting, resolutions of meetings of Board of Directors and resolutions of meetings of the Board of Supervisors etc.
6. Participating in the distribution of the Bank's remaining property in proportion to the number of shares held by the shareholders when the Bank is terminated or liquidated.

Please refer to the Articles of Association for details about shareholders' rights.

As to the contact details for shareholders to communicate and inquire with the Board, please refer to "Company Profile" of this report.

XXI. Statement of Compliance with *Banking Industry (Disclosure) Rules*

The Company has prepared 2014 Annual Financial Statements on H Shares in accordance with *the Banking Industry (Disclosure) Rules* issued by Hong Kong Monetary Authority.

XXII. Amendment to the Articles of Association of the Company during the Reporting Period

In the 18th Meeting of the Sixth Session of the Board of Directors of the Company convened on 28 March 2014, the Board of Directors proposed to amend the Articles of Association of the Company due to several new supervisory regulations promulgated by various regulatory bodies such as CBRC, which put forward amendments to the regulations governing the banking and financial sectors, and also to further enhance the level of governance of the Company as an A+H shares listed bank, after taking into consideration the actual situation and the practice of corporate governance of the Company. The amendments were proposed mainly to supplement the Articles of Association of the Company pursuant to the new regulations such as *Guidelines on the Corporate Governance of Commercial Banks*, *Guidelines on the Duties of the Supervisory Board of Commercial Banks* and *Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks* by CBRC. On the other hand, articles in relation to rescinded regulations such as *Guidelines on the Corporate Governance of Joint Stock Commercial Banks* were deleted. The amendments have been approved and passed by the Shareholders' General Meeting of the Company and CBRC. Please refer to the announcement dated 31 March 2014 for details of the amendments.

After consideration at the 26th meeting of the Sixth session of the Board of Directors convened on 31 October 2014 and in order to meet the requirements for the Preference Shares Issuance, amendments were introduced to the Articles of Association in accordance with the requirements of relevant laws and regulations including the *State Council Guiding Opinions on Experimental Development of the Preference Shares*, CSRC's *Experimental Administrative Measures on Preference Shares*, *Guidelines for the Articles of Association of Listed Companies (Revision 2014)* of CSRC, and CBRC's and CSRC's *Guiding Opinions on the Issuance of Preference Shares by Commercial Banks to Replenish Tier-1 Capital*, and based on the Company's Preference Shares Issuance Plan. The amendments were proposed mainly to define the rights and obligations of holders of Preference Shares, including: issuance, conversion and repurchase of Preference Shares, priority in distribution of profits and residual assets, restrictions on and restoration of voting rights, coupon rate and dividend distribution of Preference Shares, as well as the relevant authorisation to the Board of Directors by the general meeting of shareholders of the Company. There were 45 amendments in total, including a new chapter "Special Provisions on Preference Shares" and 9 new articles. The number of provisions in the amended Articles of Association has been increased from 318 to 327. The amendments have been approved by the general meeting of shareholders and as at the end of the reporting period, they have been submitted to CBRC for approval. Please refer to the announcement dated 31 October 2014 for details of the amendments.

XXIII. Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

Since its listing on HKSE, the Company has applied the principles as stipulated in Appendix 14 of the Hong Kong Listing Rules (the Corporate Governance Code) and has fully complied with all Code Provisions in the Corporate Governance Code, except for the relevant disclosures made in this Chapter.

Internal Control

I. Statement of the Board of Directors regarding the responsibility of internal control and the establishment of internal control system

(I) Statement of the Board of Directors regarding the responsibility of internal control

In accordance with the Standardized Provisions on Internal Control System, the Board of Directors of the Bank shall be responsible for establishing a sound and effective internal control system, evaluating its effectiveness and truthfully disclosing the internal control evaluation report. The Board of Supervisors shall supervise on the establishment and implementation of internal control system by the Board of Directors. Senior Management is responsible for coordinating and managing the daily operation of internal control system of the Bank.

The objectives of the internal control system are: 1. Ensuring the compliance with applicable domestic laws and regulations, rules and regulations of regulatory authorities, and internal rules and regulations of the Bank; 2. Improving the operational efficiency and output and ensuring the comprehensive implementation and the full realization of development strategy and operational objectives of the Bank; 3. ensuring the asset security and the effectiveness of risk management system; 4. ensuring the timeliness, accuracy, authenticity and completeness of business records, financial information and other management information. Due to the inherent limitations of the internal control, it can only provide reasonable guarantee to realization of the aforesaid objectives.

(II) Basis of the Internal Control for Financial Reporting

As for external basis, it refers to the applicable domestic laws, regulations and regulatory requirements including the Company Law, the Securities Law, the Law on Commercial Banks, the Accounting Law, the Guidelines on Articles of Association of Listed Companies, the Accounting Standards for Enterprises: Basic Standards, Internal Control Norms for Enterprises and related guidelines, and Guidelines for Internal Control of Commercial Banks. Internal system for internal control on financial reporting constitute the internal basis, including the general requirements on the internal control over financial reporting as stated in the Articles of Association, and other internal control systems further established in accordance with the Articles of Association and other business management system such as the Manual on Management of Business of Planning and Financing.

(III) The Establishment of Internal Control System of the Bank

The internal control system of the Bank is primarily based on the Articles of Association and is divided into three tiers including general system (Internal Control Management System), the specific system (specific rules on internal control) and the evaluation system. The system covers seven major business lines such as corporate banking business, retail banking business, treasury and interbank business, risk, business support, corporate governance and management supporting and auditing, and covers various aspects including the management of front-line businesses, intermediate and back-office risk control, supervision and evaluation. In 2014, the Bank reviewed the systems, formulated a number of new rules and regulations and revised, improved and compiled existing rules and regulations for effective implementation of them across the Bank. By implementing internal control rules and compliance management consulting, identifying the applicable external regulatory rules, establishing database for the external compliance and external compliance risk factors, the Bank further revised and improved the internal control manual, internal control evaluation manual and the risk control matrix, implemented and fully promoted the internal control system, whereby the ability of internal control management has been enhanced.

II. Self-assessment report on internal control by the Bank

Based on the results of review of the internal control related to financial reporting, it is believed that the Bank, as at the reference date for the self-assessment report on internal control (December 31, 2014), had no material defects in the internal control system related to financial reporting, and had maintained an effective internal control over financial reporting in accordance with the internal control rules and systems in all material aspects.

Based on the results of review of internal control not related to financial reporting, it is believed that the Bank, as at the reference date for the self-assessment report on internal control (December 31, 2014), had no material defects in internal control not related to financial reporting.

From the reference date of self-assessment report on internal control to the date of releasing of the self-assessment report on internal control, there was no factor which may affect the evaluation of effectiveness of the internal control system.

The full text of 2014 Self-assessment Report on Internal control of the Bank has been published on the websites of the SSE, the HKSE (in the form of Overseas Regulatory Announcement) and the Bank.

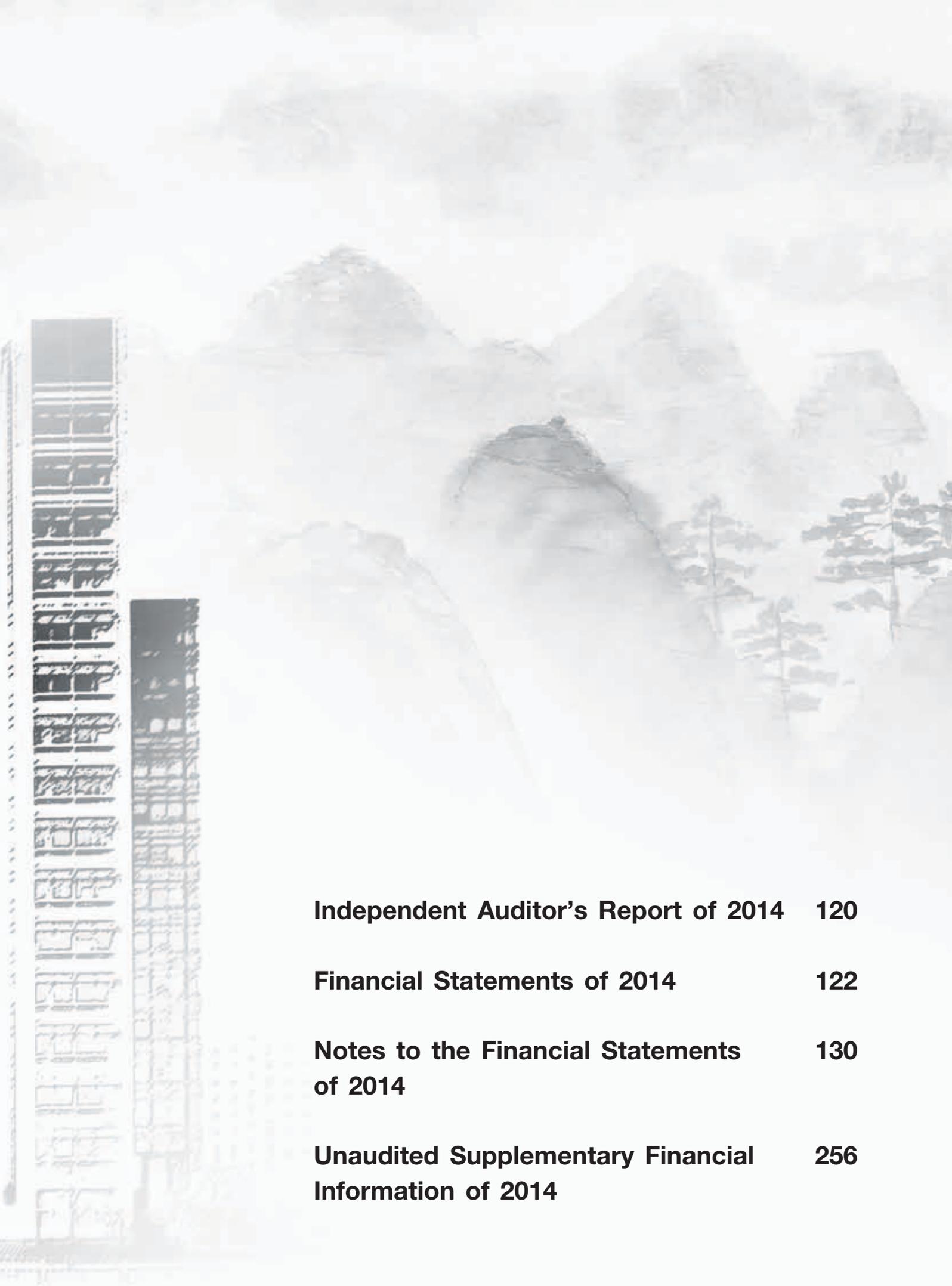
III. Auditor's Report on the Internal Control of the Bank

KPMG Huazhen (Special General Partnership) has audited the internal control system of the Bank and issued an audit opinion that, as at December 31, 2014, the Bank has maintained an effective internal control on its financial reporting in all material aspects in accordance with the Basic Standards for Internal Control System of Enterprises and relevant regulations. The full text of the audit opinion has been published on the websites of the SSE, the HKSE (in the form of Overseas Regulatory Announcement) and the Bank.

IV. Establishment and implementation of the accountability system for material errors in annual reports

The Bank formulated and issued the Accountability System for Material Errors of Information Disclosure in Annual Reports stipulating various aspects including the definition of material error of disclosures in its annual reports, relevant rectification and accountability measures. During the reporting period, no material error was found in the annual report of the Bank.





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Independent Auditor's Report



Independent auditor's report to the shareholders of China Everbright Bank Company Limited

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

We have audited the consolidated financial statements of China Everbright Bank Company Limited (the "Bank") and its subsidiaries (together the "Group") set out on pages 122 to 255, which comprise the consolidated and Bank statements of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2014	2013
Interest income		133,926	120,082
Interest expense		(75,667)	(69,220)
Net interest income	4	58,259	50,862
Fee and commission income		20,445	15,762
Fee and commission expense		(1,288)	(810)
Net fee and commission income	5	19,157	14,952
Net trading gains/(losses)	6	1,279	(1,090)
Dividend income		3	3
Net (losses)/gains arising from investment securities	7	(99)	88
Net Foreign exchange (losses)/gains		(210)	367
Other operating income		382	345
Operating income		78,771	65,527
Operating expenses	8	(30,008)	(26,473)
Operating profit before impairment		48,763	39,054
Impairment losses on assets	11	(10,209)	(4,633)
Profit before tax		38,554	34,421
Income tax	12	(9,626)	(7,667)
Net profit		28,928	26,754
Other comprehensive income for year			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale financial assets:			
– Change in fair value recognised in the Capital Reserve		4,442	(4,846)
– Reclassified to the profit or loss upon disposal		1,032	57
– Related income tax effect	28(b)	(1,369)	1,198
Items that will not be reclassified to profit or loss:			
– Remeasurement of supplementary retirement benefits	35(b)	(53)	56
Other comprehensive income, net of tax		4,052	(3,535)
Total comprehensive income		32,980	23,219
Net profit attributable to:			
Equity shareholders of the Bank		28,883	26,715
Non-controlling interests		45	39
		28,928	26,754
Total comprehensive income attributable to:			
Equity shareholders of the Bank		32,935	23,180
Non-controlling interests		45	39
		32,980	23,219
Basic and diluted earnings per share (in RMB)	13	0.62	0.66

The notes on pages 130 to 255 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2014	31 December 2013
Assets			
Cash and deposits with the central bank	14	354,185	312,643
Deposits with banks and other financial institutions	15	40,316	67,153
Placements with banks and other financial institutions	16	132,733	124,291
Financial assets at fair value through profit or loss	17	4,377	12,490
Positive fair value of derivatives	18	1,082	1,870
Financial assets held under resale agreements	19	286,682	169,182
Interests receivable	20	14,621	13,074
Loans and advances to customers	21	1,271,430	1,142,138
Available-for-sale financial assets	22	138,559	111,948
Held-to-maturity investments	23	111,697	105,920
Debt securities classified as receivables	24	333,911	262,699
Fixed assets	26	13,043	12,629
Goodwill	27	1,281	1,281
Deferred tax assets	28	3,034	4,015
Other assets	29	30,059	73,753
Total assets		2,737,010	2,415,086
Liabilities and equity			
Liabilities			
Due to the central bank		30,040	–
Deposits from banks and other financial institutions	31	507,187	438,604
Placements from banks and other financial institutions	32	36,744	50,817
Negative fair value of derivatives	18	781	2,465
Financial assets sold under repurchase agreements	33	51,772	63,164
Deposits from customers	34	1,785,337	1,605,278
Accrued staff costs	35	9,668	8,149
Taxes payable	36	3,829	2,605
Interests payable	37	29,950	20,949
Debts securities issued	38	89,676	42,247
Other liabilities	39	12,543	27,756
Total liabilities		2,557,527	2,262,034

The notes on pages 130 to 255 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2014	31 December 2013
Equity			
Share capital	40	46,679	46,277
Capital reserve	41	33,587	28,707
Surplus reserve	42	12,050	9,199
General reserve	42	33,903	29,861
Retained earnings	43	52,756	38,795
Total equity attributable to equity shareholders of the Bank		178,975	152,839
Non-controlling interests		508	213
Total equity		179,483	153,052
Total liabilities and equity		2,737,010	2,415,086

Approved and authorised for issue by the board of directors on 27 March 2015.

Tang Shuangning
Chairman of the Board
of Directors,
Non-executive Director

Zhao Huan
President,
Executive Director

Xie Rong
Independent Non-executive
Director

The notes on pages 130 to 255 form part of these financial statements.

Statement of Financial Position

As at 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2014	31 December 2013
Assets			
Cash and deposits with the central bank	14	354,035	312,494
Deposits with banks and other financial institutions	15	40,063	66,746
Placements with banks and other financial institutions	16	132,333	124,773
Financial assets at fair value through profit or loss	17	4,377	12,490
Positive fair value of derivatives	18	1,082	1,870
Financial assets held under resale agreements	19	286,682	169,182
Interests receivable	20	14,474	12,955
Loans and advances to customers	21	1,270,668	1,141,622
Available-for-sale financial assets	22	138,559	111,948
Held-to-maturity investments	23	111,697	105,920
Debt securities classified as receivables	24	333,911	262,699
Investments in subsidiaries	25	2,875	825
Fixed assets	26	13,028	12,615
Goodwill	27	1,281	1,281
Deferred tax assets	28	2,942	3,955
Other assets	29	8,274	57,443
Total assets		2,716,281	2,398,818
Liabilities and equity			
Liabilities			
Due to the central bank		30,000	–
Deposits from banks and other financial institutions	31	508,445	442,034
Placements from banks and other financial institutions	32	21,592	35,867
Negative fair value of derivatives	18	781	2,465
Financial assets sold under repurchase agreements	33	51,767	63,151
Deposits from customers	34	1,784,273	1,604,365
Accrued staff costs	35	9,601	8,105
Taxes payable	36	3,742	2,578
Interests payable	37	29,747	20,779
Debts securities issued	38	89,676	42,247
Other liabilities	39	8,804	25,137
Total liabilities		2,538,428	2,246,728

The notes on pages 130 to 255 form part of these financial statements.

Statement of Financial Position

As at 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2014	31 December 2013
Equity			
Share capital	40	46,679	46,277
Capital reserve	41	33,587	28,707
Surplus reserve	42	12,050	9,199
General reserve	42	33,903	29,861
Retained earnings	43	51,634	38,046
Total equity		177,853	152,090
Total liabilities and equity		2,716,281	2,398,818

Approved and authorised for issue by the board of directors on 27 March 2015.

Tang Shuangning
Chairman of the Board
of Directors,
Non-executive Director

Zhao Huan
President,
Executive Director

Xie Rong
Independent Non-executive
Director

The notes on pages 130 to 255 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

	Note	Attributable to equity shareholders of the Bank					Sub-total	Non-controlling interests	Total
		Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2014		46,277	28,707	9,199	29,861	38,795	152,839	213	153,052
Changes in equity for the year:									
Total comprehensive income		-	4,052	-	-	28,883	32,935	45	32,980
Changes in share capital:									
- Issue of H-shares	40, 41	402	828	-	-	-	1,230	-	1,230
- Change in non-controlling interests of subsidiaries		-	-	-	-	-	-	250	250
Appropriation of profit:	42, 43								
- Appropriation to surplus reserve		-	-	2,851	-	(2,851)	-	-	-
- Appropriation to general reserve		-	-	-	4,042	(4,042)	-	-	-
- Cash dividends		-	-	-	-	(8,029)	(8,029)	-	(8,029)
Balance at 31 December 2014		46,679	33,587	12,050	33,903	52,756	178,975	508	179,483
Balance at 1 January 2013		40,435	20,258	6,560	28,063	18,862	114,178	144	114,322
Changes in equity for the year:									
Total comprehensive income		-	(3,535)	-	-	26,715	23,180	39	23,219
Changes in share capital:									
- Issue of H-shares	40, 41	5,842	11,984	-	-	-	17,826	-	17,826
- Non-controlling interests of new subsidiaries		-	-	-	-	-	-	30	30
Appropriation of profit:	42, 43								
- Appropriation to surplus reserve		-	-	2,639	-	(2,639)	-	-	-
- Appropriation to general reserve		-	-	-	1,798	(1,798)	-	-	-
- Cash dividends		-	-	-	-	(2,345)	(2,345)	-	(2,345)
Balance at 31 December 2013		46,277	28,707	9,199	29,861	38,795	152,839	213	153,052

The notes on pages 130 to 255 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	2014	2013
Cash flows from operating activities		
Net profit	28,928	26,754
<i>Adjustments for:</i>		
Impairment losses on assets	10,209	4,633
Depreciation and amortisation	1,941	1,634
Unwinding of discount	(558)	(367)
Dividend income	(3)	(3)
Unrealised foreign exchange (gains)/losses	(351)	101
Net losses/(gains) on disposal of investment securities	99	(88)
Net losses on disposal of trading securities	21	566
Revaluation (gains)/losses on financial instruments at fair value through profit or loss	(1,300)	524
Interest expense on debt securities issued	2,568	2,095
Net losses on disposal of fixed assets	7	6
Income tax	9,626	7,667
	51,187	43,522
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank, banks and other financial institutions	(1,857)	(61,520)
Net (increase)/decrease in placements with banks and other financial institutions	(40,112)	4,828
Net increase in loans and advances to customers	(139,398)	(149,561)
Net (increase)/decrease in financial assets held under resale agreements	(119,242)	62,298
Net decrease in other operating assets	44,857	530
	(255,752)	(143,425)
<i>Changes in operating liabilities</i>		
Net increase/(decrease) in deposits from banks and other financial institutions	68,583	(88,957)
Net (decrease)/increase in placements from banks and other financial institutions	(14,073)	27,612
Net decrease in financial assets sold under repurchase agreements	(11,412)	(11,343)
Net increase in due to the central bank	30,040	–
Net increase in deposits from customers	180,059	178,337
Income tax paid	(8,942)	(8,700)
Net (decrease)/increase in other operating liabilities	(4,991)	2,257
	239,264	99,206
Net cash flows from/(used in) operating activities	34,699	(697)

The notes on pages 130 to 255 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	2014	2013
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		193,363	246,551
Dividends received		3	3
Proceeds from disposal of fixed assets and other assets		135	18
Payments on acquisition of investments		(283,191)	(266,667)
Payments on acquisition of fixed assets, intangible assets and other assets		(2,837)	(2,625)
Net cash flows used in investing activities		(92,527)	(22,720)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		1,230	17,826
Capital contribution by non-controlling interests		250	30
Proceeds from issue of new debt securities		50,429	2,547
Cash paid on debts securities redeemed		(3,000)	(13,000)
Interest paid on debts securities issued		(2,099)	(2,423)
Dividends paid		(8,028)	(2,346)
Net cash flows from financing activities		38,782	2,634
Effect of foreign exchange rate changes on cash and cash equivalents		226	(309)
Net decrease in cash and cash equivalents	46(a)	(18,820)	(21,092)
Cash and cash equivalents as at 1 January		116,821	137,913
Cash and cash equivalents as at 31 December	46(b)	98,001	116,821
Interest received		133,842	116,345
Interest paid (excluding interest expense on debts securities issued)		(64,548)	(64,041)

The notes on pages 130 to 255 form part of these financial statements.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

1 Background information

China Everbright Bank Company Limited (the “Bank”) commenced its operations in Beijing, the People’s Republic of China (“the PRC”) on 18 August 1992. The A-shares and H-shares of the Bank were listed on the Shanghai Stock Exchange in August 2010 and The Stock Exchange of Hong Kong Limited in December 2013 respectively.

The principal activities of the Bank and its subsidiaries (Note 25) (collectively the “Group”) are the provision of corporate and retail deposits, loans and advances, settlement, treasury business and other financial services as approved by the China Banking Regulatory Commission (the “CBRC”). The Bank mainly operated in mainland China, which, for the purpose of the report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC and Taiwan.

The Bank has branches in 28 provinces, autonomous regions, municipalities in mainland China and Hong Kong as at 31 December 2014.

2 Significant accounting policies

(1) Statement of compliance and basis of preparation

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

As a financial institution incorporated in the PRC and listed on the Shanghai Stock Exchange, the Group also prepared its consolidated financial statements for the reporting period in accordance with the “Accounting Standards for Business Enterprises-Basic Standard” issued by the Ministry of Finance of the People’s Republic of China (the “MOF”), as well as additional specific accounting standards, the Application Guide and Interpretations of Accounting Standards and other relevant regulations (collectively known as the “PRC GAAP”). There is no difference in the net profit for the reporting period or total equity as at the end of the reporting period between the Group’s consolidated financial statements prepared under IFRS and those prepared under PRC GAAP.

2 Significant accounting policies (continued)

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

For the purpose of preparing the financial statements, the Group has adopted all the new and revised IFRSs in issue which are relevant to the Group for the reporting period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2014. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2014 are set out below:

		Effective for accounting period beginning on or after
IAS 16 Amendments	Property, plant and equipment	1 January 2016
IAS 38 Amendments	Intangible assets	1 January 2016
IAS 27 Amendments	Separate financial statements	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

Further information about those changes that are expected to affect the Group is as follows:

Amendments to IAS 16, Property, plant and equipment and IAS 38, Intangible assets “Clarification of acceptable methods of depreciation and amortization”

The amendments introduce a rebuttable presumption to IAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments also prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16. The Group is currently assessing the impact of the amendments on its financial position and performance.

Amendments to IAS 27, Separate financial statements “Equity method in separate financial statements”

The amendments allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- at cost;
- in accordance with IFRS 9 (or IAS 39); or
- using the equity method as described in IAS 28.

The Group is currently assessing the impact of the amendments on its financial position and performance.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

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

IFRS 15 “Revenue from contracts with customers”

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Some of these apply to interim financial reports prepared under IAS 34 as well as to annual financial statements. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity. The Group is currently assessing the impact of the standard on its financial position and performance.

IFRS 9 “Financial instruments”

On 24 July 2014, the IASB issued the complete standard of IFRS 9 (IFRS 9 (2014)).

Classification and measurement of financial assets and financial liabilities

IFRS 9 (2014) includes a 3rd business model and requires some debt instruments to be measured at fair value through other comprehensive income less impairment with recycling. For the classification and measurement, IFRS 9 introduces a new requirement that the gain or loss on a financial liability designated at fair value through profit or loss that is attributable to changes in the entity's own credit risk is recognised in other comprehensive income; the remaining amount of change in fair value is recognised in profit or loss (“own credit risk requirements”).

Hedge accounting

The new standard aligns hedge accounting more closely with risk management. It does not fundamentally change the types of hedging or the requirement to measure and recognise ineffectiveness; however, more hedging strategies that are used for risk management will qualify for hedge accounting.

2 Significant accounting policies (continued)

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

IFRS 9 “Financial instruments” (continued)

Impairment

The new impairment methodology in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Under IFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

The Group has started the process of evaluating the potential effect of this standard. Given the nature of the Group’s operations, this standard is expected to have a pervasive impact on the Group’s financial statements.

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements on the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 2(24).

The measurement basis used in the preparation of the financial statements is historical cost, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(5).

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(2) Basis of consolidation

The financial statements comprise financial statements of the Bank and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights are considered. The financial statements of subsidiaries are included in financial statements from the date that control commences until the date that control ceases.

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

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

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

(3) Translation of foreign currencies

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

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

(4) Cash and cash equivalents

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

2 Significant accounting policies (continued)

(5) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

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

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

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

Financial assets and financial liabilities are categorised as follows:

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

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

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

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

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

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

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

- **Held-to-maturity investments**

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

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

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

- **Loans and receivables**

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

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

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

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

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

- **Available-for-sale financial assets**

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

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

- **Precious metals**

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in profit or loss.

- **Other financial liabilities**

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

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

(ii) Impairment of financial assets

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

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

Objective evidence includes the following loss event:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

• **Loans and receivables**

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

Individual assessment

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

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

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

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

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

- **Loans and receivables** (continued)

Collective assessment

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

Homogeneous groups of loans not considered individually significant

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

Individually assessed loans with no objective evidence of impairment on an individual basis

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

The collective impairment loss is assessed after taking into account:

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

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

- **Loans and receivables** (continued)

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

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

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

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

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

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

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, and the provision is calculated using the loan's original effective interest rate.

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

- ***Held-to-maturity investments***

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

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

- ***Available-for-sale financial assets***

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

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

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

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset, and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

(iii) Fair value measurement principles

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

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

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

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

(iv) Derecognition of financial assets and financial liabilities

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

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

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

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

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

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

(v) Offsetting

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

(6) Financial assets held under resale and repurchase agreements

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

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

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

(7) Investment in subsidiaries

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

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

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(8) Investment property

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

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	30-35 years	3%	2.8%-3.2%

(9) Fixed assets and construction in progress

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(9) Fixed assets and construction in progress (continued)

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

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	30-35 years	3%	2.8%-3.2%
Electronic equipment	3-5 years	3%-5%	19.0%-32.3%
Others	5-10 years	3%-5%	9.5%-19.4%

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

(10) Lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(a) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

(b) Assets leased-out under finance lease

The Group recognises the sum of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable, and recognises unguaranteed residual value at the same time.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the end of the reporting period, finance lease receivables, net of unearned finance income, are presented as finance lease receivables in the statements of financial position.

The Group accounted for impairment losses on finance lease receivables in accordance with the accounting policies as set out Note 2(5)(ii).

The unguaranteed residual values are reviewed at least at each year end. Any excess of the carrying amount of the unguaranteed residual values over their estimated recoverable amounts is recognised as impairment loss. If there is an indication that there has been a change in the factors used to determine the provision for impairment losses and as a result the estimated recoverable amount of the unguaranteed residual values is greater than its carrying amount, the impairment loss recognised in prior periods is reversed. Reversals of impairment losses are recognised in profit or loss.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(11) Intangible assets

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

The respective amortisation periods for intangible assets are as follows:

Asset category	Estimated useful lives
Computer software	5 years
Others	5-10 years

(12) Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control. Goodwill is not amortised and is stated at cost less accumulated impairment loss (Note 2(14)). On disposal of the related cash-generating unit ("CGU") or group of CGUs, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

(13) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The initial cost of repossessed assets is measured at the lower of the net carrying amount of loans and advances and the fair value of the assets less costs to sell on the acquisition date. Repossessed assets are not depreciated or amortised. The impairment losses of initial measurement and subsequent revaluation are charged to the profit or loss.

2 Significant accounting policies (continued)

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

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

- fixed assets
- construction in progress
- intangible assets
- goodwill
- investment property measured using a cost model
- investment in subsidiaries

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at no later than each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is allocated to the CGU, or group of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A provision for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(15) Employee benefits

Employee benefits are all forms of considerations given and other relevant expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss.

(i) Retirement benefits

Social pension schemes

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

2 Significant accounting policies (continued)

(15) Employee benefits (continued)

(i) Retirement benefits (continued)

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits to its eligible employees. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating, the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. In calculating the Group's obligations, any actuarial gains and losses are recognised in other comprehensive income immediately in the same financial year.

Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

(ii) Housing fund and other social insurances

In addition to the retirement benefits, the Group has joined defined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the amounts stipulated by the relevant government organisations. The contributions are charged to profit or loss on an accrual basis.

(16) Income tax

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

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

At the end of the reporting period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(16) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the end of the reporting period, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either intend to settle the current tax liabilities and assets on a net basis, or to simultaneously realise the assets and settle the liabilities in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2 Significant accounting policies (continued)

(17) Financial guarantees, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statements of financial position as stated in Note 2(17)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(18) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(19) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders. Income is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the income and costs can be measured reliably and the following respective conditions are met:

(i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

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

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

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

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

(iii) Other income

Other income is recognised on an accrual basis.

2 Significant accounting policies (continued)

(20) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(21) Dividends

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

(22) Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Bank include, but are not limited to:

- (a) the Bank's parent
- (b) the Bank's subsidiaries
- (c) enterprises that are controlled by the Bank's parent
- (d) investors that have joint control or exercise significant influence over the Group
- (e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group
- (f) joint ventures of the Group, including subsidiaries of joint ventures
- (g) associates of the Group
- (h) principal individual investors and close family members of such individuals

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(22) Related parties (continued)

- (i) key management personnel of the Group and close family members of such individuals
- (j) key management personnel of the Bank's parent
- (k) close family members of key management personnel of the Bank's parent
- (l) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals; and
- (m) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(23) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Any segments which do not comply with the reporting of segments by division of quantities are reported at consolidation level.

(24) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) **Impairment losses on loans and receivables, available-for-sale financial assets and held-to-maturity investments**

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

2 Significant accounting policies (continued)

(24) Significant accounting estimates and judgements (continued)

(i) Impairment losses on loans and receivables, available-for-sale financial assets and held-to-maturity investments (continued)

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

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

(ii) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(iii) The classification of the held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(24) Significant accounting estimates and judgements (continued)

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(v) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(vi) Depreciation and amortisation

Investment properties, fixed assets and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

2 Significant accounting policies (continued)

(24) Significant accounting estimates and judgements (continued)

(vii) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(2) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 44.

(25) Change in accounting policies

The IASB has issued the following revised IFRSs (including International Accounting Standards ("IASs")) and amendments to standards that are effective in 2014 and relevant to the Group's operation.

Amendments to IFRS 10, IFRS 12 and IAS 27, <i>Investment entities</i>	
Amendments to IAS 32	<i>Financial instruments: presentation – Offsetting financial assets and financial liabilities</i>
Amendments to IAS 36	<i>Impairment of assets– recoverable amount disclosures for non-financial assets</i>
Amendments to IAS 39	<i>Financial instruments: recognition and measurement–Novation of derivatives and continuation of hedge accounting</i>

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. The adoption does not have any material impact on the Group's financial statements.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(25) Change in accounting policies (continued)

Amendments to IAS 32 – Financial instruments: presentation – Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments to IAS 32 clarify the meaning of “currently has a legally enforceable right to set-off”. The adoption does not have any material impact on the Group’s financial statements.

Amendments to IAS 36 – Impairment of assets – Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating units (“CGU”) whose recoverable amount is based on fair value less costs of disposal. The adoption does not have any material impact on the Group’s financial statement

Amendments to IAS 39 – Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The adoption does not have any material impact on the Group’s financial statements.

3 Taxes

The Group’s main applicable taxes and tax rates are as follows:

(a) Business tax

Business tax is charged at 5% on taxable income.

(b) City construction tax

City construction tax is calculated as 1% – 7% of business tax.

(c) Education surcharge

Education surcharge is calculated as 3% of business tax.

(d) Income tax

The income tax is calculated on taxable income. The statutory income tax rate is 25%.

4 Net interest income

	Note	2014	2013
Interest income arising from			
Deposits with the central bank		5,034	4,535
Deposits with banks and other financial institutions		2,107	1,587
Placements with banks and other financial institutions		8,582	6,076
Loans and advances to customers	4(a)		
– Corporate loans and advances		51,851	47,281
– Personal loans and advances		27,027	22,067
– Discounted bills		1,002	1,260
Financial assets held under resale agreements		8,829	9,927
Investments in debt securities		29,494	27,349
Sub-total		133,926	120,082
Interest expenses arising from			
Due to the central banks		213	–
Deposits from banks and other financial institutions		24,299	26,032
Placements from banks and other financial institutions		1,359	1,243
Deposits from customers			
– Corporate customers		31,253	28,130
– Individual customers		5,215	4,958
– Structured deposits from corporate customers		2,284	1,025
– Structured deposits from individual customers		7,159	3,504
Financial assets sold under repurchase agreements		1,317	2,233
Debts securities issued	4(b)	2,568	2,095
Sub-total		75,667	69,220
Net interest income		58,259	50,862

Note:

(a) The interest income arising from impaired financial assets for the year ended 31 December 2014 amounted to RMB 558 million (2013: RMB 367 million).

(b) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debts securities issued.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

5 Net fee and commission income

	2014	2013
Fee and commission income		
Bank card service fees	9,787	7,084
Wealth management service fees	3,349	2,285
Settlement and clearing fees	1,824	1,590
Underwriting and advisory fees	1,701	1,885
Acceptance and guarantee fees	1,134	901
Custody and other fiduciary business fees	1,065	804
Agency services fees	847	787
Others	738	426
Sub-total	20,445	15,762
Fee and commission expense		
Bank card transaction fees	1,042	630
Settlement and clearing fees	92	73
Others	154	107
Sub-total	1,288	810
Net fee and commission income	19,157	14,952

6 Net trading gains/(losses)

	Note	2014	2013
Trading financial instruments			
– Debt securities		318	(794)
– Derivatives		897	(411)
Sub-total		1,215	(1,205)
Financial instruments designated at fair value through profit or loss	6(a)	64	115
Total		1,279	(1,090)

Note:

- (a) The net change in fair value of the structured deposits is disclosed in interest expense (Note 4), including the net losses in fair value of the structured deposits from corporate customers and individual customers of RMB 14 million and RMB 1,758 million respectively. (2013: net losses of RMB 380 million and RMB 808 million respectively)

7 Net (losses)/gains arising from investment securities

	2014	2013
Net gains on disposal of available-for-sale financial assets	922	105
Net revaluation losses reclassified from other comprehensive income on disposal	(1,032)	(57)
Net losses on disposal of held-to-maturity investments	(2)	(2)
Net gains on disposal of debt securities classified as receivables	13	42
Total	(99)	88

8 Operating expenses

	Note	2014	2013
Staff costs			
– Salaries and bonuses		10,135	9,092
– Staff welfares		269	234
– Pension and annuity		1,326	958
– Housing allowances		541	465
– Supplementary retirement benefits		31	33
– Others		1,058	908
Sub-total		13,360	11,690
Premises and equipment expenses			
– Depreciation of fixed assets		1,354	1,161
– Amortisation of intangible assets		206	173
– Amortisation of long-term assets		381	300
– Rental and property management expenses		2,143	1,732
Sub-total		4,084	3,366
Business tax and surcharges		6,361	5,607
Other general and administrative expenses	8(a)	6,203	5,810
Total		30,008	26,473

Note:

(a) Auditors' remuneration for the year ended 31 December 2014 was RMB 9.90 million (2013: RMB 9.90 million).

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

9 Directors' and supervisors' emoluments

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting period are as follows:

	Note	2014							
		Fees RMB'000	Salaries RMB'000	Discretionary bonus		Sub-total RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
				Paid RMB'000	Payable RMB'000				
Executive directors									
Zhao Huan	(i)/(ii)	-	525	-	-	525	37	219	781
Non-executive directors									
Tang Shuangning		-	-	-	-	-	-	-	-
Gao Yunlong	(iv)	-	-	-	-	-	-	-	-
Wu Jian		-	-	-	-	-	-	-	-
Narentuya		-	-	-	-	-	-	-	-
Wu Gang		-	-	-	-	-	-	-	-
Wang Shumin		-	-	-	-	-	-	-	-
Wang Zhongxin		-	-	-	-	-	-	-	-
Wu Gaolian		-	-	-	-	-	-	-	-
Independent non-executive directors									
Zhou Daojong		-	-	-	-	-	-	-	-
Fok Oi Ling		353	-	-	-	353	-	-	353
Zhang Xinze		210	-	-	-	210	-	-	210
Qiao Zhimin		390	-	-	-	390	-	-	390
Xie Rong		370	-	-	-	370	-	-	370
Supervisors									
Cai Haoyi	(ii)	-	965	-	-	965	40	264	1,269
Mu Huijun	(ii)	-	965	-	-	965	40	251	1,256
Yin Lianchen	(iv)	-	-	-	-	-	-	-	-
Wu Junhao		-	-	-	-	-	-	-	-
Yu Emiu		295	-	-	-	295	-	-	295
James Parks Stent		295	-	-	-	295	-	-	295
Chen Yu		-	675	1,157	-	1,832	40	79	1,951
Ye Donghai		-	696	1,127	-	1,823	40	79	1,942
Ma Ning		-	992	1,711	-	2,703	40	79	2,822
Former executive directors									
Guo You	(ii)/(iii)	-	95	-	-	95	6	35	136
Wu Qing	(ii)/(iii)	-	961	-	-	961	40	255	1,256
Former non-executive director									
Luo Zhefu	(iv)	-	-	-	-	-	-	-	-
Former supervisors									
Chen Shuang	(iv)	-	-	-	-	-	-	-	-
Wang Pingsheng	(iv)	-	-	-	-	-	-	-	-
Zhang Chuanju	(iv)	-	-	-	-	-	-	-	-
		1,913	5,874	3,995	-	11,782	283	1,261	13,326

9 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting period are as follows (continued):

	Note	2013							
		Fees RMB'000	Salaries RMB'000	Discretionary bonus		Sub-total RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
				Paid RMB'000	Payable RMB'000				
Executive directors									
Guo You	(v)	-	459	114	474	1,047	36	217	1,300
Wu Qing	(v)	-	677	-	520	1,197	36	227	1,460
Non-executive directors									
Tang Shuangning		-	-	-	-	-	-	-	-
Luo Zhefu		-	-	-	-	-	-	-	-
Wu Jian		-	-	-	-	-	-	-	-
Narentuya		-	-	-	-	-	-	-	-
Wu Gang		-	-	-	-	-	-	-	-
Wang Shumin		-	-	-	-	-	-	-	-
Wang Zhongxin		-	-	-	-	-	-	-	-
Wu Gaolian		-	-	-	-	-	-	-	-
Independent non-executive directors									
Zhou Daojiong		-	-	-	-	-	-	-	-
Fok Oi Ling		-	-	-	-	-	-	-	-
Zhang Xinze		200	-	-	-	200	-	-	200
Qiao Zhimin		200	-	-	-	200	-	-	200
Xie Rong		200	-	-	-	200	-	-	200
Supervisors									
Cai Haoyi	(v)	-	684	-	577	1,261	36	230	1,527
Mu Huijun	(v)	-	677	-	520	1,197	36	223	1,456
Chen Shuang		-	-	-	-	-	-	-	-
Wang Pingsheng		-	-	-	-	-	-	-	-
Zhang Chuanju		-	-	-	-	-	-	-	-
Wu Junhao		-	-	-	-	-	-	-	-
Yu Erniu		160	-	-	-	160	-	-	160
James Parks Stent		160	-	-	-	160	-	-	160
Chen Yu		-	663	1,169	-	1,832	36	74	1,942
Ye Donghai		-	687	1,134	-	1,821	36	74	1,931
Ma Ning		-	899	1,285	-	2,184	36	74	2,294
Former independent non-executive directors									
Wang Wei		200	-	-	-	200	-	-	200
		1,120	4,746	3,702	2,091	11,659	252	1,119	13,030

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

9 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting period are as follows (continued):

Note:

- (i) *Mr. Zhao Huan was dominated as an executive director and President of the Bank on the board meeting held on 23 January 2014. His appointment was approved by the CBRC on 24 April 2014.*
- (ii) *The total compensation package for the directors and supervisors for the year ended 31 December 2014 is subject to the approval of the relevant regulatory authorities in PRC. The amount of the compensation not provided for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2014.*
- (iii) *On 23 January 2014, Mr. Guo You resigned from the positions as an executive director and President of the Bank and this had been approved by the board meeting held on the same day. Mr. Wu Qing ceased to serve as an executive director of the Bank on 3 December 2014. Mr. Gao Yunlong was elected as non-executive director of the Bank in the Bank's 2014 second extraordinary general meeting held on 15 October 2014, and was elected as Vice Chairman in the 26th meeting of the sixth broad meeting held on 31 October 2014. His appointment was approved by the CBRC on 16 December 2014. Mr. Luo Zhefu ceased to serve as non-executive director of the Bank on 14 July 2014.*

The Bank's shareholder general meeting held on 23 December 2014 elected Mr. Yin Lianchen as supervisor of the Bank. Mr. Chen Shuang, Mr. Wang Pingsheng and Mrs. Zhang Chuangju ceased to act as supervisors of the Bank.

The above directors' and supervisors' emoluments for the year ended 31 December 2014 were restated in accordance with the actual amounts subsequently approved by the PRC relevant authorities.

- (iv) *The above directors' and supervisors' emoluments for the year ended 31 December 2013 were restated in accordance with the approval by the relevant regulatory authorities in PRC or the board meeting and the shareholder general meeting.*

10 Individuals with highest emoluments

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	2,573	2,580
Discretionary bonuses	19,792	18,878
Contributions to pension schemes	459	191
Others	487	318
Total	23,311	21,967

None of the five individuals with the highest emoluments are directors or supervisors. The number of these individuals whose emoluments before individual income tax are within the following bands is set out below:

	2014	2013
RMB 3,000,001-3,500,000	–	1
RMB 3,500,001-4,000,000	1	1
RMB 4,000,001-4,500,000	3	2
RMB 5,000,001-5,500,000	–	–
RMB 5,500,001-6,000,000	–	–
RMB 6,000,001-6,500,000	–	1
RMB 6,500,001-7,000,000	1	–

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the reporting period.

11 Impairment losses on assets

	2014	2013
Loans and advances to customers	9,981	4,336
Held-to-maturity investments	(252)	(30)
Available-for-sale financial assets	(13)	4
Debt securities classified as receivables	207	–
Others	286	323
Total	10,209	4,633

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

12 Income tax

(a) Income tax:

	Note	2014	2013
Current tax		10,096	8,316
Deferred tax	28(b)	(388)	(363)
Adjustments for prior year		(82)	(286)
Total		9,626	7,667

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

	2014	2013
Profit before tax	38,554	34,421
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	9,639	8,606
Non-deductible expenses		
– Staff costs	38	28
– Impairment losses on assets	655	(118)
– Others	289	200
	982	110
Non-taxable income		
– Interest income from the PRC government bonds	(913)	(762)
– Others	–	(1)
Sub-total	9,708	7,953
Adjustments for prior year	(82)	(286)
Income tax	9,626	7,667

13 Basic and diluted earnings per share

	Note	2014	2013
Weighted average number of ordinary shares (in millions)	13(a)	46,646	40,611
Net profit attributable to equity shareholders of the Bank		28,883	26,715
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.62	0.66

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

(a) Weighted average number of ordinary shares (in millions)

	2014	2013
Number of ordinary shares as at 1 January	46,277	40,435
Newly added weighted average number of ordinary shares	369	176
Weighted average number of ordinary shares	46,646	40,611

The Bank issued 5,842 million shares at HKD3.98 per share in its initial public offering on the Stock Exchange of Hong Kong Limited in December 2013, accordingly the share capital of the Bank increased from RMB 40,434.79 million to RMB 46,276.79 million, the total number of shares in issue increased from 40,434.79 million to 46,276.79 million.

In January 2014, the Bank partially exercised the over-allotment option and issued additional 402.31 million H shares. After the exercise of the over-allotment option, the total number of the shares of the Bank further increased to 46,679.10 million. (Note 40).

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

14 Cash and deposits with the central bank

	Note	The Group		The Bank	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash on hand		7,312	7,708	7,305	7,700

Deposits with the central bank					
– Statutory deposit reserves	14(a)	306,808	280,171	306,678	280,048
– Surplus deposit reserves	14(b)	35,305	19,691	35,292	19,673
– Fiscal deposits		4,760	5,073	4,760	5,073
Sub-total		346,873	304,935	346,730	304,794

Total		354,185	312,643	354,035	312,494

- (a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2014	31 December 2013
Reserve ratio for RMB deposits	18.0%	18.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

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

15 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deposits in mainland China				
– Banks	23,799	49,851	23,546	49,444
– Other financial institutions	241	124	241	124
Sub-total	24,040	49,975	23,787	49,568

Deposits outside mainland China				
– Banks	16,310	17,205	16,310	17,205
Sub-total	16,310	17,205	16,310	17,205

Total	40,350	67,180	40,097	66,773
Less: Provision for impairment losses	(34)	(27)	(34)	(27)
Net balances	40,316	67,153	40,063	66,746

16 Placements with banks and other financial institutions

	Note	The Group		The Bank	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deposits in mainland China					
– Banks		105,889	104,145	105,489	104,627
– Other financial institutions		21,859	16,226	21,859	16,226
Sub-total		127,748	120,371	127,348	120,853
Deposits outside mainland China					
– Banks		4,986	3,922	4,986	3,922
Sub-total		4,986	3,922	4,986	3,922
Total		132,734	124,293	132,334	124,775
Less: Provision for impairment losses	22	(1)	(2)	(1)	(2)
Net balances		132,733	124,291	132,333	124,773

As at 31 December 2014, the placements with banks and other financial institutions including a short term funding provided to the non-principal guaranteed wealth management products managed by the group amounted to RMB 42.38 billion (31 December 2013: RMB 18.00 billion). These transactions are priced at normal commercial terms and conditions.

17 Financial assets at fair value through profit or loss

The Group and the Bank

	Note	31 December 2014	31 December 2013
Debt securities held for trading	17(a)	4,190	12,256
Financial assets designated at fair value through profit or loss	17(b)	187	234
Total		4,377	12,490

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

17 Financial assets at fair value through profit or loss (continued)

(a) Debt securities held for trading

The Group and the Bank

	Note	31 December 2014	31 December 2013
Issued by the following governments or institutions			
In mainland China			
– Government		151	430
– The PBOC		30	–
– Banks and other financial institutions		454	6,315
– Other institutions	(i)	3,555	5,511
Total	(ii)	4,190	12,256
Unlisted		4,190	12,256
Total		4,190	12,256

Note:

(i) Debt securities issued by other institutions in mainland China mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.

(ii) No investments were subject to material restrictions on realisation.

(b) Financial assets designated at fair value through profit or loss

	31 December 2014	31 December 2013
Precious metal	15	–
Fixed interest rate personal mortgage loans	172	234
Total	187	234

Financial assets designated at fair value through profit or loss represented fixed interest rate personal mortgage loans and precious metal.

For fixed interest rate personal mortgage loans, the Group used interest rate swap to manage the associated interest rate risk. The changes in fair value during the year and the accumulated changes attributable to credit risk were immaterial.

18 Derivatives

Derivative financial instruments include forward and swap contracts undertaken by the Group in foreign currency and interest rate markets. The Group acts as an intermediary between a wide range of customers for structuring deals to provide risk management solutions to meet customer needs. These positions are actively managed through entering into back-to-back deals with external parties to ensure the Group's net exposures are within acceptable risk level. The Group also uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

(a) Analysed by nature of contract

The Group and the Bank

	31 December 2014		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	91,261	331	(278)
Currency derivatives			
– Foreign exchange forward	17,543	154	(91)
– Foreign exchange swap	123,616	595	(411)
– Foreign exchange option	229	2	(1)
Total	232,649	1,082	(781)

The Group and the Bank

	31 December 2013		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	73,792	955	(895)
Currency derivatives			
– Foreign exchange forward	19,411	164	(205)
– Foreign exchange swap	132,704	751	(1,365)
Total	225,907	1,870	(2,465)

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

18 Derivatives (continued)

(b) Analysed by credit risk-weighted amounts

The Group and the Bank

	31 December 2014	31 December 2013
Counterparty default risk-weighted assets		
– Interest rate derivatives	106	313
– Currency derivatives	943	1,005
Credit value adjustment	968	1,485
Total	2,017	2,803

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions, which are calculated with reference to the guidelines issued by the CBRC in 2012.

19 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

The Group and the Bank

	31 December 2014	31 December 2013
In mainland China		
– Banks	240,926	160,075
– Other financial institutions	45,756	9,079
– Other enterprises	–	28
Total	286,682	169,182
Net balances	286,682	169,182

19 Financial assets held under resale agreements (continued)

(b) Analysed by type of security held

The Group and the Bank

	31 December 2014	31 December 2013
Bonds		
– Government bonds	21,222	12,324
– Other debt securities	82,695	23,645
– Others	–	28
Sub-total	103,917	35,997
Bank acceptances	178,007	119,638
Others	4,758	13,547
Total	286,682	169,182
Net balances	286,682	169,182

20 Interests receivable

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Interests receivable from investments	8,914	7,773	8,914	7,773
Interests receivable from loans and advances to customers	4,200	3,679	4,199	3,678
Interests receivable from deposits and placements with banks and other financial institutions	1,299	1,446	1,299	1,446
Other interests receivable	244	205	98	87
Total	14,657	13,103	14,510	12,984
Less: Provision for impairment losses	(36)	(29)	(36)	(29)
Net balances	14,621	13,074	14,474	12,955

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers

(a) Analysed by nature

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Corporate loans and advances	820,139	761,474	819,670	761,095
Personal loans and advances				
– Residential and commercial mortgage loans	199,167	176,979	199,119	176,934
– Credit cards	139,648	104,733	139,648	104,733
– Personal business loans	95,242	73,132	95,167	73,132
– Others	24,328	36,528	24,232	36,449
Sub-total	458,385	391,372	458,166	391,248
Discounted bills	20,931	13,464	20,838	13,438
Gross loans and advances to customers	1,299,455	1,166,310	1,298,674	1,165,781
Less: Provision for impairment losses				
– Individually assessed	(4,946)	(3,357)	(4,946)	(3,357)
– Collectively assessed	(23,079)	(20,815)	(23,060)	(20,802)
Total provision for impairment losses	(28,025)	(24,172)	(28,006)	(24,159)
Net loans and advances to customers	1,271,430	1,142,138	1,270,668	1,141,622

Part of the above loans and advances to customers was pledged for repurchase agreements, see Note 30(a).

21 Loans and advances to customers (continued)

(b) Analysed by economic sector

The Group

	31 December 2014		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	234,451	18.04%	55,247
Wholesale and retail trade	149,031	11.47%	47,454
Real estate	125,922	9.69%	93,955
Transportation, storage and postal services	63,537	4.89%	20,617
Leasing and commercial services	51,533	3.97%	23,718
Construction	47,193	3.63%	12,356
Water, environment and public utility management	38,684	2.98%	13,423
Mining	32,004	2.46%	4,641
Others	77,784	5.99%	27,136
Sub-total of corporate loans and advances	820,139	63.12%	298,547
Personal loans and advances	458,385	35.27%	293,388
Discounted bills	20,931	1.61%	16,036
Gross loans and advances to customers	1,299,455	100.00%	607,971
Less: Provision for impairment losses			
– Individually assessed	(4,946)		
– Collectively assessed	(23,079)		
Total provision for impairment losses	(28,025)		
Net loans and advances to customers	1,271,430		

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

The Group

	31 December 2013		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	240,618	20.63%	52,075
Wholesale and retail trade	162,310	13.92%	54,569
Real estate	94,243	8.08%	80,563
Transportation, storage and postal services	67,991	5.83%	20,058
Construction	41,159	3.53%	10,232
Leasing and commercial services	38,375	3.29%	12,307
Mining	26,973	2.31%	3,953
Water, environment and public utility management	25,753	2.21%	8,437
Others	64,052	5.49%	21,919
Sub-total of corporate loans and advances	761,474	65.29%	264,113
Personal loans and advances	391,372	33.56%	263,949
Discounted bills	13,464	1.15%	12,384
Gross loans and advances to customers	1,166,310	100.00%	540,446
Less: Provision for impairment losses			
– Individually assessed	(3,357)		
– Collectively assessed	(20,815)		
Total provision for impairment losses	(24,172)		
Net loans and advances to customers	1,142,138		

21 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

The Bank

	31 December 2014		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	234,231	18.04%	55,188
Wholesale and retail trade	149,007	11.47%	47,430
Real estate	125,917	9.70%	93,955
Transportation, storage and postal services	63,534	4.89%	20,617
Leasing and commercial services	51,523	3.97%	23,718
Construction	47,141	3.63%	12,325
Water, environment and public utility management	38,658	2.98%	13,416
Mining	32,004	2.46%	4,641
Others	77,655	5.98%	27,075
Sub-total of corporate loans and advances	819,670	63.12%	298,365
Personal loans and advances	458,166	35.28%	293,235
Discounted bills	20,838	1.60%	15,943
Gross loans and advances to customers	1,298,674	100.00%	607,543
Less: Provision for impairment losses			
– Individually assessed	(4,946)		
– Collectively assessed	(23,060)		
Total provision for impairment losses	(28,006)		
Net loans and advances to customers	1,270,668		

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

The Bank

	31 December 2013		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	240,442	20.62%	52,019
Wholesale and retail trade	162,289	13.92%	54,548
Real estate	94,243	8.09%	80,563
Transportation, storage and postal services	67,991	5.83%	20,058
Construction	41,116	3.53%	10,218
Leasing and commercial services	38,375	3.29%	12,307
Mining	26,973	2.31%	3,953
Water, environment and public utility management	25,713	2.21%	8,404
Others	63,953	5.49%	21,861
Sub-total of corporate loans and advances	761,095	65.29%	263,931
Personal loans and advances	391,248	33.56%	263,867
Discounted bills	13,438	1.15%	12,358
Gross loans and advances to customers	1,165,781	100.00%	540,156
Less: Provision for impairment losses			
– Individually assessed	(3,357)		
– Collectively assessed	(20,802)		
Total provision for impairment losses	(24,159)		
Net loans and advances to customers	1,141,622		

21 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

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

The Group

	31 December 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	5,201	(2,156)	(5,137)	2,621	1,412
Wholesale and retail trade	5,092	(1,995)	(4,077)	4,008	2,262

The Group

	31 December 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	3,529	(1,350)	(4,980)	273	471
Wholesale and retail trade	3,113	(1,376)	(3,163)	3,399	429

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

The Bank

	31 December 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	5,201	(2,156)	(5,132)	2,620	1,412
Wholesale and retail trade	5,092	(1,995)	(4,076)	4,008	2,262

The Bank

	31 December 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	3,529	(1,350)	(4,976)	270	471
Wholesale and retail trade	3,113	(1,376)	(3,162)	3,398	429

(c) Analysed by type of collateral

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Unsecured loans	397,697	360,232	397,680	360,229
Guaranteed loans	293,787	265,632	293,451	265,396
Secured loans				
– By tangible assets other than monetary assets	492,366	433,976	492,060	433,712
– By monetary assets	115,605	106,470	115,483	106,444
Gross loans and advances to customers	1,299,455	1,166,310	1,298,674	1,165,781
Less: Provision for impairment losses				
– Individually assessed	(4,946)	(3,357)	(4,946)	(3,357)
– Collectively assessed	(23,079)	(20,815)	(23,060)	(20,802)
Total provision for impairment losses	(28,025)	(24,172)	(28,006)	(24,159)
Net loans and advances to customers	1,271,430	1,142,138	1,270,668	1,141,622

21 Loans and advances to customers (continued)

(d) Overdue loans analysed by overdue period

The Group and the Bank

	31 December 2014					Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years		
Unsecured loans	7,431	2,710	350	26		10,517
Guaranteed loans	7,382	5,694	1,283	144		14,503
Secured loans						
– By tangible assets other than monetary assets	10,925	5,398	1,998	220		18,541
– By monetary assets	867	516	189	12		1,584
Total	26,605	14,318	3,820	402		45,145
As a percentage of gross loans and advances to customers	2.05%	1.10%	0.29%	0.03%		3.47%

The Group and the Bank

	31 December 2013					Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years		
Unsecured loans	3,679	2,051	107	29		5,866
Guaranteed loans	1,816	1,502	647	316		4,281
Secured loans						
– By tangible assets other than monetary assets	7,161	1,746	981	560		10,448
– By monetary assets	393	303	193	71		960
Total	13,049	5,602	1,928	976		21,555
As a percentage of gross loans and advances to customers	1.12%	0.48%	0.17%	0.08%		1.85%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(e) Loans and advances and provision for impairment losses

	The Group				
	31 December 2014				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances <hr/> for which provision are collectively assessed		for which provision are individually assessed	Total
Gross loans and advances to customers	1,283,930	3,586	11,939	1,299,455	1.19%
Less: Provision for impairment losses	(20,968)	(2,111)	(4,946)	(28,025)	
Net loans and advances to customers	1,262,962	1,475	6,993	1,271,430	

	The Group				
	31 December 2013				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances <hr/> for which provision are collectively assessed		for which provision are individually assessed	Total
Gross loans and advances to customers	1,156,281	2,312	7,717	1,166,310	0.86%
Less: Provision for impairment losses	(19,252)	(1,563)	(3,357)	(24,172)	
Net loans and advances to customers	1,137,029	749	4,360	1,142,138	

21 Loans and advances to customers (continued)

(e) Loans and advances and provision for impairment losses (continued)

	The Bank				
	31 December 2014				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed	for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	1,283,149	3,586	11,939	1,298,674	1.20%
Less: Provision for impairment losses	(20,949)	(2,111)	(4,946)	(28,006)	
Net loans and advances to customers	1,262,200	1,475	6,993	1,270,668	

	The Bank				
	31 December 2013				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed	for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	1,155,752	2,312	7,717	1,165,781	0.86%
Less: Provision for impairment losses	(19,239)	(1,563)	(3,357)	(24,159)	
Net loans and advances to customers	1,136,513	749	4,360	1,141,622	

Note:

- (i) Loans and advances collectively assessed for impairment include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:
- Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
 - Collectively, representing portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).
- (iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 49(a).

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(f) Movements of provision for impairment losses

The Group

	2014			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(19,252)	(1,563)	(3,357)	(24,172)
Charge for the year	(1,716)	(2,062)	(6,770)	(10,548)
Release for the year	–	–	567	567
Recoveries	–	(231)	(99)	(330)
Unwinding of discount	–	–	558	558
Disposal	–	–	1,804	1,804
Write-offs	–	1,745	2,351	4,096
As at 31 December	(20,968)	(2,111)	(4,946)	(28,025)

The Group

	2013			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(21,237)	(1,132)	(3,487)	(25,856)
Charge for the year	–	(1,476)	(5,243)	(6,719)
Release for the year	1,985	–	398	2,383
Recoveries	–	(167)	(40)	(207)
Unwinding of discount	–	–	367	367
Disposal	–	–	3,620	3,620
Write-offs	–	1,212	1,028	2,240
As at 31 December	(19,252)	(1,563)	(3,357)	(24,172)

21 Loans and advances to customers (continued)

(f) Movements of provision for impairment losses (continued)

The Bank

	2014			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(19,239)	(1,563)	(3,357)	(24,159)
Charge for the year	(1,710)	(2,062)	(6,770)	(10,542)
Release for the year	–	–	567	567
Recoveries	–	(231)	(99)	(330)
Unwinding of discount	–	–	558	558
Disposal	–	–	1,804	1,804
Write-offs	–	1,745	2,351	4,096
As at 31 December	(20,949)	(2,111)	(4,946)	(28,006)

The Bank

	2013			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(21,231)	(1,132)	(3,487)	(25,850)
Charge for the year	–	(1,476)	(5,243)	(6,719)
Release for the year	1,992	–	398	2,390
Recoveries	–	(167)	(40)	(207)
Unwinding of discount	–	–	367	367
Disposal	–	–	3,620	3,620
Write-offs	–	1,212	1,028	2,240
As at 31 December	(19,239)	(1,563)	(3,357)	(24,159)

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(g) Analysed by geographical sector

The Group

	31 December 2014		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	261,847	20.15%	139,184
Bohai Rim	239,130	18.40%	100,197
Western	197,769	15.22%	115,060
Central	195,254	15.02%	99,622
Pearl River Delta	170,874	13.15%	99,099
Northeastern	80,385	6.19%	48,485
Overseas	14,535	1.12%	6,324
Head Office	139,661	10.75%	–
Gross loans and advances to customers	1,299,455	100.00%	607,971

The Group

	31 December 2013		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	250,463	21.47%	136,564
Bohai Rim	219,134	18.79%	88,631
Western	175,022	15.01%	98,822
Central	174,989	15.00%	80,078
Pearl River Delta	160,803	13.79%	90,493
Northeastern	68,881	5.91%	39,659
Overseas	12,269	1.05%	6,198
Head Office	104,749	8.98%	–
Gross loans and advances to customers	1,166,310	100.00%	540,445

21 Loans and advances to customers (continued)

(g) Analysed by geographical sector (continued)

The Bank

	31 December 2014		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	261,329	20.12%	138,974
Bohai Rim	239,130	18.41%	100,197
Western	197,769	15.23%	115,060
Central	194,990	15.01%	99,404
Pearl River Delta	170,874	13.16%	99,099
Northeastern	80,386	6.19%	48,485
Overseas	14,535	1.12%	6,324
Head Office	139,661	10.76%	–
Gross loans and advances to customers	1,298,674	100.00%	607,543

The Bank

	31 December 2013		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	250,163	21.46%	136,473
Bohai Rim	219,134	18.80%	88,631
Western	175,022	15.01%	98,822
Central	174,760	14.99%	79,880
Pearl River Delta	160,803	13.79%	90,493
Northeastern	68,881	5.91%	39,659
Overseas	12,269	1.05%	6,198
Head Office	104,749	8.99%	–
Gross loans and advances to customers	1,165,781	100.00%	540,156

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(g) Analysed by geographical sector (continued)

The Group

	31 December 2014		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	4,609	(1,717)	(4,914)
Pearl River Delta	3,011	(1,286)	(3,304)
Central	1,983	(744)	(3,281)
Western	1,927	(501)	(3,652)
Bohai Rim	1,519	(461)	(4,201)

The Group

	31 December 2013		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	3,435	(1,212)	(4,956)
Bohai Rim	1,762	(775)	(3,739)
Central	1,236	(436)	(3,006)
Pearl River Delta	1,127	(453)	(3,035)
Western	715	(349)	(3,018)

The Bank

	31 December 2014		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	4,609	(1,717)	(4,906)
Pearl River Delta	3,011	(1,286)	(3,304)
Central	1,983	(744)	(3,270)
Western	1,927	(501)	(3,652)
Bohai Rim	1,519	(461)	(4,201)

21 Loans and advances to customers (continued)

(g) Analysed by geographical sector (continued)

The Bank

	31 December 2013		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	3,435	(1,212)	(4,952)
Bohai Rim	1,762	(775)	(3,739)
Central	1,236	(436)	(2,997)
Pearl River Delta	1,127	(453)	(3,035)
Western	715	(349)	(3,018)

The definitions of the regional distributions are set out in Note 48(b).

(h) Rescheduled loans and advances to customers

The Group and the Bank

	31 December 2014	31 December 2013
Rescheduled loans and advances to customers	4,632	109
Less: Rescheduled loans and advances to customers overdue more than 90 days	(858)	(15)
Rescheduled loans and advances to customers overdue not more than 90 days	3,774	94

22 Available-for-sale financial assets

The Group and the Bank

	Note	31 December 2014	31 December 2013
Available-for-sale debt investments	22(a)	138,249	111,849
Available-for-sale equity investments	22(b)	310	99
Total		138,559	111,948
Listed		2,788	1,064
– of which in Hong Kong		1,240	643
Unlisted		135,771	110,884
Total		138,559	111,948

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

22 Available-for-sale financial assets (continued)

(a) Available-for-sale debt investments

All available-for-sale debt investments were stated at fair value and issued by the following governments and institutions:

The Group and the Bank

	Note	31 December 2014	31 December 2013
In mainland China			
– Government		37,938	36,522
– Banks and other financial institutions	(i)	14,029	6,794
– Other institutions	(ii)	84,429	67,497
Sub-total		136,396	110,813
Outside mainland China			
– Government		320	–
– Banks and other financial institutions		952	774
– Other institutions		581	262
Sub-total		1,853	1,036
Total	(iii)	138,249	111,849

Note:

- (i) Debt securities issued by Banks and other financial institutions mainly represent debt securities and interbank deposits issued by banks and other financial institutions in the mainland China.
- (ii) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.
- (iii) As at the end of the reporting period, part of the available-for-sale financial assets were pledged for repurchase agreements and time deposits (see Note 30(a)).

(b) Available-for-sale equity investments

The Group and the Bank

		2014	2013
At cost			
As at 1 January		99	99
Additions for the year		206	–
As at 31 December		305	99
Less: Provision for impairment losses		(1)	(1)
Sub-total	(i)	304	98
Fair value		6	1
Total		310	99

- (i) Available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. The Group intends to dispose those unlisted equity investments where opportunities arise.

23 Held-to-maturity investments

Analysed by type and location of issuer

The Group and the Bank

	Note	31 December 2014	31 December 2013
In mainland China			
– Government		71,509	53,931
– Banks and other financial institutions		20,530	27,481
– Other institutions	23(a)	19,045	23,786
Sub-total		111,084	105,198
Outside mainland China			
– Banks and other financial institutions		331	373
– Other institutions		288	607
Sub-total		619	980
Total	23(b)	111,703	106,178
Less: Provision for impairment losses		(6)	(258)
Net balances		111,697	105,920
Listed		601	1,097
– of which in Hong Kong		601	1,039
Unlisted		111,096	104,823
Net balances		111,697	105,920
Fair value		112,161	101,804

Note:

- (a) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.
- (b) As at the end of the reporting period, part of the held-to-maturity investments were pledged as securities for certain transactions (see Note 30(a)).
- (c) The Group disposed of the held-to-maturity debt investments with a notional amount of RMB 343 million prior to their maturity dates for the year ended 31 December 2014 (2013: RMB 1,557 million), which account for 0.32% (2013: 1.62%) of the portfolio before the disposal.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

24 Debt securities classified as receivables

The Group and the Bank

	Note	31 December 2014	31 December 2013
Wealth management products issued by other financial institutions	24(a)	70,334	37,746
Beneficial interest transfer plans	24(b)	263,784	224,953
Total		334,118	262,699
Less: Provision for impairment losses		(207)	–
Carrying amount		333,911	262,699

Note:

(a) Wealth management products issued by other financial institutions are fixed-term products.

(b) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies. As at the end of the reporting period, part of investments in the beneficial interest transfer plans held by the Bank were under forward sale contracts with other financial institutions in mainland China, the notional amount of which was RMB 44,410 million (31 December 2013: RMB 134,715 million). The fair values of the above mentioned investments approximate to their carrying amount.

25 Investments in subsidiaries

The Bank

	Note	31 December 2014	31 December 2013
Everbright Financial Leasing Co., Ltd.	25(a)	2,700	720
Shaoshan Everbright Village Bank Co., Ltd.	25(b)	105	35
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	25(c)	70	70
Total		2,875	825

Note:

(a) Everbright Financial Leasing Co., Ltd. ("Everbright Financial Leasing") was incorporated on 19 May 2010 in Wuhan city of Hubei Province, with registered capital of RMB 3,700 million. The principal activities of Everbright Financial Leasing are the provision of leasing services. The Bank holds 90% of equity interest and voting rights of Everbright Financial Leasing.

The Bank offered a capital increase of RMB 1,980 million to Everbright Financial Leasing on October 2014 according to its shareholding ratio, meanwhile Everbright Financial Leasing Co., Ltd. transferred a capital increase of RMB 700 million from retained earnings, after which the registered capital of Everbright Financial Leasing reached RMB 3,700 million.

(b) Shaoshan Everbright Village Bank Co., Ltd. ("Shaoshan Everbright") was incorporated on 24 September 2009 in Shaoshan city of Hunan Province, with registered capital of RMB 150 million. The principal activities of Shaoshan Everbright are the provision of corporate and retail banking services. The Bank holds 70% of equity interest and voting rights of Shaoshan Everbright.

The Bank offered a capital increase of RMB 70 million to Shaoshan Everbright on March 2014 according to its shareholding ratio, after which the registered capital of Shaoshan Everbright reached RMB 150 million.

(c) Jiangsu Huai'an Everbright Village Bank Co., Ltd. ("Huai'an Everbright") was incorporated on 1 February 2013 in Huai'an city of Jiangsu Province, with registered capital of RMB 100 million. The principal activities of Huai'an Everbright are the provision of corporate and retail banking services. The Bank holds 70% of equity interest and voting rights of Huai'an Everbright.

26 Fixed assets

The Group

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2014	9,585	415	1,408	4,184	2,729	18,321
Additions	6	–	269	863	687	1,825
Transfers in/(out) of construction in progress	989	–	(989)	–	–	–
Transfers in/(out) of investment properties	22	(22)	–	–	–	–
Transfers in/(out) to others	72	–	(15)	–	–	57
Disposals	(75)	–	–	(141)	(49)	(265)
As at 31 December 2014	10,599	393	673	4,906	3,367	19,938
Accumulated depreciation						
As at 1 January 2014	(1,935)	(132)	–	(2,430)	(1,036)	(5,533)
Charge for the year	(192)	(11)	–	(594)	(557)	(1,354)
Transfers (in)/out of investment properties	(5)	5	–	–	–	–
Transfer in to others	(16)	–	–	–	–	(16)
Disposals	13	–	–	125	29	167
As at 31 December 2014	(2,135)	(138)	–	(2,899)	(1,564)	(6,736)
Provision for impairment						
As at 1 January 2014	(128)	(31)	–	–	–	(159)
Transfers (in)/out	(4)	4	–	–	–	–
As at 31 December 2014	(132)	(27)	–	–	–	(159)
Net book value						
As at 31 December 2014	8,332	228	673	2,007	1,803	13,043

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

26 Fixed assets (continued)**The Group**

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2013	9,219	445	1,129	3,552	2,245	16,590
Additions	124	-	506	796	520	1,946
Transfers in/(out) of construction in progress	212	-	(227)	4	11	-
Transfers in/(out) of investment properties	30	(30)	-	-	-	-
Transfer out to others	-	-	-	-	(8)	(8)
Disposals	-	-	-	(168)	(39)	(207)
As at 31 December 2013	9,585	415	1,408	4,184	2,729	18,321
Accumulated depreciation						
As at 1 January 2013	(1,657)	(121)	-	(2,067)	(717)	(4,562)
Charge for the year	(277)	(12)	-	(518)	(354)	(1,161)
Transfers (in)/out of investment properties	(1)	1	-	-	-	-
Transfers (in)/out of Disposals	-	-	-	155	35	190
As at 31 December 2013	(1,935)	(132)	-	(2,430)	(1,036)	(5,533)
Provision for impairment						
As at 1 January 2013	(128)	(31)	-	-	-	(159)
As at 31 December 2013	(128)	(31)	-	-	-	(159)
Net book value						
As at 31 December 2013	7,522	252	1,408	1,754	1,693	12,629

26 Fixed assets (continued)

The Bank

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2014	9,573	415	1,408	4,177	2,729	18,302
Additions	6	–	269	862	684	1,821
Transfers in/(out) of construction in progress	989	–	(989)	–	–	–
Transfers in/(out) of investment properties	22	(22)	–	–	–	–
Transfer in/(out) to others	72	–	(15)	–	–	57
Disposals	(75)	–	–	(141)	(49)	(265)
As at 31 December 2014	10,587	393	673	4,898	3,364	19,915
Accumulated depreciation						
As at 1 January 2014	(1,934)	(132)	–	(2,426)	(1,036)	(5,528)
Charge for the year	(191)	(11)	–	(594)	(556)	(1,352)
Transfers (in)/out of investment properties	(5)	5	–	–	–	–
Transfer in to others	(15)	–	–	–	–	(15)
Disposals	13	–	–	125	29	167
As at 31 December 2014	(2,132)	(138)	–	(2,895)	(1,563)	(6,728)
Provision for impairment						
As at 1 January 2014	(128)	(31)	–	–	–	(159)
Transfers (in)/out	(4)	4	–	–	–	–
As at 31 December 2014	(132)	(27)	–	–	–	(159)
Net book value						
As at 31 December 2014	8,323	228	673	2,003	1,801	13,028

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(Expressed in millions of Renminbi, unless otherwise stated)

26 Fixed assets (continued)**The Bank**

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2013	9,207	445	1,129	3,546	2,245	16,572
Additions	124	-	506	795	520	1,945
Transfers in/(out) of construction in progress	212	-	(227)	4	11	-
Transfers in/(out) of investment properties	30	(30)	-	-	-	-
Transfer out to others	-	-	-	-	(8)	(8)
Disposals	-	-	-	(168)	(39)	(207)
As at 31 December 2013	9,573	415	1,408	4,177	2,729	18,302
Accumulated depreciation						
As at 1 January 2013	(1,657)	(121)	-	(2,064)	(717)	(4,559)
Charge for the year	(276)	(12)	-	(517)	(354)	(1,159)
Transfers (in)/out of investment properties	(1)	1	-	-	-	-
Disposals	-	-	-	155	35	190
As at 31 December 2013	(1,934)	(132)	-	(2,426)	(1,036)	(5,528)
Provision for impairment						
As at 1 January 2013	(128)	(31)	-	-	-	(159)
As at 31 December 2013	(128)	(31)	-	-	-	(159)
Net book value						
As at 31 December 2013	7,511	252	1,408	1,751	1,693	12,615

As at 31 December 2014, title deeds were not yet finalised for the premises with a carrying amount of RMB 182 million (31 December 2013: RMB 170 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.

26 Fixed assets (continued)

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

The Group

	31 December 2014	31 December 2013
Held in mainland China		
– Long term leases (over 50 years)	32	119
– Medium term leases (10-50 years)	8,290	7,391
– Short term leases (less than 10 years)	10	12
Total	8,332	7,522

The Bank

	31 December 2014	31 December 2013
Held in mainland China		
– Long term leases (over 50 years)	31	119
– Medium term leases (10-50 years)	8,282	7,380
– Short term leases (less than 10 years)	10	12
Total	8,323	7,511

The net book values of investment properties at the end of the reporting period are analysed by the remaining terms of the leases is as follows:

The Group and the Bank

	31 December 2014	31 December 2013
Held in mainland China		
– Medium term leases (10-50 years)	228	252
Total	228	252

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(Expressed in millions of Renminbi, unless otherwise stated)

27 Goodwill

The Group and the Bank

	31 December 2014	31 December 2013
Cost	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank (“CDB”) jointly signed an “Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank” (the “Agreement”) on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank (“CIB”) to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

The goodwill is subject to annual impairment testing. The Bank makes provision for impairment if necessary. The Bank calculates the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a five-year period. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment testing, no additional impairment losses on goodwill were recognised for the year.

28 Deferred tax assets and liabilities

(a) Analysed by nature

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deferred tax assets	3,034	4,015	2,942	3,955
Deferred tax liabilities	–	–	–	–
Net balances	3,034	4,015	2,942	3,955

28 Deferred tax assets and liabilities (continued)

(b) Movements of deferred tax

The Group

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2014	1,071	1,394	1,550	4,015
Recognised in profit or loss	413	300	(325)	388
Recognised in other comprehensive income	–	–	(1,369)	(1,369)
31 December 2014	1,484	1,694	(144)	3,034

The Group

	Provision for impairment losses Note(i)	Staff cost payable Note(ii)	Net losses/ (gains) from fair value changes of financial instruments	Net balance of deferred tax assets
1 January 2013	1,001	1,232	221	2,454
Recognised in profit or loss	70	162	131	363
Recognised in other comprehensive income	–	–	1,198	1,198
31 December 2013	1,071	1,394	1,550	4,015

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(Expressed in millions of Renminbi, unless otherwise stated)

28 Deferred tax assets and liabilities (continued)**(b) Movements of deferred tax** (continued)**The Bank**

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2014	1,022	1,383	1,550	3,955
Recognised in profit or loss	387	294	(325)	356
Recognised in other comprehensive income	–	–	(1,369)	(1,369)
31 December 2014	1,409	1,677	(144)	2,942

The Bank

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2013	983	1,226	221	2,430
Recognised in profit or loss	39	157	131	327
Recognised in other comprehensive income	–	–	1,198	1,198
31 December 2013	1,022	1,383	1,550	3,955

Note:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses were determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains on fair value changes of financial instruments are subject to tax when realised.
- (iii) Unrecognised deferred tax assets

As at 31 December 2014, the Group has not recognised deferred tax assets of RMB 2,700 million (31 December 2013: 2,046 RMB million) for provision of impairment losses amounting to RMB 10,800 million (31 December 2013: RMB 8,182 million). This was mainly because it was uncertain whether the losses from write-offs of the impaired assets could be approved by the relevant tax authorities in the foreseeable future.

29 Other assets

	Note	The Group		The Bank	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Financial lease receivables		21,490	15,336	–	–
Other receivables		2,083	2,179	2,081	2,179
Precious metal		1,798	1,370	1,798	1,370
Assets from wealth management business	29(a)	1,574	51,274	1,574	51,274
Long-term deferred expense		1,452	1,199	1,447	1,198
Intangible assets		804	639	799	636
Fixed assets purchase prepayment		436	1,301	153	331
Repossessed assets		304	331	304	331
Land use rights		118	124	118	124
Total		30,059	73,753	8,274	57,443

(a) Assets from wealth management business

The assets held for wealth management business represent the trust investments purchased by the Group, acting as an agent for wealth management investors, and using the funds collected from investors. The credit risk, interest risk, liquidity risk and investment risk of the underlying trust investments are assumed by the investors who purchase the wealth management products. However, the Group has certain risk exposures in respect of those wealth management assets for which the amounts and maturities do not exactly match the underlying trust funds. Accordingly, the Group accounts for such wealth management assets under other assets and the corresponding trust funds under other liabilities (see Note 39(a)).

30 Pledged assets

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities include discounted bills and debt securities. They are mainly pledged for repurchase agreements, time deposits and swap transactions. The carrying amount of the financial assets pledged as securities as at 31 December 2014 is RMB 66,237 million (31 December 2013: RMB 73,102 million).

(b) Collaterals received

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the reporting period, the Group did not hold any resale agreement that collaterals were permitted to be sold or repledged in the absence of the counterparty's default on the agreements.

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(Expressed in millions of Renminbi, unless otherwise stated)

31 Deposits from banks and other financial institutions**Analysed by type and location of counterparty**

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deposits in mainland China				
– Banks	272,345	281,199	272,568	281,397
– Other financial institutions	200,907	140,176	201,942	143,408
Sub-total	473,252	421,375	474,510	424,805
Deposits outside mainland China				
– Banks	33,935	17,229	33,935	17,229
Sub-total	33,935	17,229	33,935	17,229
Total	507,187	438,604	508,445	442,034

32 Placements from banks and other financial institutions**Analysed by type and location of counterparty**

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Placements in mainland China				
– Banks	27,313	40,567	12,161	25,617
– Other financial institutions	1,800	265	1,800	265
Sub-total	29,113	40,832	13,961	25,882
Placements outside mainland China				
– Banks	7,631	9,985	7,631	9,985
Sub-total	7,631	9,985	7,631	9,985
Total	36,744	50,817	21,592	35,867

33 Financial assets sold under repurchase agreements**(a) Analysed by type and location of counterparty**

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
In mainland China				
– Banks	48,111	63,161	48,106	63,148
– Other financial institutions	3,661	3	3,661	3
Total	51,772	63,164	51,767	63,151

(b) Analysed by collaterals

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Bank acceptances	2,099	4,926	2,094	4,913
Securities	49,673	58,238	49,673	58,238
Total	51,772	63,164	51,767	63,151

34 Deposits from customers

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
At amortised cost				
Demand deposits				
– Corporate customers	443,484	394,437	443,109	394,122
– Individual customers	119,123	103,148	119,029	103,062
Sub-total	562,607	497,585	562,138	497,184
Time deposits				
– Corporate customers	616,272	511,327	615,948	511,153
– Individual customers	128,721	126,347	128,476	126,158
Sub-total	744,993	637,674	744,424	637,311
Pledged deposits				
– Acceptances	207,419	207,803	207,393	207,654
– Letters of credit	21,663	23,180	21,663	23,180
– Letters of guarantees	10,851	11,326	10,851	11,326
– Others	10,022	10,021	10,022	10,021
Sub-total	249,955	252,330	249,929	252,181
Other deposits	72,326	91,415	72,326	91,415
Total deposits from customers at amortised cost	1,629,881	1,479,004	1,628,817	1,478,091
At fair value				
Structured deposits				
– Corporate customers	59,766	47,356	59,766	47,356
– Individual customers	95,690	78,918	95,690	78,918
Total deposits from customers at fair value	155,456	126,274	155,456	126,274
Total	1,785,337	1,605,278	1,784,273	1,604,365

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(Expressed in millions of Renminbi, unless otherwise stated)

35 Accrued staff costs

	Note	The Group		The Bank	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Salary and welfare payable		9,175	7,835	9,108	7,791
Pension payable	35(a)	179	68	179	68
Supplementary retirement benefits payable	35(b)	314	246	314	246
Total		9,668	8,149	9,601	8,105

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in prior year, which are expensed to profit or loss when the contributions are made.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were accessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd.

(i) The balances of SRB of the Group are as follows:

	31 December 2014	31 December 2013
Present value of SRB obligation	314	246

35 Accrued staff costs (continued)

(b) Supplementary retirement benefits (“SRB”) (continued)

(ii) Movements of SRB of the Group are as follows: (continued)

	2014	2013
As at 1 January	246	281
Current service cost	19	21
Interest cost	12	12
Remeasurement of defined benefit plan	53	(56)
Payments made	(16)	(12)
As at 31 December	314	246

Interest cost was recognised in staff costs, see Note 8.

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

	31 December 2014	31 December 2013
Discount rate	4.30%	5.00%
Medical cost trend rate	6.00%	6.00%
Average expected future lifetime	19.17	19.98

(iv) Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2014	
	Increase	Decrease
Discount rate (1% movement)	(59)	83
Medical cost trend rate (1% movement)	69	(49)

	31 December 2013	
	Increase	Decrease
Discount rate (1% movement)	(42)	59
Medical cost trend rate (1% movement)	47	(34)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Except as mentioned in Note (a) and Note (b) above, the Group has no significant responsibilities to pay any other retirement benefits to retired employees.

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(Expressed in millions of Renminbi, unless otherwise stated)

36 Taxes payable

	The Bank		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Income tax payable	1,970	898	1,927	856
Business tax and surcharges payable	1,723	1,601	1,717	1,599
Others	136	106	98	123
Total	3,829	2,605	3,742	2,578

37 Interests payable

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deposits from customers	25,639	17,688	25,629	17,681
Debt securities issued	1,704	1,235	1,704	1,235
Others	2,607	2,026	2,414	1,863
Total	29,950	20,949	29,747	20,779

38 Debt securities issued

	Note	The Group and the Bank	
		31 December 2014	31 December 2013
Subordinated debts issued	38(a)	6,700	9,700
Financial bonds issued	38(b)	30,000	30,000
Tier-two capital bonds	38(c)	16,200	–
Interbank deposits issued	38(d)	32,591	–
Certificates of deposits issued	38(e)	4,185	2,547
Total		89,676	42,247

38 Debt securities issued (continued)

(a) Subordinated debts issued

The Group and the Bank

	Note	31 December 2014	31 December 2013
Subordinated fixed rate debts maturing in March 2019	(i)	–	3,000
Subordinated fixed rate debts maturing in June 2027	(ii)	6,700	6,700
Total		6,700	9,700

Note:

- (i) Fixed rate subordinated debts of RMB 3 billion with a term of ten years was issued on 13 March 2009. The coupon rate for the first five years is 3.75%. The group redeemed the debts on 17 March 2014.
- (ii) Fixed rate subordinated debts of RMB 6.7 billion with a term of fifteen years was issued on 7 June 2012. The coupon rate is 5.25%. The Group has an option to redeem the debts on 8 June 2022 at the nominal amount.
- (iii) As at 31 December 2014, the fair value of the total subordinated debt securities issued amounts to RMB 6,556 million (31 December 2013: RMB 8,821 million).

(b) Financial bonds issued

The Group and the Bank

	Note	31 December 2014	31 December 2013
Financial fixed rate bonds maturing in March 2017	(i)	20,000	20,000
Financial floating rate bonds maturing in March 2017	(ii)	10,000	10,000
Total		30,000	30,000

Note:

- (i) Fixed rate financial bonds of RMB 20 billion with a term of five years was issued on 28 March 2012. The coupon rate is 4.20%.
- (ii) Floating rate financial bonds of RMB 10 billion with a term of five years was issued on 28 March 2012. The bonds bear interest at a floating rate based on the PBOC's one-year time deposits rate plus a margin of 0.95%.
- (iii) As at 31 December 2014, the fair value of the total financial bond securities issued amounts to RMB 29,602 million (31 December 2013: RMB 28,385 million)

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38 Debt securities issued (continued)

(c) Tier-two capital bonds

- (i) Fixed rate tier-two capital bonds of RMB 16.2 billion with a term of ten years were issued on 9 June 2014. The coupon rate is 6.20% per annum. The Group has an option to redeem the bonds on 10 June 2019 at the nominal amount.
- (ii) As at 31 December 2014, the fair value of the total tier 2 capital bonds issued amounts to RMB 16,835 million.

(d) Interbank deposits issued

As at 31 December 2014, 18 interbank deposits were issued by the Group and measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to their carrying amount.

(e) Certificates of deposits issued

The certificates of deposits were issued by the Bank's Hong Kong branch and measured at amortised cost. The fair value of the certificates of deposits issued mentioned above approximates to their carrying amount.

39 Other liabilities

	Note	The Group		The Bank	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Finance leases payable		2,719	2,299	–	–
Wealth management fund payables	39(a)	2,252	19,196	2,252	19,196
Deferred income		2,007	2,384	2,007	2,384
Payment and collection clearance accounts		787	1,314	787	1,314
Provisions	39(b)	424	326	424	326
Dormant accounts		297	295	297	295
Dividend payable		28	27	28	27
Others		4,029	1,915	3,009	1,595
Total		12,543	27,756	8,804	25,137

(a) Wealth management fund payables

The amounts and maturities of the wealth management assets do not exactly match the underlying trust funds. Accordingly, the Group accounts for such wealth management assets under other assets (Note 29(a)) and the corresponding trust funds under other liabilities.

(b) Provisions

As at 31 December 2014, the accruals of litigation losses estimated by the Group based on the status of outstanding litigation cases and the probability of losses amounted to RMB 17 million (31 December 2013: RMB 17 million).

40 Share capital

The Bank's shareholding structure as at the end of the reporting period is as follows:

	2014 Amount	2013 Amount
Ordinary shares listed in Mainland China (A share)	39,810	39,851
Ordinary shares listed in Hong Kong (H share)	6,869	6,426
Total	46,679	46,277

On January 2014, The Bank partially exercised the over-allotment option and issued 402,305,000 H shares with a nominal value of RMB 1.00 at HKD 3.98 per share. The total fund raised amounted to RMB 1,248 million. RMB 402 million and RMB 828 million were credited to share capital and share premium under capital reserve, net of offering expenses of RMB 18 million, respectively.

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

41 Capital reserve

The Group and the Bank

	31 December 2014	31 December 2013
Share premium	33,365	32,537
Fair value changes on available-for-sale financial assets	219	(3,886)
Remeasurement of defined benefit plan	3	56
Total	33,587	28,707

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42 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund. The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Bank is required, in principle, to set aside a general reserve not lower than 1.5% of the ending balance of its gross risk-bearing assets.

43 Appropriation of profits

(a) In accordance with the resolution of the Bank's board of directors meeting on 27 March 2015, the proposed profit appropriations for the year ended 31 December 2014 are as follows:

- Appropriate RMB 2,851 million (10% of the net profit of the bank) to surplus reserve;
- Appropriate RMB 4,042 million to general reserve; and
- Declare cash dividends to all shareholders of RMB 8,682 million representing RMB 1.86 per 10 shares before tax.

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

(b) At the Annual General Meeting of shareholders held on 27 Jun 2014, the shareholders approved the following profit appropriations for the year ended 31 December 2013:

- Appropriate RMB 2,639 million (10% of the net profit of the bank) to surplus reserve;
- Appropriate RMB 1,798 million to general reserve; and
- Declare cash dividends to all shareholders of RMB 8,029 million representing RMB 1.72 per 10 shares before tax.

44 Involvement with unconsolidated structured entities

- (a) Structured entities sponsored by third party institutions in which the Group holds an interest:

The types of structured entities that the Group does not consolidate but in which it holds an interest include entities set up for wealth management products issued by other financial institutions and beneficial interest transfer plans (“Asset management plans”). The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in unconsolidated structured entities as at 31 December 2014:

The Group

	31 December 2014		31 December 2013	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Debt securities classified as receivables	299,701	299,701	211,549	211,549

- (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2014, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at 31 December 2014, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, is RMB 624,457 million (31 December 2013: RMB 266,682 million).

- (c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2014.

During the year of 2014, the amount of fee and commission income received from the above mentioned structured entities by the Group amounted to RMB 900 million (31 December 2013: RMB 389 million).

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2014 but matured before 31 December 2014 amounted to RMB 401,043 million (31 December 2013: RMB 369,784 million).

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45 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier one capital, other core tier one capital and tier two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

With effect from 1 January 2013, the Group started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of at least 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their respective local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter (OTC) derivatives are the summation of default risk-weighted assets and credit value adjustment (CVA). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

45 Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” and relevant requirements promulgated by the CBRC.

The Group

	31 December 2014	31 December 2013
Total core tier-one capital	179,356	153,037
Share capital	46,679	46,277
Qualifying portion of capital reserve	33,587	28,707
Surplus reserve	12,050	9,199
General reserve	33,903	29,861
Retained earnings	52,756	38,795
Qualifying portions of non-controlling interests	381	198
Core tier-one capital deductions	(2,085)	(1,920)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use right	(804)	(639)
Net core tier-one capital	177,271	151,117
Other tier one capital	10	4
Tier-one capital net	177,281	151,121
Tier two capital	35,438	24,230
Qualifying portions of tier-two capital instruments issued and share premium	22,900	9,700
Surplus provision for loan impairment	12,500	14,505
Qualifying portions of non-controlling interests	38	25
Net capital base	212,719	175,351
Total risk weighted assets	1,898,231	1,658,861
Core tier one capital adequacy ratio	9.34%	9.11%
Tier one capital adequacy ratio	9.34%	9.11%
Capital adequacy ratio	11.21%	10.57%

46 Notes to consolidated cash flow statements

(a) Net decrease in cash and cash equivalents

	31 December 2014	31 December 2013
Cash and cash equivalents as at 31 December	98,001	116,821
Less: Cash and cash equivalents as at 1 January	116,821	137,913
Net decrease in cash and cash equivalents	(18,820)	(21,092)

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

46 Notes to consolidated cash flow statements (continued)

(b) Cash and cash equivalents

	31 December 2014	31 December 2013
Cash on hand	7,312	7,708
Deposits with the central bank	35,306	19,691
Deposits with banks and other financial institutions	29,616	31,979
Placements with banks and other financial institutions	25,767	57,443
Total	98,001	116,821

47 Related party relationships and transactions

(a) China Investment Corporation/Huijin and its affiliates

Approved by the State Council of the PRC, China Investment Corporation (“CIC”) was established on 29 September 2007 with a registered capital of USD 200 billion. Huijin is a wholly owned subsidiary of CIC and exercises its rights and obligations as an investor on behalf of CIC.

Huijin was incorporated as a wholly state-owned investment company on 16 December 2003. It was registered in Beijing with a registered capital of RMB 828,209 million. Apart from equity investments as authorised by the State Council of the PRC, it does not engage in any other commercial operations.

The Group’s transactions with CIC, Huijin and its affiliates mainly include deposit taking, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts, financial bonds and certificates of deposits which are bearer bonds tradable in the secondary market. Accordingly, the Group has no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the reporting period.

47 Related party relationships and transactions (continued)

(a) China Investment Corporation/Huijin and its affiliates (continued)

The Group's material transactions and balances with CIC, Huijin and its affiliates during the reporting period are summarised as follows:

	2014	2013
Interest income	5,913	2,715
Interest expense	(6,350)	(7,223)

	31 December 2014	31 December 2013
Deposits with banks and other financial institutions	16,887	15,530
Placements with banks and other financial institutions	22,133	21,235
Financial assets held for trading	223	5,372
Financial assets held under resale agreements	2,721	2,431
Interest receivable	2,087	1,611
Loans and advances to customers	1,500	1,215
Available-for-sale financial assets	6,037	5,750
Held-to-maturity investments	16,027	21,611
Debt securities classified as receivables	37,234	38,728
Other assets	–	1,737
Deposits from banks and other financial institutions	118,609	107,395
Placements from banks and other financial institutions	21,263	8,766
Financial assets sold under repurchase agreements	23,576	21,527
Deposits from customers	19,803	18,654
Interest payable	1,226	1,051
Other liabilities	30	396

RMB 8 million was paid to Huijin's affiliates as underwriting commission for the H share over-allotment and tier 2 capital bonds issuance by the year ended 31 December 2014.

(b) China Everbright Group Ltd.

The transactions and balances with China Everbright Group Ltd. and its affiliates are summarised in Note 47(c)(ii).

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

47 Related party relationships and transactions (continued)

(c) Transactions between the Group and other related parties

(i) Other related parties information

Other related parties having transactions with the Group in 2013 and 2014:

Related party	Relationship with the Group
Affiliated companies	
– China Everbright Group Co.,Ltd.	Same chairman of the board of directors with China Everbright Group Ltd.
– China Everbright Limited	Shareholder, affiliate of China Everbright Group Ltd.
– Everbright Securities Co., Ltd. (“Everbright Securities”)	Affiliate of China Everbright Group Ltd.
– China Everbright International Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Pramerica Fund Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Futures Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Dacheng Fund Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Financial Holding Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Sun Life Everbright Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Sun Life Everbright Life Insurance Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Fortune Investment Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Capital Investment Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Securities Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Happy Life International Leasing Co., Ltd.	Affiliate of China Everbright Group Ltd.
– China Everbright Xinglong Trust Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Shanghai Everbright Convention and Exhibition Centre Limited	Affiliate of China Everbright Group Ltd.
– China Everbright Investment Management Corporation	Affiliate of China Everbright Group Ltd.
– Everbright International Hotel and Property Management Company Limited	Affiliate of China Everbright Group Ltd.
– Everbright Real Estate Co., Ltd.	Affiliate of China Everbright Group Ltd.
– China Everbright International Trust and Investment Company Limited	Affiliate of China Everbright Group Ltd.
– China Everbright Travel, Inc	Affiliate of China Everbright Group Ltd.
– China Everbright Petroleum	
– Everbright Securities Financial Holdings Limited	Affiliate of China Everbright Group Ltd.

47 Related party relationships and transactions (continued)

(c) Transactions between the Group and other related parties (continued)

(i) Other related parties information (continued)

Related party	Relationship with the Group
Other related parties	
– First-trust Fund Management Co., Ltd.	Common key management
– China UnionPay Co., Ltd.	Common key management
– Orient Securities Company Limited	Common key management
– SAIC Motor Corporation, Ltd.	Common key management
– Shanghai Electric Group Company Limited	Common key management
– China Pacific Property Insurance Co., Ltd.	Common key management
– China Pacific Life Insurance Co., Ltd.	Common key management
– China Pacific Insurance(group) Co.,Ltd.	Common key management
– Shanghai Baosight Software Co., Ltd.	Common key management
– Hithink Flush Information Network Co., Ltd	Common key management
– Shanghai Benemae Pharmaceutical Corporation	Common key management
– China M&A Group	Common key management
– Lifan Industry (Group) Co., Ltd	Common key management
– Shanghai Chengtou Holding Co., Ltd.	Common key management
– Fujian Hongbo Printing Co., Ltd.	Common key management
– Lubin Shuwei Management consulting (Beijing) Co., Ltd.	Common key management
– China Economic-Value-Added for Practical Use Association	Common key management
– China Power Finance Co., Ltd.	Common key management
– Happy Life Insurance Co., Ltd.	Common key management
– Tianjin Capital Environmental Protection Group Company Limited	Common key management
– Sinopharm Group Co., Ltd.	Common key management
– Winteam Pharmaceutical Group Limited.	Common key management
– Shanghai ICY New Energy Venture Capital Co., Ltd.	Common key management
– Chengdu Xinshen Venture Capital Co., Ltd	Common key management
– Shanghai Jiulian Group Co., Ltd.	Common key management
– TMB Bank Public Company Limited	Common key management
– Noah Holdings Limited	Common key management
– China Nonferrous Mining Corporation Limited	Common key management
– Shenzhen Zhongshan Investment Co., Ltd.	Common key management
– Shenzhen Hengyuan Investment and Development Co., Ltd.	Common key management
– China International Fund Management Co., Ltd.	Common key management

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

47 Related party relationships and transactions (continued)**(c) Transactions between the Group and other related parties** (continued)**(ii) Related party transactions**

The Group's material transactions and balances with China Everbright Group Ltd. and the above related parties during the reporting period are summarised as follows:

	China Everbright (Group) (Note 47(b))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the year ended 31 December 2014:					
Interest income	–	–	21	8	29
Interest expense	(11)	–	(196)	(889)	(1,096)
Balances with related parties as at 31 December 2014:					
Financial assets held under resale agreements	–	–	790	1	791
Loans and advances to customers	–	–	202	–	202
Held-to-maturity investments	–	–	–	900	900
Interest receivable	–	–	9	15	24
Debt securities classified as receivables	–	–	80,652	–	80,652
Other assets	–	–	–	28	28
	–	–	81,653	944	82,597
Deposits from banks and other financial institutions	–	–	10,171	364	10,535
Deposits from customers	21	–	31,148	17,032	48,201
Interest payable	–	–	24	364	388
Other liabilities	–	–	45	–	45
	21	–	41,388	17,760	59,169
Significant off-balance sheet items with related parties as at 31 December 2014:					
Guarantee granted (Note)	180	–	–	–	180

RMB 3 million was paid to China Everbright Group Ltd.'s affiliates as underwriting commission for the H share over-allotment and tier 2 capital bonds issuance by the year ended 31 December 2014.

47 Related party relationships and transactions (continued)

(c) Transactions between the Group and other related parties (continued)

(ii) Related party transactions (continued)

The Group's material transactions and balances with China Everbright Group Ltd. and the above related parties during the reporting period are summarised as follows: (continued)

	China Everbright (Group) (Note 47(b))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the year ended 31 December 2013:					
Interest income	–	–	15	188	203
Interest expense	(1)	–	(215)	(868)	(1,084)
Balances with related parties as at 31 December 2013:					
Financial assets held under resale agreements	–	–	–	205	205
Loans and advances to customers	–	–	222	166	388
Held-to-maturity investments	–	–	–	900	900
Interest receivable	–	–	–	21	21
Other assets	–	–	4,912	–	4,912
	–	–	5,134	1,292	6,426
Deposits from banks and other financial institutions	–	–	4,303	346	4,649
Deposits from customers	–	1	8,420	18,296	26,717
Interest payable	1	1	24	411	437
Other liabilities	–	–	570	–	570
	1	2	13,317	19,053	32,373
Significant off-balance sheet items with related parties as at 31 December 2013:					
Guarantee granted (Note)	180	–	–	–	180

RMB 35 million was paid to China Everbright (Group)'s affiliates as underwriting commission for the H share offering by the year ended 31 December 2013.

Note: As at 31 December 2014, the Bank has guarantee obligations relating to the China Everbright Group Ltd.'s outstanding interest obligation of RMB 180 million (2013: RMB 180 million) due to one of the state-owned commercial banks.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

47 Related party relationships and transactions (continued)

(d) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“state-owned entities”). Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group’s banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group’s pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether or not the customers are state-owned entities. Having considered the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(e) Key management personnel

	31 December 2014 RMB’000	31 December 2013 RMB’000
Remuneration	23,454	25,707
Retirement benefits	1,115	981
– Basic social pension insurance	619	539

(f) Loans and advances to directors, supervisors and officers

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

	31 December 2014 RMB’000	31 December 2013 RMB’000
Aggregate amount of relevant loans outstanding as at the year end	3,712	8,055
Maximum aggregate amount of relevant loans outstanding during the year	8,892	17,873

48 Segment reporting

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

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, cash management services, financial consulting and advisory services, remittance and settlement services, custody services, and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services, remittance services, and securities agency services.

Treasury business

This segment covers the Group's treasury operations. The treasury business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The treasury segment also covers customer-driven derivatives and foreign currency trading, as well as management of the Group's overall liquidity position, including the issuance of subordinated debts.

Others

These represent equity investments and related income.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred to acquire fixed assets, intangible assets and other long-term assets.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

48 Segment reporting (continued)

(a) Segment results, assets and liabilities

The Group

	Year ended 31 December 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	26,482	16,830	14,947	–	58,259
Internal net interest income/(expense)	14,994	(4,515)	(10,479)	–	–
Net interest income	41,476	12,315	4,468	–	58,259
Net fee and commission income	5,621	13,516	20	–	19,157
Net trading gains	–	258	1,021	–	1,279
Dividend income	–	–	–	3	3
Net gains/(losses) arising from investment securities	12	–	(111)	–	(99)
Foreign exchange (losses)/gains	(44)	1	(167)	–	(210)
Other operating income	134	54	–	194	382
Operating income	47,199	26,144	5,231	197	78,771
Operating expenses	(16,356)	(12,938)	(638)	(76)	(30,008)
Operating profit before impairment	30,843	13,206	4,593	121	48,763
Impairment losses on assets	(7,288)	(2,979)	58	–	(10,209)
Profit before tax	23,555	10,227	4,651	121	38,554
Segment assets	1,727,980	542,756	461,653	306	2,732,695
Segment liabilities	1,948,717	432,748	175,914	120	2,557,499
Other segment information					
– Depreciation and amortisation	(1,039)	(883)	(19)	–	(1,941)
– Capital expenditure	1,518	1,291	28	–	2,837

48 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

The Group

	Year ended 31 December 2013				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income	22,641	15,992	12,229	–	50,862
Internal net interest income/(expense)	12,706	(4,428)	(8,278)	–	–
Net interest income	35,347	11,564	3,951	–	50,862
Net fee and commission income	4,965	9,885	102	–	14,952
Net trading losses	–	(172)	(918)	–	(1,090)
Dividend income	–	–	–	3	3
Net gains arising from investment securities	42	–	46	–	88
Foreign exchange gains	234	52	81	–	367
Other operating income	98	48	1	198	345
Operating income	40,686	21,377	3,263	201	65,527
Operating expenses	(15,837)	(10,005)	(577)	(54)	(26,473)
Operating profit before impairment	24,849	11,372	2,686	147	39,054
Impairment losses on assets	(2,576)	(2,083)	26	–	(4,633)
Profit before tax	22,273	9,289	2,712	147	34,421
Segment assets	1,568,595	505,438	335,658	99	2,409,790
Segment liabilities	1,711,960	422,881	127,111	55	2,262,007
Other segment information					
– Depreciation and amortisation	(965)	(651)	(18)	–	(1,634)
– Capital expenditure	1,557	1,049	28	–	2,634

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

48 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note	31 December 2014	31 December 2013
Segment assets		2,732,695	2,409,790
Goodwill	27	1,281	1,281
Deferred tax assets	28	3,034	4,015
Total assets		2,737,010	2,415,086
Segment liabilities		2,557,499	2,262,007
Dividend payables	39	28	27
Total liabilities		2,557,527	2,262,034

(b) Geographical information

The Group operates principally in mainland China with branches located in 28 provinces, autonomous regions and municipalities directly under the central government, with subsidiaries located in Wuhan city of Hubei Province, Shaoshan city of Hunan Province and Huai'an city of Jiangsu Province.

Non-current assets include fixed assets, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Yangtze River Delta” refers to the following areas serviced by subsidiary and branches of the Bank: Huai'an Everbright, Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi;
- “Pearl River Delta” refers to the following areas serviced by branches of the Bank: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou;
- “Bohai Rim” refers to the following areas serviced by branches of the Bank: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai;
- “Central” refers to the following areas serviced by subsidiaries and branches of the Bank: Everbright Financial Leasing and Shaoshan Everbright, Zhengzhou, Taiyuan, Changsha, Wuhan, Hefei and Nanchang;
- “Western” refers to the following areas serviced by branches of the Bank: Xi'an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumchi; Guiyang and Lanzhou;

48 Segment reporting (continued)

(b) Geographical information (continued)

- “Northeastern” refers to the following areas serviced by branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;
- “Hong Kong” refers to the Hong Kong Special Administrative Region serviced by branch of the Bank; and
- “Head Office” refers to the headquarter of the Group.

	Operating Income									Total
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong		
2014	12,289	13,243	21,772	9,982	8,429	8,848	3,900	308	78,771	
2013	11,600	11,724	14,713	8,574	7,543	7,961	3,345	67	65,527	

	Non-current Asset (i)									Total
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong		
31 December 2014	2,918	1,066	5,130	1,327	1,285	1,156	1,059	24	13,965	
31 December 2013	3,037	912	4,941	1,173	1,230	1,095	988	26	13,402	

(i) Including fixed assets and intangible assets.

49 Risk Management

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

This note presents information about the Group’s exposure to each of the above risks and their sources, and the Group’s objectives, policies and procedures for measuring and managing these risks.

The Group’s risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

49 Risk Management (continued)

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Risk Management Department, Credit Approval Department, Special Assets Resolution Department and Legal and Compliance Department, and the Group deployed Credit Officer to Retail Banking Department of Head office, the business line of medium-sized and small enterprises, credit card business, treasury business and the first tier branches. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front line departments such as the Corporate Banking Department and the Retail Banking Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. The Group has further enhanced the parallel operating mechanism. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

49 Risk Management (continued)

(a) Credit risk (continued)

Credit business (continued)

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collaterals and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardised loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures

Treasury Business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic and real-time basis, and credit limits are reviewed and revised regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets, including derivative financial instruments. The maximum exposure to credit risk in respect of these off-balance sheet items as at the end of the reporting period is disclosed in Note 52(a).

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

49 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(ii) Financial assets analysed by credit quality are summarised as follows:

The Group

	31 December 2014				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments ⁽¹⁾	Others ⁽¹⁾
Impaired					
Individually assessed					
Gross amount	11,939	16	–	2	702
Provision for impairment losses	(4,946)	(16)	–	(2)	(168)
Sub-total	6,993	–	–	–	534
Collectively assessed					
Gross amount	3,586	–	–	–	582
Provision for impairment losses	(2,111)	–	–	–	(46)
Sub-total	1,475	–	–	–	536
Overdue but not impaired					
Gross amount					
– Less than 3 months (inclusive)	25,674	645	–	200	–
– Between 3 months and 6 months (inclusive)	1,850	124	–	–	–
– Over 6 months	2,138	–	–	–	–
Gross amount	29,662	769	–	200	–
Provision for impairment losses	(3,677)	–	–	–	–
Sub-total	25,985	769	–	200	–
Neither overdue nor impaired					
Gross amount	1,254,268	172,299	286,682	588,556	41,064
Provision for impairment losses	(17,291)	(19)	–	(212)	(848)
Sub-total	1,236,977	172,280	286,682	588,344	40,216
Total	1,271,430	173,049	286,682	588,544	41,286

49 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(ii) Financial assets analysed by credit quality are summarised as follows :(continued)

The Group

	31 December 2013				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
Impaired					
Individually assessed					
Gross amount	7,717	16	–	2	1,492
Provision for impairment losses	(3,357)	(16)	–	(2)	(215)
Sub-total	4,360	–	–	–	1,277
Collectively assessed					
Gross amount	2,312	–	–	–	363
Provision for impairment losses	(1,563)	–	–	–	(31)
Sub-total	749	–	–	–	332
Overdue but not impaired					
Gross amount					
– Over 6 months	12,316	–	–	–	–
Gross amount	12,316	–	–	–	–
Provision for impairment losses	(1,163)	–	–	–	–
Sub-total	11,153	–	–	–	–
Neither overdue nor impaired					
Gross amount	1,143,965	191,457	169,182	493,327	84,069
Provision for impairment losses	(18,089)	(13)	–	(270)	(644)
Sub-total	1,125,876	191,444	169,182	493,057	83,425
Total	1,142,138	191,444	169,182	493,057	85,034

* Investments comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

** Others comprise positive fair value of derivatives, interests receivable, assets from wealth management business recorded in other assets, and other receivables.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

49 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(iii) Credit rating

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

The Group

	31 December 2014	31 December 2013
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	16	16
Provision for impairment losses	(16)	(16)
Sub-total	–	–
<i>Overdue but not impaired</i>		
– grade A to AAA	769	–
– Sub-total	769	–
<i>Neither overdue nor impaired</i>		
– grade A to AAA	225,412	225,615
– grade B to BBB	36,124	23,602
– unrated	197,426	111,409
Sub-total	458,962	360,626
Total	459,731	360,626

49 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(iii) Credit rating (continued)

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

The Group

	31 December 2014	31 December 2013
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	1	1
Provision for impairment losses	(1)	(1)
Sub-total	–	–
<i>Neither overdue nor impaired</i>		
Bloomberg Composite		
– grade AAA	125	42
– grade AA- to AA+	1,196	677
– grade A- to A+	1,000	1,241
– grade lower than A–	558	482
Sub-total	2,879	2,442
<i>Other agency ratings</i>		
– grade AAA	55,800	60,200
– grade AA- to AA+	45,766	41,102
– grade A- to A+	114,819	99,128
– grade lower than A–	1,992	2,378
– unrated	32,880	24,775
Sub-total	251,257	227,583
Total	254,136	230,025

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(Expressed in millions of Renminbi, unless otherwise stated)

49 Risk Management (continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Treasury Department is responsible for the Group's investments and proprietary trading business. The Planning and Finance Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Market Risk Management Division in the Treasury Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

49 Risk Management (continued)

(b) Market risk (continued)

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

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

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

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(Expressed in millions of Renminbi, unless otherwise stated)

49 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

- (i) The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

The Group

	Effective interest rate (Note (i))	31 December 2014					
		Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.51%	354,185	16,365	337,820	-	-	-
Deposits with banks and other financial institutions	4.16%	40,316	-	39,401	915	-	-
Placements with banks and other financial institutions	5.70%	132,733	-	46,972	76,482	9,279	-
Financial assets held under resale agreements	5.56%	286,682	-	188,139	98,543	-	-
Loans and advances to customers (Note (ii))	6.30%	1,271,430	-	877,913	377,758	12,933	2,826
Investments (Note (iii))	5.21%	588,544	340	102,690	219,754	204,444	61,316
Others	-	63,120	38,692	23,658	715	55	-
Total assets	5.30%	2,737,010	55,397	1,616,593	774,167	226,711	64,142
Liabilities							
Due to the central banks	3.54%	30,040	-	30,000	40	-	-
Deposits from banks and other financial institutions	4.91%	507,187	-	505,885	1,302	-	-
Placements from banks and other financial institutions	3.11%	36,744	21	19,853	16,870	-	-
Financial assets sold under repurchase agreements	2.83%	51,772	-	51,051	721	-	-
Deposits from customers	2.73%	1,785,337	2,768	1,096,625	427,489	253,412	5,043
Debt securities issued	4.54%	89,676	-	28,452	17,746	36,778	6,700
Others	-	56,771	53,738	2,674	352	7	-
Total liabilities	3.24%	2,557,527	56,527	1,734,540	464,520	290,197	11,743
Asset-liability gap	2.06%	179,483	(1,130)	(117,947)	309,647	(63,486)	52,399

49 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

- (i) The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:(continued)

The Group

	Effective interest rate (Note (i))	31 December 2013					
		Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.49%	312,643	15,929	296,714	-	-	-
Deposits with banks and other financial institutions	3.40%	67,153	-	65,146	2,007	-	-
Placements with banks and other financial institutions	4.79%	124,291	-	57,444	61,253	5,594	-
Financial assets held under resale agreements	4.98%	169,182	-	149,983	19,199	-	-
Loans and advances to customers (Note (ii))	6.26%	1,142,138	-	743,882	372,231	22,667	3,358
Investments (Note (iii))	4.98%	493,057	159	35,236	151,929	227,050	78,683
Others	-	106,622	37,172	33,528	17,792	18,130	-
Total assets	5.10%	2,415,086	53,260	1,381,933	624,411	273,441	82,041
Liabilities							
Deposits from banks and other financial institutions	4.74%	438,604	-	435,125	3,479	-	-
Placements from banks and other financial institutions	2.47%	50,817	21	36,976	13,820	-	-
Financial assets sold under repurchase agreements	4.00%	63,164	3	56,257	6,904	-	-
Deposits from customers	2.51%	1,605,278	2,673	1,035,635	360,563	203,898	2,509
Debt securities issued	4.38%	42,247	-	-	5,547	30,000	6,700
Others	-	61,924	40,263	19,115	1,571	975	-
Total liabilities	3.14%	2,262,034	42,960	1,583,108	391,884	234,873	9,209
Asset-liability gap	1.96%	153,052	10,300	(201,175)	232,527	38,568	72,832

Note:

- (i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.
- (ii) For loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB 34,425 million as at 31 December 2014 (31 December 2013: RMB 15,689 million). Overdue amounts represent loans for which the principal or interest is overdue one day or more.
- (iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

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(Expressed in millions of Renminbi, unless otherwise stated)

49 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 31 December 2014, assuming other variables remain unchanged, an increase in estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB 1,928 million (31 December 2013: RMB 2,483 million), and equity to decrease by RMB 4,749 million (31 December 2013: RMB 5,253 million); a decrease in estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB 1,929 million (31 December 2013: RMB 2,488 million), and equity to increase by RMB 4,905 million (31 December 2013: RMB 5,428 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;
- At the end of the reporting period, an interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

49 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk

The Group's foreign currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages foreign currency risk by spot and forward foreign exchange transactions, swap transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

The Group

	31 December 2014			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	348,828	4,566	791	354,185
Deposits with banks and other financial institutions	20,115	11,151	9,050	40,316
Placements with banks and other financial institutions	123,401	8,555	777	132,733
Financial assets held under resale agreements	286,682	–	–	286,682
Loans and advances to customers	1,219,590	48,080	3,760	1,271,430
Investments (Note (i))	585,597	2,627	320	588,544
Others	62,012	1,025	83	63,120
Total assets	2,646,225	76,004	14,781	2,737,010
Liabilities				
Due to the central banks	30,040	–	–	30,040
Deposits from banks and other financial institutions	506,453	694	40	507,187
Placements from banks and other financial institutions	18,616	15,762	2,366	36,744
Financial assets sold under repurchase agreements	51,772	–	–	51,772
Deposits from customers	1,691,760	77,163	16,414	1,785,337
Debt securities issued	86,102	1,491	2,083	89,676
Others	54,331	1,464	976	56,771
Total liabilities	2,439,074	96,574	21,879	2,557,527
Net position	207,151	(20,570)	(7,098)	179,483
Off-balance sheet credit commitments	739,355	30,599	2,326	772,280
Derivative financial instruments (Note (ii))	(37,297)	28,223	8,833	(241)

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49 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group's currency exposures as at the end of the reporting period are as follows:(continued)

The Group

	31 December 2013			Total (RMB Equivalent)
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with the central bank	308,533	3,558	552	312,643
Deposits with banks and other financial institutions	48,978	16,322	1,853	67,153
Placements with banks and other financial institutions	119,547	2,398	2,346	124,291
Financial assets held under resale agreements	169,154	–	28	169,182
Loans and advances to customers	1,086,469	52,816	2,853	1,142,138
Investments (Note (i))	490,615	2,317	125	493,057
Others	97,555	392	8,675	106,622
Total assets	2,320,851	77,803	16,432	2,415,086
Liabilities				
Deposits from banks and other financial institutions	436,488	2,093	23	438,604
Placements from banks and other financial institutions	29,402	20,676	739	50,817
Financial assets sold under repurchase agreements	63,164	–	–	63,164
Deposits from customers	1,538,031	58,043	9,204	1,605,278
Debt securities issued	40,551	1,271	425	42,247
Others	54,285	7,639	–	61,924
Total liabilities	2,161,921	89,722	10,391	2,262,034
Net position	158,930	(11,919)	6,041	153,052
Off-balance sheet credit commitments	707,751	41,819	2,968	752,538
Derivative financial instruments (Note (ii))	(31,277)	21,862	8,490	(925)

Note:

(i) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

(ii) Derivative financial instruments reflect the net notional amounts of derivatives.

49 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 31 December 2014, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB 11 million (31 December 2013: increase by RMB 30 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB 11 million (31 December 2013: decrease by RMB 30 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

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49 Risk Management (continued)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Planning and Finance Department is responsible for executing liquidity risk management policies. It is also responsible for identifying, measuring, monitoring and managing medium-and long-term working capital on a regular basis, and for formulating liquidity management strategies. The Treasury Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies outlined above. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

49 Risk Management (continued)

(c) Liquidity risk (continued)

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

The Group

	31 December 2014							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	311,568	42,617	-	-	-	-	-	354,185
Deposit with banks and other financial institutions	-	24,514	4,730	9,200	1,165	707	-	40,316
Placement with banks and other financial institutions	-	769	19,250	26,953	76,482	9,279	-	132,733
Financial asset held under resale agreements	-	-	152,212	35,927	98,543	-	-	286,682
Loans and advances to customers	23,666	143,832	63,061	123,887	410,093	296,564	210,327	1,271,430
Investments (*)	310	213	9,390	85,093	217,751	213,619	62,168	588,544
Others	21,845	114	2,832	9,438	13,181	13,871	1,839	63,120
Total assets	357,389	212,059	251,475	290,498	817,215	534,040	274,334	2,737,010
Liabilities								
Due to the central banks	-	-	30,000	-	40	-	-	30,040
Deposits from banks and other financial institutions	-	256,489	118,557	74,320	48,754	9,067	-	507,187
Placements from banks and other financial institutions	-	21	8,977	10,876	16,870	-	-	36,744
Financial assets sold under repurchase agreements	-	3	50,001	1,047	721	-	-	51,772
Deposit from customers	-	678,683	193,386	208,174	444,139	255,912	5,043	1,785,337
Debt securities issued	-	-	7,970	10,482	17,746	46,778	6,700	89,676
Others	-	15,174	18,812	4,172	10,667	7,791	155	56,771
Total liabilities	-	950,370	427,703	309,071	538,937	319,548	11,898	2,557,527
Long/(Short) position	357,389	(738,311)	(176,228)	(18,573)	278,278	214,492	262,436	179,483
Notional amount of derivative financial instruments	-	-	28,875	38,488	123,256	41,399	631	232,649

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49 Risk Management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period: (continued)

The Group

	31 December 2013							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	285,244	27,399	-	-	-	-	-	312,643
Deposit with banks and other financial institutions	-	17,647	13,217	23,855	5,807	6,627	-	67,153
Placement with banks and other financial institutions	-	-	32,944	24,500	61,253	5,594	-	124,291
Financial asset held under resale agreements	-	-	66,831	83,152	19,199	-	-	169,182
Loans and advances to customers	10,841	105,621	68,032	122,312	419,768	226,560	189,004	1,142,138
Investments (*)	99	-	4,211	23,616	146,801	237,363	80,967	493,057
Others	21,588	31	5,254	22,022	28,150	29,509	68	106,622
Total assets	317,772	150,698	190,489	299,457	680,978	505,653	270,039	2,415,086
Liabilities								
Deposits from banks and other financial institutions	-	92,554	172,259	74,867	91,034	7,890	-	438,604
Placements from banks and other financial institutions	-	21	24,995	11,981	13,820	-	-	50,817
Financial assets sold under repurchase agreements	-	3	3,523	52,734	6,904	-	-	63,164
Deposit from customers	-	630,456	187,239	194,660	360,563	229,351	3,009	1,605,278
Debt securities issued	-	-	-	3,000	2,547	30,000	6,700	42,247
Others	-	9,207	22,552	12,658	9,256	8,100	151	61,924
Total liabilities	-	732,241	410,568	349,900	484,124	275,341	9,860	2,262,034
Long/(Short) position	317,772	(581,543)	(220,079)	(50,443)	196,854	230,312	260,179	153,052
Notional amount of derivative financial instruments	-	-	55,588	38,945	79,310	49,857	2,207	225,907

* Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

49 Risk Management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities, loan commitments and credit card commitments at the end of the reporting period:

The Group

	31 December 2014							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central banks	30,040	30,305	-	30,264	-	41	-	-
Deposits from banks and other financial institutions	507,187	513,315	256,889	119,536	75,578	51,028	10,284	-
Placements from banks and other financial institutions under repurchase agreements	36,744	37,582	21	9,048	11,022	17,491	-	-
	51,772	51,966	3	50,059	1,119	785	-	-
Deposits from customers	1,785,337	1,831,940	678,749	194,637	210,454	453,406	288,399	6,295
Debt securities issued	89,676	101,298	-	7,996	10,514	20,360	54,673	7,755
Other financial liabilities	26,040	26,111	10,329	14,443	966	365	8	-
Total non-derivative financial liabilities	2,526,796	2,592,517	945,991	425,983	309,653	543,476	353,364	14,050
Derivative financial liabilities								
Derivative financial instruments settled on net basis		47	-	6	(3)	23	21	-
Derivative financial instruments settled on gross basis								
Cash inflow		143,890	27	28,959	35,442	77,489	1,973	-
Cash outflow		(143,436)	(14)	(28,361)	(35,357)	(77,732)	(1,972)	-
Total derivative financial liabilities		454	13	598	85	(243)	1	-
Loan and credit card commitment		131,532	106,612	8,147	4,969	3,935	5,649	2,220

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

49 Risk Management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non derivative finance liabilities, loan commitments and credit card commitments at the end of the reporting period:

The Group

	31 December 2013							More than five years
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	438,604	447,004	92,608	173,367	76,138	95,996	8,895	-
Placements from banks and other financial institutions	50,817	51,620	21	25,039	12,102	14,458	-	-
under repurchase agreements	63,164	64,294	3	3,654	53,411	7,226	-	-
Deposits from customers	1,605,278	1,656,286	630,859	187,681	195,777	382,786	255,291	3,892
Debt securities issued	42,247	50,465	-	-	4,347	2,899	35,112	8,107
Other financial liabilities	38,510	38,925	8,599	18,141	9,460	1,650	1,075	-
Total non-derivative financial liabilities	2,238,620	2,308,594	732,090	407,882	351,235	505,015	300,373	11,999
Loan card commitments and credit card commitments		111,796	90,547	3,390	5,372	8,055	3,142	1,290

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

49 Risk Management (continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- A set of standard operational procedures covering all products and services, which is practical, traceable and can be re-performed, investigated and remedied;
- A series of operational risk management tools, including Risk Control Self-Assessment (RCSA), Key Risk Index (KRI), Loss Event Collection and IT system monitoring;
- An operational risk management culture, the core values of the culture is that effective risk management could create value. It is supported with a team of operational risk management professionals across all branches, businesses and functions;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

50 Fair value

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. The fair values of unlisted equity investments are estimated using the applicable price/earning ratios of comparable listed companies, after adjustment for the specific circumstances of the issuers.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts is determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

50 Fair value (continued)

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers and debt securities classified as receivables are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and held for trading investments are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 23 and 24.

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, financial liabilities at fair value through profit or loss, deposits from customers and subordinated debts issued.

Financial liabilities at fair value through profit or loss are stated at fair value in the statements of financial position. The carrying amount and fair value of debts securities issued are disclosed in Note 38. The carrying amounts of other financial liabilities approximate their fair values.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

50 Fair value (continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes bonds and a majority of OTC derivative contracts. Input parameters like ChinaBond interbank yield curves or LIBOR yield curves are sourced from ChinaBond, Bloomberg and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes complicated derivative contracts and structured deposits with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

50 Fair value (continued)

(c) Fair value hierarchy (continued)

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The Group and the Bank

	31 December 2014			
	Level 1	Level 2	Level 3	Total
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	–	4,190	–	4,190
Financial assets designated at fair value through profit or loss	–	15	172	187
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	751	–	751
– interest rate derivatives	–	301	30	331
<i>Available-for-sale financial assets</i>				
– debt instruments	–	138,249	–	138,249
– equity instruments	6	–	–	6
Total	6	143,506	202	143,714
Liabilities				
<i>Deposits from customers</i>				
Structured deposits designated at fair value through profit or loss	–	–	155,456	155,456
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	503	–	503
– interest rate derivatives	–	257	21	278
Total	–	760	155,477	156,237

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

50 Fair value (continued)

(c) Fair value hierarchy (continued)

The Group and the Bank

	31 December 2013			Total
	Level 1	Level 2	Level 3	
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	–	12,256	–	12,256
<i>Financial assets designated at fair value through profit or loss</i>				
– foreign currency derivatives	–	–	234	234
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	915	–	915
– interest rate derivatives	–	879	76	955
<i>Available-for-sale financial assets</i>				
– debt instruments	–	111,849	–	111,849
– equity instruments	1	–	–	1
Total	1	125,899	310	126,210
Liabilities				
<i>Deposits from customers</i>				
Structured deposits designated at fair value through profit or loss				
	–	–	126,274	126,274
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	1,570	–	1,570
– interest rate derivatives	–	809	86	895
Total	–	2,379	126,360	128,739

During the years ended 31 December 2014 and 31 December 2013, there were no significant transfers between instruments in Level 1 and Level 2.

50 Fair value (continued)

(c) Fair value hierarchy (continued)

The movement during the year ended 31 December 2014 in the balance of Level 3 fair value measurements is as follows:

The Group and the Bank

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Total	Non- derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2014	234	76	310	(126,274)	(86)	(126,360)
Total gains or losses:						
In profit or loss for the current year	11	(25)	(14)	53	31	84
Purchases	4	10	14	(155,448)	–	(155,448)
Settlements	(77)	(31)	(108)	126,213	34	126,247
31 December 2014	172	30	202	(155,456)	(21)	(155,477)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	10	(15)	(5)	(8)	31	23

The movement during the year ended 31 December 2013 in the balance of Level 3 fair value measurements is as follows:

The Group and the Bank

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Total	Non- derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2013	369	474	843	(42,617)	(569)	(43,186)
Total gains or losses:						
In profit or loss for the current year	(20)	(339)	(359)	(1,053)	449	(604)
Purchases	3	3	6	(124,509)	–	(124,509)
Settlements	(118)	(62)	(180)	41,905	34	41,939
31 December 2013	234	76	310	(126,274)	(86)	(126,360)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	(19)	(336)	(355)	(1,748)	449	(1,299)

During the years ended 31 December 2014 and 2013, there were no significant transfers into or out of Level 3.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

50 Fair value (continued)

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2014, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

51 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position.

The Group and the Bank

	31 December 2014	31 December 2013
Entrusted loans	88,913	61,690
Entrusted funds	88,913	61,690

52 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card limits, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertaking's by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The Group and the Bank

	31 December 2014	31 December 2013
Loan commitments		
– Original contractual maturity within one year	7,869	9,994
– Original contractual maturity more than one year (inclusive)	47,944	27,721
Credit card commitments	75,719	63,131
Sub-total	131,532	100,846
Acceptances	473,866	469,996
Letters of guarantees	62,459	51,974
Letters of credit	104,238	129,361
Guarantees	185	361
Total	772,280	752,538

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses the credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount

The Group and the Bank

	31 December 2014	31 December 2013
Credit risk-weighted amount of credit commitments	325,387	319,225

The credit risk weighted amount represent to the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 150% for credit commitments.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

52 Commitments and contingent liabilities (continued)**(c) Operating lease commitments**

As at the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within one year (inclusive)	1,984	1,712	1,962	1,712
After one year but within two years (inclusive)	1,852	1,571	1,850	1,571
After two years but within three years (inclusive)	1,755	1,510	1,753	1,510
After three years but within five years (inclusive)	2,842	2,776	2,838	2,776
After five years	3,041	3,126	3,035	3,126
Total	11,474	10,695	11,438	10,695

(d) Capital commitments

As at the balance sheet dates, the Group's and Bank's authorised capital commitments are as follows:

	31 December 2014	31 December 2013
Contracted for		
– Purchase of property and equipment	496	1,194
Approved but not contracted for		
– Purchase of property and equipment	740	614
Total	1,236	1,808

(e) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at 31 December 2014.

As an underwriting agent of the PRC government bonds, the Group has the responsibility to buy back those bonds it previously sold should the holders decide to make an early redemption of the bonds held. The redemption price for a bond at any time before its maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interests payable to the bond holders is calculated in accordance with the relevant MOF and PBOC rules. The redemption price may be different from the fair value of similar financial instruments traded at the redemption date.

52 Commitments and contingent liabilities (continued)

(e) Underwriting and redemption commitments (continued)

The Group's redemption commitments are as follows:

	31 December 2014	31 December 2013
Redemption commitments	8,230	8,245

(f) Forward assets purchase and sale commitments

The Group and the Bank has unexpired forward purchase and sale commitments as follows:

The Group and the Bank

	31 December 2014	31 December 2013
Forward assets purchase and sale commitments	1,350	3,850

(g) Outstanding litigations and disputes

As at 31 December 2014, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB 447 million (31 December 2013: RMB 402 million). Provisions (Note 39(b)) have been made for the estimated losses of such litigation based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

53 Subsequent Events

The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 43.

54 Comparative figures

Certain comparative figures have been adjusted to conform with changes in presentations in current year.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purposes only.

1 Liquidity ratios

	As at 31 December 2014	Average for the year ended 31 December 2014	As at 31 December 2013	Average for the year ended 31 December 2013
RMB current assets to RMB current liabilities	45.90%	43.60%	33.12%	29.52%
Foreign currency current assets to foreign currency current liabilities	109.61%	59.02%	59.65%	43.82%

The above liquidity ratios were calculated in accordance with the formulas promulgated by the China Banking Regulatory Commission (the "CBRC").

2 Currency concentrations

	31 December 2014			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	76,005	10,748	4,032	90,785
Spot liabilities	(96,574)	(17,310)	(4,569)	(118,453)
Forward purchases	83,068	10,733	1,177	94,978
Forward sales	(54,845)	(2,482)	(596)	(57,923)
Net long position	7,654	1,689	44	9,387
Net structural position	11	11	–	22

	31 December 2013			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	77,803	12,186	4,246	94,235
Spot liabilities	(89,722)	(5,863)	(4,528)	(100,113)
Forward purchases	85,971	6,209	3,481	95,661
Forward sales	(64,327)	(219)	(982)	(65,528)
Net long position	9,725	12,313	2,217	24,255
Net structural position	11	15	–	26

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank's Hong Kong branch. Structural assets mainly include fixed assets.

3 Cross-border claims

The group is principally engaged in business operations within mainland China. All claims to third parties outside mainland China are considered cross-border claims.

For the purpose of this unaudited supplementary finance information, mainland China excludes Hong Kong Special Administrative Region of the PRC (“HongKong”), Macau Special Administrative Region of the PRC (“Macau”) and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and other finance institutions, and holdings of trade bills, and investment securities.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a region or a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

“Others” includes transactions with sovereign counterparties.

	31 December 2014			
	Banks and other finance institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	10,215	–	14,646	24,861
– of which attributed to Hong Kong	8,949	–	13,934	22,883
Europe	1,475	–	2,703	4,178
North and South America	5,923	–	1,282	7,205
	17,613	–	18,631	36,244

	31 December 2013			
	Banks and other finance institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	5,081	–	3,982	9,063
– of which attributed to Hong Kong	4,772	–	3,222	7,994
Europe	1,101	–	1,546	2,647
North and South America	1,608	–	322	1,930
	7,790	–	5,850	13,640

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

4 Overdue loans and advances by geographical segments

	31 December 2014	31 December 2013
Yangtze River Delta	4,643	3,314
Central	3,382	1,038
Pearl River Delta	3,056	984
Western	2,692	527
Bohai Rim	2,220	988
Head Office	1,845	1,408
North eastern	702	247
Total	18,540	8,506

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

5 Gross amount of overdue loans and advances

	31 December 2014	31 December 2013
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	6,339	2,166
– between 6 months and 1 year (inclusive)	7,979	3,436
– over 1 year	4,222	2,904
Total	18,540	8,506
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.49%	0.19%
– between 6 months and 1 year (inclusive)	0.61%	0.29%
– over 1 year	0.32%	0.25%
Total	1.42%	0.73%

5 Gross amount of overdue loans and advances (continued)

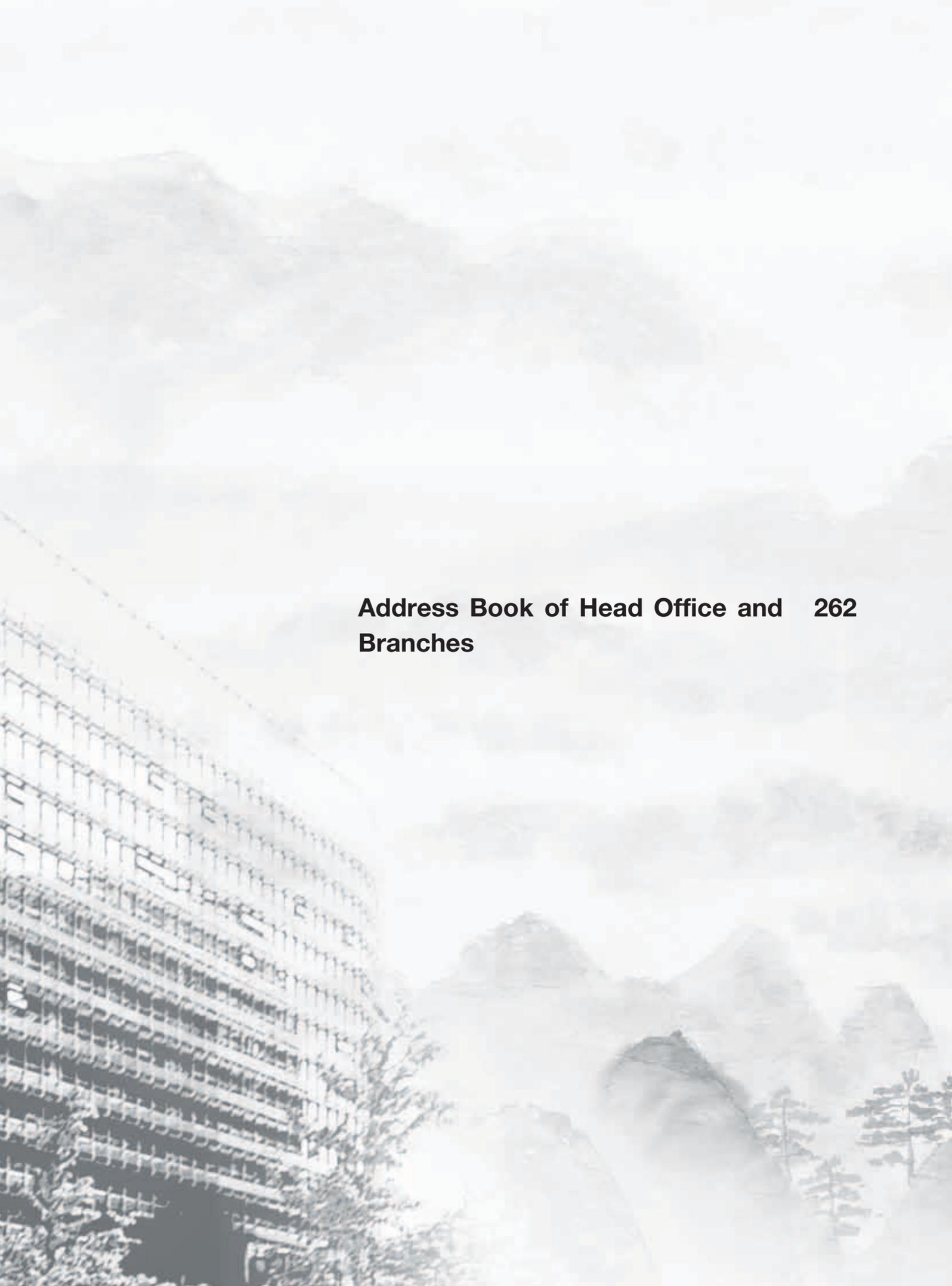
	31 December 2014	31 December 2013
Current market value of collateral held against the covered portion of overdue loans and advances	9,298	3,599
Covered portion of overdue loans and advances	6,096	2,326
Uncovered portion of overdue loans and advances	12,444	6,180
Individual impairment allowances made on overdue loans and advances	4,728	2,910

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6 Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. As at 31 December 2014, substantial amounts of the Group's exposures arose from businesses with mainland China entities or individuals.





**Address Book of Head Office and 262
Branches**

Address Book of Head Office and Branches

Name	Address	P.C.	Tel.	Fax
Head office	Everbright Center, No. 25, Taipingqiao Avenue, Xicheng District, Beijing	100033	010-63636363	010-63639066
Beijing Branch	No. 1, Xuanwumen Neidajie, Xicheng District, Beijing	100031	010-66567699	010-66567411
Tianjin Branch	Annex Building of Zhonglian Building, No. 83, Qufu Ave., Heping District, Tianjin City	300041	022-23308501	022-23300229
Shanghai Branch	China Everbright Bank Building, No. 1118, Shiji Ave., Pudong New District, Shanghai City	200120	021-63606360	021-23050088
Chongqing Branch	No. 168, Minzu Road, Yuzhong District, Chongqing City	400010	023-63792773	023-63792764
Shijiazhuang Branch	No. 56, Yuhua East Road, Shijiazhuang City	050000	0311-88628882	0311-88628883
Taiyuan Branch	No. 295, Yingze Road, Yingze District, Taiyuan City	030001	0351-3839008	0351-3839108
Huhhot Branch	Tower D, Dongfangjunzuo, Chilechuan Road, Saihan District, Huhhot, Inner Mongolia Autonomous Region	010096	0471-4955882	0471-4955800
Dalian Branch	No. 4, Wuwu Road, Zhongshan District, Dalian City	116001	0411-39037007	0411-39037015
Shenyang Branch	No. 156, Hepingbei Street, Heping District, Shenyang City	110003	024-83255555	024-23283218
Changchun Branch	No. 2677, Jiefang Road, Chaoyang District, Changchun City	130061	0431-8400080	0431-88400121
Heilongjiang Branch	No. 278, Dongdazhi Street, Nangang District, Harbin City	150001	0451-53618775	0451-53618775
Nanjing Branch	No. 120, Hanzhong Road, Gulou District, Nanjing City	210029	025-84787610	025-84712699
Suzhou Branch	No. 188, Xinghai Street, Industrial Park District, Suzhou City	215021	0512-68662988	0512-68668766
Wuxi Branch	No. 1, Renmin Zhonglu, Wuxi City	214023	0510-81802528	0510-81802535
Hangzhou Branch	Zheshang Times Building, No. 1, Miduqiao Road, Gongshu District, Hangzhou City	310006	0571-87895358	0571-87895367
Ningbo Branch	No. 1 Building, Hengfu Plaza, No. 828, Fuming Road, Jiangdong District, Ningbo City	315040	0574-87300888	0574-87317230
Hefei Branch	No. 200, Changjiang Xilu, Hefei City	230001	0551-5101888	0551-5101726

Name	Address	P.C.	Tel.	Fax
Fuzhou Branch	No. 148, Beihuan Zhonglu, Gulou District, Fuzhou City	350003	0591-87837378	0591-87835838
Xiamen Branch	1-4F, China Everbright Bank Building, No. 81, Hubin Nanlu, Siming District, Xiamen City	361004	0592-2221666	0592-2237788
Nanchang Branch	No. 399, Guangchang Nanlu, Nanchang City	330006	0791-6662030	0791-6665448
Jinan Branch	No. 85, Jingqi Road, Shizhong District, Jinan City	250001	0531-86155965	0531-86155800
Qingdao Branch	No. 69, Hongkong Xilu, Shinan District, Qingdao City	266071	0532-83893801	0532-83893800
Yantai Branch	No. 111, Nandajie, Zhifu District, Yantai City	264000	0535-6658506	0535-6261796
Zhengzhou Branch	No. 18, Nongye Road, Jinshui District, Zhengzhou City	450008	0371-65766000	0371-65766000
Wuhan Branch	No. 143-144, Yanjiang Ave., Jiangan District, Wuhan City	430014	027-82796303	027-82801976
Changsha Branch	No. 142, Furong Zhonglu, Tianxin District, Changsha City	410015	0731-85363527	0731-85523677
Guangzhou Branch	21F, China Everbright Bank Building, No. 685, Tianhe Beilu, Tianhe District, Guangzhou City	510635	020-38730066	020-38730049
Shenzhen Branch	No. 18, Zizhu Qidao, Zhuzilin Silu, Futian District, Shenzhen City	518040	0755-83053388	0755-83242955
Nanning Branch	Oriental Mahatton Plaza, No. 52-1, Jinhu Road, Qingxiu District, Nanning City	530021	0771-5568106	0771-5568100
Haikou Branch	Ground Floor, World Trade Center D/E, Shimao Donglu, Jinmao District, Haikou City	570125	0898-68539999	0898-68520711
Chengdu Branch	No. 79, Dacisi Road, Jinjiang District, Chengdu City	610017	028-86665566	028-86720299
Kunming Branch	No. 28, Renmin Zhonglu, Wuhua District, Kunming City	650021	0871-3111068	0871-3111078
Xi'an Branch	No. 33, Hongguang Street, Lianhu District, Xi'an City	710002	029-87236013	023-87236010
Urumqi Branch	No. 165, Nanhu Donglu, Urumqi City	830063	0991-6765678	0991-6765678
Guiyang Branch	No. 69, Yan'an Middle Road, Yunyan District, Guiyang City	550001	0851-5914438	0851-5911499
Lanzhou Branch	No. 589, Donggang West Road, Chengguan District, Lanzhou City	730030	0931-8786033	0931-8786033
Hong Kong Branch	30/F., Far East Finance Center, No. 16, Harcourt Road, Hong Kong		00852-31239888	00852-21432188



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