

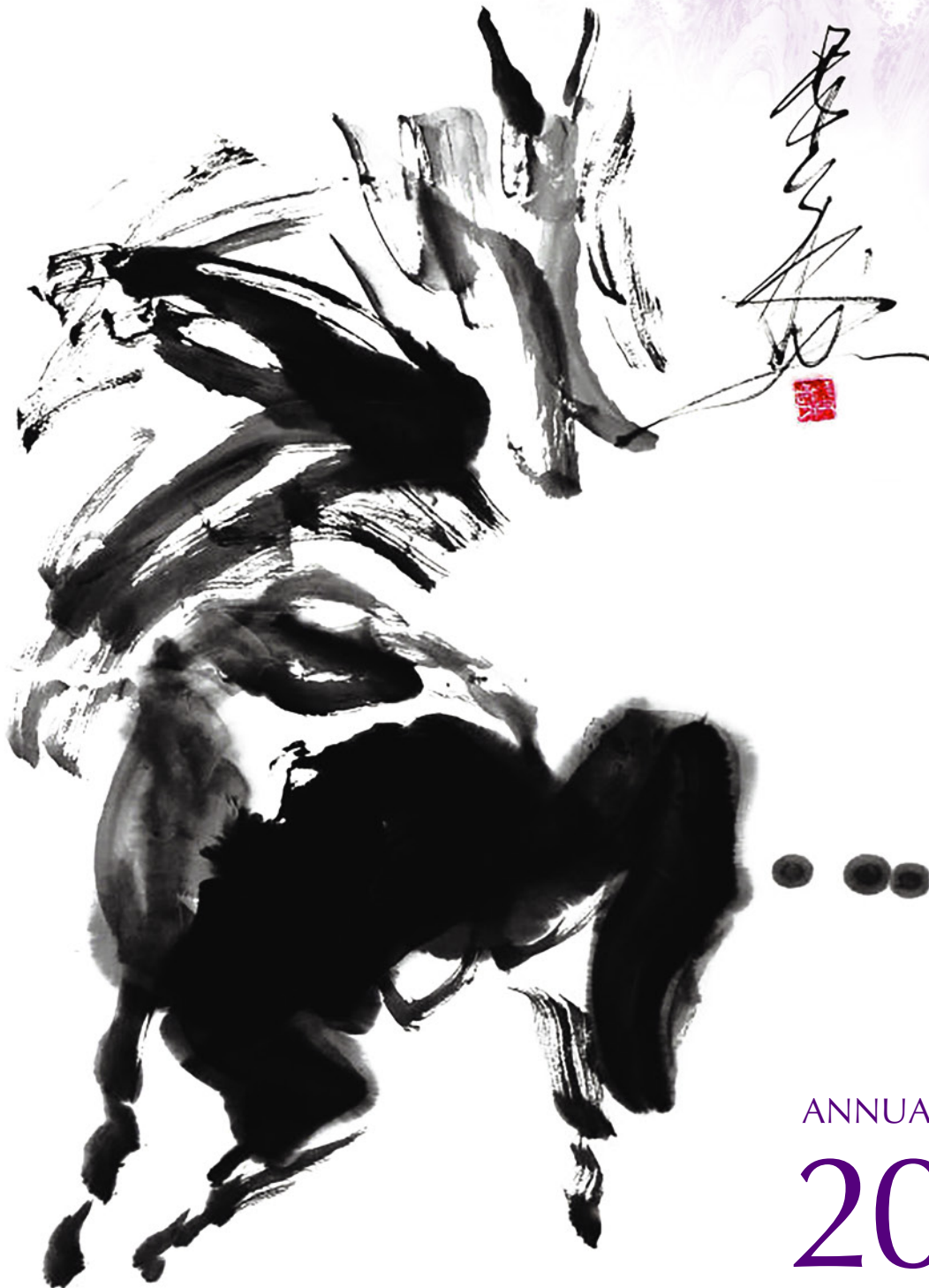


中国光大银行
CHINA EVERBRIGHT BANK

China Everbright Bank Company Limited

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

Stock Code : 6818



ANNUAL REPORT
2015



Important Notice

The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Bank 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.

The 39th meeting of the Sixth Session of the Board of Directors of the Bank was convened in Beijing on 29 March 2016, at which the 2015 Annual Report of the Bank and its results announcement were considered and approved. 11 out of 15 Directors attended the meeting in person. Director Mr. Zhao Wei, Independent Non-Executive Directors Mr. Qiao Zhimin, Ms. Fok Oi Ling Catherine and Mr. Xie Rong were authorized by Director Mr. Yang Jigui, Independent Non-Executive Directors Mr. Zhang Xinze, Mr. Xu Hongcai and Mr. Feng Lun, respectively, who were unable to attend the meeting due to other official duties, to attend the meeting and exercise the voting right on their behalves. 7 Supervisors attended this meeting.

The financial report of the Bank for the year 2015 was prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") and the International Financial Reporting Standards ("IFRS") and was audited by KPMG Huazhen LLP and KPMG in accordance with the China Standards on Auditing and the Hong Kong Standards on Auditing, respectively. Both auditors issued standard unqualified audit reports.

Mr. Tang Shuangning, Chairman of the Board of Directors, Mr. Zhang Jinliang, 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.

The Board of Directors of the Bank proposed to pay a dividend of RMB1.90 (before tax) for every 10 ordinary shares for 2015. Please refer to “Significant Events” for details.

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. The investors and related parties should keep sufficient risk awareness in this regard, and should understand the difference among plans, predictions and commitments.

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

**The Board of Directors of
China Everbright Bank Company Limited**
29 March 2016

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Definition and Significant Risk Warning

I. 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
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:

“Sunshine Direct Bank”: The brand of the Bank's direct banking business, which was formally launched on 18 August 2015. This platform provides financial services including wealth management, fund, foreign exchange, utilities and fee payment, and credit card application, etc..

“Cloud Fee Payment”: The brand of the Bank's open platform for online fee payment, which provides Internet users with services for payment for usage of water, electricity and gas. Currently it includes more than 600 service items covering over 70 major cities in China.

“Cloud Payment”: The brand of the Bank's comprehensive payment service, which integrates various channels to perform online and offline payment, B2C and B2B payment, intra-bank and inter-bank payment, domestic and overseas payment, fiscal agency payment, inter-bank agency payment and pos payment.

“E-Wealth Management”: The brand of the Bank's online service of wealth management products designed by banks, insurance companies, and fund companies to clients of the Bank and other internet users through the Bank's open platform for financial services.

“E-Commerce”: The brand of the Bank's online service for corporate clients including product purchase, payment and settlement, account management and some comprehensive solutions for e-commerce through the Bank's electronic commerce platform and relevant electronic channels.

“E-Financing”: The brand of the Bank's whole-process online lending service for its clients and other internet users through its financing business system.

“BTA Wealth Management Product Pledged Loans”: A RMB loan product based on the pledge of the borrower's wealth management products purchased through the Bank's own Bank Transfer Agent (BTA) system.

“Double F Asset Management Mode”: “Double F” refers to the Fixed-income products and Fund of Funds asset management mode. The fixed-income products are managed by the Bank itself based on its advantage of scale and market expertise as an institutional investor. Fund of Funds (FOF) management means that the Bank, by making use of its good co-operations with top-ranked management teams of funds, securities, brokers and private funds in the market, carefully selects managers, through its performance assessment system and performance attribution analysis, to be in charge of the investment operation and management of some equity related products or quantitative trading related products.

Significant Risk Warning

The Bank has disclosed herein the major risks involved in its operations and some risk management measures the Bank is planning to take to deal with these major risks accordingly. Please refer to the “Management Discussion and Analysis” for details.



Company Profile

I. Basic Information of the Bank

- (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
Authorized representatives: Ma Teng, 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:
Mainland China: 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
Bank's website: www.cebbank.com
Websites for publication of H share annual report:
HKSE's website: www.hkex.com.hk
Bank'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 of Ordinary Shares: 601818
Abbreviated name of Preference Shares: 光大優1; Stock code of Preference Shares: 360013
(SSE Comprehensive Business Platform)
H share: HKSE
Abbreviated name: CEB Bank; Stock code: 6818

- (VIII) Auditors during the reporting period
Domestic Auditor: KPMG Huazhen LLP
Office Address: 8/F, KPMG Tower, 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
- (IX) Legal advisors of the Board of Directors during the reporting period
A Share Legal Advisor: Jun He Law Offices
H Share Legal Advisor: Herbert Smith Freehills
- (X) 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
- (XI) Sponsor of the issuance of Preference Shares
UBS Securities Co. Limited, Office Address: 15th Floor, Yinglan International Financial Center,
7 Financial Street, Xicheng District, Beijing, Sponsor
Representative: Liu Wencheng, Lin Ruijing
Everbright Securities Company Limited, Office Address: Jing'an International Plaza, 1508 Xinzha Street,
Jing'an District, Shanghai, Sponsor
Representative: Sun Bei, Huang Yonghua
Duration of continuous supervision: 21 July 2015-31 December 2016
- (XII) Other Information
Business license registration number for enterprise legal person: 100000000011748
Code of financial authority: B0007H111000001
Tax registration No.: 110102100011743
Code of organization: 10001174-3

Company Profile

II. Introduction of the Bank

China Everbright Bank (CEB), which was established in August 1992 and headquartered in Beijing, is a national joint-stock commercial bank approved by the State Council of China and the People's Bank of China. The Bank was listed on the Shanghai Stock Exchange (SSE) in August 2010 (stock code 601818) and the Hong Kong Stock Exchange (HKSE) in December 2013 (stock code 6818).

As at the end of the reporting period, the assets of the Group amounted to RMB3.17 trillion. The Bank has formed a nationwide business network with its 1,048 branches and outlets covering 108 economic center cities of 29 provinces, autonomous regions and municipalities and Hong Kong. In addition to the establishment of CEB International Investment Corporation Limited in Hong Kong, its application for CEB Seoul Branch has obtained the approval of the Republic of Korea regulatory authorities, signifying the accelerating pace of its international expansion. Its subsidiaries, namely, Everbright Financial Leasing Co., Ltd., Shaoshan Everbright Village Bank Co., Ltd. and Jiangsu Huai'an Everbright Village Bank Co., Ltd. have achieved good results, representing the sound performance of the comprehensive operation. Its long term sponsorship for "Water Cellar for Mothers", a public welfare program, has demonstrated CEB's commitment to its social responsibility, which has been well recognized in China and has positive impact on the society. The Bank was ranked No. 57 in the "Top 1000 World Banks" by *the Banker*, a U.K. magazine, in 2015.

With continuous reform and innovation in optimizing its products design, channel development and service models improvement, the Bank forged a strong market competitive edge in its comprehensive operation and major product and business lines such as asset management, investment banking business, e-banking and credit card business, etc.. Therefore, the Bank has achieved a balanced growth of all business lines, with improved risk management and enhanced innovation capabilities.

Over the years, along with the evolution of Chinese economy and the growth of Chinese financial sector, the brand image and market value of the Bank has been enhanced continuously. The Bank has achieved a good performance while providing high quality financial services, and is now a well recognized listed bank with sound compliance.

Honors and Awards

1. In January 2015, the Bank won the Award of 2014 China's Outstanding Enterprise for Corporate Social Responsibility at the 7th China Corporate Social Responsibility Summit organized by Xinhuanet in Beijing.
2. In January 2015, the Bank won the Awards of the Most Influential National Bank for 2014, the Most Competitive Financial Management Institution, the Best Credit Card Brand for 2014, and the Excellence Brand for Mobile Banking at the 12th Financial Annual Champion Award Ceremony for 2014 organized by Hexun.com.
3. In February 2015, the Bank's custodian business won the Award of the Progress Prize for Bond Business in the selection of 2014 China Bond Market Outstanding Member held by China Central Depository & Clearing Co. Ltd. (CDCC). In April 2015 the Bank won the Award of the Excellent Custodian Bank issued by Shanghai Clearing House.
4. In February 2015, the Bank's "Visa Overseas Privileged Card", a platinum credit card, won the Award of the Best Design of High-end Product for 2014 issued and organized by VISA Inc.; the Bank's Credit Card Center won the Award of the Best Partner for 2014 issued by JCB Co., Ltd., 2014 Contribution in Promotion of UnionPay Card Award and 2014 Excellent Promotion of UnionPay Card Channel Award issued by China Unionpay.
5. In April 2015, the Bank won the Award of the Best WeChat Public Platform and Top Ten Social Marketing Case in the Third Financial Brand Summit held by Chinese Financial Certification Center (CFCA).
6. In May 2015, the Bank won the Award of 2015 Best Investment Bank of Power Industry in the result of 2015 China Outstanding Investment Bank held by *Securities Times*.
7. In May 2015, the Bank's "Sunshine Smart" brand was rated as the 2014 Best Banking Wealth Management Brand at the 2015 China Wealth Management Summit Forum & the 7th Gold Wealth Management Award Presentation Ceremony organized by *Shanghai Securities News*. The "Sunshine Optimal and Quantitative Combo Wealth Management Product (MOM)" won the Award of 2014 Best Banking Product Innovation. In June 2015, the Bank's "Sunshine Smart" brand was selected as the "2015 Best Banking Wealth Management Brand" and its "Sunshine Optimal and Quantitative Combo Wealth Management Product (MOM)" was selected as the "2015 Most Innovative Financial Banking Product in China" in the result of 2015 China Best Wealth Management Institutions held by *Securities Times*. In December 2015, the Bank won the Award of Best Financial Brand of the Year at the 8th Investors Annual Forum & Golden Cicada Award Ceremony held by *China Times* in Beijing.
8. In June 2015, the Bank won the Award of Excellent E-Banking in Payment Experience in the "Finding New Path, the New Financial Forum & Ceremony for TOP List of Innovative Finance" held by *Economic Observer*.



Honors and Awards

9. In June 2015, the Bank won the Award of 2014 Best Social Responsibility of People's Livelihood Finance at the ceremony for the release of *the 2014 Social Responsibility Report on China's Banking Sector* and the recognition presentation of corporate social responsibility organized by the China Banking Association.
10. In July 2015, the Bank won the Best Financial Management Bank Award at the 2015 Banking Industry Development Forum & 3rd Comprehensive Evaluation of Banks held by Sina.com in Beijing.
11. In July 2015, the Bank's credit card won the 2015 (Industrial) Best Brand Image Award at the 2015 (4th) China Finance Summit & "Glory and Dream" Influential Brand Release Ceremony co-organized by financial and mass media organizations such as China.com.cn and Chinanews.com. The Bank's credit card was selected as the Best Innovative Credit Card as announced in the 2nd Selection of Best Banks organized by *Investor Journal*.
12. In July 2015, the Bank's credit card of "Mother Water Cellar" public welfare program won the 2015 Best Corporate Social Responsibility Case Award in the 7th Social Responsibility Annual Meeting held by *Southern Weekend* in Beijing.
13. In August 2015, the Bank received the Award of 2015 Best Service Innovation Bank and the Award of 2015 Best Credit Card Brand in Customer Experience at the 8th 21st Century Asset Management Golden Shell Award Ceremony held by *21st Century Business Herald* in Shanghai. In September 2015, the Bank was named the Award of 2015 Best Financial Service in Credit Card Industry in China and 2015 Most Competitive Brand in Credit Card Industry in China at the 11th China Corporate Integrity & Competitiveness Forum Summit 2015 organized by *Economy Magazine*. In December 2015, the Bank's credit card won the Award of Golden Public Praise Credit Card in the result of 2015 "Golden Public Praise" Financial Contest Activity held by *Beijing Times*.
14. In November 2015, the Bank won the Award of Best Financial Brand of China in the China Pratt & Whitney Financial Development Forum 2015 held by *National Business Daily* and the 2015 Excellent Pratt & Whitney Financial Services Bank Award in the 10th 21st century Asian Financial Annual Meeting held by *21st Century Business Herald*.
15. In November 2015, the Bank won the Best Enterprise Annuity Service Award in the selection of 2015 Chinese CFO's Most Trusted Banks organized by the CFO magazine, which is the only domestic commercial bank who won the Award for seven consecutive years.
16. In December 2015, the Bank won the Awards of 2015 Competitive Brand Building Bank, 2015 Excellent Competitiveness Credit Card Brand, 2015 Competitive Small and Micro Financial Services Bank and 2015 Excellent Pension Service Bank at the 2015 Award Presentation Ceremony for Financial Institutions of Excellent Competitiveness by *China Business Journal*.
17. In December 2015, the Bank won the Award for Annual Excellent Green Bank and Annual Excellent Credit Card Service Bank at the 2014-2015 China Excellence Financial Award Presentation Ceremony organized by *Economic Observer*.

18. In December 2015, the Bank won the Most Influential Brand Bank Award in the “Innovation China: New Ideas, New Power, New Development – 13th Five-Year Innovation Forum” held by China Business Times.
19. In December 2015, the Bank won the Excellent Board of Directors Prize in the 11th “Gold Round Table Forum” & “Gold Round Table Award” for Boards of Chinese Listed Companies sponsored by the *Directors & Boards Magazine* in Nanjing.
20. In December 2015, the Bank won the Awards of the Best Pension Service Bank of the Year and the Best E-bank of the Year in 2015 Chinese Financial Institutions Gold Medal List – Golden Dragon Award organized by the *Financial News*.
21. In December 2015, the “Sunshine Bank” of the Bank won the Golden Orange Award of the 2015 Internet Financial Innovation Platform at the 2015 Golden Orange Award Ceremony held by *Economic Observer* in Beijing.

Chairman's Message

“As the tide is turning, the Bank will embrace the ultimate harmony.”

This is my ninth report to the shareholders since China Everbright Bank eventually resumed the publication of its annual report in 2007.

Today I would like to share with you three things. First of all, China Everbright Group, the Bank's parent company, is different now. Gone forever is the old Everbright Group, the once loss-making and insolvent company with anxious employees and weak corporate culture. Second, the Bank, which has built up its strengths for years by focusing on development and adjustment and emphasizing on both scale and quality of growth, delivers proud performance today. Third, the Bank bid farewell to Mr. Zhao Huan, who had made a valuable contribution to the Bank and was transferred to an important position in Agriculture Bank of China, and welcomed Mr. Zhang Jinliang on board as the new president, who would lead the Bank in exploring new frontiers. The change of the Bank's presidency, which attracted lots of attention, raised new expectations on the Bank.

Here I would like to take a moment to express my gratitude to the country, our shareholders and all our colleagues.



TANG Shuangning
Chairman

Given the mediocre global economic outlook for 2016, there will be a bumpy road ahead for China's economy. Opportunity or challenge is all about wisdom and strength. Only those, who can grasp the truth and adopt proper methodologies, will stand out.

As Thucydides the philosopher put it, the belligerents' good time cannot be long lasting. We believe the reverse is also true. In the past, the Bank was mired in adversity. As the tide is turning, the Bank will embrace the ultimate harmony.

Sincere is my wish and strong is our determination.

Tang Shuangning
Chairman
29 March 2016

President's Message

“ In 2016, the Bank will implement the development concept of innovation, harmonization, green, openness and sharing. The Bank will adhere to the principle of making progress while ensuring stability, stepping up efforts to improve quality and effectiveness of development. It will emphasize structural adjustments and risk control, promote financial reform and innovation in order to provide higher quality financial services to its customers and create greater value for its shareholders and stakeholders. ”

In 2015, proactively adapting to the New Normal of Chinese economy, the Bank sought steady progress through reform and innovation. It built up a new profit engine and enhanced capabilities in market development, financial innovation and risk control, leading to a sound and stable growth in all its business sectors and a reinforced position in the market.

As at the end of 2015, the total assets of the Group amounted to RMB3.17 trillion, representing a year-on-year increase of 15.74%. The scale of various loans reached RMB1.51 trillion, representing a year-on-year increase of 16.48%, while the total liabilities were RMB2.94 trillion, representing a year-on-year increase of 15.10%. The balance of customer deposits reached RMB1.99 trillion, representing a year-on-year increase of 11.68%. The net profit attributable to equity shareholders of the Bank was RMB29.53 billion, representing a year-on-year increase of 2.23%. Capital adequacy ratio reached 11.87%, representing a year-on-year increase of 0.66 percentage point.

During the reporting period, the Bank actively adjusted its development strategy to accelerate structural optimization and business transformation. To ensure a multi-sources profit growth, the Bank positively supported the implementation of national strategy, served the real economy, promoted a balanced development of its corporate banking, retail banking and financial market businesses. The Bank consolidated the overall risk management framework and refined the risk resolution system to hold the bottom line. Major breakthroughs in overseas expansion were made. CEB International Investment Corporation Limited was



ZHANG Jinliang
President

established in Hong Kong, while CEB Seoul Branch was granted approval by Korean financial regulators. A comprehensive Internet banking strategy was put in place, by launching its direct banking service, Sunshine Direct Bank, and by focusing on online banking, mobile banking and WeChat banking businesses. During the reporting period, 83 offices and outlets were established. Its operating efficiency, business competitiveness and service quality were continuously enhanced. To boost its capital adequacy ratio and tier-1 capital adequacy ratio, the Bank actively sought capital replenishment by successful issuance of preference shares of RMB20 billion.

In 2016, China is determined to carry forward structural reform. The Bank will enter into a crucial stage of adapting to the New Normal and seeking new development. It will implement the Five Development Concepts of innovation, harmonization, green, openness and sharing. The Bank will adhere to the principle of making progress while ensuring stability, stepping up efforts to improve quality and effectiveness of development. It will emphasize structural adjustments and risk control, promote financial reform and innovation in order to provide higher quality financial services to its customers and create greater value for its shareholders and stakeholders.

Zhang Jinliang
President
29 March 2016

Summary of Accounting Data and Financial Indicators

I. Key Accounting Data and Financial Indicators

	2015	2014	Change (%)	2013	2012	2011
Operating performance (RMB million)						
Net interest income	66,459	58,259	14.08	50,862	50,263	39,440
Net fee and commission income	26,301	19,157	37.29	14,952	9,479	6,973
Operating income	93,364	78,771	18.53	65,527	60,070	46,198
Operating expenses	(32,354)	(30,008)	7.82	(26,473)	(22,685)	(18,289)
Impairment losses on assets	(21,652)	(10,209)	112.09	(4,633)	(5,795)	(3,698)
Profit before tax	39,358	38,554	2.09	34,421	31,590	24,211
Net profit	29,577	28,928	2.24	26,754	23,620	18,085
Net profit attributable to equity shareholders of the Bank	29,528	28,883	2.23	26,715	23,591	18,068
Scale indicators (RMB million)						
Total assets	3,167,710	2,737,010	15.74	2,415,086	2,279,295	1,733,346
Net loans and advances to customers	1,475,424	1,271,430	16.04	1,142,138	997,331	868,782
Total liabilities	2,943,663	2,557,527	15.10	2,262,034	2,164,973	1,637,196
Deposits from customers	1,993,843	1,785,337	11.68	1,605,278	1,426,941	1,225,278
Equity attributable to equity shareholders of the Bank	223,493	178,975	24.87	152,839	114,178	96,035
Share capital	46,679	46,679	-	46,277	40,435	40,435
Per share (in RMB)						
Net assets per share attributable to equity shareholders of the Bank	4.36	3.83	13.84	3.30	2.82	2.38
Basic and diluted earnings per share	0.63	0.62	1.61	0.66	0.58	0.45
Profitability indicators (%)						
Return on average total assets	1.00	1.12	-0.12 percentage point	1.14	1.18	1.12
Return on average net assets	15.50	17.36	-1.86 percentage points	21.48	22.54	20.44
Net interest spread	2.01	2.06	-0.05 percentage point	1.96	2.34	2.30
Net interest margin	2.25	2.30	-0.05 percentage point	2.16	2.54	2.49
Proportion of fee and commission income in operating income	28.17	24.32	+3.85 percentage points	22.82	15.78	15.09
Cost-to-income ratio	27.05	30.02	-2.97 percentage points	31.84	30.19	32.12

	2015	2014	Change (%)	2013	2012	2011
Capital adequacy indicators (%)						
Core tier-1 capital adequacy ratio	9.24	9.34	-0.10 percentage point	9.11	-	-
Tier-1 capital adequacy ratio	10.15	9.34	+0.81 percentage point	9.11	-	-
Capital adequacy ratio	11.87	11.21	+0.66 percentage point	10.57	-	-
Proportion of total equity in total assets	7.07	6.56	+0.51 percentage point	6.34	5.02	5.55
Asset quality indicators (%)						
Non-performing loan ratio	1.61	1.19	+0.42 percentage point	0.86	0.74	0.64
Provision coverage ratio	156.39	180.52	-24.13 percentage points	241.02	339.63	367.00
Provision-to-loan ratio	2.52	2.16	+0.36 percentage point	2.07	2.53	2.36

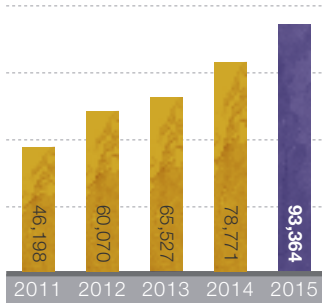
Note:

1. The calculation of basic and diluted earnings per share, return on weighted average equity and net assets per share attributable to equity shareholders of the Bank excluded the effect of the issuance of preference shares. And it is same thereafter.
2. Capital adequacy ratios for 2013 to 2015 were calculated in accordance with the new measures, no disclosure of capital adequacy ratios was made in accordance with old measures.

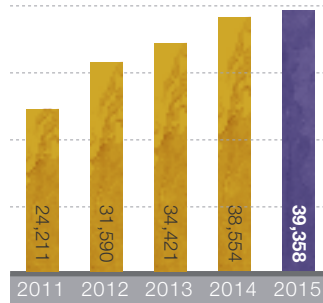
Summary of Accounting Data and Financial Indicators

Operating income

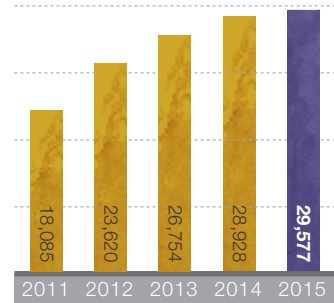
Unit: RMB million

**Profit before tax**

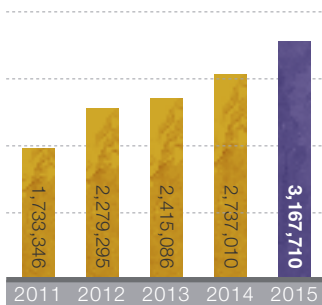
Unit: RMB million

**Net profit**

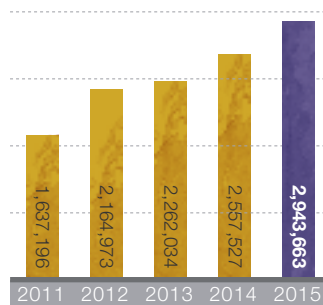
Unit: RMB million

**Total assets**

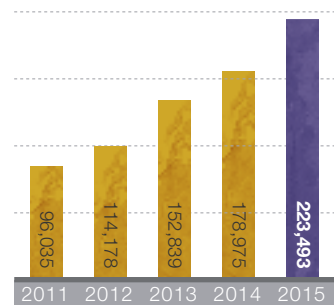
Unit: RMB million

**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 2015	31 December 2014	31 December 2013
Liquidity ratio	RMB ≥ 25	54.90	45.90	33.12
	Foreign currency ≥ 25	98.87	109.61	59.65
Loan to deposit ratio	RMB ≤ 75	74.90	70.86	72.06
	Currencies converted into RMB ≤ 75	73.59	70.10	72.59
Loan exposure to single largest customer	≤ 10	2.38	3.05	3.70
Loan exposure to top ten customers	≤ 50	11.86	15.19	18.92

Note: The above indicators were calculated in accordance with the banking level.

III. Quarterly Operating Indicators During the Year

Unit: RMB million

Item	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	22,288	23,299	24,569	23,208
Net profit attributable to equity shareholders of the Bank	8,358	7,883	7,634	5,653
Net cash flows from operating activities	88,932	111,417	(5,358)	16,409

Summary of Accounting Data and Financial Indicators

IV. Capital Composition and Changes

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

Unit: RMB million, %

Item	31 December 2015		31 December 2014		31 December 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net capital base	259,482	253,120	212,719	208,280	175,351	173,178
1.1 Core tier-1 capital	203,950	202,013	179,356	177,853	153,037	152,090
1.2 Core tier-1 capital deductions	(2,115)	(5,479)	(2,085)	(4,955)	(1,920)	(2,742)
1.3 Net core tier-1 capital	201,835	196,534	177,271	172,898	151,117	149,348
1.4 Other tier-1 capitals	19,992	19,965	10	–	4	–
1.5 Other tier-1 capital deductions	–	–	–	–	–	–
1.6 Net tier-1 capital	221,827	216,499	177,281	172,898	151,121	149,348
1.7 Tier-2 capital	37,655	36,621	35,438	35,382	24,230	23,830
1.8 Tier-2 capital deductions	–	–	–	–	–	–
2. Credit risk weighted asset	2,032,386	1,993,875	1,766,454	1,744,119	1,546,021	1,530,287
3. Market risk weighted asset	4,970	4,970	4,400	4,400	5,749	5,749
4. Operational risk weighted asset	148,160	146,445	127,377	126,051	107,091	106,041
5. Total risk weighted assets	2,185,516	2,145,290	1,898,231	1,874,570	1,658,861	1,642,077
6. Core tier-1 capital adequacy ratio	9.24	9.16	9.34	9.22	9.11	9.10
7. Tier-1 capital adequacy ratio	10.15	10.09	9.34	9.22	9.11	9.10
8. Capital adequacy ratio	11.87	11.80	11.21	11.11	10.57	10.55

Note:

- All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the Provisional Regulation, should be calculated in 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., Jiangsu Huai'an Everbright Village Bank Co., Ltd. and CEB International Investment Corporation 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.
- Please refer to the website of the Bank (www.cebbank.com) for details of the capital composition.

V. Leverage Ratio

The leverage ratio indicators of the Group calculated in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (released by the CBRC on 30 January 2015) are as follows:

Unit: RMB million, %

Item	31 December 2015	30 September 2015	30 June 2015
Leverage ratio	5.95	5.87	5.73
Tier-1 capital adequacy ratio	10.15	10.18	10.23
Adjusted on-balance sheet and off-balance sheet assets	3,725,948	3,656,207	3,598,192

Please refer to “Financial Report Supplementary Data” for details of leverage ratio.

VI. Liquidity Coverage Ratio

Please refer to “Financial Report Supplementary Data” for details.

Business Overview of the Bank

I. Economic, Financial and Regulatory Environments

With the weak recovery and growth of the global economy and the sluggish international trade in 2015, the world witnessed the nose dive of commodity prices and intensifying volatility of the international financial market.

China maintained its economic growth within a reasonable range. With its annual GDP growth rate of 6.9%, China ranked forefront among major global economies. Thanks to the progress of its structural adjustment, China cultivated new driving factors for growth. However, due to the effect of multiple factors and changing domestic and international conditions, Chinese economy faced challenges and headwinds, such as severe over-capacity of some industries, operating difficulties of some enterprises and increased risks in financial and other sectors.

With the prudent monetary policy, the liquidity of China's banking system was reasonably adequate. The cap on the floating deposit rates was lifted while the deposit insurance system was implemented. The RMB cross-border settlement system was established. RMB's inclusion in the SDR basket marked a major step forward of RMB to become one of the international reserve currencies. With more flexibility of RMB exchange rate moving in both ways, the RMB exchange rate pricing mechanism was further improved.

The Chinese regulatory authorities optimized the regulatory policies and explored measures for counter-cyclical supervision by changing the loan-to-deposit ratio from a regulatory limit to a monitoring indicator. Reform and opening up was deepened to stimulate market vitality and to support Chinese banks in improving their overseas presence. Guidance for private banks, credit guarantee institutions and financial leasing companies was promulgated, which would encourage and guide more private capital into the banking sector.

II. Industry Landscape and State of the Bank

In 2015, along with the deepening of financial reform and growing financial disintermediation in China, the emerging of Internet banking and private banks significantly changed the competition landscape of China's banking industry, posing challenges to the long-held profit model of Chinese banks. Facing the complex and changing business environment, Chinese commercial banks explored strategies for differentiated operation and accelerated their structural adjustments and strategic transformation.

Seizing the opportunities brought by the successful reorganization of China Everbright Group, the Bank forged ahead while maintaining its stability. It focused on steady growth and structural adjustment, profit increase and risk prevention. It also emphasized the deepening of reform and the strengthening of management. Actively adapting itself to the New Normal of the Chinese economy, the Bank accelerated its structural adjustment and transformed its development pattern. Therefore the Bank performed well for the year and gained more competitive advantages in the market as demonstrated by its well-recognized asset management, investment banking, E-banking and credit card businesses.

III. Review of Main Work of the Bank

(I) Bench-marked comparable peers and increased its market share

The Bank implemented national credit policies and ensured the stable growth of its credit business. It developed the “large-asset”¹ concept by integrating the traditional credit resources with investment banking, inter-banking, asset management and leasing businesses, so as to serve the real economy. The Bank sought the low-cost deposits, stable deposits, fiscal deposits and inter-bank deposits to drive the steady growth of its liabilities business. By the end of the reporting period, the Bank ranked the forefront among the comparable peers in terms of the growth rate of RMB loans, corporate deposits, retail deposits and core deposits for the year, while the market share of the Bank increased accordingly.

(II) Deepened the structural adjustment and improved the quality of growth

The Bank actively adjusted the asset structure to channel more credit resources to national strategic fields and weak sectors. It vigorously developed consumer finance, credit card overdraft and residential mortgages, while it steadily developed inclusive finance. The Bank reduced its credit for sectors with overcapacity and strengthened the management of credit concentration. It endeavored to improve its liability structure and stabilized the proportion of core deposits, resulting in its moderately reduced liability costs. It also optimized the income structure by emphasizing the fee-based business and exploring multiple channels to increase non-interest based income.

(III) Increased incomes and Reduced expenses for better operating efficiency

The Bank expanded the scale of interest-bearing assets as its corporate banking, retail banking, inter banking and financial leasing businesses grew rapidly, leading to the increase of the interest income. And it also focused on its strategic businesses as its asset management, credit card, custodian services, wealth management, and private banking business achieved big income growth from their fee-based services. The Bank lowered its liability costs and reduced its interest expenses of the year by cutting down the interest costs of general deposits and inter-bank deposits. It also tightened expenditure control. Therefore, the increase of operating expenses was less than that of income increase.

(IV) Improved risk control and ensured manageable risk level

The Bank emphasized its credit risk management, as it strengthened the compliance management of credit business, enhanced the credit approval of group customers, established and improved the asset quality management system. It enhanced the asset and liability management, controlled the tempo of lending and ensured the liquidity safety and stability. It stressed the operation risk prevention, as it strengthened the control of the sales of wealth management products and obviated related potential risks in a timely manner. By the end of the reporting period, the ratio of non-performing loans of the Bank had been controlled within a reasonable level, while the provision-to-loan ratio and the provision coverage ratio of the Bank conformed to the regulatory requirements.

¹ Large-asset concept refers to the Bank’s financial products and services for corporate clients based on the integrated application of various cooperation, business models or channels.

Business Overview of the Bank

(V) Promoted reform and innovation and released more operational vitality

The Bank deepened the reform of budget control and resource allocation mechanism and highlighted the role of branches as profit centers in operation. It enhanced the reform of risk management system and mechanism, improved independent decision-making scheme for credit approval and set up accountability scheme for business line. The Bank strengthened the reform of organizational framework and system, as it adjusted the internal organizations and integrated and adjusted the functions of some departments. It deepened the reform on delegation of authority for business operation and management and established the radial authority delegation system based on the rank hierarchy. It also moved forward the reform of innovation system and mechanism by improving the policies about innovation and related incentive mechanism so as to stimulate its employees' enthusiasm for innovation.

(VI) Consolidated the management foundation and improved growth momentum

The establishment of overseas affiliates was accelerated as CEB International Investment Corporation Limited was established in Hong Kong and the application for Seoul Branch was approved by the Financial Services Commission of the Republic of Korea (ROK). The Bank implemented a grand plan of Internet banking, as it launched the direct banking business (i.e. the Sunshine Direct Bank) and focused on online banking, mobile banking and WeChat banking with the E-banking replacement ratio up to 94%. The Bank's network set-up plan was well implemented with 83 new banking offices and outlets. The Bank issued its preference shares of RMB20 billion, which improved its capital adequacy ratio and tier one capital adequacy ratio. The Bank continued to strengthen its technical capabilities, as several technical achievements of the Bank were recognized by the People's Bank of China as "in the leading position in China".

IV. Analysis on Core Competitiveness

Advantages of its full-licensed parent company. As a key state-owned enterprise directly reporting to the central government, China Everbright Group owns the full range of financial licenses and has set up a platform for business collaboration and cooperation among the Bank and all other companies under the Group to provide cross-market comprehensive financial solutions to all clients.

Advantages of unified Sunshine brand. Adhering to the mission of "Sharing Sunshine and Innovating Lifestyle", the Bank stepped up its brand building efforts to create "Sunshine" brand series, whose favorable images and good reputations have forged the competitiveness of the brand.

Advantages of some leading businesses. As the first bank to launch wealth management products, the Bank has maintained competitive advantages in wealth management products and asset management business. The Bank's investment banking business has enjoyed the first-mover advantage in the industry with the gradual materialization of the brand effect. The E-banking business has focused on the building of an open service system based on an open platform, which thus has developed into an industry leading business model.

Comprehensive risk management system. Based on the Basel III framework, the Bank established a comprehensive risk management system which covered all substantial risks. The Bank continued the building of the technology platform for economic capital management so as to improve its risk management capabilities with quantitative instruments.

Advantages in IT management and independent IT R&D capability. As the first Chinese commercial bank to put in place the “data centralization”, the Bank has led the industry in terms of its safe operation and maintenance and technology support capabilities. In recent years, the Bank has also established a platform for independent IT R&D, which has contributed to its growing independent IT R&D capability.

V. Other Information on Business Review of the Bank

Certain information in relation to the Bank’s business review, which includes a discussion of the principal risks and their management, an analysis of the Bank’s performance using financial key performance indicators, particulars of important events affecting the Bank during the year, and an indication of likely future developments in the Bank’s business, can be found in the “Management Discussion and Analysis” of this annual report. In addition, discussions on the Bank’s environmental policies, the compliance with relevant laws and regulations which have a significant impact on the Bank, relationships with its key stakeholders, charity donation and permitted indemnity provisions are included in the “Significant Events” of this annual report.

Management Discussion and Analysis

I. Overall Operations of the Bank

During the reporting period, the Bank actively promoted the growth of core deposits and enhanced lending business, while it strictly maintained the risk bottom line and broadened the sources of the capital, leading to a sound business result. With the moderately fast growth of assets and liabilities and the continuously improved income structure, the Bank achieved the profit growth as anticipated, while its overall risks remained controllable and its capital strength was reinforced.

(I) Fast growth of business scale as the foundation for improved profitability

As at the end of the reporting year, the total assets of the Group were RMB3,167,710 million, representing an increase of RMB430,700 million or 15.74% as compared with those at the end of the previous year. The balance of all items of loans were RMB1,513,543 million, representing an increase of RMB214,088 million or 16.48% as compared with those at the end of the previous year. The total liabilities were RMB2,943,663 million, up by RMB386,136 million or 15.10% as compared with the end of the previous year, among which, the total deposits from customers were RMB1,993,843 million, up by RMB208,506 million or 11.68% as compared with the end of the previous year.

(II) Continuous growth of operating income and larger contribution of fee-based business

During the reporting period, operating income of the Group was RMB93,364 million, representing an increase of RMB14,593 million or 18.53% as compared with the previous year. Its operating expenses were RMB32,354 million, representing a year-on-year increase of RMB2,346 million or 7.82%. Profit before tax was RMB39,358 million, a year-on-year increase of RMB804 million or 2.09%. Net profit was RMB29,577 million, representing a year-on-year increase of RMB649 million or 2.24%.

During the reporting period, net fee and commission income of the Group was RMB26,301 million, representing a year-on-year increase of RMB7,144 million or 37.29%, and became the main driver of net operating income growth. The proportion of net fee and commission income to net operating income reached 28.17%, representing a year-on-year increase of 3.85 percentage points. The Group's income structure has been further optimized.

(III) Increase of non-performing loans and overall risks controllable

As at the end of the reporting period, the Group's non-performing loans were RMB24,375 million, representing an increase of RMB8,850 million as compared with the end of the previous year. Non-performing loan ratio was 1.61%, up by 0.42 percentage point as compared with the end of the previous year. Credit provision coverage ratio was 156.39%, down by 24.13 percentage points as compared with the end of the previous year.

(IV) Successful issuance of preference shares and enhanced capital strength

At the end of the reporting period, the Group's capital adequacy ratio reached 11.87%, up by 0.66 percentage point as compared with that at the end of the previous year. Tier-1 capital adequacy ratio was 10.15%, up by 0.81 percentage point as compared with that at the end of the previous year. Core tier-1 capital adequacy ratio was 9.24%, down by 0.10 percentage point as compared with that at the end of the previous year.

II. Income Statement Analysis

(I) Changes in items of Income Statement

Unit: RMB million

Item	2015	2014	Increase/ (Decrease)
Net interest income	66,459	58,259	8,200
Net fee and commission income	26,301	19,157	7,144
Net trading gains/(losses)	335	1,279	(944)
Dividend income	4	3	1
Net gains/(losses) arising from investment securities	13	(99)	112
Net foreign exchange (losses)/gains	(72)	(210)	138
Other operating income	324	382	(58)
Operating expenses	32,354	30,008	2,346
Impairment losses on assets	21,652	10,209	11,443
Profit before tax	39,358	38,554	804
Income tax	9,781	9,626	155
Net profit	29,577	28,928	649
Net profit attributable to equity shareholders of the Bank	29,528	28,883	645

(II) Operating income

During the reporting period, operating income of the Group was RMB93,364 million, an increase of RMB14,593 million or 18.53% as compared with the previous year. The increase of operating income was 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 28.17%, representing a year-on-year increase of 3.85 percentage points. The proportion of net interest income was 71.18%, down by 2.78 percentage points as compared with that of the previous year.

The following table sets out the composition of the Group's operating income:

Item	2015	2014
Net interest income	71.18	73.96
Net fee and commission income	28.17	24.32
Other income	0.65	1.72
Operating income	100.00	100.00

Management Discussion and Analysis

(III) Net interest income

During the reporting period, the Group's net interest income was RMB66,459 million, representing a year-on-year increase of RMB8,200 million or 14.08%. The increase of net interest income was mainly attributable to the continuous growth of business scale.

The Group's net interest spread was 2.01%, representing a year-on-year decrease of 5 base points. Its net interest margin was 2.25%, representing a year-on-year decrease of 5 base points, mainly due to the narrowed loan-deposit interest spread, as a result of which rate of returns on loans and advances fell much faster than that of the deposits cost affected by the Central Bank's rate cuts and accelerated interest rate liberalization.

Unit: RMB million, %

Item	2015			2014		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
Interest-earning asset						
Loans and advances	1,455,886	83,971	5.77	1,268,646	79,880	6.30
Investments	773,425	38,801	5.02	565,889	29,494	5.21
Deposits with the Central Bank	342,443	5,120	1.50	334,135	5,034	1.51
Placements and deposits with banks and other financial institutions	377,487	14,015	3.71	360,092	19,518	5.42
Total interest-earning assets	2,949,241	141,907	4.81	2,528,762	133,926	5.30
Interest income		141,907			133,926	
Interest-bearing liabilities						
Deposits from customers	1,874,760	47,538	2.54	1,684,370	45,911	2.73
Placements and deposits from banks and other financial institutions	668,367	21,340	3.19	591,536	27,188	4.60
Debt securities issued	154,641	6,570	4.25	56,611	2,568	4.54
Total interest-bearing liabilities	2,697,768	75,448	2.80	2,332,517	75,667	3.24
Interest expense		75,448			75,667	
Net interest income		66,459			58,259	
Net interest spread			2.01			2.06
Net interest margin			2.25			2.30

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 interest rate in 2015.

Unit: RMB million

Item	Volume	Interest rate	Changes in interest
Loans and advances	10,799	(6,708)	4,091
Investments	10,412	(1,105)	9,307
Deposits with the Central Bank	124	(38)	86
Placements and deposits with banks and other financial institutions	646	(6,149)	(5,503)
Interest-earning assets	21,981	(14,000)	7,981
Changes in interest income			7,981
Deposits from customers	4,828	(3,201)	1,627
Placements and deposits from banks and other financial institutions	2,453	(8,301)	(5,848)
Debt securities issued	4,165	(163)	4,002
Interest-bearing liabilities	11,446	(11,665)	(219)
Changes in interest expense			(219)
Net interest income			8,200

(IV) Interest income

During the reporting period, the Group's interest income was RMB141,907 million, representing a year-on-year increase of RMB7,981 million or 5.96%. The increase in interest income was mainly due to the increase of the interest income from investments, loans and advances.

1. Interest income from loans and advances

During the reporting period, the Group's interest income from loans and advances was RMB83,971 million, representing a year-on-year increase of RMB4,091 million or 5.12%. The increase in interest income from loans and advances was mainly due to the steady development of business with a larger volume of loans and advances.

The following table sets forth the average balance, interest income, and average yield of major types of loans and advances of the Group in 2015:

Unit: RMB million, %

Item	2015			2014		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	892,265	52,813	5.92	811,303	51,851	6.39
Retail loans	490,269	28,199	5.75	432,880	27,027	6.24
Discounted bills	73,352	2,959	4.03	24,463	1,002	4.10
Loans and advances	1,455,886	83,971	5.77	1,268,646	79,880	6.30

Management Discussion and Analysis

2. Interest income from investments

The Group's interest income from investments was RMB38,801 million, representing a year-on-year increase of RMB9,307 million or 31.56%.

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 banks and other financial institutions and financial assets held under resale agreements was RMB14,015 million, representing a year-on-year decrease of RMB5,503 million or 28.19%.

(V) Interest expense

The Group's interest expense was RMB75,448 million, representing a year-on-year decrease of RMB219 million or 0.29%. The decrease in interest expense was mainly due to the decrease of placements and deposits from banks and other financial institutions.

1. Interest expense on deposits from customers

During the reporting period, interest expense on deposits from customers was RMB47,538 million, representing a year-on-year increase of RMB1,627 million or 3.54%. The increase in interest expense on deposits from customers was mainly due to steady business development, deposits from customers increasing as compared with the previous year.

The following table sets forth the average balance, average cost ratio and interest expense of major types of deposits from customers of the Group in 2015:

Unit: RMB million, %

Item	2015			2014		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
Corporate deposits	1,444,628	35,815	2.48	1,286,024	33,537	2.61
Including: Corporate demand deposits	453,938	3,140	0.69	437,277	3,145	0.72
Corporate time deposits	990,690	32,675	3.30	848,747	30,392	3.58
Retail deposits	430,132	11,723	2.73	398,346	12,374	3.11
Including: Retail demand deposits	114,454	607	0.53	96,676	597	0.62
Retail time deposits	315,678	11,116	3.52	301,670	11,777	3.90
Total deposits from customers	1,874,760	47,538	2.54	1,684,370	45,911	2.73

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 RMB21,340 million, representing a year-on-year decrease of RMB5,848 million or 21.51%.

3. Interest expense on debt securities issued

The Group's interest expense on debt securities issued was RMB6,570 million, representing a year-on-year increase of RMB4,002 million or 155.84%. The increase of interest expense on debt securities issued was due to the year-on-year increase of the average balance of debt securities issued with the issuance of a large number of inter-bank deposits.

(VI) Net fee and commission income

During the reporting period, the Group's net fee and commission income was RMB26,301 million, representing a year-on-year increase of RMB7,144 million or 37.29%. The increase of net fee and commission income was mainly due to the faster increase of bank card service fees and wealth management service fees. The credit card business enhanced its marketing efforts to accelerate cardholder introduction and improved commercial clients system with various promotions. The Bank's card service fees recorded a year-on-year increase of RMB2,704 million or 27.63%. The wealth management business focused on the financing demands of infrastructure construction, industry upgrading and M&A, and expanded its cooperation with securities, trust and fund companies. The fee and commission of wealth management business recorded a year-on-year increase of RMB3,904 million or 116.57%.

The aggregated amount of service fees from agency businesses of the Bank (excluding the custodian services) was RMB1,169 million, among which, fee income from its agency services for fund companies, securities firms and trust companies amounted to RMB569 million, accounting for 48.67%; agency service fees from precious metal business amounted to RMB308 million, accounting for 26.35%; insurance agency service fees amounted to RMB160 million, accounting for 13.69%.

The following table sets forth the major components of net fee and commission income of the Group in 2015:

Unit: RMB million		
Item	2015	2014
Fee and commission income	27,745	20,445
Underwriting and advisory fees	1,512	1,701
Bank card service fees	12,491	9,787
Settlement and clearing fees	1,312	1,824
Wealth management service fees	7,253	3,349
Acceptance and guarantee fees	1,078	1,134
Agency service fees	1,169	847
Custody and other fiduciary business fees	1,740	1,065
Others	1,190	738
Fee and commission expense	(1,444)	(1,288)
Net fee and commission income	26,301	19,157

(VII) Other income

The Group's other income was RMB604 million, representing a year-on-year decrease of RMB751 million. The decrease in other income was mainly due to decrease of net trading gains as a result of changes in market conditions.

Management Discussion and Analysis

The following table sets forth the major components of other income:

Item	Unit: RMB million	
	2015	2014
Net trading gains	335	1,279
Dividend income	4	3
Net gains/(losses) from investment securities	13	(99)
Net foreign exchange (losses)/gains	(72)	(210)
Other operating income	324	382
Total	604	1,355

(VIII) Operating expenses

During the reporting period, the Group's operating expenses were RMB32,354 million, representing a year-on-year increase of RMB2,346 million or 7.82%. Cost-to-income ratio was 27.05%, representing a year-on-year decrease of 2.97 percentage points. During the reporting period, staff costs, which was the largest proportion of operating expenses amounted to RMB14,268 million, representing a year-on-year increase of RMB908 million or 6.80%. The increase in staff costs was mainly due to increased branches and employees.

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

Item	Unit: RMB million	
	2015	2014
Staff costs	14,268	13,360
Premises and equipment expenses	4,490	4,084
Business tax and surcharges	7,096	6,361
Others	6,500	6,203
Total	32,354	30,008

(IX) Impairment losses on assets

During the reporting period, the Group continuously improved the risk management system and strengthened credit risk prevention and control through strictly carrying out steady and prudent provision policy. Impairment losses on assets were RMB21,652 million, representing a year-on-year increase of RMB11,443 million or 112.09%.

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

Item	Unit: RMB million	
	2015	2014
Impairment losses on loans and advances	19,724	9,981
Impairment losses/(release) on held-to-maturity investments	4	(252)
Impairment losses/(release) on available-for-sale financial assets	171	(13)
Impairment losses on debt securities classified as receivables	1,194	207
Others	559	286
Total impairment losses on assets	21,652	10,209

(X) Income tax

During the reporting period, income tax was RMB9,781 million, representing a year-on-year increase of RMB155 million or 1.61%.

III. Balance Sheet Analysis

(I) Assets

At the end of the reporting period, the total assets of the Group reached RMB3,167,710 million, representing an increase of RMB430,700 million or 15.74% 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.

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

Unit: RMB million, %

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Total loans and advances	1,513,543		1,299,455	
Provision for impairment of loans	(38,119)		(28,025)	
Net loans and advances	1,475,424	46.58	1,271,430	46.45
Deposits with banks and other financial institutions	86,311	2.72	40,316	1.47
Cash and deposits with Central Bank	326,735	10.31	354,185	12.94
Investment in securities and other financial assets	905,496	28.59	589,626	21.54
Placements with banks and other financial institutions, and financial assets held under resale agreements	285,406	9.01	419,415	15.33
Interest receivables	18,546	0.59	14,621	0.53
Fixed assets	12,646	0.40	13,043	0.48
Goodwill	1,281	0.04	1,281	0.05
Deferred tax assets	3,923	0.12	3,034	0.11
Other assets	51,942	1.64	30,059	1.10
Total assets	3,167,710	100.00	2,737,010	100.00

1. Loans and advances

As at the end of the reporting period, the Group's total loans and advances were RMB1,513,543 million, an increase of RMB214,088 million or 16.48%, as compared with the end of the previous year. The proportion of net loans and advances to total assets percentage was 46.58%, representing an increase of 0.13 percentage point as compared with the end of the previous year.

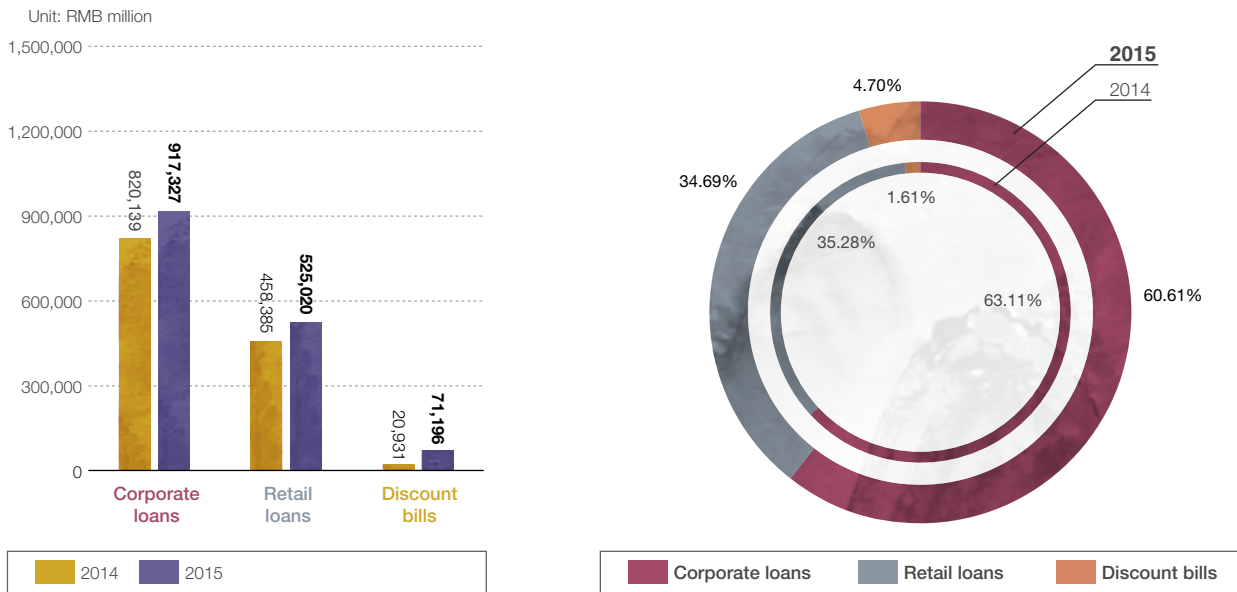
The following table sets forth the major components of the Group's loans and advances:

Unit: RMB million, %

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Corporate loans	917,327	60.61	820,139	63.11
Retail loans	525,020	34.69	458,385	35.28
Discounted bills	71,196	4.70	20,931	1.61
Total loans and advances	1,513,543	100.00	1,299,455	100.00

Management Discussion and Analysis

As at the end of the reporting period, the major components of the Group's loans and advances:



2. Investments

As at the end of the reporting period, the Group's investment in securities and other financial assets was RMB905,496 million, an increase of RMB315,870 million as compared with the end of the previous year, accounting for 28.59% of total assets, and representing an increase of 7.05 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	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	5,637	0.62	4,377	0.74
Positive fair value of derivatives	1,625	0.18	1,082	0.18
Available-for-sale financial assets	222,495	24.57	138,559	23.50
Held-to-maturity investments	152,312	16.82	111,697	18.94
Debt securities classified as receivables	523,427	57.81	333,911	56.64
Total investment in securities and other financial assets	905,496	100.00	589,626	100.00

3. Types and amounts of financial bonds held

Unit: RMB million, %

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	1,419	2.13	454	1.25
Available-for-sale financial assets	47,331	71.24	14,981	41.27
Held-to-maturity investments	17,690	26.63	20,861	57.48
Total	66,440	100.00	36,296	100.00

4. Top 10 financial bonds held in scale

Unit: RMB million, %

Name of bonds	Nominal value	Current interest rate	Expiring date	Provision for impairment Losses
Bond 1	1,690.00	4.89	2016-10-24	—
Bond 2	1,460.00	5-day average of 3-month Shibor+0.30	2016-06-16	—
Bond 3	1,160.00	4.23	2021-11-05	—
Bond 4	1,070.00	5-day average of 3-month Shibor-0.20	2018-06-09	—
Bond 5	1,050.00	4.04	2019-07-22	—
Bond 6	1,050.00	One-year time deposit interest rate+0.70	2019-09-23	—
Bond 7	940.00	3.42	2018-11-25	—
Bond 8	900.00	4.58	2022-08-20	—
Bond 9	629.00	5.20	2018-11-12	—
Bond 10	610.00	4.44	2021-04-19	—

5. Goodwill

The cost of the Group's goodwill 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.

(II) Liabilities

As at the end of the reporting period, the Group's total liabilities reached RMB2,943,663 million, an increase of RMB386,136 million or 15.10% as compared with the end of the previous year. The increase in total liabilities was mainly due to the increase of deposits from customers.

Management Discussion and Analysis

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

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Due to the Central Bank	14,840	0.50	30,040	1.17
Deposits from customers	1,993,843	67.73	1,785,337	69.81
Deposits from banks and other financial institutions	541,066	18.38	507,187	19.83
Placements from banks and other financial institutions, and financial assets sold under repurchase agreements	119,178	4.05	88,516	3.46
Negative fair value of derivatives	1,391	0.05	781	0.03
Accrued staff costs	11,217	0.38	9,668	0.38
Tax payable	6,392	0.22	3,829	0.15
Interests payable	30,612	1.04	29,950	1.17
Debt securities issued	210,061	7.14	89,676	3.51
Other liabilities	15,063	0.51	12,543	0.49
Total liabilities	2,943,663	100.00	2,557,527	100.00

Unit: RMB million, %

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

The Group vigorously developed cash management business, fund supervision business and expanded cooperation with customs in different regions so as to increase the number of customers who maintain settlement accounts with the Group. The Group also continued to enhance the coordination between corporate and private businesses by giving full play of wealth management sales and payroll agency business in driving the growth of deposits, thus comprehensively promoting deposits growth.

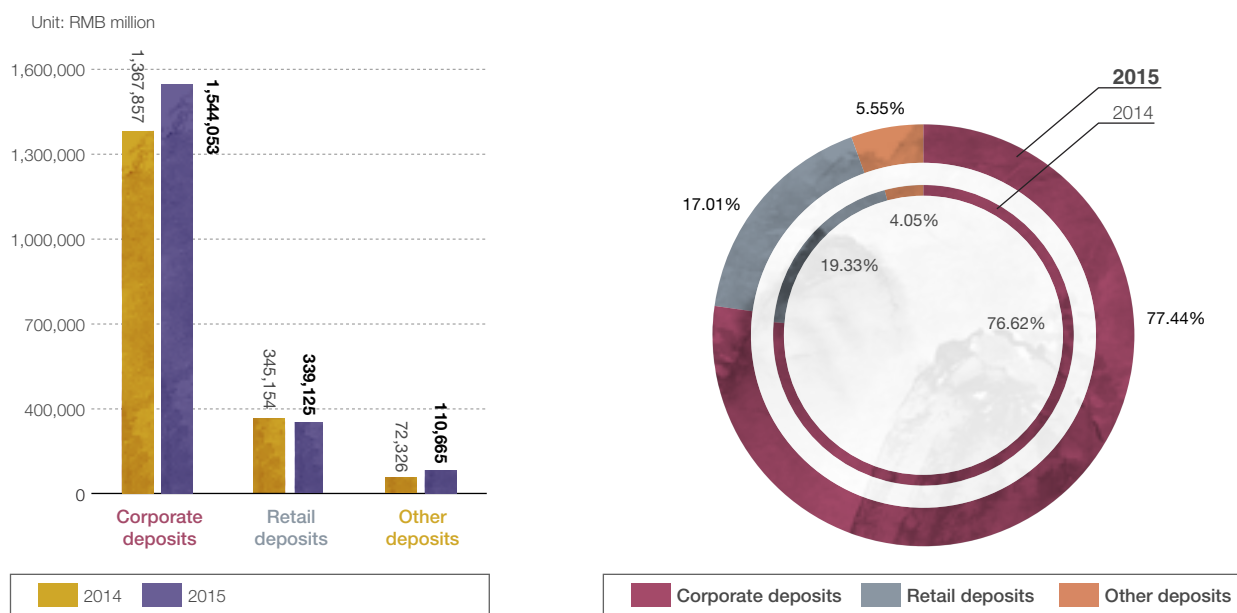
As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB1,993,843 million, representing an increase of RMB208,506 million or 11.68%, as compared with the end of the previous year.

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

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Corporate deposits	1,544,053	77.44	1,367,857	76.62
Including: Corporate demand deposits	515,929	25.88	486,562	27.26
Corporate time deposits	1,028,124	51.56	881,295	49.36
Retail deposits	339,125	17.01	345,154	19.33
Including: Retail demand deposits	145,561	7.30	119,794	6.71
Retail time deposits	193,564	9.71	225,360	12.62
Other deposits	110,665	5.55	72,326	4.05
Total deposits from customers	1,993,843	100.00	1,785,337	100.00

Unit: RMB million, %

As at the end of the reporting period, the components of the Group's deposits



(III) Equity of shareholders

As at the end of the reporting period, the equity attributable to equity shareholders of the Bank was RMB223,493 million, representing an increase of RMB44,518 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 RMB29,528 million; (ii) the increase of equity by RMB19,965 million due to the issuance of preference shares; (iii) the decrease of equity by RMB8,682 million due to the distribution of dividend for 2014.

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

Unit: RMB million

Item	31 December 2015	31 December 2014
Share capital	46,679	46,679
Other equity instrument	19,965	—
Capital reserve	33,365	33,365
Other comprehensive income	3,929	222
Surplus reserve	14,964	12,050
General reserve	40,271	33,903
Retained earnings	64,320	52,756
Total equity attributable to equity shareholders of the Bank	223,493	178,975
Non-controlling interests	554	508
Total equity	224,047	179,483

Management Discussion and Analysis

(IV) Off-balance sheet items

The Group's off-balance sheet items are mainly credit commitments, including loan and credit card commitments, acceptances, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB702,732 million, representing an decrease of RMB69,548 million as compared with that as at the end of the previous year, of which, acceptances decreased by RMB24,481 million and letters of credit issued decreased by RMB41,169 million.

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

Item	Unit: RMB million	
	31 December 2015	31 December 2014
Loan and credit card commitments	128,389	131,532
Acceptances	449,385	473,866
Letters of guarantee issued	61,704	62,459
Letters of credit issued	63,069	104,238
Guarantees	185	185
Total	702,732	772,280

IV. Cash Flow Analysis

Net cash inflow generated from the Group's operating activities was RMB211,400 million, of which cash inflow generated from operating activities was RMB68,121 million; cash outflow generated from operating assets was RMB109,927 million; cash inflow generated from operating liabilities was RMB253,206 million.

Net cash outflow from investing activities was RMB313,132 million, of which cash inflow generated from disposal and redemption of investments was RMB186,122 million; cash outflow generated from activities including payments on acquisition of investments was RMB497,518 million.

Net cash inflow from financing activities was RMB125,107 million, of which cash inflow generated from issuance of debt securities, including inter-bank deposits was RMB157,004 million; cash inflow generated from preference shares issued was RMB19,965 million.

V. Analysis of Loan Quality

(I) Distribution of loans by industry

During the reporting period, the Bank continued the adjustment of its loan portfolio in terms of industry coverage, with reduced loan proportion of manufacturing, wholesale and retail industries and increased loan proportion of water, environment and public utility management.

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

Unit: RMB million, %

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Manufacturing	246,140	26.83	234,451	28.59
Real estate	143,428	15.64	125,922	15.35
Wholesale and retail trade	123,907	13.51	149,031	18.17
Transportation, storage and postal services	75,108	8.19	63,537	7.75
Water, environment and public utility management	70,864	7.72	38,684	4.72
Leasing and commercial services	54,119	5.90	51,533	6.28
Construction	50,084	5.46	47,193	5.75
Mining	31,416	3.42	32,004	3.90
Production and supply of power, gas and water	26,349	2.87	23,047	2.81
Public administration and social organization	12,696	1.38	10,374	1.26
Others	83,216	9.08	44,363	5.42
Subtotal of corporate loans	917,327	100.00	820,139	100.00
Personal loans	525,020	–	458,385	–
Discounted bills	71,196	–	20,931	–
Gross loans and advances to customers	1,513,543	–	1,299,455	–

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, information transmission, computer service and software, education etc. Same hereinafter.

Management Discussion and Analysis

(II) Distribution of loans by region

The distribution of loans by region remained relatively stable. The proportion of loans to Yangtze River Delta, Pearl River Delta and Bohai Rim decreased while those in the Central, Northeastern and Hong Kong 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, %

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	301,904	19.95	261,847	20.15
Pearl River Delta	191,858	12.68	170,874	13.15
Bohai Rim	265,918	17.57	239,130	18.40
Central	230,898	15.25	195,254	15.02
Western	229,682	15.17	197,769	15.22
Northeastern	96,047	6.35	80,385	6.19
Hong Kong	24,414	1.61	14,535	1.12
Head Office	172,822	11.42	139,661	10.75
Gross loans and advances to customers	1,513,543	100.00	1,299,455	100.00

(III) Types of loan guarantee and their proportions

The percentage of guaranteed loans, mortgage loans and pledged loans accounted for 71.28%, 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	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Unsecured loans	434,735	28.72	397,697	30.60
Guaranteed loans	314,118	20.75	293,787	22.61
Mortgage loans	585,530	38.69	492,366	37.89
Pledged loans	179,160	11.84	115,605	8.90
Gross loans and advances to customers	1,513,543	100.00	1,299,455	100.00

(IV) Top 10 loan customers

Unit: RMB million, %

Name	Industry	31 December 2015 Balance of loans	Proportion to total loans	Proportion to net capital
Borrower A	Transportation, storage and postal services	6,187	0.41	2.38
Borrower B	Public administration and social organization	4,795	0.31	1.85
Borrower C	Manufacturing	3,000	0.20	1.16
Borrower D	Wholesale and retail trade	2,990	0.20	1.15
Borrower E	Public administration and social organization	2,530	0.17	0.97
Borrower F	Transportation, storage and postal services	2,410	0.16	0.93
Borrower G	Manufacturing	2,347	0.15	0.90
Borrower H	Leasing and commercial services	2,311	0.15	0.89
Borrower I	Wholesale and retail trade	2,115	0.14	0.82
Borrower J	Real estate	2,100	0.14	0.81
Total amount		30,785	2.03	11.86

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

(V) Five-category loan classification

The non-performing loans and the non-performing loans ratio of the Group increased as a result of factors including the macro economic downturn subject to the domestic and international economic environments. As at the end of the reporting period, the balance of non-performing loans was RMB24,375 million, representing an increase of RMB8,850 million as compared with that as at the end of the previous year. Non-performing loan ratio was 1.61%, up by 0.42 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	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Normal	1,422,656	94.00	1,241,912	95.57
Special mention	66,512	4.39	42,018	3.24
Substandard	11,109	0.73	8,685	0.67
Doubtful	10,572	0.70	4,864	0.37
Loss	2,694	0.18	1,976	0.15
Gross loans and advances to customers	1,513,543	100.00	1,299,455	100.00
Performing loans	1,489,168	98.39	1,283,930	98.81
Non-performing loans	24,375	1.61	15,525	1.19

Management Discussion and Analysis

(VI) Loan migration ratio

Item	Unit: %		
	2015	2014	2013
Loan migration ratio of normal loans	4.27	4.08	1.77
Loan migration ratio of special mention loans	30.33	26.68	17.47
Loan migration ratio of substandard loans	86.57	64.04	86.45
Loan migration ratio of doubtful loans	24.98	28.77	21.48

(VII) Restructured loans and overdue loans

1. Restructured loans

Item	31 December 2015		31 December 2014	
	Balance	Proportion to total loans	Balance	Proportion to total loans
Restructured loans and advances	12,034	0.80	4,632	0.36
Less: Restructured loans and advances overdue for more than 90 days	4,202	0.28	858	0.07
Restructured loans and advances overdue for less than 90 days	7,832	0.52	3,774	0.29

2. Please refer to “Notes to Financial Statements” for details of overdue loans.

(VIII) Non-performing loans by business type

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Corporate loans	19,227	78.88	11,939	76.90
Retail loans	5,148	21.12	3,586	23.10
Discounted bills	–	–	–	–
Total amount of non-performing loans	24,375	100.00	15,525	100.00

(IX) Distribution of non-performing loans by region

Unit: RMB million, %

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	5,974	24.51	4,609	29.69
Pearl River Delta	4,357	17.87	3,011	19.40
Bohai Rim	2,104	8.63	1,519	9.78
Central	4,022	16.50	1,983	12.77
Western	4,914	20.16	1,927	12.41
Northeastern	699	2.87	631	4.07
Hong Kong	–	–	–	–
Head Office	2,305	9.46	1,845	11.88
Total amount of non-performing loans	24,375	100.00	15,525	100.00

(X) Distribution of non-performing loans by industry

Unit: RMB million, %

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Manufacturing	7,253	29.75	5,201	33.50
Wholesale and retail trade	7,836	32.15	5,092	32.80
Real estate	1,096	4.50	469	3.02
Transportation, storage and postal services	45	0.18	121	0.78
Leasing and commercial services	139	0.57	31	0.20
Water, environment and public utilities	–	–	–	–
Construction	494	2.03	201	1.29
Mining	1,938	7.95	618	3.98
Production and supply of power, gas and water	–	–	–	–
Public administration and social organization	10	0.04	12	0.08
Others	416	1.71	194	1.25
Subtotal of corporate loans	19,227	78.88	11,939	76.90
Personal loans	5,148	21.12	3,586	23.10
Discounted bills	–	–	–	–
Total amount of non-performing loans	24,375	100.00	15,525	100.00

Management Discussion and Analysis

(XI) Distribution of non-performing loans by guarantee type

Unit: RMB million, %

Item	31 December 2015		31 December 2014	
	Balance	Percentage	Balance	Percentage
Unsecured loans	4,568	18.74	2,911	18.75
Guaranteed loans	10,593	43.46	6,344	40.86
Mortgage loans	7,788	31.95	5,590	36.01
Pledged loans	1,426	5.85	680	4.38
Total amount of non-performing loans	24,375	100.00	15,525	100.00

(XII) Repossessed assets and provision for impairment

Unit: RMB million

Item	31 December 2015	31 December 2014
Repossessed assets	345.84	308.49
Of which: Land, buildings and structures	345.84	308.49
Less: Provision for impairment	16.72	4.19
Net value of repossessed assets	329.12	304.30

(XIII) Provision for loan impairment and write-off

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 of the Group:

Unit: RMB million

Item	31 December 2015	31 December 2014
Balance at the beginning of the year	28,025	24,172
Charge for the year	20,071	10,548
Release for the year	(347)	(567)
Recoveries	334	330
Unwinding of discount (note)	(802)	(558)
Write-offs during the year	(5,579)	(4,096)
Disposal in the year	(3,583)	(1,804)
Balance at the end of the year	38,119	28,025

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

(XIV) Major measures for non-performing asset management and write-off policies of doubtful debts

The Bank improved asset quality management system, strengthened monitoring and supervision process, optimized the disposal process of non-performing loans, broadened disposal channels, made innovations in disposing non-performing loans and enhanced disposal effectiveness.

Pursuant to the requirements of the Ministry of Finance and regulatory authorities, the Bank revised promptly Administrative Measures on Write-off of Doubtful Debts, and reviewed the loss category of non-performing assets, and reinforced the daily management of written-off projects. In accordance with the principle of “filling after witting-off”, the Group will continue to recover written-off items.

During the reporting period, the Bank recovered bad assets of RMB4,659 million, wrote off doubtful debts of RMB5,579 million, and assignments of creditors of RMB5,147 million.

VI. Capital Adequacy Ratio

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

VII. 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.

Management Discussion and Analysis

(I) Performance by region

Unit: RMB million

Item	2015		2014	
	Operating income	Total profit	Operating income	Total profit
Yangtze River Delta	14,882	4,071	12,289	3,987
Pearl River Delta	9,715	1,407	8,429	2,333
Bohai Rim	15,200	6,397	13,243	6,122
Central	11,625	3,102	9,982	4,214
Western	9,244	418	8,848	3,715
Northeastern	4,714	1,722	3,900	1,479
Head Office	27,557	22,041	21,772	16,543
Hong Kong	427	200	308	161
Total	93,364	39,358	78,771	38,554

(II) Performance by business function

Unit: RMB million

Item	2015		2014	
	Operating income	Total profit	Operating income	Total profit
Corporate banking business	53,658	21,293	47,199	23,555
Retail banking business	33,955	13,182	26,144	10,227
Treasury business	5,562	4,758	5,231	4,651
Other business	189	125	197	121
Total	93,364	39,358	78,771	38,554

VIII. Others

(I) Changes in Major Financial Indicators and Reasons

Unit: RMB million, %

Item	31 December 2015	31 December 2014	Increase/ (Decrease)	Major reasons for change
Deposits with banks and other financial institutions	86,311	40,316	114.09	Increase in scale of deposits with banks based on fund position and changes in the market interest rate
Positive fair value of derivatives	1,625	1,082	50.18	Affected by changes in RMB exchange rate, the revaluation of some foreign exchange swaps increased
Financial assets held under resale agreements	153,045	286,682	(46.62)	According to the fund position and change in the market interest rate, decrease in scale of financial assets held under resale agreements purchases
Available-for-sale financial assets	222,495	138,559	60.58	Increase in scale of investment in available-for-sale debt securities and income-guaranteed wealth management products
Held-to-maturity investments	152,312	111,697	36.36	Increase in scale of held-to-maturity investments including national debt and regional debt
Debt securities classified as receivables	523,427	333,911	56.76	Increase in scale of beneficial interest transfer plans and wealth management products issues by other financial institution
Other assets	51,942	30,059	72.80	Expansion in scale of financial leasing business, and increase in financial lease receivables
Due to the Central Bank	14,840	30,040	(50.60)	Decrease in scale of due to the central bank
Placements from banks and other financial institutions	60,305	36,744	64.12	Increase in scale of placement from banks based on fund position and changes in the market interest rate
Negative fair value of derivatives	1,391	781	78.10	Affected by changes in RMB exchange rate, the revaluation of some foreign exchange swaps decreased
Taxes payable	6,392	3,829	66.94	Increase in income taxes payable
Debts securities issued	210,061	89,676	134.24	Issuance of inter-bank deposits

Management Discussion and Analysis

Item	2015	2014	Increase/ (Decrease)	Major reasons for change
Net fee and commission incomes	26,301	19,157	37.29	Increase in service fee income from intermediary services including bank cards and wealth management, etc.
Net trading gains	335	1,279	(73.81)	Affected by transferring out changes in forward RMB exchange rate and in valuation of some matured foreign currency swaps, income valuation decreases
Net gains/(losses) arising from investment securities	13	(99)	Not applicable	Decrease in loss from disposal of available-for-sale bonds
Net foreign exchange (losses)/gains	(72)	(210)	Not applicable	Affected by changes in spot RMB exchange rate, and in exposures of foreign exchange of the Bank, net exchange losses decreased
Impairment losses on assets	(21,652)	(10,209)	112.09	Increase in amount of provisions for impairment loss on loans

(II) Overdue and outstanding debts

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

(III) Interest receivables and provision for bad debts

1. Change in on-balance sheet interest receivables

Unit: RMB million

Item	Balance at the beginning of the year	Increase in the year	Decrease in the year	Balance at the end of the year
On-balance sheet interest receivables	14,657	98,029	94,103	18,583

2. Provision for bad debt of interests receivable

Unit: RMB million

Item	31 December 2015	31 December 2014	Increase
Balance of provision for bad debt of interests receivable	37	36	1

(IV) Other receivables and provision for bad debts

1. Change in other receivables

Unit: RMB million

Item	31 December 2015	31 December 2014	Increase
Other receivables	5,201	2,866	2,335

2. Provision for bad debt of other receivables

Unit: RMB million

Item	31 December 2015	31 December 2015	Increase
Balance of provision for bad debt of other receivables	535	500	35

IX. Performance of Business Segments

(I) Corporate Banking

1. Corporate deposits and loans

The Bank actively promoted the growth of core corporate deposits so as to ensure the liquidity safety and the deposit deviation within the required range. It created the comprehensive financial service system of corporate banking business and set up the Integrated Financial Service & Large Assets Projects Supervision and Coordination Committee. The Bank worked hard to meet the government's policy requirements to serve the real economy as it enhanced its credit support to key sectors and major project construction. The Bank also vigorously adjusted its credit structure by putting a cap limit on the total volume of the credit granted to overcapacity industries and improving the structure of credit accordingly. As at the end of the reporting period, the Bank's corporate deposits amounted to RMB1,547,807 million (including the corporate business related portion in other deposits), representing an increase of 12.95%. The costs of corporate initiative liabilities continued to be reduced as compared with that at the end of previous year. The balance of the Bank's corporate loans amounted to RMB917,327 million, representing an increase of RMB97,188 million or 11.85%, as compared with that at the end of the previous year.

2. Small and Micro Enterprise (SME) finance

The Bank focused on small and micro loans by continuously exploring marketing channels for SME finance and actively promoting high-tech finance and green finance. It enhanced the innovation of SME finance products, as it launched the "Easy Small Loan" products for small and micro clients with RMB5 million credit limit or below, thus contributing to the orderly development of small and micro business. According to the SME categorization standards jointly issued by the Ministry of Industry and Information Technology and three other ministries in 2011 and regulatory requirements of CBRC, the balance of the Bank's SME loans amounted to RMB288,435 million as at the end of the reporting period, representing an increase of RMB41,950 million or 17.02% as compared with that as at the end of the previous year, well above the bank-wide average loan growth rate. The number of SME clients was 172,700, a year-on year increase of 84,200.

3. Investment banking

The Bank actively provided a wide range of debt financing products such as short-term commercial papers, medium-term notes, super-short-term commercial papers, and private placement notes. During the reporting period, the Bank served as a leading underwriter of 293 non-financial corporate debt financing instruments with a value of RMB236,917 million in aggregate, securing the Bank's comparative advantages in serving power, transportation, construction and construction material industries etc.. The Bank explored new businesses, such as M&A loans and asset securitization. The Bank accomplished the first cross-border M&A business with the collaboration of its Hong Kong Branch. It also served as the leading underwriter of the asset securitization project of Wuhan Housing Provident Fund Management Center.

Management Discussion and Analysis

4. Asset custodian services

The Bank stepped up its marketing efforts for custodian products, steadily promoting the growth of both security related products and non-security related business. It emphasized product innovation, strengthened system construction and continued to enhance the automation and accuracy of the system. The Bank improved wide range of custodian products and capabilities to serve the market. At the end of the reporting period, both the asset scale of and the income from the Bank's custodian business reached a new high, with the former reaching RMB3,372,131 million, increasing 18.90% from that as at the end of the previous year, and the latter reaching RMB1,649 million, up by 70.18% year-on-year.

5. Trade banking

The Bank proactively promoted international settlement and trade finance business, while it strengthened risk inspection, reduced its exposure to high risk sectors and exited from some high risk sectors. It fostered its business in the Pilot Free Trade Zones and enhanced business collaborations among domestic branches and oversea branch, and those between branches in and out of the Pilot Free Trade Zones. The Bank intensified the promotion of cross-border RMB business and actively applied to be a direct participating institution of the RMB Cross-border Inter-bank Payment System (CIPS). It intensified its research and development of innovative products with a focus on cross-border businesses and tried to improve its competitiveness in the international market. As at the end of the reporting period, the fee-based income derived from trade banking business reached RMB1,920 million.

(II) Retail banking business

1. Personal deposits

The retail business line of the Bank continued to enhance its fundamental projects such as bulk payroll agent business, ETC project, overseas financing, the issue of certificates of large-amount deposits, in order to strengthen its capabilities of deposits-taking and customer base. It worked hard to increase the scale of personal deposit and to raise the proportion of the core deposits through smooth structural adjustment. As at the end of the reporting period, the personal deposits of the Bank amounted to RMB446,036 million (including those retail banking related deposits in other deposits), representing an increase of RMB31,022 million from that as at the end of the previous year, among which the core deposits accounted for RMB266,451 million, up by RMB17,504 million from the end of the previous year. Daily average balance of the Bank's personal deposits amounted to RMB430,112 million, representing an increase of RMB32,073 million from that as at the end of the previous year, among which, daily average balance of its core deposits accounted for RMB249,589 million, up by RMB20,350 million from that as at the end of the previous year. The proportion of core deposits was improved.

2. Personal loan business

The Bank spared no efforts in increasing the personal lending volume, actively adjusted the structure of personal loans, resulting in the higher proportion of consumer credit and the improved structure of small and micro business. It made a good use of the driving force of new products and services to satisfy differentiated consumption financing needs of different groups of clients. As at the end of the reporting period, the balance of personal loans (excluding credit cards) amounted to RMB352,208 million, an increase of RMB33,471 million or 10.50% from that as at the end of the previous year. The balance of consumer credit accounted for RMB203,800 million, up by RMB45,100 million from that as at the end of the previous year, while the balance proportion reached 57.8%, up by 8.2 percentage points from that as at the end of the previous year. The volume of personal loans reached RMB165,100 million, up by RMB16,000 million from that as at the end of the previous year.

3. Private banking business

The Bank actively promoted the development of private banking business and established a secondary department for private banking business at its head office and private banking divisions within 22 branches. It vigorously enhanced its brand building program by strengthening the business team and by focusing on products and clients. It set up the personal banking system and improved its functions, while it actively examined data-based customer needs so as to improve its refined management. In order to meet the diversified needs of the private banking customers, it continuously moved forward the system construction for financial and supplementary services. As at the end of the reporting period, the Bank had 24,250 private banking customers, representing an increase of 5,939 customers or 32.43% from that as at the end of the previous year. The total assets under management of its private banking business amounted to RMB228,500 million, up by RMB60,000 million or 35.61% from that as at the end of the previous year.

4. Bank Card

(1) Debit card

The Bank continued to enhance the innovation of its debit card products and their features. Through expanding the range of application in various sectors, the Bank developed financial IC cards and commenced cooperation in various sectors such as transportation, social security, education, community services and corporate operation. Meanwhile, the Bank refined customer segments and issued debit cards to cater for specific customer group needs with functions such as payroll agent service, micro financing and overseas financing. As at the end of the reporting period, the accumulated number of debit cards issued by the Bank reached 55,780 thousand, including 5,220 thousand new cards for the year.

(2) Credit card

The Bank drove the development of its credit card business through innovation. The Bank vigorously promoted new channels for customer introduction such as the O2O issuance of credit cards via internet and the big-data based issuance of credit cards. The Bank worked with internet companies to issue co-brand cards, covering themes of shopping, entertainment and travelling etc. The Bank also improved the client experience in "Internet+" scenarios through credit card APP and mobile bills and other functions. As at the end of the reporting period, 4,561.70 thousand new credit cards were issued by the Bank with the total number of credit cards reaching 28,333.4 thousand. The total transactions volume during the reporting period was RMB1,003,479 million, up by 26.38% over last year. The overdraft balance (excluding the payment adjustment to transitional account) amounted to RMB175,003 million, up by 25.32% over last year; The overdue rate for bills past due over 180 days was 0.63%, down by 0.03% year-on-year; The total operating income (with the commission expense deducted) from credit cards business was RMB18,097 million, representing a year-on-year increase of 27.64%.

Management Discussion and Analysis

(III) Financial markets and inter-bank business

1. Financial markets business

The Bank has comprehensively improved its capability in treasury management since the application of the 2nd generation of China National Advanced Payment System (CNAPS2). The Bank also optimized the management structure of financial markets business line. In precious metal sector, client mix was optimized with diversified industry distribution. The Bank has steadily expanded its fiduciary business, continuously strengthened its core competitiveness in money market business, and actively issued interbank CDs. The Bank has adjusted and optimized its bond portfolio by investing more in the government bonds and high-grade credit bonds and actively participating in the local government bond investment, thus the Bank has effectively strengthened its capability in the credit risk control, and significantly uplifted its investment returns. As at the end of the reporting period, the balance of bonds amounted to RMB315.398 billion, 50.63% of which were government bonds and local government bonds. The Bank cumulatively scored 20.13 trillion in RMB bonds settlement, which ranked it No. 1 among China's joint-stock commercial banks according to statistics of China Central Depository & Clearing Co., Ltd.

2. Inter-bank business

On the premises of ensuring liquidity safety, the Bank steadily developed inter-bank business. It increased its innovation efforts and successfully launched some innovative business including graded bonds investment, investment in the prioritized class of OTC bonds and FI fund investment in asset management projects etc., further enriching the array of inter-bank products. The Bank furthered the reform of specialized institutions for inter-bank business to ensure the compliant and orderly operation. The Bank also continued to work with other banks in asset and liability businesses and vigorously expanded its business with non-banking financial institutions. As at the end of the reporting period, the balance of the inter-bank deposits was RMB541,066 million and the balance of inter-bank assets amounted to RMB784,745 million.

(IV) Asset management

The Bank continued to reinforce the fundamental construction and improve the investment structure. It insisted on and optimized its "double F" asset management mode and "barbell-shaped" investment strategy and seized the investment opportunity in the market through dramatically shifting asset allocation strategy. The Bank continued to enhance its risk management capability, by improving the internal credit risk assessment, strengthening the post-investment management and enhancing IT system construction. At the product side, it increased the fund proportion of off-balance sheet type wealth management products and institutional clients, while it raised the proportion of net-value open-ended products. The Bank refined the business division mechanism and organization structure for the stable development of business and a sound overall risk management. As at the end of the reporting period, the balance of wealth management products amounted to RMB1.22 trillion, up by 43.53% from that as at the end of the previous year. The issuance of wealth management products for the whole year amounted to RMB3.08 trillion, up by RMB0.95 trillion or 44.6% from that as at the end of the previous year. The net fee income of the wealth management business was increased by 116.51% from that as at the end of the previous year.

(V) E-banking

The Bank's e-banking business, by conforming to the trend of "Internet+", steadily improved the capabilities of acquiring clients, selling products and making profits, leading to the enlarged scale of customers and the rapid growth of income. With the integration of internal and external electronic channels, the Bank focused on the making of six key businesses, namely "Sunshine Direct Bank", "Cloud Fee Payment", "Cloud Payment", "E-Financing", "E-Wealth Management" and "E-Commerce", while the Bank's "Cloud Fee Payment" remained the leader in the industry. The Bank enhanced the building of corporate and personal business channels and launched new version of mobile banking and WeChat banking system. In terms of the transaction volume of online Treasury authorized payment, the Bank played a leading role in the industry. The brand influence of its e-banking business was significantly improved and received many prizes. As at the end of the reporting period, the Bank had 22.03 million mobile banking customers, 21.21 million retail e-banking customers, 10.41 million electronic payment customers, 10.34 million customers for WeChat banking and 329 thousand online corporate banking clients.



X. Business Innovation

In 2015, the Bank deepened the reform of innovation system and established the mechanism to promote major innovation projects by focusing on the innovation of products and services in key business sectors such as corporate banking, retail banking and Internet financing. The corporate banking business line launched some new products including corporate wealth management product pledged loan, FI fund investment in asset management projects, classified-bond investment and "Easy Small Loan", while it successfully issued China's first ABS of heating fee charging right of a private enterprise. The retail banking business line launched lots of innovative products and services such as BTA wealth management product pledged loan, revolving micro loan based on annual review, "e" series convenient loan, retail credit beneficial interest transfer plan. In terms of Internet finance, the Bank launched its direct banking platform (i.e. Sunshine Direct Bank) and constructed the "Finance & Life" service system in the cloud. It upgraded the "Night Market of Wealth Management" of the "E-Wealth Management" sector, launched the CEB online Wonderful Shopping Mall and developed integrated financial service solutions for "E-Commerce". During the reporting period, the Bank won a number of innovation awards.

Management Discussion and Analysis

XI. Information Technology

The Bank's operation remained safe and sound with no material accidents occurred throughout the year, ranking among the best of national joint-stock commercial banks in the CBRC Information Supervision Rating.

The Bank successively completed the construction of new systems including Sunshine Direct Bank, enterprise customer information facility system, asset management system, intelligent customer service system, centralized operations business processing system and E-Cloud Payment platform. The Bank launched some new projects such as the new generation of custodian business system and Internet financing system and the overseas core banking system. The Bank won the CMMI (Capability Maturity Model Integration) Level-4 certification. It actively explored the new technology of applying cloud calculation and big data, while it stepped up the construction of the Bank's private cloud platform, intermediary business cloud platform, cash management platform and the development platform of big data application. It launched new innovation projects including cross-border payment and second-hand housing fund supervising. The effect of scientific innovation was significant. In the projects appraisal of 2015 PBOC Technology Development Awards, all the eligible projects were considered as leading or advanced projects in China. The Bank also won numbers of awards from the Ministry of Industry and Information Technology (MIIT), Ministry of Housing and Urban-Rural Development and China Banking Association.



XII. Human Resources Management

Aiming at the overall development strategy, the Bank deepened the system reform and improved the efficiency of human resources utilization by optimizing human resources allocation mechanism and ensuring prioritized access by key business sectors and first-line employees. The Company adjusted organizational structure and functions of Head Office and branches to address changing market demands and business development. The Bank improved incentive and restraint mechanism to enhance performance-based management. The Bank focused the building of the team of professional and diversified employees' career paths by establishing multi-level reservoir of talents. In accordance with nation's "Go Out" strategy, the Bank built up its own talent database for overseas institutions. Furthermore, the Bank emphasized the refined management so as to strengthen the foundation of human resources management.

XIII. Investment Analysis

- (I) As at the end of the reporting period, the balance of the Bank's long-term equity investment was RMB3,369 million, representing an increase of RMB494 million or 17.18% as compared with the previous year. The increase was due to HKD600 million for the establishment of CEB International Investment Corporation Limited during the reporting period.

(II) Material equity investments

Unit: RMB'0000, ten thousand shares, %

Investment entity	Principle business	Investment Amount	Number of Shares	Shareholding percentage	Source of fund	Investment duration	Profit or Loss in the reporting period	Partner
Everbright Financial Leasing Co., Ltd.	Financial leasing	270,000	333,000	90	Equity Fund	Long-term	45,075	Wuhan New Harbor Construction and Investment Development Group Co., Ltd., Wuhan Rail Transit Construction Co., Ltd.
Shaoshan Everbright Village Bank Co., Ltd.	Commercial bank	10,500	10,500	70	Equity Fund	Long-term	1,030	Sany Group Co., Ltd., Changsha Tongcheng Holding Co., Ltd., Hunan Poly Real Estate Development Co., Ltd., Shaoshan City Construction Investment Company Limited
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	Commercial bank	7,000	7,000	70	Equity Fund	Long-term	423	Jiangsu Golden Fox Garment Co., Ltd., Huai'an Shuanglong Weiye Technology Co., Ltd., Jiangsu Huatai Pharmaceutical Company Limited, Nanjing Mengdu Tobacco Packing Co., Ltd.
CEB International Investment Corporation Limited	Investment banking	HKD600 million	-	100	Equity Fund	Long-term	HKD -28.31 million	-
China Unionpay Co., Ltd.	Bank card inter-bank information exchange network	9,750	7,500	2.56	Equity Fund	Long-term	237,740	Other commercial banks

Note: The above equity investments are not subject to any litigation.

(III) The Bank had no material non-equity investment, and the Bank conducted bond investment in the ordinary course of its businesses. Please refer to the aforementioned for details.

(IV) Financial assets at fair value during the reporting period

The Bank held domestic and overseas bonds and financial derivative instruments at fair value in the ordinary course of its businesses. Please refer to "Notes to Financial Statement" for details.

XIV. Material Asset and Equity Disposal

During the reporting period, the Bank disposed non-performing assets of RMB4,604 million in a package sales, which had no impact on its financial conditions and operating results.

Management Discussion and Analysis

XV. Analysis of Major Companies in Which the Bank Held Equity

(I) Everbright Financial Leasing Co., Ltd.

The company was established in May 2010 and engaged in financial leasing business. The company was registered in Wuhan, Hubei Province with a registered capital of RMB3,700 million. During the reporting period, the company focused on industrial sectors such as transportation, urban infrastructure construction, water, electricity, gas, heating and public transportation, medical industry, electricity, and automobile manufacturing. It also launched aviation equipment leasing business. As at the end of the reporting period, its total assets, net assets and net profit were RMB42,436 million, RMB4,670 million and RMB451 million respectively.

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

The village bank was established in September 2009 and engaged in deposit-taking, lending and other commercial banking services. It was registered in Shaoshan, Hunan Province with a registered capital of RMB150 million. During the reporting period, the village bank worked hard to serve the rural economy and farmers and enhanced its micro finance business. It supported the growth of county level of economy and explored ways of supporting rural economic development with its financial products and services. As at the end of the reporting period, its total assets, net assets, net profit were RMB797 million, RMB184 million, RMB10 million respectively.

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

The village bank was established in February 2013 and engaged in deposit-taking, lending and other commercial banking services. It was registered in Huai'an City, Jiangsu Province with a registered capital of RMB100 million. During the reporting period, the village bank served the rural economy, developed the micro finance business and achieved steady growth. As at the end of the reporting period, its total assets, net assets, net profit were RMB914 million, RMB106 million, RMB4 million respectively.

(IV) CEB International Investment Corporation Limited.

The company was established in June 2015 and engaged in investment banking. It was registered in Hong Kong with a registered capital of HKD600 million. During the reporting period, the company established CEB International Capital Corporation Limited as its wholly-owned subsidiary, which was licensed to conduct securities trading authorized by SFC. At the end of reporting period, its total assets and net assets were HKD605 million and HKD572 million respectively.

XVI. Special Purpose Entities Controlled by the Bank and Structured Products

- (I) There are no special purpose entities controlled by the Bank.
- (II) 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 "Notes to Financial Statements" for details.

XVII. Risk Management

(I) Credit Risk Management

The Bank proactively responded to new challenges in credit risk management during the macro economic downturn. By optimizing credit policy as well as asset structure, the Bank continued to serve the real economy, and intensified support in areas fitting into state development strategies. The Bank made progress in readjusting credit portfolio on a selective basis, continued to exercise limit control over loans issued to industries plagued with massive overcapacity, and reduced credit offered to enterprises in the commodity wholesale sector. The company managed to maintain its business growth and hold up bottom line of credit risk management, thus better adapt to and serve China's Economic "New Normal".

The Bank formulated the Initiative to Further the Reform in Risk Management. Responsibilities of various functional departments involved in risk management are further clarified. Tier-1 Branch's dominant role in business operation is further emphasized, while ensuring adequate vertical management between head office and branches. Risk management system is improved by introducing the mechanism clarifying the primary person-in-charge for each corporate client. The bank also adjusted its delegation system for credit approval; and made preliminary progress in establishing a full-time expert team in credit approval. The bank perfected credit approval procedures and raised the levels of specialization and refinement. The Bank optimized risk management process in strengthening unified credit approval management as well as effective credit management over group clients.

The Bank continued to strengthen credit risk management, and tried best to mitigate credit risk through orderly process of bad-loan workout and disposal. The Bank took close surveillance on loans issued to local government financing vehicles (LGFVs), real estate projects, industries with overcapacity, as well as commodity financing. A list of customers for intensive post-credit surveillance was put into place to enable a dynamic monitoring of customers with potential risks. The Bank also strengthened the recovery of non-performing loans and overdue loans, and stepped up efforts in mitigating risks, while introducing new channels for bad-loan workout and disposal.

Please refer to "Notes to Financial Statements" for more details about credit risk management of the Bank.

(II) Liquidity Risk Management

The Bank adhered to a prudent liquidity risk management policy, maintaining the overall liquidity soundness. It responded actively to the trend of interest rate liberalization and endeavored to improve its refined management by applying various liquidity management tools. In order to make proper liquidity arrangements in advance, the Bank watched closely and promptly the central bank's monetary policy changes and the capital market movements. The Bank monitored its liquidity risk limits on a daily basis and performed liquidity stress tests regularly. By adjusting flexibly the fund transfer pricing (FTP), the Bank delivered prospective guidance and unified coordination of liquidity management. The Bank also diversified its funding channels so as to adjust liquidity surplus or deficit efficiently. The Bank improved liquidity risk management policies and ensured itself to meet regulatory requirements. The Bank enhanced the awareness of liquidity risk management, and established the routine mechanism for liquidity risk contingency drilling performance, enhancing resistance against liquidity risk.

Please refer to "Notes to Financial Statements" for further details of liquidity risk management of the Bank.

Management Discussion and Analysis

(III) Market Risk Management

The Bank continued to improve its market risk management system, update market risk policies, optimize market risk management process, set up market risk limits at all levels, while effective monitoring, controlling and reporting the implementation of the limits. Meanwhile, the Bank implemented the Market Risk Data Market Project to improve its capability in market risk information integration and risk measurements.

Please refer to the “Notes to the Financial Statements” for further details of market risk management of the Bank.

(IV) Operational Risk Management

The Bank continued to improve its operational risk management framework and system by integrating the resources of internal control and operational risk management system. It also reviewed RCSA (Risk Control and Self-Assessment) tools and assessment process, optimized operational LDC (Loss Data Collection) reporting standards, re-checked history loss events, re-set KRI (key risk index) and threshold value, and improved the pertinence and sensitiveness of indexes. Adhering to the general principles of “Hierarchical and Priority Management”, the Bank strengthened the operational risk management accountabilities of business and functional departments as “the first line of defense”. To prevent the occurrence of material operational risks, the Bank incorporated operational risk requirements into product design, policies and procedures, and job specifications to set up a timely warning, reminding, reporting and handling system. To enhance the standards of operational risk management, the Bank promoted the reform of electronic seals, implemented the rotation and mandatory leave system of staff in key positions, stepped up investigation on unusual fund transactions and improved the contingency planning for extraordinary events.

Please refer to “Notes to Financial Statements” for further details of the operational risk management of the Bank.

(V) Compliance Risk Management

The Bank, through the implementation and integration of internal control and operating risk management, further optimized the mechanism, tools and system of internal control management. It continued to improve external judicial laws and regulation database and provided compliant operational support for business segments and branches. The Bank reviewed policies and procedures and rechecked over 1,200 items. The Bank established a compliance management system based on business lines and geographic regions to monitor internal control and compliance on regular basis. The Bank strengthened the monitoring of daily warnings, promoted compliance check and auditing. It carried out daily monitoring and check-ups, enhanced the team building of compliance managers and carried out qualification certification.

(VI) Reputation Risk Management

The Bank paid great attention to reputation risk management, as it continued to improve reputation risk management system and to enhance employees’ awareness of reputation risk. It established a clarified reputation risk management procedures and improved its reputation risk response capability with some scientific approach. The Bank enhanced precautionary management of reputation risks and made regular examination of potential risks, while it actively responded to and handled customer complaints, thus effectively preventing potential reputation risks. In 2015, the Bank’s reputation risk management remained stable and no significant reputation risk events occurred.

(VII) Anti-money Laundering Management

The Bank paid high attention to anti-money laundering management, and started the development and construction of a new generation of anti-money laundering (AML) system. The Bank continued to optimize the AML blacklist system to expand the monitoring scope, resulting in better AML technological competence. It proactively made AML risk assessment of financial products and services, while it strengthened customer AML risk rating and enhanced the management of high risk customers. The Bank reported large sum and suspicious transaction data to regulatory authorities in a timely manner and assisted regulatory investigations. It also stepped up AML training and public awareness education campaign in an effort to reach more targeted audience.

XVIII. Outlook of the Bank

(I) Competitive landscape and development trend of the industry

In 2016, the continuous deepening of the financial marketization reform, financial disintermediation, interest rate liberalization and fast developing Internet-finance will pose challenges to commercial banks' traditional business model, operation system, risk management, and talent management. Chinese banks will further conduct their structural adjustments and strategic transformation so as to seek for new source of profit growth. They will support the supply-side structural reform, serve the real economy. They will also prevent and mitigate various risks and defend the bottom line of the asset quality.

(II) Development strategy of the Bank

Adhering to the development concepts of "Innovation, Harmony, Green, Openness and Sharing", the Bank will speed up its strategic transformation, adjust and optimize the structure of client base, business, profits and channels in order to achieve the harmonious development of the three major business sectors, namely corporate banking, retail banking and financial market. Firstly, the Bank will enhance its integrated financial service capability and create a comprehensive financial service platform so as to meet clients' diversified financial demands. Secondly, the Bank will strive to develop medium, small and micro enterprise financial services and expand the customer base in an effort to improve the overall client structure of the Bank. Thirdly, the Bank will steadily promote the businesses of transaction, agency, and wealth management so as to meet the demands for integrated services. Fourthly, the Bank will greatly enhance electronic banking to create "CEB in the Cyberspace". Fifthly, the Bank will improve its profit structure to diversify profit sources. Sixthly, the Bank will optimize the construction of business channels and develop an overall plan for the construction of physical business network and electronic channels so as to improve the operating efficiency of the branches and outlets.

(III) Operating plan

In 2016, the Bank will continue to enhance the branches' dominant roles in business operation and benchmark comparable peers. The Bank will implement a strategy emphasizing both "assets and liabilities" and improve the "Large Assets and Large Liabilities" management model. It will enhance its capabilities to provide integrated financial services to clients and improve the refined management. It will further raise its resource allocation efficiency and tighten its control of various risks. The Bank will strive to achieve a loan growth of approximately 13%, if there is no significant change in the current operating environment and regulatory policies. This operating plan does not constitute a performance commitment of the Bank to investors, who shall maintain sufficient risk awareness and understand the discrepancy between operating plan and performance commitment.

Management Discussion and Analysis

(IV) Capital demand plan

The Bank will continue to improve the capital management system to support the transformation of business operation, optimize capital allocation and improve efficiency of capital utilization. The Bank will implement the counter-cyclical capital management, increase the scale of reserve capital and smooth the influence of economic fluctuation and regulatory changes, so as to realize sustainable development. The Bank will further improve its capital plan and capital planning management, optimize the scale and structure of available capital, strengthen the endogenous type of capital replenishment mechanism and expand external replenishment channels. The Bank will use compliant and efficient capital instruments to the extent that meets the target of capital adequacy ratio while reducing capital cost.

(V) Potential risks and counter measures

In 2016, the Chinese banking industry is facing more severe challenges. Internationally, when the world economy is still in the process of profound correction and sluggish recovery, there are increasing instabilities and uncertainties. Domestically, with the long term accumulated conflicts and risks further revealed, the Chinese economy is under greater pressure for a downturn, especially while the three aspects, decrease to a lower economic growth rate, current impact from structural adjustment and change of driving factors, interweave to each other. In such a complicated operating environment, the credit risk pressure on commercial banks is obviously growing, as it is also becoming increasingly challenging for the management of liquidity risk, market risk and operational risk.

The Bank will firmly stick to its prudent development philosophy by improving the risk management framework, and enhancing the efficiency of risk management. In terms of credit risk, the bank will further work out its customer and business exit plan for the overcapacity industries. Greater efforts will be made in risk inspection, risk pre-warning and overall risk control so as to assure reasonable control of new NPLs, dissolving and collection of bad debts, and a better NPL disposal efficiency. In terms of liquidity risk, the Bank will conduct an in-depth analysis on the structure of the liquidity assets and the stability of funding sources. The Bank will prevent off-balance sheet risks from being transferred to on-balance sheet risks, prevent risks of serious maturity mismatch and improve liquidity risk monitoring indicators. In terms of market risk, risk analysis of interest and exchange rates would be strengthened; policies and procedures of risk management in interest and exchange rates would be improved; contingency plans and management measures under stress scenarios would be in place while management measures will be enriched. In terms of operational risk, the Bank would consolidate risk prevention measures in key sectors, step up efforts for risk inspection, and ensure safe operation.

Significant Events

I. Formulation and Implementation of Profit Distribution Policy

(I) Profit distribution policy for ordinary shares of the Bank

In accordance with the profit distribution principle, specific policies and procedure of consideration stipulated in the Articles of Association of the Bank, the Bank shall prioritize cash dividends in profit distribution. Except for special situations, the Bank may distribute cash dividends if both the 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) The profit distribution plan of the year

1. RMB2,914,401 thousand which amounts to 10% of RMB29,144,010 thousand, the net profit at the Bank level in 2015, will be appropriated to the statutory surplus reserve fund.
2. RMB6,368,048 thousand will be appropriated to the general reserve in 2015 in accordance with relevant requirements of the Ministry of Finance.
3. A cash dividend of RMB1.90 per 10 shares (before tax), amounting to an aggregate of RMB8,869,028 thousand, will be distributed to all ordinary shareholders, which accounts for 30.04% of the consolidated net profit attributable to the equity shareholders of the Bank. The cash dividends will be denominated and declared in Renminbi, and will be distributed in Renminbi to shareholders of A shares, and distributed in Hong Kong Dollar to shareholders of H shares. The exchange rate for the calculation of the 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 prior to the date of the Annual General Meeting of Shareholders of the Bank (inclusive of the date of the general meeting).

The Bank will not implement the capitalization of capital reserves for 2015.

The above profit distribution plan is subject to the approval by the 2015 Annual General Meeting of the Bank.

The profit distribution plan for the year of the Bank did not make any adjustment or amendments to the existing cash dividend policy of the Bank. The profit distribution plan complied with the *Articles of Association*, which contains clear and definite standards and proportion for dividend distribution and has proper 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. The above profit distribution plan will be subject to the Annual General Meeting of Shareholders where all of the ordinary shareholders including medium and small shareholders will be able to participate and express their recommendations and demands. The general meeting shall be held by way of on-site meeting and online voting, when the votes of medium and small shareholders in relation to the profit distribution plan will be counted separately as to fully protect the lawful rights of medium and small shareholders.

Significant Events

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

For 2015, the Bank intended to distribute a cash dividend of RMB1.90 per 10 shares (before tax) to all ordinary shareholders and will not implement the capitalization of capital reserves. For 2014, the Bank distributed a cash dividend of RMB1.86 per 10 shares (before tax) to all ordinary shareholders and did not implement any capitalization of capital reserves. For 2013, the Bank distributed a cash dividend of RMB1.72 per 10 shares (before tax) to all ordinary shareholders and did not implement any capitalization of capital reserves.

Item	Unit: RMB million, %		
	2015	2014	2013
Cash dividend	8,869.03	8,682.31	8,028.80
Proportion to net profit attributable to shareholders of the Bank	30	30	30

II. Important Undertakings and Performance of Undertakings Given by the Shareholders, Actual Controllers, Directors, Supervisors, Senior Management or other Related Parties

According to the Plan for Non-public Issuance of Domestic Preference Shares, China Everbright Group Limited, the substantial shareholder of the Bank, undertook that it would not participate in the inquiry process of the coupon rate of preference shares and would accept the yield finally determined by the Bank and sponsor institutions (the main underwriters) in accordance with the procedures and requirements of the CSRC. The Bank actually issued 200 million preference shares for the first tranche in June 2015. As at the end of the reporting period, China Everbright Group Limited had no violation of the undertaking. In July 2015, China Everbright Group Limited, promised not to reduce the shares of the Bank that it held during the fluctuation period, and took appropriate opportunities to increase domestic and oversea shares of the Bank. As at the end of the reporting period, China Everbright Group Limited strictly complied with its undertaking.

CHI, which is a substantial shareholder of the Bank, undertook that as long as CHI is the controlling shareholder or actual controller of the Bank, CHI shall not be engaged in competitive business with the Bank. However, since CHI has been the investment arm of the Chinese government specialized in investing in banks and other financial institutions, the business of companies under CHI is not covered by this undertaking. CHI's undertaking in this regard is effective for a permanent term. As at the end of the reporting period, there was no breach of undertakings given by CHI. In July 2015, CHI undertook that it shall not reduce its shareholding of the Bank during the abnormal fluctuation in the stock market. As at the end of the reporting period, CHI strictly fulfilled its undertaking.

As far as the Bank is informed, other than the above matters, there is no material undertakings given by the Bank and the Bank's shareholders, Directors, Supervisors, Senior Management or other related parties.

III. Reserve

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

IV. Fixed Assets

Please refer to “Notes to Financial Statements” of the Bank for details about the change in fixed assets of the Bank as at the end of the reporting period.

V. 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.

VI. Pre-emptive Rights

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

VII. Retirement and Benefits

Please refer to “Notes to Financial Statements” for details about the retirement benefits provided by the Bank.

VIII. Major Customers

During the reporting period, revenue generated from the top 5 major customers of the Bank did not exceed 30% of the Bank’s interest income and other business revenues.

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

During the reporting period, no capital of the Bank was used by controlling shareholders or other related parties for non-operating purposes. KPMG Huazhen LLP has issued a special audit opinion.

X. Changes in Accounting Policies

During the reporting period, the Bank did not have any changes in its accounting policies.

XI. Appointment and Resignation of Accounting Firm During the Report Period

(I) Appointment of auditors for auditing the annual financial statements of 2015

On 19 May 2015, the Bank held the 2014 annual general meeting of shareholders, in which KPMG Huazhen LLP was appointed by the Bank as the domestic auditor for 2015. Jin Naiwen and Huang Aizhou were the authorized signatories for the audit report. KPMG was appointed as the overseas auditor for 2015. The auditing fee payable was RMB8.90 million (exclusive of reimbursement and value-added tax). These two firms had provided audit services to the Bank for 11 years and 3 years in succession respectively.

Significant Events

(II) Appointment of Internal Control Auditor of 2015

On 19 May 2015, the Bank held the 2014 annual general meeting of shareholder, in which KPMG Huazhen LLP was appointed as the auditor for reviewing the internal control of the Bank for 2015 and the auditing fee payable to KPMG Huazhen LLP was RMB1.00 million (inclusive of reimbursement and value-added tax).

(III) Appointment and Resignation of Accounting Firm for 2016

On 19 November 2015, Ernst & Young Huaming LLP/Ernst & Young was approved as the domestic and overseas auditor of 2016 at the First Extraordinary General Meeting of Shareholders of 2015. KPMG Huazhen LLP/KPMG would no longer provide audit services for the Bank from 2016. After communicating with the Bank, KPMG has confirmed that there is no matter relating to its resignation that needs to be brought to the attention of the shareholders of the Bank.

XII. Matters Concerning Bankruptcy or Reorganization

During the reporting period, no bankruptcy or reorganization took place in the Bank.

XIII. Material Litigation and Arbitration Matters

During the reporting period, the Bank was not involved in any material litigation or arbitration.

XIV. Investigation and Administrative Penalty by Regulatory Authorities

During the reporting period, none of the Bank, its Directors, Supervisors, Senior Management, controlling shareholders and actual controllers was subject to any investigation by competent authorities, any mandatory measures by judicial authorities or disciplinary departments, transferral to judicial authorities, criminal proceedings, investigation, administrative penalty or public censure by the CSRC, or public censure by any stock exchange, or any penalty with significant impact on the Bank's operation imposed by any regulatory body.

XV. Credibility of the Bank, the Controlling Shareholders and Actual Controllers

During the reporting period, the Bank, the controlling shareholders and actual controllers did not fail to comply with effective court judgments or repay significant matured debts.

XVI. Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

As at the end of reporting period, the Bank did not implement any stock incentive plan and the employee stock ownership plan.

XVII. Matters Concerning 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 (as defined 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.

(I) Non-exempt connected transactions

1. Everbright Group’s subscription of domestic preference shares

On 31 October 2014, as approved by the Board of the Bank, the Bank entered into a subscription agreement (the “Subscription Agreement”) with Everbright Group in relation to a connected transaction, pursuant to which Everbright Group proposed to subscribe for part of the domestic preference shares to be issued by the Bank (the “Transaction”), the details of which were set out in the Bank’s announcement dated 31 October 2014 on “Connected Transaction – Subscription of Domestic Preference Shares by Controlling Shareholder”. Everbright Group is a connected person of the Bank. Therefore, the Transaction constituted a connected transaction of the Bank and was subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. 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 Bank on 23 December 2014. As at the end of the reporting period, the relevant government and regulatory institutions (CBRC and CSRC) had approved the issuance of the domestic preference shares and the issuance of the first tranche of 200 million preference shares was completed on 2 July 2015. The subscribers for the first tranche did not include any connected person of the Bank.

2. Non-public issuance of H shares to Everbright Group

On 25 September 2015, with the approval from the Board Meeting, the Bank and Everbright Group entered into an Agreement on Subscribing for H shares of the Bank and announced the connected transaction (the “Transaction”). Please refer to the announcement “Connected Transaction – Subscription of New Shares by Connected Person Under Specific Mandate and Resumption of Trading” published by the Bank on 25 September 2015 for details. As Everbright Group is a connected person of the Bank, therefore the Transaction constituted a connected transaction with the Bank, and was subject to the reporting, announcement and independent shareholders’ approval requirements pursuant to Chapter 14A of the Hong Kong Listing Rules. The Transaction and related resolutions were considered and approved by the independent shareholders on the 2015 First Extraordinary General Meeting, the 2015 First A Shareholder’ Class Meeting and the 2015 First H Shareholder’ Class Meeting on 19 November 2015. As at the end of the reporting period, the Bank’s issuance of non-public H shares is still pending and subject to the consideration and approval by relevant regulatory authorities.

(II) 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.

Significant Events

XVIII. Material Contracts and Their Performance

(I) Significant events of material custody, contracting or leasing assets of other companies, or other companies' material custody, contracting or leasing assets of the Bank

Except for daily business, during the reporting period, there was no significant matter in relation to any custody, contracting and leasing of assets by or to the Bank.

(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.

(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 External Guarantee (Zheng Jian Fa [2003] No. 56) of CSRC, the Independent Non-Executive Directors of the Bank reviewed external guarantee 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 continued to provide a guarantee for the RMB180 million payable interests of financial bonds issued by China Everbright Group Limited, and China Everbright Group Limited provided counter guarantee with its 50 million shares of a large securities firm. The Bank also provided a guarantee of RMB40 million to Jiangsu Huai'an Everbright Village Bank Co., Ltd., a subsidiary of the Bank, for the latter's application with Huai'an Central Sub-Branch of the People's Bank of China for the refinancing in support of farmers. Save as the above-mentioned, the balance of other guarantee operations of the Bank amounted to RMB61,709 million, representing a year-on-year decrease of 1.21%.

Attaching importance to the risk management of guarantee business, the Bank formulated specific business management measures and operating procedures, and effectively monitored and prevented risks in the guarantee business by on-site and off-site inspections. During the reporting period, no business in violation of regulations 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) Authorization to others in matters relating to cash assets management

During the reporting period, there is no authorization to others in matters relating to cash assets management.

(V) Other material contracts

During the reporting period, the Bank's daily operation and performance of contracts were normal. There was no other significant contracts or management contracts.

XIX. Other Significant Events

(I) Issuance of preference shares

On 15 June 2015, the CSRC, via Zheng Jian Xu Ke [2015] No. 1239, approved the domestic non-public issuance of preference shares by the Bank. In the first tranche issuance on 19 June 2015, the Bank issued 200 million shares with a par value of RMB100 per share. After deducting issuance expenses, the actual proceeds raised amounted to RMB19,965 million. Upon approval by the SSE via Shang Zheng Han [2015] No. 1131, the preference shares of the issuance were arranged for trading on the comprehensive business platform of the SSE from 21 July 2015.

(II) Additional issuance of H shares

The proposal in respect of the plan of non-public issuance of H shares by China Everbright Bank Company Limited was considered and approved on the 2015 First Extraordinary General Meeting, the 2015 First A Shareholder' Class Meeting and the 2015 First H Shareholder' Class Meeting on 19 November 2015, planned to issue no more than 4 billion non-public H shares to Everbright Group and raise capital amounting to approximately HK\$19.6 billion. As at the date of this report, the issuance of H shares is still pending and subject to the approval of relevant regulatory authorities.

XX. Significant Matters of Subsidiaries

(I) Everbright Financial Leasing Company Limited

On 16 June 2015, it successfully issued RMB3.5 billion 3-year fixed-interest financial bonds, with the interest rate of issuance being 4.0% and the interest-bearing period being from 18 June 2015 to 17 June 2018. During the reporting period, it did not distribute any profit and it had no material litigation or arbitration, acquisition or disposal of major assets, material connected transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged KPMG Huazhen LLP to audit its financial report.

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

During the reporting period, Shaoshan Everbright Village Bank Co., Ltd. allocated dividends of RMB10,001,400 in cash to all shareholders. It had no material litigation or arbitration, acquisition or disposal of major assets, material connected 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.

Significant Events

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

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 connected 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.

(IV) CEB International Investment Corporation Limited

This company has been established and operated for less than one full year. As at the end of the reporting period, it had no material litigation or arbitration, acquisition or disposal of major assets, material connected transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged Ernst & Young to audit its financial report.

XXI. Fulfillment of Social Responsibilities

The Bank earnestly integrated operating and management with the sustainable development of social environment. Through allocating credit resources, the Bank formulated a series of green financial internal policies, including the "Small and Micro Enterprise Green Business Guidelines", which puts forward the important business development direction of developing green finance, supporting green industry and serving real economy. During the reporting period, the balance of general risks loans of green credit amounted to RMB38.7 billion. Meanwhile, the Bank attached importance to the daily office environmental management, formulated a series of internal system regulations, with an aim to realizing its goal of green operation in various aspects. Moreover, the Bank positively gave back to the society by providing caring assistance and targeted poverty alleviation, continuously supported the public welfare project of "Mother Cellar" for 11 years. During the reporting period, the balance of the Bank's charity donations amounted to RMB6.131 million.

The Bank always attached importance to the compliance with applicable laws and regulations. The Bank allocated relevant departments and human resources to ensure compliance with laws, regulations and various regulatory rules, and maintained good work relationship with regulatory authorities through effective communications. During the reporting period, to the best knowledge of the Bank, the Bank has complied with applicable laws and regulations which have significant impact on the business and operation of the Bank.

In addition to shareholders, the Bank's daily operation also relies on other key stakeholders, including employees, customers and regulatory authorities. The Bank formulated and adopted various internal systems and policies to reward and praise excellent employees, and assisted them to develop their career and get promoted through appropriate trainings and provision of opportunities. Please refer to "Employees" for details of the employees of the Bank. The Bank aims to provide excellent and high-quality customer services in commercial banking business and other business areas while



maintaining long-term profitability, business expansion and asset growth. In addition, the Bank, regulated by the Central Bank, CBRC, CSRC, SSE, SFC, HKMA and HKSE, will keep itself up-to-date and ensure compliance with new rules and regulations.

The Bank has disclosed the full text of Social Responsibilities Report. Please refer to the website of SSE, HKSE (in the form of an overseas regulatory announcement) and the Bank for details.

XXII. Professional Liability Insurance for the Directors, Supervisors and Senior Management

During the reporting period and up to the date of this report, the Bank established a liability insurance system of the Directors, Supervisors and Senior Management members in accordance with relevant laws and regulations and the Articles of Association. The Articles of Association and such professional liability insurance system set out relevant permitted indemnity provisions, and such insurance policies shall cover compensations to the insured parties for relevant fees from relevant liabilities and possible litigations.

XXIII. Review of Annual Results of the Bank

The Bank's external auditors KPMG Huazhen LLP and KPMG respectively audited the Bank's financial statements, which were prepared according to the 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 31 December 2015.

XXIV. 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 Ordinary Share Capital

Unit: share, %

	Before change		Changes during the reporting period	After change	
	Number	Percentage	New share issuance	Number	Percentage
I. Shares subject to trading moratorium	-	-	-	-	-
II. Shares not subject to trading moratorium	-	-	-	-	-
1. RMB-denominated ordinary shares (A shares)	39,810,359,500	85.29	-	39,810,359,500	85.29
2. Domestically listed foreign shares	-	-	-	-	-
3. Overseas listed foreign shares (H shares)	6,868,735,500	14.71	-	6,868,735,500	14.71
4. Others	-	-	-	-	-
III. Total shares	46,679,095,000	100.00	-	46,679,095,000	100.00

II. Share Issuance and Listing

(I) Ordinary share issuance during the reporting period

During the reporting period, the Bank did not issue any ordinary shares.

(II) Bond issuance and redemption

During the reporting period, the Bank did not issue or redeem any bonds.

(III) During the reporting period, there was no change in the total number of shares, shareholding structure or assets and liabilities of the Bank as a result of bonus issue, capitalization of the capital reserves, rights issue, issuance of new shares, private placement of shares, exercise of warrants, adoption or exercise of share incentive scheme, mergers, conversion of convertible corporate bonds, capital reduction, listing of internal employee share, bond issuance or for other reasons.

(IV) The Bank does not have any internal employee shares.

III. Number of Shareholders

Unit: Shareholder

	A shares	H shares
Total number of shareholders as at the end of the reporting period	341,380	1,041
Total number of shareholders as at the last trading day of the month prior to the disclosure of the A share annual report	331,428	-

IV. Shareholding of Top 10 Shareholders

Unit: Share, %

Name of shareholder	Nature	Change in the reporting period (+, -)	Class of shares	Number of shares held at the end of the reporting period		Shareholding percentage	Number of shares pledged or frozen
				Shares not subject to trading moratorium	Shares subject to trading moratorium		
China Everbright Group Limited (Note 1)	Domestic legal person	+9,000,000,000	A shares	11,057,280,034	-	23.69	-
		+127,035,000	H shares	127,035,000	-	0.27	-
Central Huijin Investment Ltd	State	-9,000,000,000	A shares	10,250,916,094	-	21.96	-
Hong Kong Securities Clearing Company Nominees Limited (Note 2), including:	-	+1,573,000	H shares	6,862,659,500	-	14.70	-
Ocean Fortune Investment Limited	Overseas legal person	+25,000,000	H shares	1,609,273,000	-	3.45	-
China Life Reinsurance Company Limited	Domestic legal person	+121,453,000	H shares	1,162,713,000	-	2.49	-
China Everbright Limited	Overseas legal person	-	A shares	1,572,735,868	-	3.37	-
China Securities Finance Corporation Limited	Domestic legal person	+1,335,494,280	A shares	1,335,494,280	-	2.86	-
China Reinsurance (Group) Corporation	Domestic legal person	-171,923,000	A shares	782,913,367	-	1.68	-
		+58,440,000	H shares	58,440,000	-	0.13	-
Shenergy (Group) Co., Ltd.	Domestic legal person	-	A shares	766,002,403	-	1.64	-
Central Huijin Asset Management Ltd.	State	+629,693,300	A shares	629,693,300	-	1.35	-
Hongta Tobacco (Group) Co., Ltd	Domestic legal person	-68,120,850	A shares	470,297,000	-	1.01	-
Guangzhou Maritime Transport (Group) Co., Ltd	Domestic legal person	+50,000	A shares	423,982,589	-	0.91	-

The connected relations or concerted actions among the aforementioned shareholders: so far as the Bank was informed that as at the end of the reporting period, Central Huijin Investment Limited (CHI) held a 55.67% and 71.56% interest in China Everbright Group Limited and China Reinsurance (Group) Corporation respectively. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of CHI, China Everbright Limited is a subsidiary of China Everbright Holdings Company Limited, and China Everbright Holdings Company Limited is a wholly-owned subsidiary of China Everbright Group Limited. China Life Reinsurance Company Limited is a subsidiary of China Reinsurance (Group) Corporation. Guangzhou Maritime Transport (Group) Co., Ltd and Ocean Fortune Investment Limited are subsidiaries of China Maritime Transport (Group) Corporation. Save for the above, the Bank is not aware of any connected relations or concerted action among the aforementioned shareholders.

Changes in Share Capital and Shareholders

- Note:
1. Upon approval by the State Council, China Everbright (Group) Corporation changed from a wholly state-owned enterprise into a joint stock company, and changed its name into China Everbright Group Limited. The company was promoted and set up by the Ministry of Finance and CHI. CHI invested its 9 billion shares of the Bank in Everbright Group, and the equity transfer was completed on 13 May 2015.
 2. 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 6,862,659,500 H shares. The Bank was informed that apart from the 1,609,273,000, 1,162,713,000, 127,035,000 and 58,440,000 H shares of the Bank held by Ocean Fortune Investment Limited, China Life Reinsurance Company Limited, China Everbright Group Limited and China Reinsurance (Group) Corporation held respectively, all of which were under the name of Hong Kong Securities Clearing Company Nominees Limited. The number of remaining H shares of the Bank held under the name of Hong Kong Securities Clearing Company Nominees Limited was 3,905,198,500 H shares.

V. Shareholding of the Top 10 Shareholders not Subject to Trading Moratorium

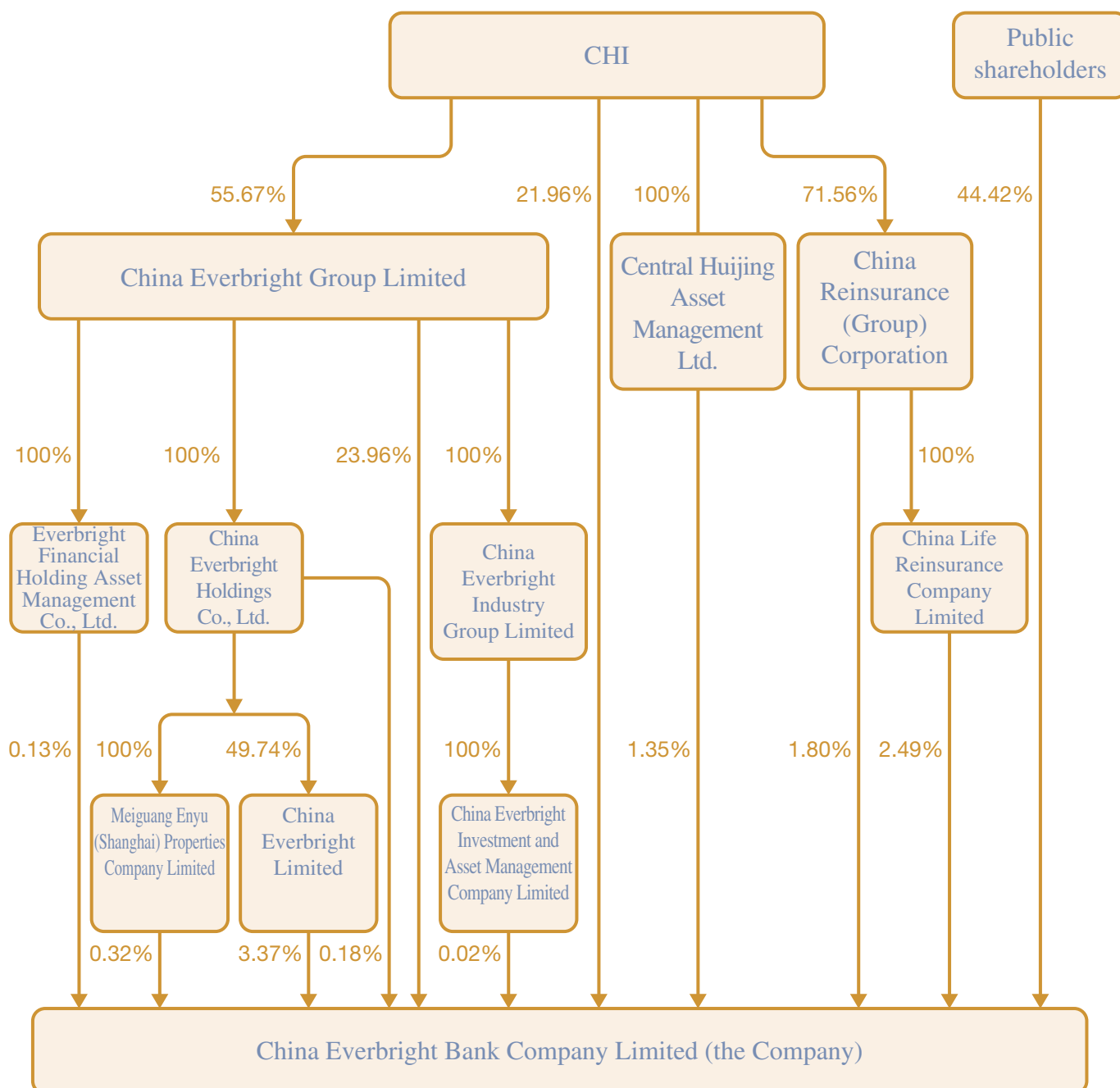
Shareholding of the top 10 shareholders not subject to trading moratorium of the Bank is the same as that of the top 10 shareholders.

VI. Confirmation of 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 31 December 2015, the Bank had maintained the minimum public float as required by the Hong Kong Listing Rules and the waiver granted by the HKSE.

VII. Profile of Substantial Shareholders of the Bank

(I) The chart of shareholding structure of the Bank and its substantial shareholders



As at 31 December 2015

Changes in Share Capital and Shareholders

(II) China Everbright Group Limited

1. Basic information

Company name:	China Everbright Group Limited
Legal Representative:	Tang Shuangning
Date of establishment:	12 November 1990 (Name changed on 8 December 2014 following transformation to a joint stock company)
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 (Business activities which are subject to relevant approval in accordance with applicable laws shall be carried out only after obtaining of such approvals granted by competent regulatory authorities.)

2. Shareholding in other domestically and overseas listed companies

As at 31 December 2015, the shareholding of Everbright Group in other domestically and overseas listed company was as follows:

Company Name	Stock Exchanges for Listing	Shareholding Percentage
Everbright Securities Co., Ltd.	Shanghai Stock Exchange	58.84
China Everbright Limited	Hong Kong Stock Exchange	49.74
China Everbright International Limited	Hong Kong Stock Exchange	41.39
Shenwan Hongyuan Securities Co., Ltd.	Shenzhen Stock Exchange	4.98

Unit: %

(III) Central Huijin Investment Ltd

1. Basic information

Company name	: Central Huijin Investment Ltd.
Legal Representative	: Ding Xuedong
Date of establishment	: 16 December 2003
Business scope	: Equity investment in major state-owned financial enterprises in accordance with authorization by the State Council; other relevant businesses approved by the State Council

2. Shareholding in other domestically and overseas listed companies

As at 31 December 2015, the shareholdings of CHI in other domestically and overseas listed companies were as follows:

Unit: %

Company Name	Stock Exchanges for Listing	Shareholding Percentage
Industrial and Commercial Bank of China Limited	Shanghai Stock Exchange, Hong Kong Stock Exchange	34.71
Agricultural Bank of China Limited	Shanghai Stock Exchange, Hong Kong Stock Exchange	40.03
Bank of China Limited	Shanghai Stock Exchange, Hong Kong Stock Exchange	64.02
China Construction Bank Corporation	Shanghai Stock Exchange, Hong Kong Stock Exchange	57.11
China Reinsurance (Group) Corporation	Hong Kong Stock Exchange	71.56
New China Life Insurance Company Limited	Shanghai Stock Exchange, Hong Kong Stock Exchange	31.34
Shenwan Hongyuan Securities Co., Ltd.	Shenzhen Stock Exchange	25.03
China International Capital Corporation Limited	Hong Kong Stock Exchange	28.45

Changes in Share Capital and Shareholders

IX. Interests or Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares of the Bank under Hong Kong Laws and Regulations

As at 31 December 2015, so far as was known to Directors and Supervisors of the Bank, the following persons or corporations (other than Directors, Supervisors or Chief Executives of the Bank) had interests and short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance of Hong Kong (“HKSF”) or which were required to be notified to the Bank:

Name of substantial shareholder	Notes	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of the relevant shares in issue (%) ^{4,5}	Percentage of the total issued shares (%) ^{4,5}
China Shipping (Group) Company	1	H shares	Interest of controlled corporation	Long	1,609,273,000	23.42	3.44
China Shipping (Hong Kong) Holdings Co. Ltd	1	H shares	Interest of controlled corporation	Long	1,609,273,000	23.42	3.44
Ocean Fortune Investment Limited	1	H shares	Beneficial owner	Long	1,609,273,000	23.42	3.44
CHI	2	H shares	Interest of controlled corporation	Long	5,431,818,000	79.08	11.63
Everbright Group	2	H shares	Beneficial owner/ Interest of controlled corporation	Long	4,210,665,000	61.30	9.02
China Reinsurance (Group) Corporation	2	H shares	Beneficial owner/ Interest of controlled corporation	Long	1,221,153,000	17.77	2.61
China Life Reinsurance Company Ltd.	2	H shares	Beneficial owner	Long	1,162,713,000	16.92	2.49
National Council for Social Security Fund		H shares	Beneficial owner	Long	617,375,500	8.98	1.32
Everbright Group	3	A shares	Beneficial owner/ Interest of controlled corporation	Long	12,846,572,160	32.26	27.52
CHI	3	A shares	Beneficial owner/ Interest of controlled corporation	Long	24,510,094,921	61.56	52.50

Notes: 1. Ocean Fortune Investment Limited held a long position in 1,609,273,000 H shares of the Bank directly. As far as the Bank 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 HKSF, China Shipping (Hong Kong) Holdings Co. Ltd. and China Shipping (Group) Company were deemed to be interested in the 1,609,273,000 H shares held by Ocean Fortune Investment Limited.

2. China Life Reinsurance Company Ltd. held a long position in 1,162,713,000 H shares of the Bank directly. China Reinsurance (Group) Corporation held a long position in 58,440,000 H shares of the Bank directly. Everbright Group directly held a long position in 4,127,035,000 H shares of the Bank. China Everbright Holdings Company Limited held a long position in 83,630,000 H Shares of the Bank directly. As far as the Bank is aware, China Life Reinsurance Company Ltd. was wholly-owned by China Reinsurance (Group) Corporation, while 71.56% of the issued share capital of China Reinsurance (Group) Corporation was held by CHI. China Everbright Holdings Company Limited was wholly-owned by Everbright Group, while 55.67% of the issued share capital of Everbright Group was held by CHI. In accordance with the HKSF, China Reinsurance (Group) Corporation was deemed to be interested in the 1,162,713,000 H shares held by China Life Reinsurance Company Ltd., while Everbright Group was deemed to be interested in the 83,630,000 H shares held by China Everbright Holdings Company Limited. Therefore, CHI was deemed to be interested in a total of 5,431,818,000 H shares of the Bank.

3. Everbright Group directly held a long position in 11,057,280,034 A shares of the Bank. Everbright Group was deemed to be interested in a long position in a total of 1,789,292,126 A shares of the Bank held by its following subsidiaries:
 - (1) China Everbright Limited directly held a long position in 1,572,735,868 A shares of the Bank.
 - (2) Meiguang Enyu (Shanghai) Properties Company Limited directly held a long position of 148,156,258 A shares of the Bank.
 - (3) China Everbright Investment and Assets Management Co., Ltd. directly held a long position of 8,000,000 A shares of the Bank.
 - (4) Everbright Financial Holding Asset Management Co., Ltd. held a long position of 60,400,000 A shares of the Bank.

Therefore, Everbright Group directly and indirectly held a long position of 12,846,572,160 A shares of the Bank in total.

CHI directly held a long position in 10,250,916,094 A shares of the Bank, China Reinsurance (Group) Corporation and Central Huijin Asset Management Ltd. directly held a long position of 782,913,367 and 629,693,300 A shares of the Bank respectively. As far as the Bank is aware, 100% of the issued share capital of Central Huijin Asset Management Ltd., 71.56% of the issued share capital of China Reinsurance (Group) Corporation and 55.67% of the issued share capital of Everbright Group were held by CHI respectively. In accordance with the HKSF0, CHI was deemed to be interested in the long position in 629,693,300 A shares held by Central Huijin Asset Management Ltd., the long position in 782,913,367 A shares held by China Reinsurance (Group) Corporation, and the long position of 12,846,572,160 A shares held by Everbright Group. Therefore, CHI directly and indirectly held a long position in 24,510,094,921 A shares of the Bank in total.

4. As at 31 December 2015, the total issued share capital of the Bank was 46,679,095,000 shares, including 39,810,359,500 A shares and 6,868,735,500 H shares.
5. The percentage of shareholdings are calculated by rounding to two decimal places.

Save as disclosed above, as at 31 December 2015, the Bank had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the HKSF0, or which were recorded in the register required to be kept by the Bank under section 336 of the HKSF0.

X. Interests or short positions of Directors, Supervisors and Chief Executives in Shares, Underlying Shares and Debentures of the Bank under Hong Kong Laws and Regulations

As at 31 December 2015, as far as the Directors and Supervisors of the Bank 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 Bank or any of its associated corporations (as defined in the HKSF0) which were required to be recorded in the register required to be kept under Section 352 of the HKSF0, or which were required to be notified to the Bank and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HKSF0, or which are required to be notified to the Bank 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 Hong Kong 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.

Preference Shares

I. The Issuance and Listing of Preference Shares During the Reporting Period

Unit: %, Ten thousand shares

Code	Abbreviation	Date of Issuance	Issuance Price (RMB)	Coupon Rate	Issuance Volume	Date of Listing	Approved Volume for Listing and Trading	Date of Delisting
360013	Everbright P1	19 June 2015	100	5.30	20,000	21 July 2015	20,000	-

Use of funds raised: On 15 June 2015 via Zheng Jian Xu Ke [2015] No. 1239, the CSRC approved the Bank's plan of non-public issuance of preference shares. On 19 June 2015, the Bank issued 200 million shares for the first time with a par value of RMB100 per share. After deducting issuance expenses, the actual proceeds raised were RMB19,965 million, all of which would be used to replenish the tier-1 capital of the Bank; The issued shares were traded on the comprehensive business platform of the SSE from 21 July 2015.

II. Total Number of Preference Shareholders and Shareholdings of Top 10 Preference Shareholders

Unit: Share, %

Number of preference shareholders as at the end of the reporting period (shareholder)							18
Number of preference shareholders as at the end of the month prior to the disclosure of this annual report (shareholder)							18
Name of preference shareholder	Nature of shareholder	Changes in shareholding during the reporting period			Percentage of shareholding	Type of shares	Number of shares pledged/frozen
		Number of shares held	Number of shares held	Percentage of shareholding			
Bank of Communications Schroder Fund Management Co., Ltd.	Others	37,750,000	37,750,000	18.88	Domestic preference shares	-	
China CITIC Bank Corporation Limited	Others	17,750,000	17,750,000	8.88	Domestic preference shares	-	
Chuangjin Hexin Fund Management Limited	Others	15,510,000	15,510,000	7.76	Domestic preference shares	-	
BOCI Securities Limited	Others	15,500,000	15,500,000	7.75	Domestic preference shares	-	
Bank of Communications International Trust Co., Ltd.	Others	15,500,000	15,500,000	7.75	Domestic preference shares	-	
Hwabao Trust Co., Ltd.	Others	13,870,000	13,870,000	6.94	Domestic preference shares	-	
China Resources SZITIC Trust Co., Ltd.	Others	13,870,000	13,870,000	6.94	Domestic preference shares	-	
CCB Trust Co., Limited	Others	10,000,000	10,000,000	5.00	Domestic preference shares	-	
China Ping An Property & Casualty Insurance Co., Ltd.	Others	10,000,000	10,000,000	5.00	Domestic preference shares	-	
China Ping An Life Insurance Co., Ltd.	Others	10,000,000	10,000,000	5.00	Domestic preference shares	-	

The connected relations or concerted actions among the aforementioned shareholders: China Ping An Property&Casualty Insurance Co., Ltd. and China Ping An Life Insurance Co., Ltd have connected relations. Bank of Communications Schroder Fund management Co., Ltd and Bank of Communications International Trust Co., Ltd have connected relations.

III. Profit Distribution of the Preference Shares

(I) Policy of profit distribution of Preference Shares

The preference shares issued by the Bank on June 2015 for the first time (hereinafter as the “Preference Shares”) are priced at coupon rates subject to adjustments at different intervals. The coupon rate shall remain unchanged for the first 5 years commencing from the issuance date. Subsequently, the coupon rate shall be adjusted once every 5 years. Through market consultation, the first coupon rate for the Preference Shares is determined at 5.30%.

The dividends on the Preference Shares are non-cumulative, and the dividends shall be payable in cash and shall be paid annually. Under the circumstance that the Bank decides to cancel part of or all of the dividend payment of the Preference Shares, the undistributed dividends shall not be carried forward to the following dividend period. The Preference Shareholders are not entitled to the distribution of the remaining profit along with ordinary shareholders after receiving fixed the dividends at fixed dividend rate as agreed.

As at the end of reporting period, the Preference Shares had not reached its dividend payment date.

(II) The profit distribution of Preference Shares for the year

According to the agreement, the Bank will hold a Board Meeting at least ten working days prior to the first dividend payment date of the Preference Shares (i.e. 27 June 2016) to consider issues related to the dividend payment for the first time and issue announcements to notify holders of the preference share.

(III) There was no information about profit distribution of Preference Shares for the past three years, due to the fact that the Preference Shares of the Bank were issued less than one year ago.

IV. During the reporting period, there was no redemption of Preference Shares or conversion of Preference Shares into ordinary shares by the Bank.

V. During the reporting period, there was no voting right restoration of the Preference Shares of the Bank.

Preference Shares

VI. The Accounting Policies for the Preference Shares of the Bank and Their Reasons

According to the provisions of the “Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments” and “Rules on Differentiating the Financial Liabilities and the Equity Instruments and Relevant Accounting Treatment” promulgated by the Ministry of Finance, the terms and conditions of the issuance of preference shares by the Bank complied with the requirements of accounting of the Preference Shares as an equity instrument, and therefore the Preference Shares under the issuance were accounted for as an equity instrument.

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

I. Profile of Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Terms of Office	Total remuneration from the Company during the reporting period (Pre-tax, RMB ten thousand)	Whether received remuneration from the connected party
Mr. Tang Shuangning	Secretary of CPC Committee of the Bank, Chairman, Non-Executive Director	Male	61	2007.07-	-	Yes
Mr. Gao Yunlong	Vice Chairman, Non-Executive Director	Male	57	2014.12-	-	Yes
Mr. Zhang Jinliang	Deputy Secretary of CPC Committee of the Bank, Executive Director, President	Male	46	2016.01-	-	No
Mr. Ma Teng	Deputy Secretary of CPC Committee of the Bank, Executive Director, Executive Vice President	Male	57	2015.03-	129.60	No
Mr. Wu Jian	Non-Executive Director	Male	45	2007.12-	-	Yes
Mr. Wu Gang	Non-Executive Director	Male	57	2011.03-	-	Yes
Ms. Wang Shumin	Non-Executive Director	Female	59	2012.02-	-	Yes
Mr. Wu Gaolian	Non-Executive Director	Male	63	2013.01-	-	Yes
Mr. Zhao Wei	Non-Executive Director	Male	44	2015.02-	-	Yes
Mr. Yang Jigui	Non-Executive Director	Male	49	2015.02-	-	Yes
Mr. Zhang Xinze	Independent Non-Executive Director	Male	69	2011.11-	-	No
Mr. Qiao Zhimin	Independent Non-Executive Director	Male	63	2013.01-	39.00	Yes
Mr. Xie Rong	Independent Non-Executive Director	Male	63	2013.01-	37.00	No
Ms. Fok Oi Ling Catherine	Independent Non-Executive Director	Female	57	2014.01-	37.00	Yes
Mr. Xu Hongcai	Independent Non-Executive Director	Male	51	2015.02-	-	No
Mr. Feng Lun	Independent Non-Executive Director	Male	56	2015.02-	28.33	Yes
Mr. Li Xin	Chairman of the Board of Supervisors	Male	55	2015.06-	21.82	Yes
Mr. Mu Huijun	Vice Chairman of the Board of Supervisors	Male	59	2009.11-	129.60	No
Mr. Yin Lianchen	Shareholder Supervisor	Male	49	2014.12-	-	Yes
Mr. Wu Junhao	Shareholder Supervisor	Male	50	2009.11-	-	No
Mr. Yu Erniu	External Supervisor	Male	66	2012.11-	30.00	Yes
Mr. James Parks Stent	External Supervisor	Male	70	2013.01-	30.00	No
Ms. Chen Yu	Employee Supervisor	Female	50	2003.07-	195.78	No
Mr. Ye Donghai	Employee Supervisor	Male	52	2012.11-	211.70	No
Mr. Ma Ning	Employee Supervisor	Male	44	2012.11-	311.92	No
Ms. Li Jie	Member of CPC Committee of the Bank, Executive Vice President	Female	57	2003.01-	129.60	No
Mr. Zhang Huayu	Member of CPC Committee of the Bank, Executive Vice President	Male	57	2006.02-	129.60	No
Mr. Lu Hong	Member of CPC Committee of the Bank, Executive Vice President	Male	52	2009.03-	129.60	No
Mr. Qiu Huofa	Member of CPC Committee of the Bank, Executive Vice President, General Manager of Beijing Branch	Male	55	2012.12-	129.60	No
Mr. Wu Jian	Member of CPC Committee of the Bank, Secretary of Disciplinary Committee, Executive Vice President	Male	54	2014.01-	99.60	No
Mr. Yao Zhongyou	Member of CPC Committee of the Bank, Executive Vice President	Male	52	2014.05-	99.60	No
Mr. Cai Yunge	Member of CPC Committee of the Bank, Secretary to the Board (Executive Vice President Level)	Male	44	2014.05-	99.60	No
Total remuneration received from the Bank					2,018.95	

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

- Note:
1. The terms of office of the Directors and Supervisors of the Bank will end on the date when the change of session of Directors and Supervisors comes into effect.
 2. The appointment of Mr. Zhang Jinliang as an Executive Director of the Bank was considered and passed at the Board meeting, and his appointment qualification is subject to approval at the general meeting of shareholders of the Company and by the CBRC.
 3. The remuneration of certain Directors, Supervisors, Senior Management of the Bank have not been finalized and an announcement will be made for further disclosure in due course.
 4. During the reporting period, none of the Directors, Supervisors and Senior Management held any shares of the Bank.
 5. During the reporting period, the Bank had not implemented any share incentive scheme, and none of the Directors, Supervisors and Senior Management of Bank held any share option of the Bank's shares or was granted any restrictive shares.
 6. The incumbent Directors, Supervisors, Senior Management of the Bank have not been subject to any penalty by any securities regulatory authorities in the recent three years.

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

Name	Title	Gender	Age	Terms of Service	Total remuneration from the Bank during the reporting period (Pre-tax, RMB ten thousand)	Whether received remuneration from the connected party
Mr. Zhao Huan	Deputy Secretary of CPC Committee of the Bank, Executive Director, President	Male	52	2014.04-2016.01	48.72	No
Ms. Narentuya	Non-Executive Director	Female	60	2011.03-2015.07	-	Yes
Mr. Wang Zhongxin	Non-Executive Director	Male	60	2012.06-2015.08	-	Yes
Mr. Cai Haoyi	Chairman of the Board of Supervisors	Male	61	2012.11-2015.06	65.45	No
Total remuneration received from the Bank					114.17	

- Note:
1. The remuneration of Mr. Zhao Huan and Mr. Cai Haoyi has not been finalized and an announcement will be made for further disclosure in due course.
 2. The resigned Directors, Supervisors, Senior Management of the Bank have not been subject to any penalty from the securities regulatory authorities in the recent three years.

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

(I) Changes of Directors

1. On 11 February 2015, the CBRC approved the qualification of Mr. Zhao Wei and Mr. Yang Jigui as Non-Executive Directors, and the appointment qualification of Mr. Xu Hongcai and Mr. Feng Lun as Independent Non-Executive Directors.
2. On 11 February 2015, Mr. Zhou Daojiong ceased to serve as an Independent Non-Executive Director.
3. On 23 March 2015, the CBRC approved the appointment qualification of Mr. Ma Teng as an Executive Director.
4. On 16 July 2015, due to job assignment, Ms. Narentuya resigned from the positions of Non-Executive Director of the Board of Directors, member of the Strategy Committee of the Board of Directors and member of the Audit Committee of the Board of Directors of the Bank.
5. On 24 August 2015, due to job assignment, Mr. Wang Zhongxin resigned from the positions of Non-Executive Director of the Board of Directors, member of the Strategy Committee of the Board of Directors and member of the Risk Management Committee of the Board of Directors of the Bank.
6. On 14 January 2016, due to job assignment, Mr. Zhao Huan resigned from the positions of Executive Director of the Board of Directors, member of the Strategy Committee of the Board of Directors and member of the Risk Management Committee of the Board of Directors of the Bank.
7. On 14 January 2016, the 38th meeting of the Sixth Session of the Board of Directors approved the nomination of Mr. Zhang Jinliang as an Executive Director of the Bank, which is subject to the consideration and approval of the general meeting, while his appointment qualification is subject to the approval by the CBRC.

(II) Changes in Supervisors

1. On 2 June 2015, Mr. Cai Haoyi resigned from the positions of Chairman of the Board of Supervisors, Shareholder Supervisor and member of the Nomination Committee of the Board of Supervisors of the Bank due to his retirement.
2. On 29 April 2015, at the 17th meeting of the Sixth Session of the Board of Supervisors, Mr. Li Xin was nominated as a candidate for Supervisor of the Sixth Session of the Board of Supervisors of the Bank; on 19 May 2015, Mr. Lin Xin was elected as a Supervisor of the Sixth Session of the Board of Supervisors of the Bank at the 2014 annual general meeting of shareholders of the Bank. On 2 June 2015, at the 18th meeting of the Sixth Session of the Board of Supervisors, Mr. Li Xin was elected as the Chairman of the Sixth Session of the Board of Supervisors of the Bank.

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

(III) Changes in Senior Management

1. On 14 January 2016, Mr. Zhao Huan resigned from the position of President of the Bank due to job assignment.
2. On 14 January 2016, the 38th meeting of the Sixth Session of the Board of Directors of the Bank appointed Mr. Zhang Jinliang as the President of the Bank, whose appointment qualification was approved by the CBRC on 22 February 2016.

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

1. Mr. Gao Yunlong, Vice Chairman and Non-Executive Director of the Bank, concurrently served as a Director of the Everbright Securities Co., Ltd and Sun Life Everbright Life Insurance Co., Ltd.
2. Mr. Ma Teng, Executive Director of the Bank, concurrently served as the Chairman of the Board of Directors of CEB International Investment Corporation Limited.
3. Mr. Zhao Wei, Non-Executive Director of the Bank, concurrently served as the Assistant President of China Reinsurance (Group) Co., Ltd, and Chairman of the Board of Directors of China Re Asset Management (Hong Kong) Company Ltd.
4. Mr. Yang Jigui, Non-Executive Director of the Bank, concurrently served as the Deputy Chief Accountant of China Shipping (Group) Co. Ltd, and Director of the Shanghai Life Insurance Co., Ltd.
5. Mr. Zhang Xinze, Independent Non-Executive Director of the Bank, ceased to be an Independent Director of Hong Bo Printing Co., Ltd.
6. Mr. Xie Rong, Independent Non-Executive Director of the Bank, concurrently served as an Independent Director of Shanghai Bairun Investment Holding Group Co., Ltd.
7. Ms. Fok Oi Ling Catherine, Independent Non-Executive Director of the Bank, concurrently served as an Independent Adviser of A.T. Kearney (Hong Kong) Limited.
8. Mr. Feng Lun, Independent Non-Executive Director of the Bank, concurrently served as the Chairman of the Board of Directors of Beijing Vantone Greatcity Investment Limited and an Independent Director of Haitong Securities Company Limited.
9. Ms. Chen Yu, Employee Supervisor of the Bank, concurrently served as a Director of CEB International Investment Corporation Limited.

V. Procedures for Determining the Remuneration of the Directors, Supervisors and Senior Management, Basis for Determining the Remuneration and the Actual Remunerations Paid

Remuneration of Directors and Senior Management of the Bank are approved and paid in accordance with the rules of relevant authorities as well as the Articles of Association of the Bank. The remuneration plan for Directors and Senior Management members is reviewed by the Remuneration Committee of the Board of Directors before it is submitted to the Board of Directors for approval. The remuneration plan for directors is further subject to the shareholders' general meeting for approval.

Remunerations of Supervisors of the Bank are verified and paid in accordance with the rules of relevant authorities and the Articles of Association of the Bank. The remuneration plan is reviewed by the Nomination Committee of the Board of Supervisors and then was considered by the Board of Supervisors, before it is subject to the shareholders' general meeting for approval.

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

VI. Positions Held in Shareholders by Directors, Supervisors and Senior Management Members

Name	Name of shareholder	Title	Term
Mr. Tang Shuangning	China Everbright Group Limited	Secretary of CPC Committee, Chairman,	Jun. 2007 to the present
	China Everbright Group Holdings Limited	Chairman	Jul. 2007 to the present
	China Everbright Limited	Chairman of the Board of Directors	Jul. 2007 to the present
Mr. Gao Yunlong	China Everbright Group Limited	Vice Chairman, General Manager	Jul. 2014 to the present
Mr. Zhang Jinliang	China Everbright Group Limited	Member of CPC Committee	Jan. 2016 to the present
		Executive Director	Mar. 2016 to the present
Mr. Wu Jian	CHI	Designated Director,	Designated Director: Dec. 2007 to the present
		Director of Everbright Equity	Director: Apr. 2012 to Sep. 2015
		Management Department of Division II of Banking Department	
Mr. Wu Gang	China Everbright Group Limited	Director	Director: Dec. 2014 to the present
	CHI	Designated Director	Designated Director: Dec. 2010 to the present
	China Everbright Group Limited	Director	Director: Dec. 2014 to the present
Ms. Wang Shumin	CHI	Designated Director	Designated Director: Dec. 2011 to the present
	China Everbright Group Limited	Director	Director: Dec. 2014 to the present
Mr. Wu Gaolian	CHI	Designated Director	Designated Director: Nov. 2012 to the present
	China Everbright Group Limited	Director	Director: Dec. 2014 to the present
Mr. Zhao Wei	China Reinsurance (Group) Corporation	Assistant President	Sep. 2015 to the present
	China Re Asset Management Co., Ltd.	Secretary of CPC Committee, Vice Chairman, General Manager	Apr. 2012 to the present
	China Re Asset Management (Hong Kong) Co., Ltd.	Chairman	Apr. 2015 to the present
Mr. Yang Jigui	China Shipping (Group) Company	Deputy Chief Accountant	Jul. 2015 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

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

VII. Resumes of 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 the 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 the PBC, Director-General of the Currency, Gold and Silver Bureau of the PBC and Director-General of the First Banking Supervision Department of the PBC. From April 2003 to June 2007, he was Vice Chairman of CBRC. He was also 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, holds a master’s degree in investment economics, and is a senior economist. He is a member of the Eleventh National Committee of the Chinese People’s Political Consultative Conference (“CPPCC”), a delegate to the Eighteenth National Congress of the Communist Party of China (“CPC”), a deputy to the Twelfth National People’s Congress and Vice Chairman of the Agriculture and Villages Committee of the National People’s Congress. He is a recipient of the “Special Government Allowance” by the State Council of China.

Mr. Gao Yunlong

Mr. Gao has served as Vice Chairman of the Bank since December 2014. He currently serves as Vice Chairman and General Manager of China Everbright Group Limited, Director of Everbright Securities Co., Ltd and Director of Sun Life Everbright Life Insurance Co., Ltd.. From 1994 to June 2014, he successively served as Deputy Division Head and Division Head in China Development Bank, Deputy Mayor of Baise of Guangxi Zhuang Autonomous Region, Vice Chairman and Chairman of Guangxi Zhuang Autonomous Region of China National Democratic Construction Association (“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 tutor for MA candidates at Tsinghua University. He is also a member of the Eleventh and the Twelfth National Committee of the CPPCC.

Mr. Zhang Jinliang

Mr. Zhang has become Deputy Secretary of the CPC Committee and Executive Director of the Bank since January 2016 and President of the Bank since February 2016. He currently also serves as a member of the CPC Committee and Executive Director of China Everbright Group Limited. He served as Executive Vice President of Bank of China from July 2014 to January 2016. He served as General Manager of the Beijing Branch of Bank of China from November 2009 to December 2014. He had worked in the Financing and Accounting Department of the Head Office of Bank of China for many years. From February 2007 to November 2009, he served as General Manager of Financial Management Department of the Head Office of Bank of China. From October 2003 to February 2007, he served as Deputy General Manager of the Financing and Accounting Department of the Head Office of Bank of China, and also served as General Manager of the IT Blueprint Implementation Office from March 2005 to February 2007. He obtained his doctorate in economics from Xiamen University in September 1997. He is a certified public accountant.

Mr. Ma Teng

Mr. Ma has been Executive Director of the Bank since March 2015. He currently serves as Deputy Secretary of the CPC Committee and Executive Vice President of the Bank, and concurrently as Chairman of the Board of Directors of CEB International Investment Corporation Limited. From December 2010 to December 2014, he was a member of the CPC Committee and Executive Vice President of the Bank. From November 2009 to December 2010, he serves as General Manager of the Financial Management Department of China Everbright (Group) Corporation. From March to November 2009, he was a member of CPC Committee of China Everbright Industry Group Ltd.. From June 2005 to February 2009, he was the Deputy Secretary of CPC Committee and Director and Chief Executive Officer of China Bohai Bank. From July 1984 to June 2005, he served as Secretary of the CPC Committee, and 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 with a bachelor's degree in economics and a doctoral degree in political economics from Zhongnan University of Economics and Law. He holds a certificate of senior economist.

Mr. Wu Jian

Mr. Wu became Director of the Bank in December 2007. He is now working in CHI, and he also serves as Director of China Everbright Group 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 III Implementation Office. He is a graduate of the Graduate School of Chinese Academy of Social Sciences and holds a doctoral degree in economics. He was a postdoctoral researcher of the Financial Research Institute of the PBC and is a researcher.

Mr. Wu Gang

Mr. Wu became Director of the Bank in December 2010. He is now working in CHI and also serves as Director of 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 of the Ministry of Finance, 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.

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

Ms. Wang Shumin

Ms. Wang became Director of the Bank in December 2011. She is currently working in CHI and concurrently 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, Section Chief of the Policy and Regulation Department of the State Administration of Foreign Exchange ("SAFE") from November 1991 to May 1994, Deputy Director-General and Inspector of the Policy and Regulation Department, the Balance of Payments Department and the Management 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 holds a certificate of senior economist and is also a lawyer.

Mr. Wu Gaolian

Mr. Wu became Director of the Bank in January 2013. He is now working in CHI and also serves as 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 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 the Graduate School of Chinese Academy of Social Sciences and majored in currency and banking. He holds a master's degree and a certificate of senior economist.

Mr. Zhao Wei

Mr. Zhao became Director of the Bank in February 2015. He is currently the Assistant President of China Reinsurance (Group) Co., Ltd., Secretary of CPC Committee, Vice Chairman and General Manager of China Re Asset Management Co., Ltd., Chairman of the Board of Directors of China Re Asset Management (Hong Kong) Co., Ltd., and member of the council of Asia Reinsurance Corporation. From March 2003 to April 2012, he successively served as the General Manager of China Life Insurance (Hong Kong) Asset Management Co., Ltd., President of China Life Franklin Asset Management Co., Limited, Vice President of New China Asset Management Co., Ltd., and Deputy Secretary of CPC Committee 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.

Mr. Yang Jigui

Mr. Yang became Director of the Bank in February 2015. He is currently the Deputy Chief Accountant and General Manager of the Financial Management Department of China COSCO Shipping Corporation Limited, Director of CIB Fund Management Co., Ltd., and Director of Shanghai Life Insurance Company Ltd. 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 Independent Director of the Bank in November 2011, and concurrently served as the Independent Director of Zhangjiagang Rural Commercial Bank Ltd. From March 1987 to August 2004, he had served as Chief of Price Survey Division, Chief of Economic Analysis Division, Deputy Director-General and Inspector (bureau-level) of Survey and Statistics Department, Inspector of Credit Management Bureau and Deputy Director General of Credit Information Center of the PBC. He served in CHI from August 2004 to August 2007 and served as the Non-Executive Director of BOC. He graduated from Renmin University of China and majored in finance. Mr. Zhang is a research fellow.

Mr. Qiao Zhimin

Mr. Qiao became Independent Non-Executive Director of the Bank in January 2013. He is concurrently Independent Director of Wuhan Rural Commercial Bank. He had worked for 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 the 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 First Banking Supervision Department. 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 degree and a certificate of senior accountant.

Mr. Xie Rong

Mr. Xie became Independent Non-Executive Director of the Bank in January 2013. He is a professor of Shanghai National Accounting Institute, and concurrently serves as Director of Shanghai Automotive Industry Corporation and Shanghai Electric (Group) Corporation, Independent Director of Shanghai Baosight Software Co., Ltd., Shenwan Hongyuan Group Co., Ltd., China Traditional Chinese Medicine Co., Limited, Shanghai Bairun Investment Holding Group Co., Ltd. Mr. Xie was 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 and Pricewaterhouse Da Hua Certified Public Accountants. He became a partner of KPMG Huazhen Certified Public Accountants from December 1997 to October 2002 and Professor and Deputy Dean of Shanghai National Accounting Institute from October 2002 to August 2012. He is currently a member of China National MPAcc Education Steering Committee 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 a recipient of the “Special Government Allowance” by the State Council.

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

Ms. Fok Oi Ling Catherine

Ms. Fok became Independent Non-Executive Director of the Bank in January 2014. Currently, she is a consultant of Siya International Consultancy Service Co. Ltd., a senior member of the Hong Kong Institute of Directors, a voting member of the Hong Kong Professionals and Senior Executives Association and a member of its Finance and Economics Group and Economic Affairs Committee, and a member of the Hong Kong Women Professionals & Entrepreneurs Association. From 1981 to 2006, she served successively in the Hong Kong 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. From 2010 to 2012, she served as Director of business integration of Asia-Pacific Region of HSBC, and a marketing and management advisor to the retail banking business of Bank of Communications Co., Ltd. (“BOCC”). She was Honorary Chairman of the Hong Kong Chamber of Commerce in China – Shanghai. 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 became Independent Non-Executive Director of the Bank in February 2015. He is currently Director of the Economic Research Department of the China Center for International Economic Exchanges. From June 1998 to March 2010, he successively served as 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 is a researcher.

Mr. Feng Lun

Mr. Feng became Independent Non-Executive Director of the Bank in February 2015. He is Chairman of Vantone Group, and Director of Vantone Holdings Co., Ltd. He obtained a bachelor’s degree in economics from Northwest University, a master’s degree in law from the Party School of the Central Committee of CPC, a doctoral degree in law from the Graduate School of China Academy of Social Sciences and a Master of Public Policy (MPP) degree from Lee Kuan Yew School of Public Policy at the National University of Singapore. Since 1984, he served as a lecturer of the Party School of the Central Committee of CPC, the deputy department director of the Research Institute of the State Economic System Reform Commission, Senior Vice President of the Research Centre of the Hainan Reform and Development Research Institute and Director of China Minsheng Banking Corp., Ltd. He founded the Vantone Group in 1991 and has been the Chairman of Vantone Group to date.

(II) Supervisors

Mr. Li Xin

Mr. Li has served as Supervisor of the Bank since May 2015, and became Chairman of the Board of Supervisors of the Bank in June 2015. He successively served as an assistant engineer of Beijing 304 Research Institute of the Ministry of Aviation Industry, secretary of the General Office of the Ministry of Aviation Industry, secretary, secretary (deputy section chief level), secretary (section chief level) and Deputy Director of the Secretariat of the General Office of the Ministry of Finance, Head of First Section of Economic Affairs Department of Xinhua News Agency Hong Kong Branch, Director and Deputy Managing Director of Haijia Development Limited in Hong Kong, Deputy Director of the General Office and Head of Finance Department of Commission of Science, Technology and Industry for National Defense, Director of Human Resources Department, Chief of Organization Department of the CPC Committee and Senior Managing Director of China Investment Corporation, Employee Representative Director of China Investment Corporation, Deputy Secretary of CPC Working Committee of China Investment Corporation, and Vice Chairman of the Working Committee of the Labour Union of China Investment Corporation. He graduated from Shenyang Aviation Industrial College with a bachelor's degree in aviation machinery processing technology.

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 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. 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, Chief of the General Affairs Division of the Work Department of the Supervisory Committee of the Central Financial Work Committee, full-time Supervisor and Deputy Chief of the General Offices of the Boards of Supervisors of China Everbright Group and China CITIC Group appointed by the State Council, and Director and General Manager of the Financial Management Department of China Everbright (Group) Corporation. He graduated from Beijing College of Politics and Law and completed the on-job postgraduate course in the Party School of the Central Committee of the CPC in 2000.

Mr. Yin Lianchen

Mr. Yin has become a member of the Board of Supervisors since December 2014. He is currently Chief Investment Officer of China Everbright Limited and Director of Everbright Securities Co., Ltd. Since April 2002, he successively served General Manager of Corporate Administration Department, 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 from Nankai University with a master's degree in western financial accounting.

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

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 and also serves as Director of Orient Securities Co., Ltd. and China Pacific Insurance (Group) Co., Ltd. He was Senior 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 later obtained a master's degree in enterprise management at East China Normal University.

Mr. Yu Erniu

Mr. Yu became External Supervisor of the Bank in November 2012. He is also 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 member and Deputy Director-General and Director-General of the Department of Personnel and Education of the Ministry of Finance. Mr. Yu was appointed as Designated Director of CHI 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 the Bank. 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 External Supervisor of the Bank in January 2013. He was previously appointed as Independent Director of XacBank of Mongolia and 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 Management Institute (IWMI), Director, Senior Vice President, Executive Vice President and Senior Executive Vice President of Bank of Asia (Public Co., Ltd.), Chief Executive Officer 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 Employee Supervisor in July 2003. She is currently General Manager of the Planning and Finance Department of the Bank, a Director of China Everbright Financial Leasing Co., Ltd and a Director of CEB International Investment Corporation Limited. She was Deputy Division Chief and Division Chief of the Finance and Accounting Department of the Head Office of the Bank, 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 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 of the Bank. 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 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 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.

(III) Senior Management**Mr. Zhang Jinliang**

Please refer to the section "Directors".

Mr. Ma Teng

Please refer to the section "Directors".

Ms. Li Jie

Ms. Li became 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 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.

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

Mr. Zhang Huayu

Mr. Zhang became 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 Assistant President of the Bank and 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 holds a certificate of senior economist.

Mr. Lu Hong

Mr. Lu became 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 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 of the Finance and Accounting Department, and Deputy General Manager and General Manager of Planning and Finance Department. 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 Railways 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 holds a certificate of senior economist.

Mr. Qiu Huofa

Mr. Qiu became 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 the 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 BOCC 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. He holds a master's degree in finance. He is a senior economist. He is a Deputy to the 15th Session of National People's Congress of Xicheng District, Beijing.

Mr. Wu Jian

Mr. Wu became Executive Vice President of the Bank in December 2014, 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 was 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 Research Division of General Office of the NPC Standing Committee, and successively served as Vice Director of Economic Research Team (Deputy Division Chief level) and Director (Division Chief level). In 1982, he graduated from Shanghai Jiaotong University with a bachelor's degree in engineering. In 1987, he graduated from Renmin University of China with a master's degree in economics. Mr. Wu holds a professional title of Assistant Researcher.

Mr. Yao Zhongyou

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

Mr. Cai Yunge

Mr. Cai has served as Secretary to the Board of Directors of the Bank since August 2014 and a member of the CPC Committee of the Bank (Executive Vice President level) since May 2014. From November 2008 to April 2013, he served as a member of the CPC Committee and Deputy Director-General of the Development and Reform Commission of Guangdong Province. From September 2003 to November 2008, he served successively as a senior staff member and Deputy Division Chief in the Second Banking Supervision Department of CBRC, Division Chief in the General Office of CBRC. From August 1996 to September 2003, he served successively as a staff member of Planning and Treasury Department, assistant senior staff member of Credit Management Department and senior staff member of Second Banking Supervisory Department of the PBC. He graduated from the Financial Research Institute of the People's Bank of China. He holds a doctoral degree and is a senior economist.

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

VIII. Directors' and Supervisors' Interests in Competing Business

None of the Directors and Supervisors of the Bank 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

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

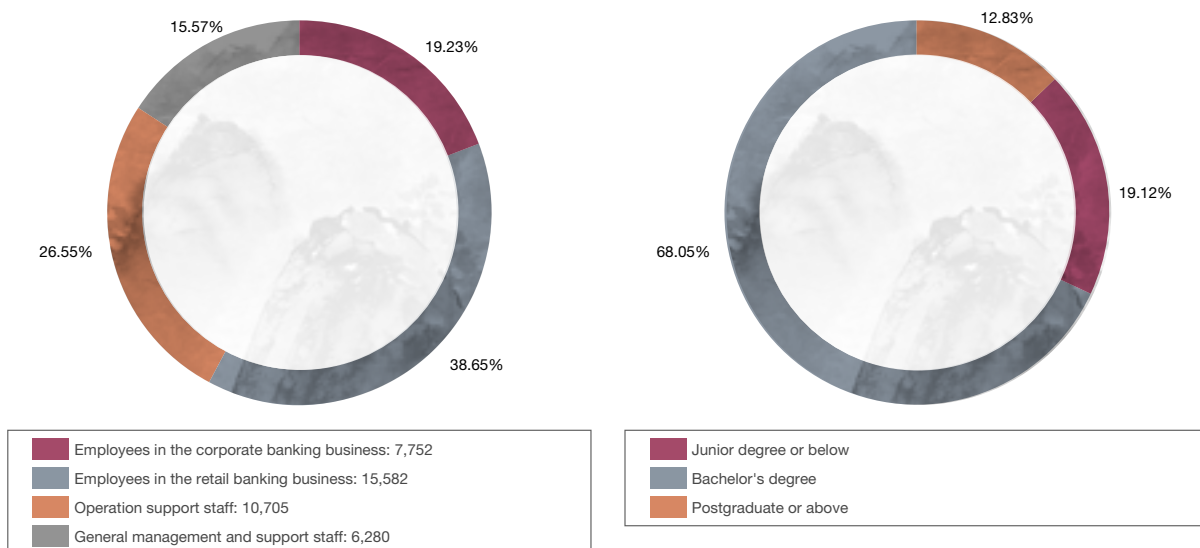
X. Directors and Supervisors' Interests in Contracts and Service Contracts

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

XI. Employees

(I) Overview

As at the end of the reporting period, the Bank had 40,319 employees (exclusive of those of subsidiaries), including 34,689 employees with labour contracts, 5,630 employees under labour dispatch employment, and 572 retired employees. In terms of qualifications, 7,709 incumbent employees hold a junior college degree or below, accounting for 19.12% of the total employees, 27,438 incumbent employees hold a bachelor's degree, accounting for 68.05%, 5,172 incumbent employees with a postgraduate degree or above, accounting for 12.83%. In terms of profession, there were 7,752 employees in the corporate banking business, accounting for 19.23%; 15,582 employees in the retail banking business (including the credit card business and e-banking business), accounting for 38.65%; 10,705 operation support staff (including tellers), accounting for 26.55%; 6,280 general management and support staff, accounting for 15.57%.



(II) Remuneration policies for employees

In response to market competition, the Bank has established a unified remuneration system which emphasizes both “efficiency and fairness”. The remuneration of employees comprises four components, namely basic salary, position-based salary, performance-based bonus and benefits. The Bank’s remuneration policies continued to give preferential treatment to frontline employees to attract and motivate key and core personnel.

(III) Training plans

By focusing on its development strategy and key tasks of the year, and with an aim to enhance the effectiveness of training, the Bank managed its staff training in accordance with the “1+4+1” model (1 training plan, 4 training programs and 1 set of working guidelines). This improved the input-output ratio of the Bank’s training expenditure, created a positive learning environment for employees and laid a solid foundation for its business development. During the year, 5,225 training sessions were held by the training centers of the Head Office, business lines and branches with a participation of totaling 303,024 person-times, including 26,580 person-times of mid-rank and senior officers of the Bank.

The Bank strives to enhance the development and daily management of its training system. Firstly, the Bank reviewed and improved its existing training curriculum, as 40 out of the total 321 courses were updated and revised. Secondly, the Bank actively built the team of “Sunshine Platform • Top Internal Trainers”, as 93 people passed their trial lectures during the year. Thirdly, the Bank earnestly explored mobile learning, by continuously promoting the “Sunshine Micro Classroom” via WeChat and setting up “Sunshine E Classroom”, which effectively eased the tension between working and learning. Fourthly, with the launching of “CEB Case Studies Competition”, employees’ questions were answered and specific solutions were provided to address employees’ code of conduct, operation skills and practical issues through this hybrid training model of “Learning + Analyzing + Case Studying”.

(IV) Employees of main subsidiaries

As at the end of the reporting period, Everbright Financial Leasing Co., Ltd. had 85 formal employees, including 21 administrative staff, 37 business staff and 27 supporting staff, with 95% of them holding a bachelor’s degree or above.

As at the end of the reporting period, Shaoshan Everbright Village Bank Co., Ltd. had 28 employees, including 8 administrative staff, 14 business staff and 6 supporting staff, with 70% of them holding a bachelor’s degree or above.

As at the end of the reporting period, Jiangsu Huai’an Everbright Village Bank Co., Ltd. had 49 employees, including 4 administrative staff, 32 business staff and 13 supporting staff, with 36.7% of them holding a bachelor’s degree or above.

As at the end of the reporting period, CEB International Investment Corporation Limited had 15 employees, including 4 administrative staff, 4 business staff and 7 supporting staff, with 93.0% of them holding a bachelor’s degree or above.

Directors, Supervisors, Senior Management, Staff, Branches and Outlets

XII. Institutions

In 2015, the Bank continued to step up its efforts in establishing more branches and outlets. Yinchuan (tier-1) Branch and 10 tier-2 branches in Cangzhou, Xuzhou, Linyi, Zunyi, Weihai, Yanan, Sanming, Shaoyang, Taian, and Fuyang commenced their operation. Tianjin Konggang Sub-Branch was upgraded to Tianjin Pilot Free Trade Zone Branch, while Guangzhou Nansha Sub-Branch was upgraded to Guangdong Pilot Free Trade Zone Nansha Branch and Zhuhai Hengqin Sub-Branch was upgraded to Guangdong Pilot Free Trade Zone Hengqin Branch. Meanwhile 83 banking outlets commenced their operation along with additional 43 Community Banks. The Bank accelerated the pace of its international expansion, when its application for setting up CEB Branch in Seoul was approved by Financial Services Commission (FSC) of the Republic of Korea at the end of 2015. As at the end of the reporting period, the Bank had 1,048 branches and outlets in 29 provinces, autonomous regions and municipalities and Hong Kong, including 38 tier-1 branches (Hong Kong Branch inclusive), 68 tier-2 branches and 942 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	3,620	1,693,050
Beijing Branch	67	2,923	375,942
Shanghai Branch	55	1,941	202,713
Tianjin Branch	34	1,139	69,054
Chongqing Branch	26	1,012	65,071
Shijiazhuang Branch	39	1,188	59,491
Taiyuan Branch	30	1,144	52,087
Huhhot Branch	16	591	26,601
Dalian Branch	23	737	40,568
Shenyang Branch	29	1,147	58,918
Changchun Branch	29	832	37,983
Heilongjiang Branch	35	1,097	39,240
Nanjing Branch	34	1,236	115,513
Suzhou Branch	20	861	66,271
Wuxi Branch	7	308	42,082
Hangzhou Branch	34	1,301	76,251
Ningbo Branch	19	847	64,054
Hefei Branch	37	1,277	75,185
Fuzhou Branch	33	1,311	49,101
Xiamen Branch	13	510	44,789
Nanchang Branch	17	563	45,340
Jinan Branch	26	860	45,539
Qingdao Branch	28	951	91,247
Yantai Branch	13	506	31,209
Zhengzhou Branch	44	1,384	66,029
Wuhan Branch	29	1,059	47,517
Changsha Branch	46	1,097	63,535
Guangzhou Branch	73	2,299	117,430

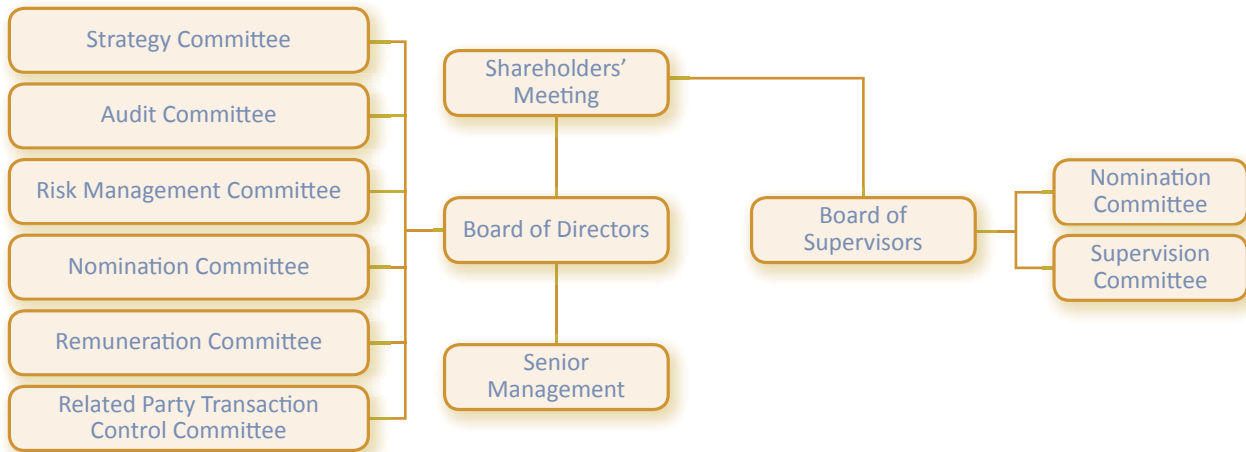
Name of branch	Number of outlets	Number of employees	Total assets (RMB million)
Shenzhen Branch	47	1,349	141,125
Nanning Branch	23	853	42,091
Haikou Branch	20	731	30,806
Chengdu Branch	24	909	65,819
Kunming Branch	22	772	36,757
Xi'an Branch	32	1,037	58,897
Urumqi Branch	6	187	8,198
Guiyang Branch	7	310	19,422
Lanzhou Branch	8	267	15,047
Yinchuan Branch	2	56	1,345
Hong Kong Branch	1	107	45,563
Adjustment on consolidation			-1,059,170
Total	1,048	40,319	3,167,710

Note: 1. The employees of the Head Office of the Bank included 628 staff in the Credit Card Centre and 1,657 staff in the 95595 Customer Satisfaction Centre.

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

Corporate Governance

I. Corporate Governance Structure



II. Overview

Aiming at the best practice of corporate governance in the capital market, the Bank has established a sound corporate governance framework and system of rules and procedures essential for the modern corporate system, leading to better corporate governance of the Bank. In 2015, the Bank strictly complied with *the Company Law*, *the Securities Law*, *the Law on Commercial Banks*, *the 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*, *the Hong Kong Listing Rules* and other requirements. The Bank's corporate governance had no deviation from regulatory documents related to the corporate governance of the listed company issued by the China Securities Regulatory Committee (CSRC).

The Board of Directors of the Bank performed its functions according to the terms of reference set out in Code Provision D.3.1 of Appendix 14 of *the Hong Kong Listing Rules* to review the Bank's corporate governance policies and practices on corporate governance, to review the training and continuous professional development of the directors and the senior management, to review the Bank's policies and practices on compliance with legal and regulatory requirements, to review the Bank's compliance with *the Model Code* and the compliance manual applicable to employees, and to review the Bank's compliance with the code provisions of Appendix 14 of the *Hong Kong Listing Rules* and the disclosure in the Corporate Governance Report of this Annual Report.

During the reporting period, the Bank made relevant amendments to *the Rules of Procedures of the General Meeting of Shareholders* and *the Rules of Procedures of the Board of Directors*, so as to ensure their consistency with the Bank's *Articles of Association* which was adopted and became effective after the issuance of its preference shares. The Bank amended *the Detailed Rules on the Work of Board Secretary* according to relevant requirements of the SSE, further improving the Bank's corporate governance system.

During the reporting period, the Bank safeguarded the minority shareholders' right of being well-informed and rights of participation and decision-making through proper systems, and procedures. At the general meetings, both on-site voting and online voting were adopted, when material matters involving the interests of medium and small investors were considered, the votes made by medium and small investors were counted and disclosed separately. When the Bank convened the 2015 First Extraordinary Meeting, 2015 First A Shareholders' Meeting and 2015 First H Shareholders' Meeting, the Bank appointed an independent financial adviser on the connected transaction of non-public issuance of H Shares, who provided opinions on whether such transactions were well justified and in the interest of listed companies and shareholders as a whole, thereby effectively safeguarding the interest of small and medium shareholders. The Bank and its substantial shareholders were independent from each other in terms of their business, personnel, asset, organization and financial affairs of the Bank, fully ensuring the Bank's full autonomy in its operation.

During the reporting period, the Bank published regular reports, 77 A share *ad hoc* announcements (including online non-announcement documents), 134 H share *ad hoc* announcements (including A share overseas regulatory announcements), and disclosed its 2014 annual report, 2015 interim report and other *ad hoc* announcements including the completion of equity transfer of Everbright Group, thus ensuring the authenticity, accuracy, completeness, fairness and timeliness of information disclosure, and safeguarding the legitimate rights and interests of shareholders and stakeholders.

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

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

III. Shareholders' Meetings

(I) Convening of shareholders' meetings

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

On 19 May 2015, the Bank convened the 2014 Annual General Meeting. The announcement on this meeting was published on the websites of the SSE, the HKSE and the Bank on 20 May 2015.

On 19 November 2015, the Bank convened the 2015 First Extraordinary General Meeting, as well as the 2015 First A Shareholders' Class Meeting and H Shareholders' Class Meeting. The poll results announcement for these meetings was published on the websites of the SSE, the HKSE and the Bank on 20 November 2015.

Corporate Governance

(II) Implementation of the resolutions of the general meetings of shareholders by the Board of Directors

During the reporting period, the Board of the Directors of the Bank earnestly and fully implemented resolutions considered and approved at the general meetings of the Bank.

Upon consideration and approval at the Bank's 2014 Annual General Meeting, the Board of Directors of the Bank earnestly implemented the profit distribution plan for 2014, distributed dividends to shareholders in time, and safeguarded shareholders' interests. The profit distribution plan has been implemented.

Upon consideration and approval at the Bank's 2014 Annual General Meeting, the Bank has re-appointed KPMG Huazhen LLP/KPMG as the external auditors of the Bank in 2015.

According to relevant resolutions on the non-public issuance of H shares considered and approved at the 2015 First Extraordinary General Meeting, 2015 First A Shareholders' Class Meeting and 2015 First H Shareholders' Class Meeting, the Bank timely reported to the CBRC its plan of the non-public issuance of H Shares.

According to the resolutions on the amendments to *the Articles of Association* of the Bank considered and approved at 2015 First Extraordinary General Meeting, 2015 first A Shareholders' Class Meeting and 2015 first H Shareholders' Class Meeting, the Bank timely submitted to the CBRC the proposed amendments to *the Articles of Association*.

Upon consideration and approval at the 2015 First Extraordinary General Meeting, 2015 First A Shareholders' Class Meeting and 2015 First H Shareholders' Class Meeting, the Bank appointed Ernst & Young Huaming LLP/Ernst & Young as the external auditors of the Bank for 2016.

(III) Attendance rate of directors at general meetings

Name	Attendance	Attendance in person
Mr. Tang Shuangning	2	2
Mr. Gao Yunlong	2	1
Mr. Zhao Huan	2	1
Mr. Ma Teng	2	1
Mr. Wu Jian	2	2
Mr. Wu Gang	2	2
Ms. Wang Shumin	2	2
Mr. Wu Gaolian	2	2
Mr. Zhao Wei	2	1
Mr. Yang Jigui	2	0
Mr. Zhang Xinze	2	0
Mr. Qiao Zhimin	2	2
Mr. Xie Rong	2	1
Ms. Fok Oi Ling Catherine	2	2
Mr. Xu Hongcai	2	2
Mr. Feng Lun	2	0

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 Bank. Some Independent Non-Executive Directors of the Bank were unable to attend relevant general meetings in 2015 due to other official duties.

IV. Directors and Board of Directors

(I) Board Composition

As at the end of the reporting period, the Board of Directors consisted of 16 Directors, including 2 Executive Directors (Zhao Huan, Ma Teng), 8 Non-Executive Directors (Tang Shuangning, Gao Yunlong, Wu Jian, Wu Gang, Wang Shumin, Wu Gaolian, Zhao Wei and Yang Jigui) and 6 Independent Non-Executive Directors (Zhang Xinze, Qiao Zhimin, Xie Rong and Fok Oi Ling Catherine, Xu Hongcai and Feng Lun).

The Bank has paid special attention to the diversity of the members of the Board of Directors. In accordance with the Board Diversity Policy of the Bank 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, and recommending to the Board any adjustments that correspond with the strategy of the Bank. Out of the 16 Directors of the Bank as at the end of the reporting period, 2 are female, 13 hold a postgraduate degree or above with 7 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 institutions and possess a wealth of managerial experience. The Independent Non-Executive Directors are experts in finance, accounting and auditing who can provide the Bank with professional advice in different areas.

For the details of the biographies of Directors, please refer to "Directors, Supervisors, Senior Management, Staff, Branches and Outlets".

(II) Duties and Powers of the Board of Directors

As the decision-making body of the Bank, 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 accounts, risk capital allocation, profit distribution plan and appointments of senior management.

Please refer to *the Articles of Association* of the Bank for details.

(III) Board Meetings and Resolutions

During the reporting period, the Board of Directors held 8 meetings, including 4 on-site meetings and 4 meetings by written resolutions. The Board of Directors reviewed a total of 65 proposals and considered 20 reports, playing an effective role in scientific decision-making.

The Board of Directors of the Bank continuously improved the capital management system to consolidate the capital foundation and successfully issued 200 million preference shares for the first tranche in 2015; formulated and passed the H Share's issuance plan and laid a solid foundation for the sustainable development of the Bank; promoted the process of internationalization, considered and approved the overall planning for the overseas institution building of the Bank in next 3-5 years, completed the obtaining of

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the approval to set up the Seoul branch in Korea and the establishment of CEB International Investment Corporation Limited in Hong Kong; accelerated strategy transformation, considered and approved proposals on establishment of wealth management subsidiaries and consumer finance subsidiaries, and urged the management to report to the regulator and implement specific preparatory work; established and improved internal control effectively in order to enhance related party transaction management; carried out information disclosure in strict accordance with regulatory requirements.

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

(IV) Attendance Records of Directors at Board Meetings

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Tang Shuangning	8	8	0	0
Mr. Gao Yunlong	8	8	0	0
Mr. Zhao Huan	8	8	0	0
Mr. Ma Teng	7	6	1	0
Mr. Wu Jian	8	7	1	0
Mr. Wu Gang	8	8	0	0
Ms. Wang Shumin	8	8	0	0
Mr. Wu Gaolian	8	8	0	0
Mr. Zhao Wei	7	6	1	0
Mr. Yang Jigui	7	5	2	0
Mr. Zhang Xinze	8	8	0	0
Mr. Qiao Zhimin	8	8	0	0
Mr. Xie Rong	8	8	0	0
Ms. Fok Oi Ling Catherine	8	8	0	0
Mr. Xu Hongcai	7	6	1	0
Mr. Feng Lun	7	5	2	0

- Note:
- In March 2015, the appointment of Mr. Ma Teng became effective upon the approval of his executive director's qualifications by the CBRC.
 - In February 2015, the appointment of Mr. Zhao Wei and Mr. Yang Jigui (as the Non-Executive Directors), Mr. Xu Hongcai and Mr. Feng Lun (as the Independent Non-Executive Directors) became effective upon the approval of their Directors' qualifications by the CBRC.

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

In accordance with *the Articles of Association* of the Bank, 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 re-appointed 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 consider and approve the proposal on the nomination of director candidates and further submit it for election at the general meeting.

(VI) Board Statement on the Financial Statements

The Senior Management has provided sufficient explanation and information for the Board of Directors to make well-informed judgments in respect to the submitted financial statements and other data for approval. The directors of the Bank acknowledge that they are responsible to prepare the financial statements of the Bank which truly represent the operating results of the Bank for the year of 2015. To the best knowledge of the directors, there was no material uncertain event or condition that might have a material adverse effect on the continuing operation of the Bank.

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, the Chairman of the Board of Directors of the Bank was responsible for convening and presiding the meetings of the Board of Directors, ensuring that all directors attending the Board Meeting were properly informed of the issues to be reviewed or reported, managing the operation of the Board of Directors, making sure that all key and relevant issues were discussed by the Board of Directors in a constructive and timely manner. During the reporting period, Mr. Zhao Huan, who was the President of the Bank, led the operation and management of the Bank, the implementation of the Board resolutions, and the execution of the Bank's strategies and business plans. In January of 2016, Mr. Zhao Huan resigned from his position as the President and Mr. Zhang Jinliang took over the position as the President.

VI. Performance of Independent Non-Executive Directors

(I) Independence of Independent Non-Executive Directors

The six Independent Non-Executive Directors of the Bank are not involved in any factors influencing their independence mentioned in Rule 3.13 of the *Hong Kong Listing Rules*. The Bank has received the letter of annual confirmation about his or her independence issued from each Independent Non-Executive Directors according to Rule 3.13 of the *Hong Kong Listing Rules*. The Bank is of the view that all Independent Non-Executive Directors have complied with the independence requirements under *the Hong Kong Listing Rules*.

(II) Attendance of general meetings by Non-Executive Directors

Please refer to "III (III)" of this section for details.

(III) Attendance of board meetings by Independent Non-Executive Directors

Please refer to "IV (IV)" of this section for details.

(IV) Independent Non-Executive Directors' objections to any issues of the Bank

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

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(V) Performance of Independent Non-Executive Directors

As at the end of the reporting period, the Bank has six Independent Non-Executive Directors, accounting for one-third of the Board. The Remuneration Committee, the Related Party Transactions Control Committee and the Audit Committee of the Board are all chaired by Independent Non-Executive Directors. During the reporting period, the Independent Non-Executive Directors expressed their independent opinions on all issues involving the interests of minority shareholders, such as profit distribution plans, non-public issuance of H shares, remuneration of senior management, major connected transactions in accordance with *the Articles of Association* of the Bank. In all Board committees, each of the Independent Non-Executive Directors, based on their expertise, provided professional and constructive opinions and recommendations on issues under discussion. When the Board of Directors is not in session, the Independent Non-Executive Directors often read the Bank's internal documents and information on the Bulletin of the Board and participated in the senior management's briefings for the Board of Directors, so as to be well informed of internal control, strategic transformation, business development, risk management; communicated actively with other directors, supervisors, senior management and external auditors, so as to obtain necessary information to perform their duties. The Independent Non-Executive Directors visited the Shenyang Branch and Anshan Branch and conducted researches on topics such as the revitalization of the old industrial bases in Northeastern China and risk management, where they had in-depth discussions with the management and key employees of these institutions. The Independent Non-Executive Directors maintained close contacts with the Bank via emails and phone calls. The Independent Non-Executive Directors' recommendations were highly valued and some were adopted, playing a positive role in defining strategic direction of the Bank, improving the Bank's management and operation and guiding the business development.

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 Transactions Control Committee. During the reporting period, the Board Committees held 26 meetings including 4 meetings of the Strategy Committee, 7 meetings of the Audit Committee, 4 meetings of the Risk Management Committee, 3 meetings of the Nomination Committee, 3 meetings of the Remuneration Committee, and 5 meetings of the Related Party Transactions Control Committee. During these meetings, 54 proposals were reviewed and 21 reports were considered. The Board Committees, based on the division of duties and powers, carefully considered material issues in the Bank's operation and provided 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 10 members including Executive Director Zhao Huan and Ma Teng, Non-Executive Directors Tang Shuangning, Gao Yunlong (Chairman), Wu Jian, Wu Gang, Wang Shumin, and Independent Non-Executive Directors Fok Oi Ling Catherine, Xu Hongcai and Feng Lun.

Primary duties and responsibilities of the Strategy Committee include reviewing and discussing plans on capital management and replenishment, annual operation plan and major investment programs, conducting researches on the Bank's business objectives and medium and long-term development strategies and advising the Board accordingly.

During the reporting period, the Strategy Committee reviewed and passed the proposal on the Company's business plans and financial budget plans for 2015, the proposal on the budget for fixed-assets investment in 2015, the proposal on setting up an independent legal entity for wealth management service, the proposal on setting up a consumer finance company, the proposal on revising the Measures on the Bank's External Equity Investment, the proposal on formulating the Measures on the Bank's Subsidiaries, the proposal on Non-public Issuance of H Shares, attended to and considered the Report on the Strategy Review of 2014 and the Report on the Formulation of Development Plan for 2016-2020.

During the reporting period, the Strategy Committee convened four meetings (all being on-site meetings), reviewed ten proposals and considered three reports. The attendance rate of the Committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Gao Yunlong	4	4	0	0
Mr. Tang Shuangning	3	3	0	0
Mr. Zhao Huan	4	3	1	0
Mr. Ma Teng	3	1	2	0
Mr. Wu Jian	3	2	1	0
Mr. Wu Gang	4	4	0	0
Ms. Wang Shumin	4	4	0	0
Ms. Fok Oi Ling Catherine	4	4	0	0
Mr. Xu Hongcai	3	2	1	0
Mr. Feng Lun	3	1	2	0

- Note:
1. On 30 January 2015, the Bank held the 29th meeting of the Six Session of the Board of Directors, when the Proposal on Change of Members of Part of the Committees of the Six Session of the Board of Directors was considered and passed. The Board approved the appointment of Mr. Tang Shuangning, Mr. Ma Teng, Mr. Wu Jian, Mr. Xu Hongcai and Mr. Feng Lun as members of the Strategy Committee of the Board of Directors.
 2. The appointment of Executive Director Ma Teng became effective upon the approval of his appointment qualifications as an executive director by the CBRC in March 2015.
 3. The appointment of Independent Non-Executive Directors Mr. Xu Hongcai and Mr. Feng Lun upon the approval of their appointment qualifications as Independent Non-Executive Directors by the CBRC in February 2015.

(II) Audit Committee

At the end of the reporting period, the Audit Committee whose majority are Independent Non-Executive Directors is chaired by an Independent Non-Executive Director. Its members are Independent Non-Executive Directors Xie Rong (Chairman), Zhang Xinze, Qiao Zhimin, Xu Hongcai and Non-Executive Directors Wu Jian and Yang Jigui.

Primary duties of the Audit Committee include examining the Bank's internal control system and monitoring its implementation; inspecting and monitoring the Bank's risk management and compliance conditions; examining and monitoring the Bank's internal audit system and guiding the work of the internal audit departments; recommending on the engagement of external auditors; guiding and monitoring the work of external auditors; and taking charge the Bank's annual audit.

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During the reporting period, the Audit Committee considered the annual financial audit reports for A shares and H shares, the interim review report, the quarterly reports on the implementation of agreed procedures, the internal control self-appraisal report; recommending to the Board the appointment of Ernst & Young Huaming LLP/Ernst & Young as the Bank's external auditors for 2016 and to guide the external auditor's work; considered the internal auditing work summary and work plan, the Recommendations for Management of 2014 by the external auditors and the management's report on related rectifications; reviewed and discussed the reports on the annual, interim and quarterly operation and the implementation of the capital management plan and the advanced approach for capital measurement. The Committee also invited KPMG Huazhen LLP to make a presentation on the IFRS 9 Financial Instruments and Its Impact on the Banking Sector.

In accordance with the requirements of the Annual Report Procedures of the Audit Committee of the Board of Directors, the Bank's Audit Committee performed its duties of overseeing the Bank's annual audit, when it considered the auditor's 2015 financial audit plan and the work progress report and provided its opinions and recommendation on major audit issues. In March 2016, At the 25th meeting of the Audit Committee of the Board of Directors in March 2016, the Audit Committee reviewed the Bank's 2015 financial statements by the auditor. The Audit Committee was of the view that the financial statements truly, accurately and completely reflected the Bank's overall situation and reached a resolution to be submitted to the Board of Directors for consideration.

During the reporting period, the Audit Committee convened 7 meetings (including 4 on-site conferences and, 3 meetings by written resolutions), reviewed 15 proposals and considered 11 reports. The attendance rate of the committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Xie Rong	7	7	0	0
Mr. Wu Jian	7	6	1	0
Mr. Yang Jigui	6	4	2	0
Mr. Zhang Xinze	7	7	0	0
Mr. Qiao Zhimin	7	7	0	0
Mr. Xu Hongcai	6	5	1	0

- Note:
1. On 30 January 2015, the Bank held the 29th meeting of the Six Session of the Board of Directors, at which the Proposal on the Change of Members of Part of the Committees of the Six Session of the Board of Directors was considered and passed. The Board approved to add Mr. Yang Jigui and Mr. Xu Hongcai to the Audit Committee as members.
 2. The appointment of Independent Non-Executive Directors Yang Jigui and Xu Hongcai became effective upon the approval of their appointment qualifications as Independent Non-Executive Directors by the CBRC in February 2015.

(III) Risk Management Committee

As at the end of the reporting period, the Risk Management Committee is chaired by one Non-Executive Director, and its members include Executive Directors Zhao Huan and Ma Teng, Non-Executive Directors Wu Jian (Chairman), Wu Gaolian, Zhao Wei, Yang Jigui and Independent Non-Executive Directors Qiao Zhimin and Feng Lun.

Primary duties of the Risk Management Committee of the Board of Directors include: determining the risk management strategy of the Bank and the overall risk tolerance; supervising the duty performance of the Senior Management in controlling risks of credit, market, liquidity, operation, IT and market reputation, etc.; evaluating the basic risk management system and management mechanism of the Bank; recommending the Bank's management objective of capital adequacy ratio, reviewing and supervising the implementation of the Bank's capital plan and the recommendations on the disclosure of the capital adequacy ratio.

During the reporting period, the Risk Management Committee of the Board of Directors focused on and reviewed the following areas: analyzing and reviewing the periodic risk management reports submitted by the Senior Management; reviewing and determining the Bank's policies of managing credit risks, market risks, operation risks, compliance risks, liquidity risks and the re-examination of these policies; clarifying the proposal of the Bank's credit policy and the related policy re-examination; promoting the implementation of the New Capital Accord by accomplishing the follow-up authorization of relevant matters and formally submitting its application for assessment to the CBRC; timely examining and adjusting the risk tolerance index based on the economic and financial situation and the Bank's business development; continuously overseeing the approval of large credit by the Head Office's Commission for Examination and Approval of Credit.

During the reporting period, the Risk Management Committee of the Board of Directors convened 4 meetings (3 on-site meetings and 1 meeting by way of written resolution), reviewed 11 proposals and considered 6 reports. The attendance rate of committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Wu Jian	4	3	1	0
Mr. Zhao Huan	4	4	0	0
Mr. Ma Teng	3	1	2	0
Mr. Wu Gaolian	4	4	0	0
Mr. Zhao Wei	3	3	0	0
Mr. Yang Jigui	3	1	2	0
Mr. Qiao Zhimin	4	4	0	0
Mr. Feng Lun	3	1	2	0

- Notes:
1. On 30 January 2015, the Bank held the 29th meeting of the Six Session of the Board of Directors, at which the Proposal on Change of Members of Part of the Committees of the Six Session of the Board of Directors was considered and passed. The Board approved the appointment of Mr. Ma Teng, Mr. Zhao Wei, Mr. Yang Jigui, and Mr. Feng Lun as members of the Risk Management Committee.
 2. The appointment of Executive Director Ma Teng became effective upon the approval of his appointment qualifications as an executive director by the CBRC in March 2015.
 3. The appointment of Non-Executive Directors Zhao Wei and Yang Jigui became effective upon the approval of their appointment qualifications as Non-Executive Directors by the CBRC in February 2015.
 4. The appointment of Independent Non-Executive Director Feng Lun became effective upon the approval of his appointment qualifications as Independent Non-Executive Director by the CBRC in February 2015.

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(IV) Nomination Committee

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

Primary duties and responsibilities of the Nomination Committee include: building the talent pool of qualified candidates for directors and senior management; drafting the procedures and the selection criteria for directors and senior management, preliminarily reviewing the job qualifications and conditions of candidates, and advising the Board accordingly; making the suggestions on 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 expertise and willingness of the directors as well as the actual needs of the Board of Directors; making assessment of the Board structure, the number of board members and the board composition each year and offering recommendations on the adjustment of the Board of Directors according to the Bank's strategy; evaluating the training and professional development of the Directors and senior management.

During the reporting period, the Nomination Committee actively completed the Proposal on Change of Part of the Committee of the Sixth Session of the Board of Directors, the Proposal of Relevant Selection and Appointment Procedures in Replacement of Directors of the Sixth Session of the Board of Directors, and the Proposal of Qualified Candidates for Directors of the Seventh Session of the Board of Directors.

During the reporting period, the Nomination Committee convened 3 meetings (all on-site meetings) and reviewed 3 proposals. The attendance rate of committee members is as follows:

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

- Notes: 1. On 30 January 2015, the Bank held the 29th meeting of the Six Session of the Board of Directors, at which the Proposal on Change of Members of Part of the Committees of the Six Session of the Board of Directors was considered and passed. The Board approved the appointment of Mr. Xu Hongcai as a member of the Nomination Committee.
2. The appointment of Independent Non-Executive Director Xu Hongcai become effective upon the approval of his appointment qualifications as an Independent Non-Executive Director by the CBRC in February 2015.

(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 including Independent Non-Executive Directors Qiao Zhimin (Chairman), Zhang Xinze, Xie Rong, Fok Oi Ling Catherine, Feng Lun and Non-Executive Directors Tang Shuangning, Wu Gang, Wang Shumin and Wu Gaolian.

Primary duties and responsibilities of the Remuneration Committee include: drafting the remuneration management system for the directors and senior management, making suggestions to the Board and monitoring the implementation of the system; reviewing the duty performance of directors and senior management and advising the Board on the examination and evaluation of them; making proposal of the remuneration plan of directors and senior management and submit the same to the Board for approval; reviewing the basic systems involving salaries and benefits of the Bank's employees, advising the Board accordingly and supervising the implementation of these systems, etc..

During the reporting period, the Remuneration Committee reviewed and approved the report on the overall duty performance of the Board of Directors for 2014 and the remuneration standards for directors for 2014, and prepared assessment results of the senior management and their remuneration standard for 2014 and, and reviewed the Enterprise Annuities Plan (Revised) and etc..

During the reporting period, the Remuneration Committee convened 3 meetings in total (all being on-site meetings) and reviewed 6 proposals. The attendance rate of Committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Qiao Zhimin	3	3	0	0
Mr. Tang Shuangning	3	3	0	0
Mr. Wu Gang	3	3	0	0
Ms. Wang Shumin	3	3	0	0
Mr. Wu Gaolian	3	3	0	0
Mr. Zhang Xinze	3	3	0	0
Mr. Xie Rong	3	3	0	0
Ms. Fok Oi Ling Catherine	3	3	0	0
Mr. Feng Lun	2	1	1	0

- Notes: 1. On 30 January 2015, the Bank held the 29th meeting of the Six Session of the Board of Directors, at which the Proposal on Change of Members of Part of the Committees of the Six Session of the Board of Directors was considered and passed. The Board approved the appointment of Mr. Xu Hongcai as the member of the Remuneration Committee.
2. The appointment of Independent Non-Executive Director Feng Lun became effective upon the approval of his appointment qualifications as an Independent Non-Executive Director by the CBRC in February 2015.

(VI) Related Party Transactions Control Committee

As at the end of the reporting period, most of the members of the Related Party Transactions Control Committee were Independent Non-Executive Directors, one of which one was the Chairman of the Committee. The members include Independent Non-Executive Directors Fok Oi Ling Catherine (Chairman), Zhang Xinze, Qiao Zhimin, Xie Rong and Non-Executive Director Zhao Wei.

Primary duties and responsibilities of the Related Party Transactions Control Committee include: filing the common connected transactions; reviewing the major connected 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 connected transactions conducted in the year; developing the connected transactions management measures and submitting the same to the Board of Directors for approval before implementation; identifying and reporting the related parties of the Bank, to the Board of Directors and the Board of Supervisors, and timely announcing the identities of such related parties to the relevant staff of the Bank.

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During the reporting period, the Related Party Transactions Control Committee reviewed the proposals of the Report of Connected Transactions for 2014, 5 significant connected transactions and non-public issuance of H Shares, considered the report of the Management on the connected transactions monitoring system project. It also updated the list of related legal persons of the bank immediately following the restructure of Everbright Group, updated and released during the year 4 lists of related legal persons, 2 lists of related natural persons; urged the management to extract connected transaction data from the Related Party Transaction Monitoring platform (the RPTM System) and report it to the committee in written form after proper summarization and consolidation.

During the reporting period, the Related Party Transactions Control Committee held 5 meetings in total (including 3 on-site meetings and 2 meetings by way of written resolutions), reviewed 9 proposals and considered 1 work report. The attendance rate of Committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Ms. Fok Oi Ling Catherine	5	5	0	0
Mr. Zhang Xinze	5	5	0	0
Mr. Qiao Zhimin	5	5	0	0
Mr. Xie Rong	5	5	0	0
Mr. Zhao Wei	5	3	2	0

- Notes:
1. On 30 January 2015, the Bank held the 29th meeting of the Six Session of the Board of Directors, at which the Proposal on Change of Members of Part of the Committees of the Six Session of the Board of Directors was considered and passed. The Board approved the appointment of Mr. Zhao Wei as a member of the Related Party Transactions Control Committee.
 2. The appointment of Independent Non-Executive Director Zhao Wei became effective upon the approval of his appointment qualifications as an Independent Non-Executive Director by the CBRC in February 2015.

VIII. Supervisors and the Board of Supervisors

The Board of Supervisors fully executed the regulatory requirements and collaborated with the Board of Directors and the senior management, while performed various supervisory duties in accordance with the law. It prudently provided the supervision and evaluation opinions on the Board of Directors, the senior management and their members in order to facilitate their effective duty performance; focused on the Bank's major financial decision-making and related implementation and reviewed the financial statements and the profit distribution plans so as to achieve targeted financial supervision; enhanced the supervision on the risk management and internal control and promoted the compliant and steady operation of the Bank by attending to reports, conducting interviews with various departments and carrying out investigations. Based on its investigations and studies on the Bank's business development and risk management, the Board of Supervisors provided relevant recommendations for the decision-making of the Board and the senior management, thus playing an active role in improving the Bank's corporate governance and sustainable and meaningful development.

(I) Composition of the Board of Supervisors

The Board of Supervisors consists of 9 members, including 3 shareholder representative supervisors, 4 employee supervisors and 2 external supervisors. The members of the Board of Supervisors, who all have rich experience in banking, finance and business management, have demonstrated sufficient expertise and independence, thus ensuring the effective functioning of the Board of Supervisors.

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

(II) Performance of its Supervisory Duties by Board of Supervisors

The primary ways for the Board of Supervisors to perform its supervising duties include: holding regular meetings, attending (sometimes as non-voting delegates) the shareholders' general meetings, the meetings of the Board of Directors and board committees, attending the meetings of the senior management as non-voting delegates, reviewing business management reports, attending to the reports of all business lines and branches, conducting collective or individual inspections on the Bank's branches and outlets, and providing its supervision recommendations and meetings minutes to the Board of Directors and the senior management. In this way, the Board of Supervisors supervised the Board of Directors and senior management in terms of their 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 *the Articles of Association* of the Bank and the rules of procedures, convened 7 meetings of the Board of Supervisors, including 4 on-site meetings and 3 meetings by written resolutions, and reviewed 22 proposals and considered 2 reports, including regular reports of the Bank, the reports on the evaluation of the duty performance of the Board of Directors and the senior management, the reports on internal control, the profit distribution plan and the plan for the election of the Board of Supervisors, and formed clear opinions on relevant proposals.

During the reporting period, the Board of Supervisors attended all the shareholders' general meetings and all the meetings of the Board of Directors as non-voting delegates and supervised the compliance and legality of the aforementioned meetings, the voting procedures and the attendance, speeches and voting of the members of the Board of Directors.

(IV) Attendance Record of the Board of Supervisors

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Li Xin	4	4	0	0
Mr. Mu Huijun	7	7	0	0
Mr. Yin Lianchen	7	6	1	0
Mr. Wu Junhao	7	5	2	0
Mr. Yu Erniu	7	6	1	0
Mr. James Parks Stent	7	6	1	0
Ms. Chen Yu	7	7	0	0
Mr. Ye Donghai	7	7	0	0
Mr. Ma Ning	7	7	0	0

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(V) 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 5 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 Yu Erniu (Chairman), Li Xin, Yin Lianchen, James Parks Stent and Ma Ning.

Primary duties of the Nomination Committee include making suggestions to the Board of Supervisors regarding the size and composition of the Board of Supervisors; drafting the procedures and criteria for selecting supervisors and advising the Board of Supervisors' accordingly; conducting preliminary review of the qualifications and conditions of the supervisor candidates and advising the Board of Supervisors' accordingly; supervising the procedures of the selection and appointment of directors; drafting the plan of supervising the duty performance of directors, supervisors and senior management, making a comprehensive evaluation in this regard and reporting to the Board of Supervisors; supervising the rationality of the remuneration management system and policies of the bank and the remuneration plan of the senior management.

During the reporting period, the Nomination Committee of the Board of Supervisors considered and passed the proposal on the evaluation report of the performance of the Board of Directors, the senior management and directors, the proposal on the 2014 Remuneration Standards for Supervisors, the proposal on Change of Members of the Sixth Session of the Board of Supervisors and the proposal on the Nomination of Supervisor Candidates.

During the reporting period, the Nomination Committee of the Board of Supervisors convened 5 meetings (4 on-site meetings and 1 meeting by written resolution), and considered 9 proposals. The attendance rate of committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Yu Erniu	5	4	1	0
Mr. Li Xin	2	2	0	0
Mr. Yin Lianchen	5	4	1	0
Mr. James Parks Stent	5	3	2	0
Mr. Ma Ning	5	5	0	0

Notes: On 2 June 2015, the Bank held the 18th meeting of the Six Session of the Board of Supervisors, at which the Proposal on Change of Members of the Nomination Committee of the Six Session of the Board of Supervisors was considered and passed. The Board the Board of Supervisors approved the appointment of Mr. Li Xin as a member of the Nomination Committee of the Board of Supervisors.

2. Supervision Committee

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

Primary duties of the Nomination Committee include developing the plan for supervising the Bank's operation and decision-making, risk management and internal control, and being responsible for the implementation of this plan after it is approved by the Board of Supervisors; developing the plan for supervising the financial activities of the Bank, and being responsible for the implementation of this plan after it is approved by the Board of Supervisors; supervising the Board of Directors in setting up the concept of prudent business operation and the principles of value for the Bank and in formulating the development strategy that works best for the Bank; keeping itself informed of the preparation of the regular reports by the Board of Directors and relevant material adjustments and reporting the same to the Board of Supervisors; maintaining good communication with relevant special committees of the Board of Directors, relevant departments of the Bank and external intermediaries, and providing supervision recommendations on the Bank's appointment of its external auditors when the Committee deems it necessary.

During the reporting period, the Supervision Committee of the Board of Supervisors considered the proposal on the 2014 periodic reports, the proposal on the Evaluation Report of Internal Control and the proposal on the Report on Change of Accounting policies, and attended to the special report on IT system management of the Bank.

During the reporting period, the Supervision Committee of the Board of Supervisors convened 3 meetings, all of which were on-site meetings, and considered 4 proposals. The attendance rate of committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. James Parks Stent	3	2	1	0
Mr. Mu Huijun	3	3	0	0
Mr. Wu Junhao	3	1	2	0
Mr. Yu Erniu	3	3	0	0
Ms. Chen Yu	3	3	0	0
Mr. Ye Donghai	3	3	0	0

(VI) Supervision by 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 Bank has adopted the standards set out in the *Model Code* in the Appendix 10 to the Hong Kong Listing Rules as the code of conduct to govern the securities transactions by directors and supervisors of the Bank. Having been enquired by the Company, all directors and supervisors confirmed that they had always complied with the *Model Code* for the year ended 31 December 2015. The Bank has also formulated guidelines regarding the dealing of the Bank's securities by relevant employees and the guidelines are no less exacting than the *Model Code*. It has not come to the attention of the Bank that any employee was in violation of the guidelines during the reporting period.

Corporate Governance

X. Senior Management

The Senior Management of the Bank consists of 9 members, who are responsible for the operation and management of the Bank; implementing the resolutions of the Board of Directors, the strategic plans, the business plan and investment plans approved by the Board of Directors, developing the plan, developing plans of setting up internal managerial bodies and the basic management systems and regulations, and formulating specific administrative measures.

During the reporting period, the Senior Management, in accordance with the development strategy of the Bank, actively and effectively carried out the Bank's operation and management, earnestly implemented the business plan and the financial budget determined by the Board of Directors, better achieved the development targets set at the beginning of year and ensured the steady growth of business and continuous increase of profits.

XI. Evaluation Mechanism and Incentive System of Senior Management

In accordance with the relevant provisions of the *Provisional Measures on Performance Assessment of Senior Management*, the Remuneration Committee of the Board of Directors formulated the implementation plan for the performance assessment of senior management. During the reporting period, by taking into consideration the overall operation of the Bank and the duty performance of the senior management, the Remuneration Committee of the Board of Directors formulated the proposal of the 2014 performance evaluation grade of each senior management member and the remuneration plan, which were considered and approved by the Board of Directors before the remuneration was granted.

XII. Training of Directors and Supervisors

During the reporting period, some directors participated in 2015 Qualification Training Course for Independent Directors and the follow-up training organized by SSE, the Training Course for Listed Companies Overseas Financing and M&A Investment organized by the Beijing Association of Listed Companies, the Special Training Course for Listed Companies' Annual Report, and the Hong Kong Listed Companies Symposium by the HKSE. The Board of Supervisors sent part of its members to participate in some training courses on corporate governance by the Beijing Securities Regulatory Bureau. The Bank also invited some intermediaries to give a briefing to directors and supervisors on the removal of the deposit-to-loan ratio and its impact on banks.

The participation by the Bank's directors and supervisors in the training programs on corporate governance, policies, laws and regulations, and business operation and management, complied with Provision A.6.5 of Appendix 14 of the *Hong Kong Listing Rules*.

XIII. Auditor's Remuneration

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

XIV. Implementation of Information Disclosure

During the reporting period, the Bank as a company listed in both Shanghai and Hong Kong, fully complied with relevant requirements for information disclosure, set up a sound information disclosure system and rules, disclosed its information timely and fairly, and ensured that the information disclosed was true, accurate and complete. Regarding the disclosure through regular reports, the Bank complied with the regulatory requirements of both Shanghai and Hong Kong and coordinated the disclosure in both markets at the same time, properly completed the preparation and the disclosure of the 2014 annual report (A+H shares), the 2015 interim reports and quarterly reports. In accordance with the different disclosure requirements of material matters by domestic and overseas regulatory authorities, the Bank carefully formulated disclosure procedures and plans, and actively implemented the new rules of information disclosure. It diligently maintained the stability of the securities market, and timely released the announcement on the issuance of preference shares, the non-public offering of H shares, the major shareholders' promise not to reduce their shareholdings. Pursuant to the regulatory requirements on the issuance of POWL in the Japanese capital market, the Bank managed the consistency of information disclosed in Japan and that in the H-shares market. The Bank strictly implemented *the Management System of Inside Information and Insiders* of the Bank and other relevant regulatory rules, by enhancing the registration of insiders and keeping the memorandum on the progress of the significant events. Meanwhile, it strengthened supervision and guidance, so as to prevent any insider trading.

XV. Investor Relationship

During the reporting period, the Bank strictly abided by provisions of domestic and overseas laws and regulations and the requirements of regulatory authorities, actively managed investor relationships through various activities so as to enhance its communication with investors. The Bank held the 2014 financial results (A+H shares) announcement and press conference in Hong Kong. Over 160 institutional investors, banking industry analysts and media correspondents at home and abroad participated this communication events. More than 400 domestic and overseas investors and analysts visited the Bank or made on-site investigations. The management and staff of the Bank participated in the strategy seminars by investment institutions, and held over 50 on-site group meetings. The Bank answered more than 600 phone calls from investors and replied to over 240 emails from investors, and interacted with investors via interactive online platforms such as "SSE e-interaction". The contents of the Bank's website in both Chinese and English version have been updated in a timely manner to inform investors about the Company. Besides, the Bank also revised the *Regulations of Investor Relationship Management*.

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

Mr. Cai Yunge (Board Secretary of the Bank) serves as the Company Secretary under the Hong Kong Listing Rules and Ms. Lee Mei Yi (a director of the Corporate Services Department of Tricor Services Limited) is appointed as the Assistant to Company Secretary. The main point of contact person within the Bank 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*.

Corporate Governance

XVII. Shareholders' Rights

- (I) Shareholders who individually or jointly hold more than ten percent of the voting shares of the Bank shall have the right to request the Board of Directors to convene an extraordinary general meeting. Such request shall be made in writing to the Board of Directors.
- (II) Shareholders who individually or jointly hold more than three percent of voting shares of the Bank may provide an interim proposal and submit it in writing to the Board of Directors ten days before the shareholders' general meeting is convened. The Board of Directors shall issue a supplementary notice for the shareholders' general meeting within two days upon receipt of the proposal and submit such proposal to the shareholders' general meeting for approval.
- (III) An extraordinary Board meeting shall be convened and presided over by the Chairman within ten days if it is proposed by the shareholders who individually or jointly hold more than ten percent of the voting shares of the Bank.
- (IV) Unless there are specified provisions on the rights of the holders of preference shares in certain laws, regulations, rules, regulatory documents and *the Articles of Association* of the Bank, the holders 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 recommendations or inquiries accordingly;
 - 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 and *the Articles of Association* of the Bank;
 - 5. Obtaining relevant information according to the Articles of Association, including the Bank's financial and accounting statements; status of share capital of the Bank; minutes of the shareholders' general meetings, 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 assets in proportion to the number of shares held by the shareholders when the Bank is terminated or liquidated.
- (V) Holders of preference shares of the Bank shall be entitled to the following special rights:
 - 1. Rights to dividends in priority to ordinary shareholders;
 - 2. Rights to distribution of residual assets of the Bank upon liquidation in priority to ordinary shareholders;

3. Rights to attend and vote at shareholders' general meetings upon occurrence of prescribed events;
4. Upon occurrence of prescribed events, to have its voting rights restored.

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

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

XVIII. Statement of Compliance with the Banking Industry (Disclosure) Rules

The Bank has prepared the 2015 H share annual financial statements in accordance with the *Banking (Disclosure) Rules* by the Hong Kong Monetary Authority.

XIX. Compliance with the Corporate Governance Code of the Hong Kong Listing Rules

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

XX. Self-assessment Report on Internal Control by the Bank

Based on the outcome of the review of material defects in the internal control related to financial reporting of the Bank, the Bank, as at the reference date for the self-assessment report on internal control (i.e. 31 December 2015), had not discovered any 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 systems and rules in all material aspects.

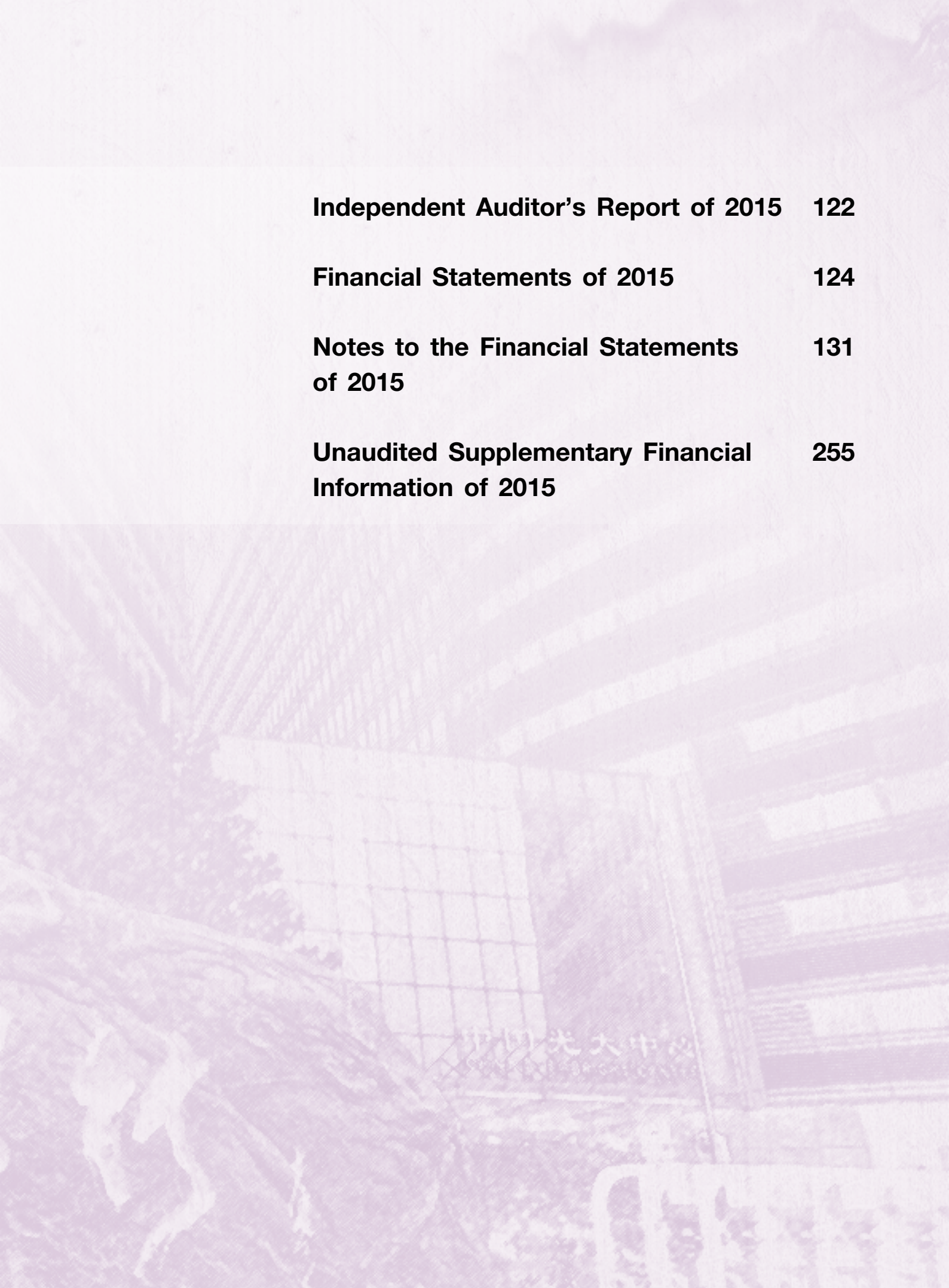
Based on the outcome of the review of internal control not related to financial reporting of the Bank, the Bank, as at the reference date for the self-assessment report on internal control (i.e. 31 December 2015), had not discovered any material defects in internal control not related to financial reporting.

From the reference date of self-assessment report on internal control to the date of release 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 *the 2015 Self-assessment Report on Internal control* of the Bank has been published on the websites of the SSE, HKSE (in the form of Overseas Regulatory Announcement) and the Bank.

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

KPMG Huazhen LLP has audited the internal control system of the Bank and issued an audit opinion that, as at 31 December 2015, 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.



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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 124 to 254, which comprise the consolidated statements of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and 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 consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

29 March 2016

Consolidated Statement of Profit or Loss

for the year ended 31 December 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
Interest income		141,907	133,926
Interest expense		(75,448)	(75,667)
Net interest income	4	66,459	58,259
Fee and commission income		27,745	20,445
Fee and commission expense		(1,444)	(1,288)
Net fee and commission income	5	26,301	19,157
Net trading gains	6	335	1,279
Dividend income		4	3
Net gains/(losses) arising from investment securities	7	13	(99)
Net foreign exchange losses		(72)	(210)
Other operating income		324	382
Operating income		93,364	78,771
Operating expenses	8	(32,354)	(30,008)
Operating profit before impairment		61,010	48,763
Impairment losses on assets	11	(21,652)	(10,209)
Profit before tax		39,358	38,554
Income tax	12	(9,781)	(9,626)
Net profit		29,577	28,928

The notes on pages 131 to 254 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	2015	2014
Net profit (continued)		29,577	28,928
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		4,964	4,442
– Reclassified to the profit or loss upon disposal		53	1,032
– Related income tax effect	28(b)	(1,254)	(1,369)
– Exchange differences on transaction of financial statements of overseas subsidiaries		8	–
Items that will not be reclassified to profit or loss:			
– Remeasurement of supplementary retirement benefits	35(b)	(64)	(53)
Other comprehensive income, net of tax		3,707	4,052
Total comprehensive income		33,284	32,980
Net profit attributable to:			
Equity shareholders of the Bank		29,528	28,883
Non-controlling interests		49	45
		29,577	28,928
Total comprehensive income attributable to:			
Equity shareholders of the Bank		33,235	32,935
Non-controlling interests		49	45
		33,284	32,980
Basic and diluted earnings per share (in RMB)	13	0.63	0.62

The notes on pages 131 to 254 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2015	31 December 2014
Assets			
Cash and deposits with the central bank	14	326,735	354,185
Deposits with banks and other financial institutions	15	86,311	40,316
Placements with banks and other financial institutions	16	132,361	132,733
Financial assets at fair value through profit or loss	17	5,637	4,377
Positive fair value of derivatives	18	1,625	1,082
Financial assets held under resale agreements	19	153,045	286,682
Interests receivable	20	18,546	14,621
Loans and advances to customers	21	1,475,424	1,271,430
Available-for-sale financial assets	22	222,495	138,559
Held-to-maturity investments	23	152,312	111,697
Debt securities classified as receivables	24	523,427	333,911
Fixed assets	26	12,646	13,043
Goodwill	27	1,281	1,281
Deferred tax assets	28	3,923	3,034
Other assets	29	51,942	30,059
Total assets		3,167,710	2,737,010
Liabilities and equity			
Liabilities			
Due to the central bank		14,840	30,040
Deposits from banks and other financial institutions	31	541,066	507,187
Placements from banks and other financial institutions	32	60,305	36,744
Negative fair value of derivatives	18	1,391	781
Financial assets sold under repurchase agreements	33	58,873	51,772
Deposits from customers	34	1,993,843	1,785,337
Accrued staff costs	35	11,217	9,668
Taxes payable	36	6,392	3,829
Interests payable	37	30,612	29,950
Debts securities issued	38	210,061	89,676
Other liabilities	39	15,063	12,543
Total liabilities		2,943,663	2,557,527

The notes on pages 131 to 254 form part of these financial statements

Consolidated Statement of Financial Position

As at 31 December 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2015	31 December 2014
Equity			
Share capital	40	46,679	46,679
Other equity instrument	41	19,965	–
Capital reserve	42	37,294	33,587
Surplus reserve	43	14,964	12,050
General reserve	43	40,271	33,903
Retained earnings	44	64,320	52,756
Total equity attributable to equity shareholders of the Bank		223,493	178,975
Non-controlling interests		554	508
Total equity		224,047	179,483
Total liabilities and equity		3,167,710	2,737,010

Approved and authorised for issue by the board of directors on 29 March 2016.

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

Zhang Jinliang
President

Xie Rong
Independent Non-executive
Director

The notes on pages 131 to 254 form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank						Non-controlling interests	Total	
		Share Capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2015		46,679	–	33,587	12,050	33,903	52,756	178,975	508	179,483
Profit for the year		–	–	–	–	–	29,528	29,528	49	29,577
Other comprehensive income:		–	–	3,707	–	–	–	3,707	–	3,707
Changes in share capital:										
– Capital injection by preference shareholders	41	–	19,965	–	–	–	–	19,965	–	19,965
Appropriation of profit:	44									
– Appropriation to surplus reserve		–	–	–	2,914	–	(2,914)	–	–	–
– Appropriation to general reserve		–	–	–	–	6,368	(6,368)	–	–	–
– Cash dividends		–	–	–	–	–	(8,682)	(8,682)	(3)	(8,685)
Balance at 31 December 2015		46,679	19,965	37,294	14,964	40,271	64,320	223,493	554	224,047

	Note	Attributable to equity shareholders of the Bank						Non-controlling interests	Total
		Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2014		46,277	28,707	9,199	29,861	38,795	152,839	213	153,052
Profit for the year		–	–	–	–	28,883	28,883	45	28,928
Other comprehensive income:		–	4,052	–	–	–	4,052	–	4,052
Changes in share capital:									
– Issue of H-shares		402	828	–	–	–	1,230	–	1,230
– Change in non-controlling interests of subsidiaries		–	–	–	–	–	–	250	250
Appropriation of profit:	44								
– 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

The notes on pages 131 to 254 form part of these financial statements.

Consolidated Cash Flow Statement

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

	2015	2014
Cash flows from operating activities		
Net profit	29,577	28,928
<i>Adjustments for:</i>		
Impairment losses on assets	21,652	10,209
Depreciation and amortisation	2,105	1,941
Unwinding of discount	(802)	(558)
Dividend income	(4)	(3)
Unrealised foreign exchange gains	(419)	(351)
Net (gains)/losses on disposal of investment securities	(13)	99
Net (gains)/losses on disposal of trading securities	(294)	21
Revaluation gains on financial instruments at fair value through profit or loss	(41)	(1,300)
Interest expense on debt securities issued	6,570	2,568
Net losses on disposal of fixed assets	9	7
Income tax	9,781	9,626
	68,121	51,187
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank, banks and other financial institutions	(25,986)	(1,857)
Net decrease/(increase) in placements with banks and other financial institutions	31,780	(40,112)
Net increase in loans and advances to customers	(223,635)	(139,398)
Net decrease/(increase) in financial assets held under resale agreements	135,332	(119,242)
Net (increase)/decrease in other operating assets	(27,418)	44,857
	(109,927)	(255,752)
<i>Changes in operating liabilities</i>		
Net increase in deposits from banks and other financial institutions	33,879	68,583
Net increase/(decrease) in placements from banks and other financial institutions	23,561	(14,073)
Net increase/(decrease) in financial assets sold under repurchase agreements	7,168	(11,412)
Net (decrease)/increase amounts in due to the central bank	(15,200)	30,040
Net increase in deposits from customers	208,506	180,059
Income tax paid	(9,367)	(8,942)
Net increase/(decrease) in other operating liabilities	4,659	(4,991)
	253,206	239,264
Net cash flows from operating activities	211,400	34,699

The notes on pages 131 to 254 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		186,122	193,363
Dividends received		4	3
Proceeds from disposal of fixed assets and other assets		42	135
Payments on acquisition of investments		(497,518)	(283,191)
Payments on acquisition of fixed assets, intangible assets and other assets		(1,782)	(2,837)
Net cash flows used in investing activities		(313,132)	(92,527)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		–	1,230
Proceeds from issue of preference shares		19,965	–
Capital contribution by non-controlling interests		–	250
Proceeds from issue of new debt securities		157,004	50,429
Cash paid on debts securities redeemed		(36,619)	(3,000)
Interest paid on debts securities issued		(6,552)	(2,099)
Dividends paid		(8,691)	(8,028)
Net cash flows from financing activities		125,107	38,782
Effect of foreign exchange rate changes on cash and cash equivalents		588	226
Net increase/(decrease) in cash and cash equivalents	48(a)	23,963	(18,820)
Cash and cash equivalents as at 1 January		98,001	116,821
Cash and cash equivalents as at 31 December	48(b)	121,964	98,001
Interest received		136,669	133,842
Interest paid (excluding interest expense on debts securities issued)		(68,298)	(64,548)

The notes on pages 131 to 254 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 29 provinces, autonomous regions, municipalities in mainland China and Hong Kong as at 31 December 2015.

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 year or total equity as at the end of the year between the Group’s consolidated financial statements prepared under IFRS and those prepared under PRC GAAP.

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)

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 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2015 are set out below:

		Effective for accounting period beginning on or after
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 11 Amendments	Joint Arrangements	1 January 2016
IAS 16 and IAS 38 Amendments	Clarification of acceptable methods of depreciation and amortization	1 January 2016
IAS 27 Amendments	Separate financial statements	1 January 2016
IFRS 10 and IAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle		1 January 2016
IFRS 10, IFRS 12 and IAS 28 Amendments	Investment entities: Applying the consolidation exception	1 January 2016
IAS 1 Amendments	Presentation of financial statements	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019

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

IFRS14, Regulatory deferral accounts

This interim standard permits first-time adopters of IFRS to continue to use previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area.

As an existing IFRS adopter, the Group is not applicable for the new standard.

2 Significant accounting policies (continued)

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

Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortization

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

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

Annual Improvements to IFRSs 2012-2014 Cycle

The 2012-2014 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 5 Non-current assets held for sale and discontinued operations, IFRS 7 Financial instruments: disclosures, IAS 19 Employee benefits, IAS 34 Interim financial reporting.

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

Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception

The amendments clarify the following areas of the accounting requirements of investment entities:

- Exemption from preparing consolidated financial statements under IFRS 10.4(a) is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries, including that parent entity, at fair value.
- A subsidiary that is itself an investment entity should not be consolidated even if it provides services related to the parent's investment activities.
- When applying the equity method, a non-investment entity investor is allowed, but not required, to retain the fair value measurement applied by its investment entity associate or joint venture for their subsidiaries, i.e. the investor can make a policy choice.
- An investment entity measuring all of its subsidiaries at fair value is still required to provide the disclosures relating to investment entities required by IFRS 12, even though it is not preparing consolidated financial statements.

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

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)

Amendments to IAS 1, Presentation of financial statements“Disclosure initiative”

The amendments clarify various presentation issues relating to:

- assessment of materiality versus minimum disclosure requirements of a standard;
- order of notes;
- disaggregation and aggregation;
- presentation of sub-totals; and
- presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

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

IFRS 15 “Revenue from contracts with customers”

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

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

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

IFRS 9 “Financial instruments”

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

2 Significant accounting policies (continued)

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

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.

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.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17.

The Group is currently assessing the impact of IFRS 16 and it is not practicable to quantify the effect as at the date of the publication of these financial statements.

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

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 year. 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.

2 Significant accounting policies (continued)

(3) Translation of foreign currencies (continued)

Assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding “Retained earnings”, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in shareholders’ equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

(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.

(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.

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)

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.

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.

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)

- **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 capital reserve. 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 capital reserve 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 year to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

2 Significant accounting policies (continued)

(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.

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)

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 year but which will not be individually identified as such until some time in the future.

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 collective impairment loss is assessed after taking into account:

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

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

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

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

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

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)

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.

- **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.

2 Significant accounting policies (continued)

(5) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

- **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 capital reserve 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 capital reserve.

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.

(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 year. Where other pricing models are used, inputs are based on market data at the end of the year.

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 (continued)

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.

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.

2 Significant accounting policies (continued)

(6) Preference share

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

(7) Financial assets held under resale and repurchase agreements

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

(8) Investment in subsidiaries

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

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (Note 2(15)) 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)

(9) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(15)). 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%

(10) 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(15)). Construction in progress is stated in the statements of financial position at cost less impairment loss (Note 2(15)).

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)

(10) 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.

(11) 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 year, 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)

(12) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (Note 2(15)). 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

(13) 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(15)). 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.

(14) 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)

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

The carrying amounts of the following assets are reviewed at the end of the year 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)

(15) 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.

(16) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

2 Significant accounting policies (continued)

(16) Employee benefits (continued)

Post-employment benefits-defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organizations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Termination benefits

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognise termination benefits in profit or loss at the earlier of:

- When the Group can no longer withdraw an offer of those benefits; and
- When the Group has a specific, formal restructure plan involving payment of termination benefits, and the plan has started or informed each affected party about the influence of the plan, therefore each party formed reasonable expectations.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when it is incurred.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(17) 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 capital reserve, in which case they are recognised in capital reserve.

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

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

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

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

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

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

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which 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)

(18) 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(18)(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.

(19) 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)

(20) 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)

(21) 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.

(22) 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 year but disclosed separately in the notes to the financial statements.

(23) 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

(24) 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.

(25) 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.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(25) Significant accounting estimates and judgements (continued)

(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.

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.

2 Significant accounting policies (continued)

(25) Significant accounting estimates and judgements (continued)

(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.

(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.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(25) 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 45.

(26) Change in accounting policies

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

Amendments to IAS 19	Employee benefits "Defined benefit plans: Employee contributions"
Annual Improvements to IFRSs 2010-2012 Cycle	
Annual Improvements to IFRSs 2011-2013 Cycle	

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

Amendments to IAS 19 Employee benefits "Defined benefit plans: Employee contributions"

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

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

2 Significant accounting policies (continued)

(26) Change in accounting policies (continued)

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

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

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

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

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 of the Bank and domestic subsidiaries is 25%. The statutory income tax rate of CEB International Investment Co., Ltd., the Hong Kong subsidiary, is 16.5%.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

4 Net interest income

	Note	2015	2014
Interest income arising from			
Deposits with the central bank		5,120	5,034
Deposits with banks and other financial institutions		2,137	2,107
Placements with banks and other financial institutions		3,110	8,582
Loans and advances to customers	4(a)		
– Corporate loans and advances		52,813	51,851
– Personal loans and advances		28,199	27,027
– Discounted bills		2,959	1,002
Financial assets held under resale agreements		8,768	8,829
Investments		38,801	29,494
Sub-total		141,907	133,926
Interest expenses arising from			
Due to the central bank		642	213
Deposits from banks and other financial institutions		18,277	24,299
Placements from banks and other financial institutions		1,224	1,359
Deposits from customers			
– Corporate customers		30,830	31,253
– Individual customers		5,017	5,215
– Structured deposits from corporate customers		4,985	2,284
– Structured deposits from individual customers		6,706	7,159
Financial assets sold under repurchase agreements		1,197	1,317
Debts securities issued	4(b)	6,570	2,568
Sub-total		75,448	75,667
Net interest income		66,459	58,259

Note:

- (a) The interest income arising from impaired financial assets for the year ended 31 December 2015 amounted to RMB802 million (2014: RMB558 million).
- (b) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debts securities issued.

5 Net fee and commission income

	2015	2014
Fee and commission income		
Bank card service fees	12,491	9,787
Wealth management service fees	7,253	3,349
Custody and other fiduciary business fees	1,740	1,065
Underwriting and advisory fees	1,512	1,701
Settlement and clearing fees	1,312	1,824
Agency services fees	1,169	847
Acceptance and guarantee fees	1,078	1,134
Others	1,190	738
Sub-total	27,745	20,445
Fee and commission expense		
Bank card transaction fees	1,151	1,042
Settlement and clearing fees	83	92
Others	210	154
Sub-total	1,444	1,288
Net fee and commission income	26,301	19,157

6 Net trading gains

	2015	2014
Trading financial instruments		
– Debt securities	376	318
– Derivatives	(67)	897
Sub-total	309	1,215
Financial instruments designated at fair value through profit or loss	26	64
Total	335	1,279

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

7 Net gains/(losses) arising from investment securities

	2015	2014
Net losses on disposal of available-for-sale financial assets	(10)	(110)
Net gains/(losses) on disposal of held-to-maturity investments	12	(2)
Net gains on disposal of debt securities classified as receivables	11	13
Total	13	(99)

8 Operating expenses

	Note	2015	2014
Staff costs			
– Salaries and bonuses		10,757	10,135
– Staff welfares		295	269
– Pension and annuity		1,470	1,326
– Housing allowances		590	541
– Supplementary retirement benefits		38	31
– Others		1,118	1,058
Sub-total		14,268	13,360
Premises and equipment expenses			
– Depreciation of fixed assets		1,442	1,354
– Amortisation of intangible assets		246	206
– Amortisation of long-term assets		417	381
– Rental and property management expenses		2,385	2,143
Sub-total		4,490	4,084
Business tax and surcharges		7,096	6,361
Other general and administrative expenses	8(a)	6,500	6,203
Total		32,354	30,008

Note:

(a) Auditors' remuneration for the year ended 31 December 2015 was RMB9.90 million (2014: RMB9.90 million).

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	2015							
		Discretionary bonus				Sub-total RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
		Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000				
Executive directors									
Zhao Huan	(i)	-	352	-	-	352	44	91	487
Zhang Jinliang	(i)	-	-	-	-	-	-	-	-
Ma Teng	(i)	-	1,009	-	-	1,009	44	243	1,296
Non-executive directors									
Tang Shuangning		-	-	-	-	-	-	-	-
Gao Yunlong		-	-	-	-	-	-	-	-
Wu Jian		-	-	-	-	-	-	-	-
Wu Gang		-	-	-	-	-	-	-	-
Wang Shumin		-	-	-	-	-	-	-	-
Wu Gaolian		-	-	-	-	-	-	-	-
Zhao Wei	(ii)	-	-	-	-	-	-	-	-
Yang Jigui	(ii)	-	-	-	-	-	-	-	-
Independent non-executive directors									
Fok Oi Ling		370	-	-	-	370	-	-	370
Zhang Xinze		-	-	-	-	-	-	-	-
Qiao Zhimin		390	-	-	-	390	-	-	390
Xie Rong		370	-	-	-	370	-	-	370
Xu Hongcai	(iii)	283	-	-	-	283	-	-	283
Feng Lun	(iii)	283	-	-	-	283	-	-	283
Supervisors									
Li Xin	(iii)	-	194	-	-	194	8	16	218
Mu Huijun		-	1,009	-	-	1,009	44	243	1,296
Yin Lianchen		-	-	-	-	-	-	-	-
Wu Junhao		-	-	-	-	-	-	-	-
Yu Erniu		300	-	-	-	300	-	-	300
James Parks Stent		300	-	-	-	300	-	-	300
Chen Yu		-	681	1,138	-	1,819	44	95	1,958
Ye Donghai		-	702	1,276	-	1,978	44	95	2,117
Ma Ning		-	981	1,999	-	2,980	44	95	3,119
Former non-executive director									
Narentuya	(ii)	-	-	-	-	-	-	-	-
Wang Zhongxin	(ii)	-	-	-	-	-	-	-	-
Former independent non-executive director									
Zhou Daojiong	(iii)	-	-	-	-	-	-	-	-
Former supervisors									
Cai Haoyi	(iii)	-	491	-	-	491	21	143	655
		2,296	5,419	4,413	-	12,128	293	1,021	13,442

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):

	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	-	525	-	-	525	37	219	781
Non-executive directors								
Tang Shuangning	-	-	-	-	-	-	-	-
Gao Yunlong	-	-	-	-	-	-	-	-
Wu Jian	-	-	-	-	-	-	-	-
Narentuya	-	-	-	-	-	-	-	-
Wu Gang	-	-	-	-	-	-	-	-
Wang Shumin	-	-	-	-	-	-	-	-
Wang Zhongxin	-	-	-	-	-	-	-	-
Wu Gaolian	-	-	-	-	-	-	-	-
Independent non-executive directors								
Zhou Daojiong	-	-	-	-	-	-	-	-
Fok Oi Ling	353	-	-	-	353	-	-	353
Zhang Xinze	210	-	-	-	210	-	-	210
Qiao Zhimin	390	-	-	-	390	-	-	390
Xie Rong	370	-	-	-	370	-	-	370
Supervisors								
Cai Haoyi	-	965	-	-	965	40	264	1,269
Mu Huijun	-	965	-	-	965	40	251	1,256
Yin Lianchen	-	-	-	-	-	-	-	-
Wu Junhao	-	-	-	-	-	-	-	-
Yu Erniu	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	-	95	-	-	95	6	35	136
Wu Qing	-	961	-	-	961	40	255	1,256
Former non-executive director								
Luo Zhefu	-	-	-	-	-	-	-	-
Former supervisors								
Chen Shuang	-	-	-	-	-	-	-	-
Wang Pingsheng	-	-	-	-	-	-	-	-
Zhang Chuanju	-	-	-	-	-	-	-	-
	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:

- (i) *Mr. Zhao Huan resigned from the position of President of the Bank and executive director, member of strategic committee and member of the risk management committee on 14 January 2016. Mr Zhang Jinliang was appointed as the President and executive director of the Bank on 14 January 2016, whose appointment as the President has been approved by CBRC on 22 February 2016 while the appointment as the executive director of the Bank is subject to further approval by the shareholders' general meeting and CBRC. Mr. Ma Teng was elected as an executive director in the board meeting held on 5 December 2014. His appointment was approved by CBRC on 23 March 2015.*
 - (ii) *Mr. Zhao Wei and Mr. Yang Jigui were elected as non-executive director of the Bank in the board meeting held on 31 October 2014 and 5 December 2014 respectively. Their appointments were approved by CBRC on 11 February 2015. Mrs Narentuya and Mr. Wang Zhongxin ceased to serve as non-executive director of the Bank on 16 July 2015 and 24 August 2015 respectively.*
 - (iii) *Mr. Feng Lun and Mr. Xu Hongcai were elected as independent non-executive directors of the Bank in the extraordinary general meeting held on 23 December 2014 and their appointment were approved by CBRC on 11 February 2015. Mr Zhou Daojiong ceased to serve as an independent non-executive director in February 2015.*
- Mr. Li Xin was elected as supervisor of the Bank in the Bank's supervisors' meeting held on 2 June 2015. Mr. Cai Haoyi ceased to serve as supervisor of the Bank on the same date.*
- (iv) *The total compensation package for the directors and supervisors for the year ended 31 December 2015 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 financial statements for the year ended 31 December 2015.*

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.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

10 Individuals with highest emoluments

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	2,538	2,573
Discretionary bonuses	24,944	19,792
Contributions to pension schemes	207	459
Others	362	487
Total	28,051	23,311

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:

	2015	2014
RMB3,000,001-3,500,000	–	–
RMB3,500,001-4,000,000	–	1
RMB4,000,001-4,500,000	–	3
RMB5,000,001-5,500,000	2	–
RMB5,500,001-6,000,000	3	–
RMB6,000,001-6,500,000	–	–
RMB6,500,001-7,000,000	–	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

	2015	2014
Loans and advances to customers	19,724	9,981
Debt securities classified as receivables	1,194	207
Available-for-sale financial assets	171	(13)
Held-to-maturity investments	4	(252)
Others	559	286
Total	21,652	10,209

12 Income tax

(a) Income tax:

	Note	2015	2014
Current tax		12,083	10,096
Deferred tax	28(b)	(2,143)	(388)
Adjustments for prior year		(159)	(82)
Total		9,781	9,626

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

	2015	2014
Profit before tax	39,358	38,554
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	9,841	9,639
Effect of different tax rates applied by certain subsidiaries	2	–
Non-deductible expenses		
– Staff costs	43	38
– Impairment losses on assets	973	655
– Others	245	289
	1,261	982
Non-taxable income		
– Interest income from the PRC government bonds	(1,164)	(913)
Sub-total	9,940	9,708
Adjustments for prior year	(159)	(82)
Income tax	9,781	9,626

13 Basic and diluted earnings per share

	Note	2015	2014
Weighted average number of ordinary shares (in millions)	13(a)	46,679	46,646
Net profit attributable to equity shareholders of the Bank		29,528	28,883
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.63	0.62

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)

	2015	2014
Number of ordinary shares as at 1 January	46,679	46,277
Newly added weighted average number of ordinary shares	–	369
Weighted average number of ordinary shares	46,679	46,646

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

14 Cash and deposits with the central bank

	Note	31 December 2015	31 December 2014
Cash on hand		6,594	7,312
Deposits with the central bank			
– Statutory deposit reserves	14(a)	287,484	306,808
– Surplus deposit reserves	14(b)	27,553	35,305
– Currency risk reserves	14(c)	154	–
– Fiscal deposits		4,950	4,760
Sub-total		320,141	346,873
Total		326,735	354,185

Note:

- (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 year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2015	31 December 2014
Reserve ratio for RMB deposits	15.0%	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.
- (c) The Group places foreign currency risk reserves with the People's Bank of China in accordance with relevant regulations. As at 31 December 2015, the foreign currency risk reserve ratio was 20%.

15 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2015	31 December 2014
Deposits in mainland China		
– Banks	80,192	23,799
– Other financial institutions	299	241
Sub-total	80,491	24,040
Deposits outside mainland China		
– Banks	5,850	16,310
Sub-total	5,850	16,310
Total	86,341	40,350
Less: Provision for impairment losses	(30)	(34)
Net balances	86,311	40,316

16 Placements with banks and other financial institutions

	31 December 2015	31 December 2014
Deposits in mainland China		
– Banks	19,536	105,889
– Other financial institutions	79,529	21,859
Sub-total	99,065	127,748
Deposits outside mainland China		
– Banks	33,297	4,986
Sub-total	33,297	4,986
Total	132,362	132,734
Less: Provision for impairment losses	(1)	(1)
Net balances	132,361	132,733

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

17 Financial assets at fair value through profit or loss

	Note	31 December 2015	31 December 2014
Debt securities held for trading	17(a)	5,474	4,190
Financial assets designated at fair value through profit or loss	17(b)	163	187
Total		5,637	4,377

(a) Debt securities held for trading

	Note	31 December 2015	31 December 2014
Issued by the following governments or institutions			
In mainland China			
– Government		266	151
– The PBOC		40	30
– Banks and other financial institutions		1,356	454
– Other institutions	(i)	3,722	3,555
Sub-total		5,384	4,190
Outside mainland China			
– Banks and other financial institutions		63	–
– Other institutions		27	–
Total	(ii)	5,474	4,190
Listed			
– of which listed in Hong Kong		49	–
Unlisted		5,372	4,190
Total		5,474	4,190

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.

17 Financial assets at fair value through profit or loss (continued)

(b) Financial assets designated at fair value through profit or loss

	31 December 2015	31 December 2014
Precious metal	50	15
Fixed interest rate personal mortgage loans	113	172
Total	163	187

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 year. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the year, they do not represent amounts at risk.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

18 Derivatives (continued)

(a) Analysed by nature of contract

	31 December 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	63,214	377	(410)
Currency derivatives			
– Foreign exchange forward	11,369	181	(43)
– Foreign exchange swap	144,089	1,067	(937)
– Foreign exchange option	309	–	(1)
Total	218,981	1,625	(1,391)

	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)

(b) Analysed by credit risk-weighted amounts

	31 December 2015	31 December 2014
Counterparty default risk-weighted assets		
– Interest rate derivatives	90	106
– Currency derivatives	876	943
Credit value adjustment	524	968
Total	1,490	2,017

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

	31 December 2015	31 December 2014
In mainland China		
– Banks	124,405	240,926
– Other financial institutions	28,640	45,756
Total	153,045	286,682
Net balances	153,045	286,682

(b) Analysed by type of security held

	31 December 2015	31 December 2014
Bonds		
– Government bonds	11,860	21,222
– Other debt securities	60,590	82,695
Sub-total	72,450	103,917
Bank acceptances	80,595	178,007
Others	–	4,758
Total	153,045	286,682
Net balances	153,045	286,682

20 Interests receivable

	31 December 2015	31 December 2014
Interests receivable from investments	12,420	8,914
Interests receivable from loans and advances to customers	4,620	4,200
Interests receivable from deposits and placements with banks and other financial institutions	1,263	1,299
Other interests receivable	280	244
Total	18,583	14,657
Less: Provision for impairment losses	(37)	(36)
Net balances	18,546	14,621

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers

(a) Analysed by nature

	31 December 2015	31 December 2014
Corporate loans and advances	917,327	820,139
Personal loans and advances		
– Residential and commercial mortgage loans	237,772	199,167
– Credit cards	172,812	139,648
– Personal business loans	95,478	95,242
– Others	18,958	24,328
Sub-total	525,020	458,385
Discounted bills	71,196	20,931
Gross loans and advances to customers	1,513,543	1,299,455
Less: Provision for impairment losses		
– Individually assessed	(10,083)	(4,946)
– Collectively assessed	(28,036)	(23,079)
Total provision for impairment losses	(38,119)	(28,025)
Net loans and advances to customers	1,475,424	1,271,430

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

	31 December 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	246,140	16.26%	64,126
Real estate	143,428	9.48%	115,126
Wholesale and retail trade	123,907	8.19%	49,311
Transportation, storage and postal services	75,108	4.96%	30,576
Water, environment and public utility management	70,864	4.68%	35,952
Leasing and commercial services	54,119	3.58%	27,982
Construction	50,084	3.31%	14,551
Mining	31,416	2.08%	4,319
Others	122,261	8.08%	38,114
Sub-total of corporate loans and advances	917,327	60.62%	380,057
Personal loans and advances	525,020	34.68%	323,307
Discounted bills	71,196	4.70%	61,326
Gross loans and advances to customers	1,513,543	100.00%	764,690
Less: Provision for impairment losses			
– Individually assessed	(10,083)		
– Collectively assessed	(28,036)		
Total provision for impairment losses	(38,119)		
Net loans and advances to customers	1,475,424		

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)

	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		

21 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

As at the end of the year 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 constitutes 10% or more of gross loans and advances to customers are as follows:

	31 December 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	7,253	(3,516)	(6,806)	6,526	988

	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	555
Wholesale and retail trade	5,092	(1,995)	(4,077)	4,008	1,357

(c) Analysed by type of collateral

	31 December 2015	31 December 2014
Unsecured loans	434,735	397,697
Guaranteed loans	314,118	293,787
Secured loans		
– By tangible assets other than monetary assets	585,530	492,366
– By monetary assets	179,160	115,605
Gross loans and advances to customers	1,513,543	1,299,455
Less: Provision for impairment losses		
– Individually assessed	(10,083)	(4,946)
– Collectively assessed	(28,036)	(23,079)
Total provision for impairment losses	(38,119)	(28,025)
Net loans and advances to customers	1,475,424	1,271,430

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(d) Overdue loans analysed by overdue period

	31 December 2015					Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years		
Unsecured loans	5,991	3,187	661	60		9,899
Guaranteed loans	8,851	9,197	5,046	70		23,164
Secured loans						
– By tangible assets other than monetary assets	10,228	9,886	5,034	292		25,440
– By monetary assets	1,591	1,169	555	15		3,330
Total	26,661	23,439	11,296	437		61,833
As a percentage of gross loans and advances to customers	1.76%	1.55%	0.75%	0.03%		4.09%

	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%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

21 Loans and advances to customers (continued)

(e) Loans and advances and provision for impairment losses

	31 December 2015				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed		for which provision are individually assessed	Total
Gross loans and advances to customers	1,489,168	5,148	19,227	1,513,543	1.61%
Less: Provision for impairment losses	(25,667)	(2,369)	(10,083)	(38,119)	
Net loans and advances to customers	1,463,501	2,779	9,144	1,475,424	

	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 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	

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 52(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

	2015			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	(20,968)	(2,111)	(4,946)	(28,025)
Charge for the year	(4,699)	(3,121)	(12,251)	(20,071)
Release for the year	–	–	347	347
Recoveries	–	(228)	(106)	(334)
Unwinding of discount	–	–	802	802
Disposal	–	–	3,583	3,583
Write-offs	–	3,091	2,488	5,579
As at 31 December	(25,667)	(2,369)	(10,083)	(38,119)

	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)

21 Loans and advances to customers (continued)

(g) Analysed by geographical sector

	31 December 2015		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	301,904	19.95%	169,533
Bohai Rim	265,918	17.57%	129,959
Central	230,898	15.25%	129,482
Western	229,682	15.18%	142,753
Pearl River Delta	191,858	12.68%	127,514
Northeastern	96,047	6.35%	58,777
Overseas	24,414	1.60%	6,672
Head Office	172,822	11.42%	–
Gross loans and advances to customers	1,513,543	100.00%	764,690

	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

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(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)**(g) Analysed by geographical sector** (continued)

As at the end of the year, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitutes 10% or more of gross loans and advances to customers are as follows:

	31 December 2015		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	5,974	(2,947)	(6,247)
Pearl River Delta	4,357	(1,872)	(4,186)
Central	4,022	(1,656)	(3,891)
Western	4,914	(2,445)	(4,531)
Bohai Rim	2,104	(913)	(5,043)

	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 definitions of the regional distributions are set out in Note 51(b).

21 Loans and advances to customers (continued)

(h) Rescheduled loans and advances to customers

	31 December 2015	31 December 2014
Rescheduled loans and advances to customers	12,034	4,632
Less: Rescheduled loans and advances to customers overdue more than 90 days	(4,202)	(858)
Rescheduled loans and advances to customers overdue not more than 90 days	7,832	3,774

22 Available-for-sale financial assets

	Note	31 December 2015	31 December 2014
Debt investments	22(a)	193,650	138,249
Equity investments	22(b)	645	310
Fund investments	22(c)	28,200	–
Total		222,495	138,559
Listed		47,180	2,788
– of which listed in Hong Kong		3,284	1,240
Unlisted		175,315	135,771
Total		222,495	138,559

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:

	Note	31 December 2015	31 December 2014
In mainland China			
– Government		43,908	37,938
– Banks and other financial institutions	(i)	45,110	14,029
– Other institutions	(ii)	100,257	84,429
Sub-total		189,275	136,396
Outside mainland China			
– Government		–	320
– Banks and other financial institutions		2,221	952
– Other institutions		2,154	581
Sub-total		4,375	1,853
Total	(iii)	193,650	138,249

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 year, part of the available-for-sale financial assets were pledged for repurchase agreements and time deposits (see Note 30(a)).
- (iv) At the end of the year, the allowance for impairment losses of available-for-sale debt investment was 171 million (31 December 2014, nil).

22 Available-for-sale financial assets (continued)

(b) Available-for-sale equity investments

	Note	2015	2014
At cost			
As at 1 January		305	99
Additions for the year		132	206
Reductions for the year		(36)	–
As at 31 December		401	305
Less: Provision for impairment losses		(1)	(1)
Sub-total	(i)	400	304
At fair value			
As at 31 December		245	6
Total		645	310

(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.

(c) Available-for-sale fund investments

	31 December 2015	31 December 2014
In mainland China		
– Banks and other financial institutions	28,200	–
Total	28,200	–

(d) Movements of allowance for impairment losses of available-for-sale financial assets measured at cost during the year are as follows:

	Available-for-sale debt investments	Available-for-sale equity investments	Total
At 1 January 2014	–	1	1
At 31 December 2014 and 11 January 2015	–	1	1
Charge for the year	171	–	171
At 31 December 2015	171	1	172

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23 Held-to-maturity investments

Analysed by type and location of issuer

	Note	31 December 2015	31 December 2014
In mainland China			
– Government		116,017	71,509
– Banks and other financial institutions		16,577	20,530
– Other institutions	23(a)	17,979	19,045
Sub-total		150,573	111,084
Outside mainland China			
– Government		330	–
– Banks and other financial institutions		1,113	331
– Other institutions		306	288
Sub-total		1,749	619
Total	23(b)	152,322	111,703
Less: Provision for impairment losses		(10)	(6)
Net balances		152,312	111,697
Listed		1,289	601
– of which listed in Hong Kong		894	601
Unlisted		151,023	111,096
Net balances		152,312	111,697
Fair value		156,516	112,161

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 year, 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 RMB540 million prior to their maturity dates for the year ended 31 December 2015 (2014: RMB343 million), which account for 0.48% (2014: 0.32%) of the portfolio before the disposal.

24 Debt securities classified as receivables

	Note	31 December 2015	31 December 2014
Wealth management products issued by other financial institutions	24(a)	136,434	70,334
Beneficial interest transfer plans	24(b)	388,394	263,784
Total		524,828	334,118
Less: Provision for impairment losses		(1,401)	(207)
Net balance		523,427	333,911

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 year, 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 RMB14,220 million (31 December 2014: RMB44,410 million). The fair values of the above mentioned investments approximate to their carrying amount.

25 Investments in subsidiaries

	Note	31 December 2015	31 December 2014
Everbright Financial Leasing Co., Ltd.	25(a)	2,700	2,700
CEB International Investment Co., Ltd.	25(b)	494	–
Shaoshan Everbright Village Bank Co., Ltd.	25(c)	105	105
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	25(d)	70	70
Total		3,369	2,875

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 RMB3,700 million. The principal activity of Everbright Financial Leasing is the provision of leasing services. The Bank holds 90% of equity interests and voting rights of Everbright Financial Leasing.
- (b) CEB International Investment Co., Ltd. ("CEBI") was incorporated on 9 November 2015 in Hong Kong, with registered capital of RMB494 million. The principal activity of CEBI is the provision of investment banking business activities. The Bank holds 100% of equity interests and voting rights of CEBI.
- (c) Shaoshan Everbright Village Bank Co., Ltd. ("Shaoshan Everbright") was incorporated on 24 September 2009 in Shaoshan city of Hunan Province, with registered capital of RMB150 million. The principal activities of Shaoshan Everbright are the provision of corporate and retail banking services. The Bank holds 70% of equity interests and voting rights of Shaoshan Everbright.
- (d) 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 RMB100 million. The principal activities of Huai'an Everbright are the provision of corporate and retail banking services. The Bank holds 70% of equity interests and voting rights of Huai'an Everbright.

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(Expressed in millions of Renminbi, unless otherwise stated)

26 Fixed assets

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2015	10,599	393	673	4,906	3,367	19,938
Additions	131	–	234	627	86	1,078
Transfers (out)/in of investment properties	(13)	13	–	–	–	–
Transfer (out)/in to others	–	–	(7)	(3)	3	(7)
Disposals	(6)	–	–	(205)	(36)	(247)
As at 31 December 2015	10,711	406	900	5,325	3,420	20,762
Accumulated depreciation						
As at 1 January 2015	(2,135)	(138)	–	(2,899)	(1,564)	(6,736)
Charge for the year	(346)	(11)	–	(678)	(407)	(1,442)
Transfers out/(in) of investment properties	3	(3)	–	–	–	–
Transfer (out)/in to others	–	–	–	2	(2)	–
Disposals	–	–	–	199	22	221
As at 31 December 2015	(2,478)	(152)	–	(3,376)	(1,951)	(7,957)
Provision for impairment						
As at 1 January 2015	(132)	(27)	–	–	–	(159)
As at 31 December 2015	(132)	(27)	–	–	–	(159)
Net book value						
As at 31 December 2015	8,101	227	900	1,949	1,469	12,646

26 Fixed assets (continued)

	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)	–	–	–	–
Transfer 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

As at 31 December 2015, title deeds were not yet finalised of the premises with a carrying amount of RMB176 million (31 December 2014: RMB182 million). Management of the Group expected that there would be no significant costs in obtaining the title deeds.

The net book values of premises at the end of the year are analysed by the land's remaining terms of the leases as follows:

	31 December 2015	31 December 2014
Held in mainland China		
– Long term leases (over 50 years)	–	32
– Medium term leases (10 – 50 years)	8,088	8,290
– Short term leases (less than 10 years)	13	10
Total	8,101	8,332

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26 Fixed assets (continued)

The net book values of investment properties at the end of the year are analysed by the remaining terms of the leases is as follows:

	31 December 2015	31 December 2014
Held in mainland China – Medium term leases (10 – 50 years)	227	228
Total	227	228

27 Goodwill

	31 December 2015	31 December 2014
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

	31 December 2015	31 December 2014
Deferred tax assets	3,923	3,034
Deferred tax liabilities	–	–
Net balances	3,923	3,034

28 Deferred tax assets and liabilities (continued)

(b) Movements of deferred tax

	Provision for impairment losses Note (i)	Staff cost payable	Net gains from fair value changes of financial instruments Note (ii)	Net balance of deferred tax assets
1 January 2015	1,484	1,694	(144)	3,034
Recognised in profit or loss	1,804	349	(10)	2,143
Recognised in capital reserve	–	–	(1,254)	(1,254)
31 December 2015	3,288	2,043	(1,408)	3,923

	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 capital reserve	–	–	(1,369)	(1,369)
31 December 2014	1,484	1,694	(144)	3,034

Note:

- (i) The Group made provision for impairment losses on loans and advances to customers and other financial assets. The provision for impairment losses were determined based on the expected recoverable amount of the relevant assets at the end of the year. 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 year, 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 from fair value changes of financial instruments are subject to tax when realised.
- (iii) Unrecognised deferred tax assets

As at 31 December 2015, the Group has not recognised deferred tax assets of RMB3,673 million (31 December 2014: RMB2,700 million) for provision of impairment losses amounting to RMB14,691 million (31 December 2014: RMB10,800 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.

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29 Other assets

	Note	31 December 2015	31 December 2014
Financial lease receivables	29(a)	38,735	21,500
Precious metal		4,779	1,798
Other receivables		4,666	2,083
Long-term deferred expense		1,450	1,452
Fixed assets purchase prepayment		995	426
Intangible assets		834	804
Repossessed assets		329	304
Land use rights		112	118
Others		42	1,574
Total		51,942	30,059

(a) Financial lease receivables

	31 December 2015	31 December 2014
Minimum finance lease receivables	44,732	25,064
Less: unearned finance lease income	(5,060)	(3,048)
Present value of finance lease receivables	39,672	22,016
Less: impairment losses		
– Individual assessment	(205)	(138)
– Collective assessment	(732)	(378)
Net balance	38,735	21,500

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	2015			2014		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Less than 1 year	11,973	(1,588)	10,385	8,199	(1,205)	6,994
1 year to 2 years	9,557	(1,175)	8,382	6,776	(768)	6,008
2 years to 3 years	6,911	(829)	6,082	4,316	(445)	3,871
3 years to 5 years	9,378	(964)	8,414	3,475	(377)	3,098
More than 5 years	6,467	(486)	5,981	2,083	(240)	1,843
Indefinite*	446	(18)	428	215	(13)	202
	44,732	(5,060)	39,672	25,064	(3,048)	22,016

* The indefinite period amount represents the balances being impaired or overdue for more than one month.

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 2015 is RMB70,574 million (31 December 2014: RMB66,237 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 year, 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.

31 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2015	31 December 2014
Deposits in mainland China		
– Banks	234,625	272,345
– Other financial institutions	305,547	200,907
Sub-total	540,172	473,252
Deposits outside mainland China		
– Banks	894	33,935
Sub-total	894	33,935
Total	541,066	507,187

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32 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2015	31 December 2014
Placements in mainland China		
– Banks	41,263	27,313
– Other financial institutions	500	1,800
Sub-total	41,763	29,113
Placements outside mainland China		
– Banks	18,542	7,631
Sub-total	18,542	7,631
Total	60,305	36,744

33 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	31 December 2015	31 December 2014
In mainland China		
– Banks	55,550	48,111
– Other financial institutions	3,323	3,661
Total	58,873	51,772

(b) Analysed by collaterals

	31 December 2015	31 December 2014
Bank acceptances	19,770	2,099
Securities	39,103	49,673
Total	58,873	51,772

34 Deposits from customers

	31 December 2015	31 December 2014
At amortised cost		
Demand deposits		
– Corporate customers	480,487	443,484
– Individual customers	145,026	119,123
Sub-total	625,513	562,607
Time deposits		
– Corporate customers	677,167	616,272
– Individual customers	121,019	128,721
Sub-total	798,186	744,993
Pledged deposits		
– Acceptances	190,874	207,419
– Letters of credit	14,327	21,663
– Letters of guarantees	8,299	10,851
– Others	7,365	10,022
Sub-total	220,865	249,955
Other deposits	110,665	72,326
Total deposits from customers at amortised cost	1,755,229	1,629,881
At fair value		
Structured deposits		
– Corporate customers	166,646	59,766
– Individual customers	71,968	95,690
Total deposits from customers at fair value	238,614	155,456
Total	1,993,843	1,785,337

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35 Accrued staff costs

	Note	31 December 2015	31 December 2014
Salary and welfare payable		10,721	9,175
Pension payable	35(a)	97	179
Supplementary retirement benefits payable	35(b)	399	314
Total		11,217	9,668

(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 charged 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 year. 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 2015	31 December 2014
Present value of SRB obligation	399	314

(ii) Movements of SRB of the Group are as follows:

	2015	2014
As at 1 January	314	246
Current service cost	25	19
Interest cost	13	12
Remeasurement of defined benefit plan	64	53
Payments made	(17)	(16)
As at 31 December	399	314

Interest cost was recognised in staff costs, see Note 8.

35 Accrued staff costs (continued)

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

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

	31 December 2015	31 December 2014
Discount rate	3.90%	4.30%
Medical cost trend rate	6.00%	6.00%
Average expected future lifetime	23.20	19.17

(iv) Sensitivity analysis:

Reasonably possible changes at the year end 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 2015	
	Increase	Decrease
Discount rate (1% movement)	(80)	114
Medical cost trend rate (1% movement)	99	(70)

	31 December 2014	
	Increase	Decrease
Discount rate (1% movement)	(59)	83
Medical cost trend rate (1% movement)	69	(49)

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.

36 Taxes payable

	31 December 2015	31 December 2014
Income tax payable	4,527	1,970
Business tax and surcharges payable	1,702	1,723
Others	163	136
Total	6,392	3,829

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37 Interests payable

	31 December 2015	31 December 2014
Deposits from customers	25,854	25,639
Debt securities issued	1,722	1,704
Others	3,036	2,607
Total	30,612	29,950

38 Debt securities issued

	Note	31 December 2015	31 December 2014
Subordinated debts issued	38(a)	6,700	6,700
Financial bonds issued	38(b)	32,800	30,000
Tier-two capital bonds	38(c)	16,200	16,200
Interbank deposits issued	38(d)	146,531	32,591
Certificates of deposits issued	38(e)	7,830	4,185
Total		210,061	89,676

(a) Subordinated debts issued

	Note	31 December 2015	31 December 2014
Subordinated fixed rate debts maturing in June 2027	(i)	6,700	6,700
Total		6,700	6,700

Note:

- (i) Fixed rate subordinated debts of RMB6.7 billion with a term of fifteen years was issued on 7 June 2012. The coupon rate is 5.25% per annum. The Group has an option to redeem the debts on 8 June 2022 at the nominal amount.
- (ii) As at 31 December 2015, the fair value of the total subordinated debt securities issued amounts to RMB7,142 million (31 December 2014: RMB6,556 million).

38 Debt securities issued (continued)

(b) Financial bonds issued

	Note	31 December 2015	31 December 2014
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
Financial fixed rate bonds maturing in June 2018	(iii)	2,800	–
Total		32,800	30,000

Note:

- (i) Fixed rate financial bonds of RMB20 billion with a term of five years was issued on 28 March 2012. The coupon rate is 4.20% per annum.
- (ii) Floating rate financial bonds of RMB10 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) Fixed rate financial bonds of RMB3.5 billion, of which RMB700 million was held by the Bank, with a term of five years was issued on 16 June 2015 by the Group's subsidiary, Everbright Financial Leasing. The coupon rate is 4.00% per annum.
- (iv) As at 31 December 2015, the fair value of the total financial bond issued amounts to RMB32,958 million by the Group (31 December 2014: RMB29,602 million).

(c) Tier-two capital bonds

- (i) Fixed rate tier-two capital bonds of RMB16.2 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 2015, the fair value of the total tier 2 capital bonds issued amounts to RMB17,436 million (31 December 2014: RMB16,835 million).

(d) Interbank deposits issued

As at 31 December 2015, 107 interbank deposits (31 December 2014: 18) were issued by the Group and measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB146,688 million (31 December 2014: RMB32,548 million).

(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.

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39 Other liabilities

	Note	31 December 2015	31 December 2014
Finance leases payable		3,366	2,719
Deferred income		2,083	2,007
Payment and collection clearance accounts		1,743	787
Provisions	39(a)	446	424
Dormant accounts		295	297
Dividend payable		28	28
Others		7,102	6,281
Total		15,063	12,543

(a) Provisions

As at 31 December 2015, the accruals of litigation losses estimated by the Group based on the status of outstanding litigation cases and the probability of losses amounted to RMB17 million (31 December 2014: RMB17 million).

40 Share capital

The Bank's shareholding structure as at the end of the year is as follows:

	2015 Amount	2014 Amount
Ordinary shares listed in Mainland China (A share)	39,810	39,810
Ordinary shares listed in Hong Kong (H share)	6,869	6,869
Total	46,679	46,679

The H shares rank pari passu in all respects with the A shares including the right to receive dividends and distributions declared.

41 Other equity instrument

(a) Preference shares at the end of the period

Issue date	Dividend rate	Issue price	(million shares)	Number of share issued RMB million	Conversion condition
2015-6-19	5.30%	100RMB/share	200	20,000	Mandatory
Less: Issuing costs				(35)	
Book value				19,965	

(b) Main Clauses

(i) Dividend

Fixed rate for the first 5 years after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread.

The fixed spread equals to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares.

(ii) Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(iii) Dividend stopper

If the Group cancels all or part of the dividends to the preference shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the preference shareholders in full.

(iv) Order of distribution and liquidation method

The preference shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt and holders of tier-two capital bonds, but will be senior to the ordinary shareholders

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41 Other equity instrument (continued)

(b) Main Clauses (continued)

(v) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier-one Capital Trigger Event (Core Tier-one Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the preference shares into A shares, in order to restore the Core Tier-one Capital Adequacy Ratio of the Group to above 5.125%; If preference shares were converted to A shares, it could not be converted to preference shares again;

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all preference shares into A shares.

(vi) Redemption

Subject to the prior approval of the CBRC and the satisfaction of the relevant requirements, the Group shall have the right to redeem all or part of the preference shares on any redeemable day (the payment date for dividends of the preference shares each year) after the fifth year following the completion date of the Issuance of the preference shares. The specific commencement date of the redemption period shall be determined by the Board in line with market conditions, subject to authorisation at a shareholders' general meeting (the authorisation can be further delegated). The redemption period for the preference shares shall commence on such commencement date of the redemption period and end on the completion date of the redemption or conversion of all the preference shares. Where redemption is in part, the preference shares shall be redeemed based on the same proportion and conditions. Preference shares shall be redeemed in cash. The redemption price shall be the par value plus the dividend declared but unpaid for the relevant period.

(c) Changes in preference shares outstanding

Outstanding Financial Instruments	As at 1 January 2015	Additions for the year Carrying value	Amount (million)	Decreases for the year Carrying value	Amount	As at 31 December 2015
Preference shares	–	19,965	200	–	–	19,965

41 Other equity instrument (continued)

(d) Interests attributable to equity instruments' holders

Equity instrument

	31 December 2015	31 December 2014
1. Total equity attributable to equity shareholders of the Bank	223,493	178,975
(1) Equity attributable to ordinary equity holders of the Bank	203,528	178,975
(2) Equity attributable to preference shares holders of the Bank	19,965	–
2. Total equity attributable to non-controlling interests	554	508
(1) Equity attributable to non-controlling interests of ordinary shares	554	508
(2) Equity attributable to non-controlling interests of other equity instrument	–	–

42 Capital reserve

	31 December 2015	31 December 2014
Share premium	33,365	33,365
Fair value changes on available-for-sale financial assets	3,982	219
Remeasurement of defined benefit plan	(61)	3
Exchange differences on transaction of financial statements of overseas subsidiaries	8	–
Total	37,294	33,587

43 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the year 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

The Bank is required, in principle, to set aside a general reserve, through appropriation of profit after tax, with an amount of not lower than 1.5% of the ending balance of its gross risk-bearing assets.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

44 Appropriation of profits

(a) In accordance with the resolution of the Bank's board of directors meeting on 29 March 2016, the proposed profit appropriations for the year ended 31 December 2015 are as follows:

- Appropriate RMB2,914 million (10% of the net profit of the bank) to surplus reserve;
- Appropriate RMB6,368 million to general reserve; and
- Declare cash dividends to all shareholders of RMB8,869 million representing RMB1.90 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 May 2015, the shareholders approved the following profit appropriations for the year ended 31 December 2014:

- Appropriate RMB2,851 million (10% of the net profit of the bank) to surplus reserve;
- Appropriate RMB4,042 million to general reserve; and
- Declare cash dividends to all shareholders of RMB8,682 million representing RMB1.86 per 10 shares before tax.

45 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"), available-for-sale fund investments and asset-backed securities. 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 2015:

	31 December 2015		31 December 2014	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Debt securities classified as receivables	523,427	523,427	299,701	299,701
Available-for-sale fund investments	28,200	28,200	–	–
Asset-backed securities	12,385	12,385	–	–
Total	564,012	564,012	299,701	299,701

45 Involvement with unconsolidated structured entities (continued)

- (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2015, 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 2015, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, is RMB876,855 million (31 December 2014: RMB624,457 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 2015.

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2015 but matured before 31 December 2015 amounted to RMB543,077 million (31 December 2014: RMB401,043 million).

- (d) The amount of fee and commission income received from the above mentioned structured entities by the Group amounted to RMB7,253 million (2014: RMB3,349 million).

46 Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned in accordance with IFRSs. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

The Group enters into credit assets transfer transactions in the normal course of business by which it transfers credit assets to structured entities which sell trust benefit interests to investors.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it has retained control on them, these financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 31 December 2015, loans with an original carrying amount of RMB5,204 million (31 December 2014: nil) had been transferred by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 31 December 2015, the carrying amount of assets that the Group continues to recognise amounts to RMB2,682 million (31 December 2014: nil).

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

47 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 semi-annually and quarterly.

The Group computed 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.

47 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.

	31 December 2015	31 December 2014
Total core tier-one capital	203,950	179,356
Share capital	46,679	46,679
Qualifying portion of capital reserve	37,294	33,587
Surplus reserve	14,964	12,050
General reserve	40,271	33,903
Retained earnings	64,320	52,756
Qualifying portions of non-controlling interests	422	381
Core tier-one capital deductions	(2,115)	(2,085)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use right	(834)	(804)
Net core tier-one capital	201,835	177,271
Other tier one capital	19,992	10
Additional tier-one capital instruments	19,965	–
Qualifying portions of non-controlling interests	27	10
Tier-one capital net	221,827	177,281
Tier two capital	37,655	35,438
Qualifying portions of tier-two capital instruments issued and share premium	22,900	22,900
Surplus provision for loan impairment	14,680	12,500
Qualifying portions of non-controlling interests	75	38
Net capital base	259,482	212,719
Total risk weighted assets	2,185,516	1,898,231
Core tier one capital adequacy ratio	9.24%	9.34%
Tier one capital adequacy ratio	10.15%	9.34%
Capital adequacy ratio	11.87%	11.21%

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

48 Notes to consolidated cash flow statements

(a) Net increase/(decrease) in cash and cash equivalents

	31 December 2015	31 December 2014
Cash and cash equivalents as at 31 December	121,964	98,001
Less: Cash and cash equivalents as at 1 January	98,001	116,821
Net increase/(decrease) in cash and cash equivalents	23,963	(18,820)

(b) Cash and cash equivalents

	31 December 2015	31 December 2014
Cash on hand	6,594	7,312
Deposits with the central bank	27,553	35,306
Deposits with banks and other financial institutions	30,642	29,616
Placements with banks and other financial institutions	57,175	25,767
Total	121,964	98,001

49 Related party relationships and transactions

(a) China Everbright Group Ltd.

The transactions and balances with China Everbright Group Ltd. and its affiliates are summarised in Note 49(a)(ii).

49 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties

(i) Other related parties information

Other related parties having transactions with the Group in 2014 and 2015:

Related party	Relationship with the Group
Affiliated companies	
– China Everbright Limited	Shareholder, affiliate of China Everbright Group Ltd.
– Everbright Securities Co., Ltd. (“Everbright Securities”)	Affiliate of China Everbright Group Ltd.
– China Everbright Group Limited	Affiliate of China Everbright Group Ltd.
– China Everbright International Limited	Affiliate of China Everbright Group Ltd.
– China Everbright Industry (Group) Co.,Ltd	Affiliate of China Everbright Group Ltd.
– Shanghai Everbright Convention and Exhibition Centre Limited	Affiliate of China Everbright Group Ltd.
– China Everbright Investment And Assets Management Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Real Estate Co., Ltd..	Affiliate of China Everbright Group Ltd.
– Everbright Financial Holding Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Sun Life Everbright Life Insurance Co., Ltd.	Affiliate of China Everbright Group Ltd.
– China Everbright Xinglong Trust Co., 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.
– Everbright Securities Asset Management 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 Happy Life International Leasing Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Guangzi Investment Management Co.,Ltd	Affiliate of China Everbright Group Ltd.
– Sun Life Everbright Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Yunfu Internet Co.,Ltd	Affiliate of China Everbright Group Ltd.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

49 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties (continued)

(i) Other related parties information (continued)

Related party	Relationship with the Group
Other related parties	
– China Re Asset Management Company, Ltd	Common key management
– China Shipping (Group) Company	Common key management
– Shanghai Baosight Software Co, Ltd.	Common key management
– SAIC Motor Corporation, Ltd.	Common key management
– Shanghai Electric Group Company Limited	Common key management
– China Traditional Chinese Medicine Co. Limited	Common key management
– Vantone Holdings Co., Ltd	Common key management
– Beijing Science and Technology Park Construction (group) Co. Ltd	Common key management
– Haitong Securities Company Limited	Common key management
– China UnionPay Co., Ltd.	Common key management
– Orient Securities Company Limited	Common key management
– Shanghai ICY New Energy Venture Capital Co., Ltd.	Common key management
– China Pacific Property Insurance Co., Ltd.	Common key management
– China Pacific Life Insurance Co., Ltd.	Common key management
– First-trust Fund Management Co., Ltd	Common key management
– Shanghai Benemae Pharmaceutical Corporation	Common key management
– Hithink Flush Information Network Co., Ltd	Common key management

49 Related party relationships and transactions (continued)

(b) 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 49(b))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the year ended 31 December 2015:					
Interest income	–	–	86	24	110
Interest expense	–	–	(2,427)	(939)	(3,366)
Balances with related parties as at 31 December 2015:					
Financial assets at fair value through profit or loss	–	–	–	105	105
Financial assets held under resale agreements	–	–	349	624	973
Interest receivable	–	–	47	19	66
Loans and advances to customers	–	–	533	–	533
Available-for-sale financial Assets	–	–	998	–	998
Held-to-maturity investments	–	–	–	900	900
Debt securities classified as receivables	–	–	80,539	2,000	82,539
Other assets	–	–	4	65	69
	–	–	82,470	3,713	86,183
Deposits from banks and other financial institutions	–	–	12,318	2,964	15,282
Deposits from customers	546	–	78,420	12,754	91,720
Interest payable	–	–	995	110	1,105
Other liabilities	–	–	4	–	4
	546	–	91,737	15,828	108,111
Significant off-balance sheet items with related parties as at 31 December 2015:					
Guarantee granted (Note)	180	–	–	–	180

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

49 Related party relationships and transactions (continued)**(b) 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 49(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
Interest receivable	–	–	9	15	24
Loans and advances to customers	–	–	202	–	202
Held-to-maturity investments	–	–	–	900	900
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

RMB3 million was paid to China Everbright Group Ltd.'s affiliates as underwriting commission for the H share over-allotment and tier two capital bonds issuance by the year ended 31 December 2014.

Note: As at 31 December 2015, the Bank has guarantee obligations relating to the China Everbright Group Ltd.'s outstanding interest obligation of RMB180 million (31 December 2014: RMB180 million) due to one of the state-owned commercial banks.

49 Related party relationships and transactions (continued)

(c) China Investment Corporation/Huijin Investment Ltd. 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. Central Huijin Investment Ltd. (“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 RMB828,209 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 year.

The Group’s material transactions and balances with CIC, Huijin and its affiliates during the reporting period are summarised as follows:

	2015	2014
Interest income	4,875	5,913
Interest expense	(5,261)	(6,350)

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

49 Related party relationships and transactions (continued)

(c) China Investment Corporation/Huijin Investment Ltd. and its affiliates (continued)

	31 December 2015	31 December 2014
Deposits with banks and other financial institutions	5,049	16,887
Placements with banks and other financial institutions	31,266	22,133
Financial assets at fair value through profit or loss	380	223
Positive fair value of derivatives	222	155
Financial assets held under resale agreements	7,152	2,721
Interest receivable	2,457	2,087
Loans and advances to customers	1,631	1,500
Available-for-sale financial assets	7,588	6,037
Held-to-maturity investments	12,645	16,027
Debt securities classified as receivables	122,095	37,234
Deposits from banks and other financial institutions	135,682	118,609
Placements from banks and other financial institutions	17,659	21,263
Negative fair value of derivatives	208	115
Financial assets sold under repurchase agreements	36,628	23,576
Deposits from customers	28,637	19,803
Interest payable	1,179	1,226
Other liabilities	–	30

(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.

49 Related party relationships and transactions (continued)

(e) Key management personnel

	31 December 2015 RMB'000	31 December 2014 RMB'000
Remuneration	21,904	23,454
Retirement benefits	1,154	1,115
– Basic social pension insurance	602	619

The total compensation packages for senior management of the Group for the year ended 31 December 2015 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's 2015 financial statements.

(f) Loans and advances to directors, supervisors, officers or their close relatives

Loans and advances to directors, supervisors, officers or their close relatives 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 2015 RMB'000	31 December 2014 RMB'000
Aggregate amount of relevant loans outstanding as at the year end	17,572	3,712
Maximum aggregate amount of relevant loans outstanding during the year	21,045	8,892

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

50 Company-level statement of financial position

	Note	31 December 2015	31 December 2014
Assets			
Cash and deposits with the central bank		326,514	354,035
Deposits with banks and other financial institutions		85,628	40,063
Placements with banks and other financial institutions		134,861	132,333
Financial assets at fair value through profit or loss		5,637	4,377
Positive fair value of derivatives		1,625	1,082
Financial assets held under resale agreements		153,045	286,682
Interests receivable		18,334	14,474
Loans and advances to customers		1,474,494	1,270,668
Available-for-sale financial assets		222,157	138,559
Held-to-maturity investments		153,012	111,697
Debt securities classified as receivables		523,427	333,911
Investments in subsidiaries	25	3,369	2,875
Fixed assets		12,613	13,028
Goodwill		1,281	1,281
Deferred tax assets		3,765	2,942
Other assets		12,553	8,274
Total assets		3,132,315	2,716,281

Liabilities and equity

	Note	31 December 2015	31 December 2014
Liabilities			
Due to the central bank		14,800	30,000
Deposits from banks and other financial institutions		543,300	508,445
Placements from banks and other financial institutions		33,431	21,592
Negative fair value of derivatives		1,391	781
Financial assets sold under repurchase agreements		58,873	51,767
Deposits from customers		1,992,919	1,784,273
Accrued staff costs		11,119	9,601
Taxes payable		6,240	3,742
Interests payable		30,418	29,747
Debts securities issued		207,261	89,676
Other liabilities		10,585	8,804
Total liabilities		2,910,337	2,538,428
Equity			
Share capital	40	46,679	46,679
Other equity instrument		19,965	–
Capital reserve		37,285	33,587
Surplus reserve		14,964	12,050
General reserve		40,271	33,903
Retained earnings		62,814	51,634
Total equity		221,978	177,853
Total liabilities and equity		3,132,315	2,716,281

Approved and authorised for issue by the board of directors on 29 March 2016.

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

ZHANG Jinliang
President

XIE Rong
Independent Non-executive Director

51 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)

51 Segment reporting (continued)

(a) Segment results, assets and liabilities

	Year ended 31 December 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	30,625	18,799	17,035	–	66,459
Internal net interest income/ (expense)	18,138	(6,083)	(12,055)	–	–
Net interest income	48,763	12,716	4,980	–	66,459
Net fee and commission income	4,902	21,233	166	–	26,301
Net trading gains	–	–	335	–	335
Dividend income	–	–	–	4	4
Net gains/(losses) arising from investment securities	11	9	(7)	–	13
Net foreign exchange gains/(losses)	(120)	(39)	87	–	(72)
Other operating income	102	36	1	185	324
Operating income	53,658	33,955	5,562	189	93,364
Operating expenses	(16,197)	(15,464)	(629)	(64)	(32,354)
Operating profit before impairment	37,461	18,491	4,933	125	61,010
Impairment losses on assets	(16,168)	(5,309)	(175)	–	(21,652)
Profit before tax	21,293	13,182	4,758	125	39,358
Segment assets	2,046,118	607,065	480,555	28,768	3,162,506
Segment liabilities	2,372,542	465,875	105,002	216	2,943,635
Other segment information					
– Depreciation and amortisation	(1,029)	(1,056)	(20)	–	(2,105)
– Capital expenditure	871	894	17	–	1,782

51 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	Year ended 31 December 2014				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income	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)
Net 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

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

51 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note	31 December 2015	31 December 2014
Segment assets		3,162,506	2,732,695
Goodwill	27	1,281	1,281
Deferred tax assets	28	3,923	3,034
Total assets		3,167,710	2,737,010
Segment liabilities		2,943,635	2,557,499
Dividend payables	39	28	28
Total liabilities		2,943,663	2,557,527

(b) Geographical information

The Group operates principally in mainland China with branches located in 29 provinces, autonomous regions, municipalities directly under the central government and Hong Kong special administrative region, with subsidiaries located in Wuhan city of Hubei Province, Shaoshan city of Hunan Province, Huai'an city of Jiangsu Province and Hong Kong.

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, Lanzhou and Yinchuan;

51 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 and subsidiary 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		
2015	14,882	15,200	27,557	11,625	9,715	9,244	4,714	427	93,364	
2014	12,289	13,243	21,772	9,982	8,429	8,848	3,900	308	78,771	

	Non-current Asset (i)									Total
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong		
31 December 2015	2,751	1,033	5,171	1,234	1,234	1,103	1,021	45	13,592	
31 December 2014	2,918	1,066	5,130	1,327	1,285	1,156	1,059	24	13,965	

(i) Including fixed assets and intangible assets.

52 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)

52 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, Credit management 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. Credit management department is responsible for lending review and frequent monitoring and management of credit portfolio trends and developments. 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.

52 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 year is disclosed in Note 55(a).

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(Expressed in millions of Renminbi, unless otherwise stated)

52 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)**(ii) Financial assets analysed by credit quality are summarised as follows:**

	31 December 2015				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments ⁽¹⁾	Others ⁽²⁾
Impaired					
Individually assessed					
Gross amount	19,227	16	–	313	630
Provision for impairment losses	(10,083)	(16)	–	(173)	(288)
Sub-total	9,144	–	–	140	342
Collectively assessed					
Gross amount	5,148	–	–	–	976
Provision for impairment losses	(2,369)	–	–	–	(81)
Sub-total	2,779	–	–	–	895
Overdue but not impaired					
Gross amount					
– Less than 3 months (inclusive)	26,342	–	–	282	229
– Between 3 months and 6 months (inclusive)	4,890	–	–	–	–
– Over 6 months	8,155	350	–	1,968	–
Gross amount	39,387	350	–	2,250	229
Provision for impairment losses	(5,569)	–	–	(8)	–
Sub-total	33,818	350	–	2,242	229
Neither overdue nor impaired					
Gross amount	1,449,781	218,337	153,045	902,891	63,670
Provision for impairment losses	(20,098)	(15)	–	(1,402)	(1,140)
Sub-total	1,429,683	218,322	153,045	901,489	62,530
Total	1,475,424	218,672	153,045	903,871	63,996

52 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(ii) Financial assets analysed by credit quality are summarised as follows (continued):

	31 December 2014				
	Loans and advances	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
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

* 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)

52 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:

	31 December 2015	31 December 2014
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 B to BBB	350	769
Sub-total	350	769
<i>Neither overdue nor impaired</i>		
– grade A to AAA	241,116	225,412
– grade B to BBB	32,878	36,124
– unrated	97,373	197,426
Sub-total	371,367	458,962
Total	371,717	459,731

52 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 year are as follows:

	31 December 2015	31 December 2014
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	312	1
Provision for impairment losses	(172)	(1)
Sub-total	140	–
<i>Neither overdue nor impaired</i>		
Bloomberg Composite		
– grade AAA	161	125
– grade AA-to AA+	873	1,196
– grade A-to A+	1,782	1,000
– grade lower than A–	1,710	558
Sub-total	4,526	2,879
<i>Other agency ratings</i>		
– grade AAA	75,389	55,800
– grade AA-to AA+	78,093	45,766
– grade A-to A+	155,229	114,819
– grade lower than A–	1,430	1,992
– unrated	36,629	32,880
Sub-total	346,770	251,257
Total	351,436	254,136

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(Expressed in millions of Renminbi, unless otherwise stated)

52 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.

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.

52 Risk Management (continued)

(b) Market risk (continued)

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)

52 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 year by the expected next repricing dates or by maturity dates, depending on which is earlier:

	Effective interest rate (Note (i))	31 December 2015					
		Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.50%	326,735	16,083	310,652	-	-	-
Deposits with banks and other financial institutions	3.11%	86,311	-	60,575	25,736	-	-
Placements with banks and other financial institutions	3.01%	132,361	-	65,982	66,379	-	-
Financial assets held under resale agreements	4.26%	153,045	-	88,570	64,475	-	-
Loans and advances to customers (Note (ii))	5.77%	1,475,424	-	916,028	387,139	169,441	2,816
Investments (Note (iii))	5.02%	903,871	676	232,547	290,699	303,654	76,295
Others	-	89,963	49,561	40,402	-	-	-
Total assets	4.81%	3,167,710	66,320	1,714,756	834,428	473,095	79,111
Liabilities							
Due to the central banks	3.49%	14,840	-	8,000	6,840	-	-
Deposits from banks and other financial institutions	3.35%	541,066	-	538,633	2,433	-	-
Placements from banks and other financial institutions	2.41%	60,305	22	38,087	22,196	-	-
Financial assets sold under repurchase agreements	2.20%	58,873	-	56,517	2,356	-	-
Deposits from customers	2.54%	1,993,843	4,009	1,229,275	463,965	271,049	25,545
Debt securities issued	4.25%	210,061	-	97,939	63,922	25,300	22,900
Others	-	64,675	61,851	1,444	1,265	115	-
Total liabilities	2.80%	2,943,663	65,882	1,969,895	562,977	296,464	48,445
Asset-liability gap	2.01%	224,047	438	(255,139)	271,451	176,631	30,666

52 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 year by the expected next repricing dates or by maturity dates, depending on which is earlier (continued):

	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

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 RMB44,249 million as at 31 December 2015 (31 December 2014: RMB34,425 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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52 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 2015, 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 RMB2,428 million (31 December 2014: RMB1,928 million), and equity to decrease by RMB5,723 million (31 December 2014: RMB4,749 million); a decrease in estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB2,438 million (31 December 2014: RMB1,929 million), and equity to increase by RMB5,904 million (31 December 2014: RMB4,905 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 year apply to all derivative and non-derivative financial instruments of the Group;
- At the end of the year, 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.

52 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 year are as follows:

	31 December 2015			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	321,412	4,696	627	326,735
Deposits with banks and other financial institutions	77,701	4,225	4,385	86,311
Placements with banks and other financial institutions	84,330	47,876	155	132,361
Financial assets held under resale agreements	153,045	–	–	153,045
Loans and advances to customers	1,431,484	33,943	9,997	1,475,424
Investments (Note (i))	895,080	8,582	209	903,871
Others	88,367	1,320	276	89,963
Total assets	3,051,419	100,642	15,649	3,167,710
Liabilities				
Due to the central banks	14,840	–	–	14,840
Deposits from banks and other financial institutions	537,681	3,355	30	541,066
Placements from banks and other financial institutions	37,450	18,898	3,957	60,305
Financial assets sold under repurchase agreements	58,873	–	–	58,873
Deposits from customers	1,899,128	69,478	25,237	1,993,843
Debt securities issued	204,204	1,682	4,175	210,061
Others	62,947	1,476	252	64,675
Total liabilities	2,815,123	94,889	33,651	2,943,663
Net position	236,296	5,753	(18,002)	224,047
Off-balance sheet credit commitments	676,069	21,856	4,807	702,732
Derivative financial instruments (Note (ii))	(32,176)	13,117	19,359	300

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52 Risk management (continued)**(b) Market risk** (continued)**Foreign currency risk** (continued)

The Group's currency exposures as at the end of the year are as follows (continued):

	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)

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.

52 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 2015, 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 RMB23 million (31 December 2014: increase by RMB11 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 RMB23 million (31 December 2014: decrease by RMB11 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.

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

52 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.

52 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 year:

	31 December 2015							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	292,588	34,147	-	-	-	-	-	326,735
Deposit with banks and other financial institutions	350	14,883	31,605	12,330	26,836	307	-	86,311
Placement with banks and other financial institutions	-	-	47,479	18,503	66,379	-	-	132,361
Financial asset held under resale agreements	-	-	78,563	10,007	64,475	-	-	153,045
Loans and advances to customers	32,698	178,184	61,751	136,580	466,630	350,552	249,029	1,475,424
Investments ⁽¹⁾	645	30,492	48,519	142,794	291,194	313,415	76,812	903,871
Others	21,229	5,045	5,319	14,215	15,339	22,883	5,933	89,963
Total assets	347,510	262,751	273,236	334,429	930,853	687,157	331,774	3,167,710
Liabilities								
Due to the central banks	-	-	5,000	3,000	6,840	-	-	14,840
Deposits from banks and other financial institutions	-	160,543	111,726	212,503	55,239	1,055	-	541,066
Placements from banks and other financial institutions	-	22	21,436	16,651	22,196	-	-	60,305
Financial assets sold under repurchase agreements	-	3	43,301	13,213	2,356	-	-	58,873
Deposit from customers	-	781,263	203,041	248,980	463,965	271,049	25,545	1,993,843
Debt securities issued	-	-	3,773	84,166	62,106	37,116	22,900	210,061
Others	-	17,554	21,972	4,560	11,713	8,204	672	64,675
Total liabilities	-	959,385	410,249	583,073	624,415	317,424	49,117	2,943,663
Long/(Short) position	347,510	(696,634)	(137,013)	(248,644)	306,438	369,733	282,657	224,047
Notional amount of derivative financial instruments	-	-	57,795	41,842	90,496	28,668	180	218,981

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(Expressed in millions of Renminbi, unless otherwise stated)

52 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 year (continued):

	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

* 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.

52 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 year:

	31 December 2015							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central banks	14,840	15,087	-	5,084	3,051	6,952	-	-
Deposits from banks and other financial institutions	541,066	547,616	160,954	113,425	215,416	56,612	1,209	-
Placements from banks and other financial institutions	60,305	61,020	23	21,515	16,806	22,676	-	-
Financial assets sold under repurchase agreements	58,873	59,988	3	43,430	13,986	2,569	-	-
Deposits from customers	1,993,843	2,029,534	781,898	203,762	250,881	471,105	292,475	29,413
Debt securities issued	210,061	220,484	-	3,773	85,253	63,719	44,135	23,604
Other financial liabilities	32,672	32,689	13,685	17,609	-	1,278	117	-
Total non-derivative financial liabilities	2,911,660	2,966,418	956,563	408,598	585,393	624,911	337,936	53,017
Derivative financial liabilities								
Derivative financial instruments settled on net basis		(25)	-	2	2	(11)	(18)	-
Derivative financial instruments settled on gross basis								
Cash inflow		173,381	-	67,586	37,787	67,088	920	-
Cash outflow		(173,072)	-	(67,498)	(37,620)	(67,061)	(893)	-
Total derivative financial liabilities		309	-	88	167	27	27	-
Loan and credit card commitment		128,389	120,728	340	1,417	1,435	1,852	2,617

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(Expressed in millions of Renminbi, unless otherwise stated)

52 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 year (continued):

	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	36,744	37,582	21	9,048	11,022	17,491	-	-
Financial assets sold under repurchase agreements	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

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

52 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)

53 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 year. 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 year.

(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 year, 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 year.

(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 year, 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.

53 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, deposits from customers and subordinated debts issued.

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)

53 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.

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.

53 Fair value (continued)

(c) Fair value hierarchy (continued)

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	–	5,474	–	5,474
Financial assets designated at fair value through profit or loss	–	50	113	163
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	1,248	–	1,248
– interest rate derivatives	–	364	13	377
<i>Available-for-sale financial assets</i>				
– debt instruments	–	193,650	–	193,650
– fund instruments	–	28,200	–	28,200
– equity instruments	245	–	–	245
Total	245	228,986	126	229,357
Liabilities				
<i>Deposits from customers</i>				
Structured deposits designated at fair value through profit or loss	–	–	238,614	238,614
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	981	–	981
– interest rate derivatives	–	390	20	410
Total	–	1,371	238,634	240,005

Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

53 Fair value (continued)

(c) Fair value hierarchy (continued)

	31 December 2014			Total
	Level 1	Level 2	Level 3	
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

During the years ended 31 December 2015 and 31 December 2014, there were no significant transfers between instruments in Level 1 and Level 2.

53 Fair value (continued)

(c) Fair value hierarchy (continued)

The movement during the year ended 31 December 2015 in the balance of Level 3 fair value measurements is as follows:

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Total	Non- derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2015	172	30	202	(155,456)	(21)	(155,477)
Total gains or losses:						
In profit or loss for the current year	10	(8)	2	16	1	17
Purchases	7	1	8	(237,996)	–	(237,996)
Settlements	(76)	(10)	(86)	154,822	–	154,822
31 December 2015	113	13	126	(238,614)	(20)	(238,634)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	9	(7)	2	6	1	7

The movement during the year ended 31 December 2014 in the balance of Level 3 fair value measurements is as follows:

	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

During the years ended 31 December 2015 and 2014, there were no significant transfers into or out of Level 3.

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(Expressed in millions of Renminbi, unless otherwise stated)

53 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 2015, 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.

54 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.

	31 December 2015	31 December 2014
Entrusted loans	98,671	88,913
Entrusted funds	98,671	88,913

55 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.

55 Commitments and contingent liabilities (continued)

(a) Credit commitments (continued)

	31 December 2015	31 December 2014
Loan commitments		
– Original contractual maturity within one year	9,180	7,869
– Original contractual maturity more than one year (inclusive)	24,082	47,944
Credit card commitments	95,127	75,719
Sub-total	128,389	131,532
Acceptances	449,385	473,866
Letters of guarantees	61,704	62,459
Letters of credit	63,069	104,238
Guarantees	185	185
Total	702,732	772,280

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

	31 December 2015	31 December 2014
Credit risk-weighted amount of credit commitments	283,635	325,387

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.

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(Expressed in millions of Renminbi, unless otherwise stated)

55 Commitments and contingent liabilities (continued)

(c) Operating lease commitments

As at the end of the year, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	31 December 2015	31 December 2014
Within one year (inclusive)	2,156	1,984
After one year but within two years (inclusive)	2,036	1,852
After two years but within three years (inclusive)	1,889	1,755
After three years but within five years (inclusive)	2,915	2,842
After five years	3,040	3,041
Total	12,036	11,474

(d) Capital commitments

As at the balance sheet dates, the Group's and Bank's authorised capital commitments are as follows:

	31 December 2015	31 December 2014
Contracted for		
– Purchase of property and equipment	660	496
Approved but not contracted for		
– Purchase of property and equipment	1,346	740
Total	2,006	1,236

55 Commitments and contingent liabilities (continued)

(e) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at 31 December 2015.

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.

As at balance sheet day, the underwritten, sold and immature national bonds' redemption commitments at nominal value are as follows:

	31 December 2015	31 December 2014
Redemption commitments	8,556	8,230

(f) Forward assets purchase and sale commitments

The Group has unexpired forward purchase and sale commitments as follows:

	31 December 2015	31 December 2014
Forward assets purchase and sale commitments	1,350	1,350

(g) Outstanding litigations and disputes

As at 31 December 2015, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB967 million (31 December 2014: RMB447 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.

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(Expressed in millions of Renminbi, unless otherwise stated)

56 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 44.

57 Immediate and ultimate parent

The immediate and ultimate parents of the Group are China Everbright Group and CIC.

58 Comparative figures

Certain comparative figures have been adjusted to conform with changes in presentations in current period.

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 Coverage Ratio, Liquidity Ratio and Leverage Ratio

Liquidity Coverage Ratio

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 70%, 80% and 90% by the end of 2015, 2016 and 2017, respectively.

	31 December 2015
Liquidity coverage ratio	84.78%
Liquid assets of high quality	304,095.25
Net cash outflows in 30 days from the end of the reporting period	358,676.10

Liquidity Ratio*

	Average for the As at 31 December 2015	Average for the period ended 31 December 2015	Average for the As at 31 December 2014	Average for the year ended 31 December 2014
RMB current assets to RMB current liabilities	54.90%	51.29%	45.90%	43.60%
Foreign current assets to foreign current liabilities	98.87%	91.39%	109.61%	64.54%

* Liquidity ratio is calculated in accordance with the banking level.

Leverage Ratio

	31 December 2015
Leverage Ratio	5.95%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

2 Currency concentrations

	31 December 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	100,642	10,082	5,567	116,291
Spot liabilities	(94,889)	(16,706)	(10,945)	(128,540)
Forward purchases	83,345	8,598	15,536	107,479
Forward sales	(70,228)	(915)	(3,860)	(75,003)
Net long position	18,870	1,059	6,298	20,227
Net structural position	11	11	–	22

	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

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank's Hong Kong branches. Structural assets mainly include fixed assets.

3 International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	31 December 2015			
	Banks and other finance institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	5,306	274	36,353	41,933
– of which attributed to Hong Kong	3,257	168	10,945	14,370
Europe	1,523	–	2,313	3,836
North and South America	2,569	162	914	3,645
	9,398	436	39,580	49,414

	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

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

4 Overdue loans and advances by geographical segments

	31 December 2015	31 December 2014
Yangtze River Delta	7,912	4,643
Western	6,860	2,692
Pearl River Delta	6,803	3,056
Central	4,872	3,382
Bohai Rim	4,713	2,220
Head Office	2,305	1,845
North eastern	1,707	702
Total	35,172	18,540

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 2015	31 December 2014
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	8,242	6,339
– between 6 months and 1 year (inclusive)	15,197	7,979
– over 1 year	11,733	4,222
Total	35,172	18,540
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.54%	0.49%
– between 6 months and 1 year (inclusive)	1.00%	0.61%
– over 1 year	0.78%	0.32%
Total	2.32%	1.42%

5 Gross amount of overdue loans and advances (continued)

	31 December 2015	31 December 2014
Current market value of collateral held against the covered portion of overdue loans and advances	24,494	9,298
Covered portion of overdue loans and advances	14,589	6,096
Uncovered portion of overdue loans and advances	20,583	12,444
Individual impairment allowances made on overdue loans and advances	9,747	4,728

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 2015, 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. 555, Donggang West Road, Chengguan District, Lanzhou City	730030	0931-8688600	0931-8688701
Yinchuan Branch	No. 219, Jiefang West Road, Xingqing District, Yinchuan City	750001	0951-8773000	0951-8773080
Hong Kong Branch	30/F., Far East Finance Center, No. 16, Harcourt Road, Hong Kong		00852-31239888	00852-21432188



中国光大银行
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