



**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

**2016**  
INTERIM REPORT





**Bank**



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# Important Notice and Definition

## I. Important Notice

- (I) 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 contents 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.
- (II) The Bank will not implement any profit distribution or capitalization of capital reserves for the first half of 2016.
- (III) The 2nd meeting of the Seventh Session of the Board of Directors of the Bank was convened on 26 August, 2016 by written resolution, at which the 2016 Interim Report of the Bank was considered and approved. 14 directors were entitled to vote and 14 of them casted their votes.
- (IV) The financial statements of the Bank for the first half of 2016 were prepared in accordance with the PRC Generally Accepted Accounting Principles (respectively “PRC GAAP”) and the International Financial Reporting Standards (“IFRSs”) and have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with China and International Standards on Review Engagements, respectively.
- (V) 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 statements in this report.
- (VI) Unless otherwise stated, all monetary sums stated in this report are expressed in Renminbi/RMB.
- (VII) Forward-looking statements such as future plans of the Bank mentioned in this report do not constitute actual commitments of the Bank to the investors. Investors are cautioned against the investment risks.
- (VIII) In this report, “We/we”, the “Company”, the “Bank”, “our Company”, “Whole Bank” and “China Everbright Bank” refer to China Everbright Bank Company Limited, and the “Group” refers to China Everbright Bank Company Limited and its subsidiaries.

## II. 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 terms in this report are general concepts adopted in the banking industry. For certain special terms used in connection with products of the Bank which may cause difficulty in understanding their technical meanings, investors please refer to the 2015 annual report of the Bank.

# Corporate Information

## I. Name of the Bank

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. Relevant Parties

Legal Representative: Tang Shuangning  
 Authorized Representatives: Ma Teng, Cai Yunge  
 Secretary to the Board of Directors, Company Secretary: Cai Yunge  
 Securities Affairs Representative: Li Jiayan  
 Assistant to Company Secretary: Lee Mei Yi

## III. Contacts

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. Corporate information

Registered and Office Address: China Everbright Center, No. 25 and 25 A Taipingqiao Avenue,  
 Xicheng District, Beijing  
 Business license registration number for enterprise legal person: 100000000011748  
 Code of financial authority: B0007H111000001  
 Tax registration No: 110102100011743  
 Code of organisation: 10001174-3

## V. Principal Place of Business in Hong Kong

Hong Kong Branch of the Company: 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 interim report:  
 SSE's website: [www.sse.com.cn](http://www.sse.com.cn)  
 Bank's website: [www.cebbank.com](http://www.cebbank.com)  
 Websites designated by HKSE for publication of H share interim report:  
 HKSE's website: [www.hkex.com.hk](http://www.hkex.com.hk)  
 Bank's website: [www.cebbank.com](http://www.cebbank.com)  
 Copies of interim report are available at: Office of the Board of Directors of the Bank

## VII. Stock Exchanges for Listing of Shares:

A Share: Shanghai Stock Exchange (SSE)

Abbreviated name of Ordinary Shares: Everbright Bank; Stock code of Ordinary Shares: 601818

Abbreviated name of Preference Shares: Everbright P 1, Everbright P 2;

Stock code of Preference Shares: 360013, 360022 (SSE Comprehensive Business Platform)

H Share: The Stock Exchange of Hong Kong Limited (HKSE)

Abbreviated name: CEB Bank; Stock code: 6818

## VIII. Auditors of the reporting period

Domestic Auditor: Ernst & Young Hua Ming LLP

Office Address: 16/F, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Beijing

Certified Public Accountants for Signature: Liang Chengjie, Gu Jun

Overseas Auditor: Ernst & Young

Office Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

## IX. Legal Advisors to the Board in the reporting period

A Share Legal Advisor: Jun He Law Offices

H Share Legal Advisor: Herbert Smith Freehills

## X. Share Depository

A Share and Preference Shares 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

# Summary of Accounting Data and Financial Indicators

## I. Key Financial Data and Indicators

Item	January – June, 2016	January – June, 2015	Change (%)	January – June, 2014
<b>Operating performance (RMB million)</b>				
Net interest income	32,625	32,105	1.62	27,838
Net fee and commission income	13,898	13,558	2.51	8,632
Operating income	47,081	45,587	3.28	37,560
Operating expenses	(15,413)	(15,710)	-1.89	(13,661)
Impairment losses on assets	(9,956)	(8,387)	18.71	(3,128)
Total Profit	21,712	21,490	1.03	20,771
Net profit	16,468	16,267	1.24	15,872
Net profit attributable to equity shareholders of the Bank	16,439	16,241	1.22	15,845
Basic and diluted earnings per share	0.33	0.35	-5.71	0.34
Item	January – June, 2016	January – June, 2015	Change	January – June, 2014
<b>Profitability indicators (%)</b>				
Return on average total assets	0.95	1.13	-0.18 percentage point	1.25
Return on weighted average equity	14.55	17.30	-2.75 percentage points	19.40
Net interest spread	1.68	2.03	-0.35 percentage point	1.99
Net interest margin	1.88	2.27	-0.39 percentage point	2.25
Proportion of fee and commission income in operating income	29.52	29.74	-0.22 percentage point	22.98
Cost-to-income ratio	27.49	26.69	+0.80 percentage point	28.38



Item	June 30, 2016	December 31, 2015	Change (%)	December 31, 2014
<b>Scale indicators (RMB million)</b>				
Total assets	3,764,912	3,167,710	18.85	2,737,010
Balance of loans	1,700,372	1,513,543	12.34	1,299,455
Loan impairment allowances	(38,324)	(38,119)	0.54	(28,025)
Total liabilities	3,534,984	2,943,663	20.09	2,557,527
Deposits from customers	2,177,369	1,993,843	9.20	1,785,337
Equity attributable to equity shareholders of the Bank	229,345	223,493	2.62	178,975
Share capital	46,679	46,679	–	46,679
Net asset per share attributable to equity shareholders of the Bank	4.49	4.36	2.98	3.83
<b>Asset quality indicators (%)</b>				
Non-performing loan ratio	1.50	1.61	-0.11 percentage point	1.19
Provision coverage ratio	150.25	156.39	-6.14 percentage points	180.52
Provision-to-loan ratio	2.25	2.52	-0.27 percentage point	2.16

Note: The calculation of basic and diluted earnings per share, return on weighted average equity, return on net asset per share attributable to equity shareholders of the Bank excluded the effect of the issuance of preference shares. And it is same thereafter.

## II. Supplementary Financial Indicators

Item	Standard Value	June 30, 2016	December 31, 2015	December 31, 2014
Unit: %				
Liquidity ratio	RMB	≥25	57.23	54.90
	Foreign currency	≥25	55.51	98.87
Loan to deposit ratio	RMB	–	76.45	74.90
	Currencies converted into RMB	–	75.95	73.59
Loan exposure to single largest customer ratio		≤10	2.29	2.38
Loan exposure to top ten customers ratio		≤50	12.55	11.86

Note: The above data of the Bank is calculated in accordance with the regulatory requirements of the CBRC.

## Summary of Accounting Data and Financial Indicators

### III. Capital Composition and Changes

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

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Total net capital	264,418	257,836	259,482	253,120
1.1 Core tier-1 capital	209,852	207,634	203,950	202,013
1.2 Core tier-1 capital deductions	(2,091)	(5,456)	(2,115)	(5,479)
1.3 Net core tier-1 capital	207,761	202,178	201,835	196,534
1.4 Other tier-1 capitals	20,012	19,965	19,992	19,965
1.5 Other tier-1 capital deductions	–	–	–	–
1.6 Net tier-1 capital	227,773	222,143	221,827	216,499
1.7 Tier-2 capital	36,645	35,693	37,655	36,621
1.8 Tier-2 capital deductions	–	–	–	–
2. Credit risk weighted asset	2,273,440	2,220,462	2,032,386	1,993,875
3. Market risk weighted asset	11,216	11,005	4,970	4,970
4. Operational risk weighted asset	148,160	146,445	148,160	146,445
5. Total risk weighted asset	2,432,816	2,377,912	2,185,516	2,145,290
6. Core tier-1 capital adequacy ratio	8.54	8.50	9.24	9.16
7. Tier-1 capital adequacy ratio	9.36	9.34	10.15	10.09
8. Capital adequacy ratio	10.87	10.84	11.87	11.80

Note:

- All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management should calculate the consolidated capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). 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 Limited.
- 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 capital – 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 for details of the capital composition.

#### **IV. Leverage Ratio**

For the end of the reporting period, the leverage ratio calculated by the Group pursuant to the Regulation Governing Leverage Ratio of Commercial Banks issued by the CBRC was 5.30%, representing a decrease of 0.65 percentage point as compared with the leverage ratio at the end of 2015. For further details, please refer to “Unaudited supplementary financial information to the financial statements”.

#### **V. Liquidity Coverage Ratio**

Please refer to “Unaudited supplementary financial information to the financial statements”.

# Management Discussion and Analysis

## I. Overall Operations of the Bank

### (I) Assets and liabilities moderately increased

At the end of the reporting period, the total assets of the Group were RMB3,764,912 million, representing an increase of RMB597,202 million or 18.85% as compared with those at the end of the previous year. The balance of all items of loans were RMB1,700,372 million, representing an increase of RMB186,829 million or 12.34% as compared with those at the end of the previous year. The total liabilities were RMB3,534,984 million, representing an increase of RMB591,321 million or 20.09% as compared with the end of the previous year, among which, the total deposits from customers were RMB2,177,369 million, representing an increase of RMB183,526 million or 9.20% as compared with the end of the previous year.

### (II) Profitability remained stable

During the reporting period, operating income of the Group was RMB47,081 million, representing a year-on-year increase of RMB1,494 million or 3.28%. Operating expenses were RMB15,413 million, representing a year-on-year decrease of RMB297 million or 1.89%. Total profit was RMB21,712 million, representing a year-on-year increase of RMB222 million or 1.03%. Net profit was RMB16,468 million, representing a year-on-year increase of RMB201 million or 1.24%.

### (III) Progress was made in structural readjustment

During the reporting period, the Group's business with low capital requirements grew fast and the weight of risk assets decreased by 1.55 percentage points, so that the asset structure was improved. The Group conscientiously reduced its active liabilities and raised the proportion of core deposits by 3.63 percentage points, thus putting the cost of liabilities well under control. The Group also reinforced the revenue of traditional business and expanded E-banking, agency, precious metal and custody business, leading to a more diversified source of income.

### (IV) Overall risk control was achieved

As at the end of the reporting period, the Group's non-performing loans were RMB25,507 million, representing an increase of RMB1,132 million as compared with the end of the previous year. Non-performing loan ratio was 1.50%, down by 0.11 percentage point as compared with the end of the previous year. Credit provision coverage ratio was 150.25%, down by 6.14 percentage points as compared with the end of the previous year.

### (V) Capital adequacy ratio consistently met the target

As at the end of the reporting period, the Group's capital adequacy ratio reached 10.87%, down by 1.00 percentage point as compared with that at the end of the previous year. Core tier-1 capital adequacy ratio was 8.54%, down by 0.70 percentage point as compared with that at the end of the previous year. Tier-1 capital adequacy ratio was 9.36%, down by 0.79 percentage point as compared with that at the end of the previous year. All tiers of the Group's capital adequacy ratio consistently met the regulatory requirements.

## II. Income Statement Analysis

### (I) Changes in items of Income Statement

Unit: RMB million

Item	January – June, 2016	January – June, 2015	Change
Net interest income	32,625	32,105	520
Net fee and commission income	13,898	13,558	340
Net trading gains/(losses)	546	(337)	883
Dividend income	–	4	(4)
Net (losses)/gains arising from investment securities	(77)	5	(82)
Net foreign exchange (losses)/gains	(174)	160	(334)
Other operating income	263	92	171
Operating expenses	15,413	15,710	(297)
Impairment losses on assets	9,956	8,387	1,569
<b>Total profit</b>	<b>21,712</b>	<b>21,490</b>	<b>222</b>
Income tax	5,244	5,223	21
<b>Net profit</b>	<b>16,468</b>	<b>16,267</b>	<b>201</b>
<b>Net profit attributable to equity shareholders of the Bank</b>	<b>16,439</b>	<b>16,241</b>	<b>198</b>

### (II) Operating income

During the reporting period, operating income of the Group was RMB47,081 million, representing a year-on-year increase of RMB1,494 million or 3.28%, of which, the proportion of net interest income was 69.30%, representing a year-on-year decrease of 1.13 percentage points and the proportion of net fee and commission income was 29.52%, representing a year-on-year decrease of 0.22 percentage point. The Group carried out its “Business Tax to Value-added Tax” reform since May 1, 2016, while the price and tax are separated upon income recognition, which may post certain influence to the income for the current period and its year-on-year increase.

Unit: %

Item	January – June, 2016	January – June, 2015
The proportion of Net interest income	69.30	70.43
The proportion of Net fee and commission income	29.52	29.74
The proportion of Other income	1.18	(0.17)
<b>The proportion of Total operating income</b>	<b>100.00</b>	<b>100.00</b>

## Management Discussion and Analysis

### (III) Net interest income

During the reporting period, the Group's net interest income was RMB32,625 million, representing a year-on-year increase of RMB520 million or 1.62%, and in the meanwhile, its net interest spread was 1.68%, representing a year-on-year decrease of 35 basis points; and net interest margin was 1.88%, representing a year-on-year decrease of 39 basis points.

Unit: RMB million, %

Item	January – June, 2016			January – June, 2015		
	Average Balance	Interest income/expense	Average yield/cost	Average Balance	Interest income/expense	Average yield/cost
<b>Interest-earning assets</b>						
Loans and advances	1,641,799	38,587	4.70	1,378,775	41,245	5.98
Finance lease receivables	45,150	892	3.95	28,178	652	4.63
Investments	1,020,862	21,304	4.17	684,359	18,212	5.32
Deposits with the central bank	349,651	2,600	1.49	343,857	2,524	1.47
Placements and deposits with financial institutions and financial assets held under resale agreements	406,523	6,227	3.06	387,592	8,516	4.39
<b>Total interest-earning assets</b>	<b>3,463,985</b>	<b>69,610</b>	<b>4.02</b>	<b>2,822,761</b>	<b>71,149</b>	<b>5.04</b>
<b>Interest income</b>	–	69,610	–	–	71,149	–
<b>Interest-bearing liabilities</b>						
Deposits from customers	2,090,200	21,649	2.07	1,815,795	23,962	2.64
Deposits from banks and other financial institutions, placements and amount sold under repurchase agreements	788,981	10,554	2.68	649,046	12,203	3.76
Debt securities issued	282,143	4,782	3.39	127,922	2,879	4.50
<b>Total interest-bearing liabilities</b>	<b>3,161,324</b>	<b>36,985</b>	<b>2.34</b>	<b>2,592,763</b>	<b>39,044</b>	<b>3.01</b>
<b>Interest expense</b>	–	36,985	–	–	39,044	–
<b>Net interest income</b>	–	32,625	–	–	32,105	–
<b>Net interest spread</b>	–	–	1.68	–	–	2.03
<b>Net interest margin</b>	–	–	1.88	–	–	2.27

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.

## (IV) Interest income

During the reporting period, the Group's interest income, mainly from loans and advances, was RMB69,610 million, representing a year-on-year decrease of RMB1,539 million or 2.16%.

### 1. Interest income from loans and advances

The Group's interest income from loans and advances was RMB38,587 million, representing a year-on-year decrease of RMB2,658 million or 6.44%, mainly due to the year-on-year decrease in its average yields.

Unit: RMB million, %

Item	January – June, 2016			January – June, 2015		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	1,015,654	23,342	4.60	854,770	26,029	6.09
Retail loans	552,748	12,999	4.70	473,101	13,749	5.81
Discounted bills	73,397	2,246	6.12	50,904	1,467	5.76
<b>Total loans and advances</b>	<b>1,641,799</b>	<b>38,587</b>	<b>4.70</b>	<b>1,378,775</b>	<b>41,245</b>	<b>5.98</b>

### 2. Interest income from investments

The Group's interest income from investments was RMB21,304 million, representing a year-on-year increase of RMB3,092 million or 16.98%, mainly due to the year-on-year increase in its average balance.

### 3. Interest income from placements and deposits with financial institutions and financial assets held under resale agreements

The Group's interest income from placements and deposits with financial institutions and assets held under resale agreements was RMB6,227 million, representing a year-on-year decrease of RMB2,289 million or 26.88%, mainly due to the year-on-year decrease in its average yields.

## (V) Interest expense

During the reporting period, the Group's interest expense was RMB36,985 million, representing a year-on-year decrease of RMB2,059 million or 5.27%. Interest expense on deposits from customers is a major part of the Group's interest expense.

## Management Discussion and Analysis

### 1. Interest expense on deposits from customers

Interest expense on deposits from customers was RMB21,649 million, representing a year-on-year decrease of RMB2,313 million or 9.65%, mainly due to the year-on-year decrease in its average costs.

Unit: RMB million, %

Item	January – June, 2016			January – June, 2015		
	Average Balance	Interest expense	Average cost	Average Balance	Interest expense	Average cost
Corporate deposits	1,623,362	16,672	2.05	1,389,839	17,839	2.57
Including: Corporate demand deposits	533,593	1,650	0.62	445,699	1,558	0.70
Corporate time deposits	1,089,769	15,022	2.76	944,140	16,281	3.45
Retail deposits	466,838	4,977	2.13	425,956	6,123	2.87
Including: Retail demand deposits	138,825	293	0.42	109,182	325	0.60
Retail time deposits	328,013	4,684	2.86	316,774	5,798	3.66
<b>Total deposits from customers</b>	<b>2,090,200</b>	<b>21,649</b>	<b>2.07</b>	<b>1,815,795</b>	<b>23,962</b>	<b>2.64</b>

### 2. Interest expense on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements

Interest expense on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements of the Group was RMB10,554 million, representing a year-on-year decrease of RMB1,649 million or 13.51%, mainly due to the year-on-year decrease in its average costs.

### 3. Interest expense on debt securities issued

The Group's interest expense on debt securities issued was RMB4,782 million, representing a year-on-year increase of RMB1,903 million or 66.10%, mainly due to the year-on-year increase in its average balance of debt securities issued.



## (VI) Net fee and commission income

During the reporting period, the Group's net fee and commission income was RMB13,898 million, representing a year-on-year increase of RMB340 million or 2.51%, mainly due to the significant increase in agency service fees and bank card service fees, of which, income from agency service fees increased by RMB355 million year-on-year or 56.62%, and income from bank card service fees increased by RMB290 million year-on-year or 4.72%.

Unit: RMB million

Item	January – June, 2016	January – June, 2015
<b>Fee and commission income</b>	14,602	14,211
Underwriting and advisory fees	762	913
Bank card service fees	6,434	6,144
Settlement and clearing fees	541	829
Wealth management service fees	3,646	3,651
Acceptance and guarantee fees	466	599
Agency service fees	982	627
Custody and other fiduciary business fees	912	815
Others	859	633
<b>Fee and commission expense</b>	(704)	(653)
<b>Net fee and commission income</b>	13,898	13,558

## (VII) Other income

During the reporting period, the Group's other income was RMB558 million, representing a year-on-year increase of RMB634 million, mainly due to the increase in net trading gains.

Unit: RMB million

Item	January – June, 2016	January – June, 2015
Net trading gains/(losses)	546	(337)
Dividend income	–	4
Net (losses)/gains arising from investment securities	(77)	5
Net foreign exchange (losses)/gains	(174)	160
Other operating income	263	92
<b>Total</b>	558	(76)

## Management Discussion and Analysis

### (VIII) Operating expenses

During the reporting period, the Group's operating expenses were RMB15,413 million, a year-on-year decrease of RMB297 million or 1.89%. Cost-to-income ratio was 27.49%, representing a year-on-year increase of 0.80 percentage point.

Unit: RMB million

Item	January – June, 2016	January – June, 2015
Staff costs	7,995	7,761
Premises and equipment expenses	2,318	2,191
Business tax and surcharges	2,472	3,543
Others	2,628	2,215
<b>Total operating expense</b>	<b>15,413</b>	<b>15,710</b>

### (IX) Impairment losses on assets

During the reporting period, impairment losses on assets of the Group were RMB9,956 million, representing a year-on-year increase of RMB1,569 million or 18.71%, mainly due to the increase in impairment losses on loans and advances to customers.

Unit: RMB million

Item	January – June, 2016	January – June, 2015
Impairment losses on loans and advances to customers	9,330	7,687
Impairment losses on finance lease receivables	332	161
Impairment losses on held-to-maturity investments	102	1
Impairment losses on available-for-sale financial assets	34	–
Impairment losses on debt securities classified as receivables	–	494
Others	158	44
<b>Total impairment losses on assets</b>	<b>9,956</b>	<b>8,387</b>

### (X) Income tax

During the reporting period, the Group's income tax was RMB5,244 million, representing a year-on-year increase of RMB21 million or 0.40%.

### III. Balance Sheet Analysis

#### (I) Assets

At the end of the reporting period, the total assets of the Group reached RMB3,764,912 million, representing an increase of RMB597,202 million or 18.85% as compared with those at the end of the previous year, mainly due to the increase in business including loans and advances to customers, investment securities and other financial assets and etc.

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Total loans and advances to customers	1,700,372	–	1,513,543	–
Provision for impairment of loans	(38,324)	–	(38,119)	–
Net loans and advances to customers	1,662,048	44.15	1,475,424	46.58
Deposits with banks and other financial institutions	168,085	4.46	86,311	2.72
Cash and deposits with the Central Bank	389,003	10.34	326,735	10.31
Investment securities and other financial assets	1,259,998	33.47	905,496	28.59
Placements with banks and other financial institutions, and financial assets held under resale agreements	172,559	4.58	285,406	9.01
Finance lease receivables	51,952	1.38	38,735	1.22
Interest receivable	20,365	0.54	18,546	0.59
Fixed assets	13,333	0.35	12,646	0.40
Goodwill	1,281	0.03	1,281	0.04
Deferred tax assets	3,739	0.10	3,923	0.12
Other assets	22,549	0.60	13,207	0.42
<b>Total assets</b>	<b>3,764,912</b>	<b>100.00</b>	<b>3,167,710</b>	<b>100.00</b>

#### 1. Loan and advances

At the end of the reporting period, the Group's total loans and advances to customers were RMB1,700,372 million, representing an increase of RMB186,829 million or 12.34% as compared with those at the end of the previous year. Net loans and advances to customers accounted for 44.15% of total assets, representing a decrease of 2.43 percentage points as compared with that at the end of the previous year. It was mainly due to the rapid increase in investment securities and placements with banks and other financial institutions, which accounted for a larger proportion of the Bank's total assets.

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Corporate loans	1,035,423	60.89	917,327	60.61
Retail loans	590,280	34.72	525,020	34.69
Discounted bills	74,669	4.39	71,196	4.70
<b>Total loans and advances to customers</b>	<b>1,700,372</b>	<b>100.00</b>	<b>1,513,543</b>	<b>100.00</b>

## Management Discussion and Analysis

### 2. Investments

At the end of the reporting period, the Group's investments in securities and other financial assets were RMB1,259,998 million, representing an increase of RMB354,502 million as compared with those at the end of the previous year, accounting for 33.47% of total assets, and representing an increase of 4.88 percentage points as compared with that at the end of the previous year.

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	13,249	1.05	5,637	0.62
Positive fair value of derivatives	1,998	0.16	1,625	0.18
Available-for-sale financial assets	334,208	26.52	222,495	24.57
Held-to-maturity investments	178,245	14.15	152,312	16.82
Debt securities classified as receivables	732,298	58.12	523,427	57.81
<b>Total investment in securities and other financial assets</b>	<b>1,259,998</b>	<b>100.00</b>	<b>905,496</b>	<b>100.00</b>

### 3. Types and amounts of financial bonds held

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	2,020	1.42	1,419	2.13
Available-for-sale financial assets	117,107	82.15	47,331	71.24
Held-to-maturity investments	23,420	16.43	17,690	26.63
<b>Total</b>	<b>142,547</b>	<b>100.00</b>	<b>66,440</b>	<b>100.00</b>

### 4. Top 10 financial bonds held

Unit: RMB million, %

Name of bonds	Nominal value	Annual interest rate	Maturity date	Provision for impairment Losses	
Bond 1	2,810	3.80	2036-01-25	—	
Bond 2	2,290	3.95	2031-02-26	—	
Bond 3	1,690	4.89	2016-10-24	—	
Bond 4	1,160	4.23	2021-11-05	—	
Bond 5	1,070	5-day average of 3-month Shibor	-0.20	2018-06-09	—
Bond 6	1,050	4.04	2019-07-22	—	
Bond 7	1,050	One-year time deposit interest rate	+0.70	2019-09-23	—
Bond 8	940	3.42	2018-11-25	—	
Bond 9	920	3.86	2022-02-05	—	
Bond 10	900	4.58	2022-08-20	—	

## 5. Goodwill

The Group's original value of 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

At the end of the reporting period, the Group's total liabilities reached RMB3,534,984 million, representing an increase of RMB591,321 million or 20.09% as compared with those at the end of the previous year, mainly due to the increase in deposits with banks and other financial institutions and deposits from customers.

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Due to the Central Bank	64,000	1.81	14,840	0.50
Deposits from customers	2,177,369	61.59	1,993,843	67.73
Deposits from banks and other financial institutions	730,506	20.67	541,066	18.38
Placements from banks and other financial institutions, and financial assets sold under repurchase agreements	146,371	4.14	119,178	4.05
Negative fair value of derivatives	1,330	0.04	1,391	0.05
Accrued staff costs	11,756	0.33	11,217	0.38
Taxes payable	2,752	0.08	6,392	0.22
Interest payable	29,168	0.83	30,612	1.04
Debt securities issued	340,562	9.63	210,061	7.14
Other liabilities	31,170	0.88	15,063	0.51
<b>Total liabilities</b>	<b>3,534,984</b>	<b>100.00</b>	<b>2,943,663</b>	<b>100.00</b>

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

At the end of the reporting period, the balance of the Group's deposits from customers reached RMB2,177,369 million, representing an increase of RMB183,526 million or 9.20% as compared with that at the end of the previous year.

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Corporate deposits	1,675,956	76.97	1,544,053	77.44
Including: Demand deposits	650,098	29.86	515,929	25.88
Time deposits	1,025,858	47.11	1,028,124	51.56
Retail deposits	374,049	17.18	339,125	17.01
Including: Demand deposits	164,245	7.54	145,561	7.30
Time deposits	209,804	9.64	193,564	9.71
Other deposits	127,364	5.85	110,665	5.55
<b>Total deposits from customers</b>	<b>2,177,369</b>	<b>100.00</b>	<b>1,993,843</b>	<b>100.00</b>

## Management Discussion and Analysis

### (III) Equity of shareholders

At the end of the reporting period, the equity attributable to equity shareholders of the Bank was RMB229,345 million, representing an increase of RMB5,852 million as compared with that at the end of the previous year. The change was primarily attributed to: (i) the increase of RMB16,439 million in equity of shareholders due to the increase in the net profit attributable to equity shareholders of the Bank during the reporting period; (ii) the decrease of RMB8,869 million in equity of shareholders due to the distribution of dividends of ordinary shares during the reporting period; and (iii) the decrease of RMB1,060 million in equity of shareholders due to the distribution of dividends of preference shares during the reporting period.

Item	Unit: RMB million	
	June 30, 2016	December 31, 2015
Share capital	46,679	46,679
Other equity instruments	19,965	19,965
Capital reserve	33,365	33,365
Other comprehensive income	3,271	3,929
Surplus reserve	14,964	14,964
General reserve	40,289	40,271
Retained earnings	70,812	64,320
Total equity attributable to equity shareholders of the Bank	229,345	223,493
Non-controlling interests	583	554
<b>Total equity</b>	<b>229,928</b>	<b>224,047</b>

### (IV) Off-balance sheet items

The Group's off-balance sheet items are mainly credit commitments, including business of 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 RMB676,103 million, down by RMB26,629 million as compared with that at the end of the previous year, mainly due to a decrease of RMB34,212 million in acceptances.

Item	Unit: RMB million	
	June 30, 2016	December 31, 2015
Loan and credit card commitments	140,103	128,389
Acceptances	415,173	449,385
Letters of guarantee issued	63,695	61,704
Letter of credit issued	56,947	63,069
Guarantees	185	185
<b>Total</b>	<b>676,103</b>	<b>702,732</b>

## IV. Cash Flow Analysis

Total net cash inflow generated from the Group's operating activities was RMB314,519 million, of which cash inflow from operating activities was RMB36,445 million; cash outflow from changes in operating assets was RMB170,459 million; cash inflow from changes in operating liabilities was RMB448,533 million.

Net cash outflow from investing activities was RMB356,185 million, of which cash inflow from disposal and redemption of investments was RMB323,854 million; cash outflow from payment for investment activities was RMB679,009 million.

Net cash inflow from financing activities was RMB123,300 million, of which cash inflow from issue of bonds was RMB130,501 million.

## V. Analysis of Loan Quality

### (I) Distribution of loans by industry

During the reporting period, by focusing on the target of economic restructuring, transforming and upgrading, the Bank proactively adjusted its credit portfolio by industry, and as a result, the proportion of its loans to manufacturing, real estate, wholesale and retail industries reduced while the loans to livelihood and public utility sectors rose.

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Manufacturing	247,197	23.87	246,140	26.83
Real estate	144,616	13.97	143,428	15.64
Water, environment and public utility management	130,446	12.60	70,864	7.72
Wholesale and retail trade	115,719	11.18	123,907	13.51
Transportation, storage and postal services	81,689	7.89	75,108	8.19
Leasing and commercial services	72,184	6.97	54,119	5.90
Construction	56,049	5.41	50,084	5.46
Financial services	52,905	5.11	28,592	3.12
Production and supply of power, gas and water	32,492	3.14	26,349	2.87
Mining	26,959	2.60	31,416	3.42
Others	75,167	7.26	67,320	7.34
<b>Subtotal of corporate loans</b>	<b>1,035,423</b>	<b>100.00</b>	<b>917,327</b>	<b>100.00</b>
<b>Personal loans</b>	<b>590,280</b>	<b>–</b>	<b>525,020</b>	<b>–</b>
<b>Discounted bills</b>	<b>74,669</b>	<b>–</b>	<b>71,196</b>	<b>–</b>
<b>Gross loans and advances to customers</b>	<b>1,700,372</b>	<b>–</b>	<b>1,513,543</b>	<b>–</b>

Note: Other industries consist of agriculture, forestry, animal husbandry and fishery; accommodation and catering; public administration and social organization; 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.

## Management Discussion and Analysis

### (II) Distribution of loans by region

The distribution of loans by region was relatively stable leading to a balanced regional distribution structure.

Unit: RMB million, %

Region	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	346,325	20.37	301,904	19.95
Pearl River Delta	212,510	12.50	191,858	12.68
Bohai Rim	290,821	17.10	265,918	17.57
Central	267,463	15.73	230,898	15.25
Western	256,566	15.09	229,682	15.18
Northeastern	104,711	6.16	96,047	6.35
Abroad	30,051	1.77	24,414	1.60
Head Office	191,925	11.28	172,822	11.42
<b>Gross loans and advances to customers</b>	<b>1,700,372</b>	<b>100.00</b>	<b>1,513,543</b>	<b>100.00</b>

### (III) Types of loan guarantee and their proportions

The Group's proportion of guaranteed, mortgage and pledge loans reached 73.08%, and unsecured loans were mainly provided to clients with high credit rating results.

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Unsecured loans	457,732	26.92	434,735	28.72
Guaranteed loans	375,080	22.06	314,118	20.75
Mortgage loans	654,276	38.48	585,530	38.69
Pledge loans	213,284	12.54	179,160	11.84
<b>Gross loans and advances to customers</b>	<b>1,700,372</b>	<b>100.00</b>	<b>1,513,543</b>	<b>100.00</b>

### (IV) Top 10 loan customers

Unit: RMB million, %

Name	Industry	June 30, 2016 Balance of loans	Proportion to total loans	Proportion to net capital
Borrower A	Transportation, storage and postal services	6,061	0.36	2.29
Borrower B	Public administration and social organization	4,795	0.28	1.81
Borrower C	Manufacturing	3,404	0.20	1.29
Borrower D	Water, environment and public utility management	3,350	0.20	1.27
Borrower E	Manufacturing	3,000	0.18	1.13
Borrower F	Wholesale and retail trade	2,990	0.18	1.13
Borrower G	Real estate	2,600	0.15	0.98
Borrower H	Public administration and social organization	2,430	0.14	0.92
Borrower I	Financial services	2,313	0.13	0.87
Borrower J	Transportation, storage and postal services	2,285	0.13	0.86
<b>Total amount</b>		<b>33,228</b>	<b>1.95</b>	<b>12.55</b>

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

Due to some factors such as economic slowdown and structural adjustment, the non-performing loans of the Group increased moderately, while its non-performing loans ratio decreased as a result of the expansion of the total loan book. As at the end of the reporting period, the balance of non-performing loans was RMB25,507 million, representing an increase of RMB1,132 million as compared with that as at the end of the previous year. Non-performing loan ratio was 1.50%, down by 0.11 percentage point as compared with that as at the end of the previous year.

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Normal	1,602,622	94.25	1,422,656	94.00
Special mention	72,243	4.25	66,512	4.39
Substandard	10,298	0.61	11,109	0.73
Doubtful	12,922	0.76	10,572	0.70
Loss	2,287	0.13	2,694	0.18
<b>Gross loans and advances to customers</b>	<b>1,700,372</b>	<b>100.00</b>	<b>1,513,543</b>	<b>100.00</b>
<b>Performing loans</b>	<b>1,674,865</b>	<b>98.50</b>	<b>1,489,168</b>	<b>98.39</b>
<b>Non-performing loans</b>	<b>25,507</b>	<b>1.50</b>	<b>24,375</b>	<b>1.61</b>

## (VI) Loan migration ratio

Unit: %

Item	January – June, 2016	2015	2014
Loan migration ratio of normal loans	2.28	4.27	4.08
Loan migration ratio of special mention loans	17.37	30.33	26.68
Loan migration ratio of substandard loans	52.13	86.57	64.04
Loan migration ratio of doubtful loans	6.42	24.98	28.77

## (VII) Restructured loans and overdue loans

### 1. Restructured loans

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Restructured loans and advances	15,236	0.90	12,034	0.80
Less: Restructured loans and advances overdue for more than 90 days	1,375	0.08	4,202	0.28
Restructured loans and advances overdue for less than 90 days	13,861	0.82	7,832	0.52

### 2. Overdue loans

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

## Management Discussion and Analysis

### (VIII) Non-performing loans by business type

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Corporate loans	19,256	75.49	19,227	78.88
Retail loans	6,251	24.51	5,148	21.12
Discounted bills	–	–	–	–
<b>Total amount of non-performing loans</b>	<b>25,507</b>	<b>100.00</b>	<b>24,375</b>	<b>100.00</b>

### (IX) Distribution of non-performing loans by industry

At the end of the reporting period, the Group's non-performing loans were mainly from manufacturing and wholesale and retail trade sectors.

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Manufacturing	8,569	33.59	7,253	29.75
Wholesale and retail trade	8,154	31.97	7,836	32.15
Real estate	9	0.04	1,096	4.50
Transportation, storage and postal services	179	0.70	45	0.18
Leasing and commercial services	49	0.19	139	0.57
Construction	475	1.86	494	2.03
Mining	1,419	5.56	1,938	7.95
Public administration and social organization	10	0.04	10	0.04
Others	392	1.54	416	1.71
Subtotal of corporate loans	19,256	75.49	19,227	78.88
Personal loans	6,251	24.51	5,148	21.12
Discounted bills	–	–	–	–
<b>Total amount of non-performing loans</b>	<b>25,507</b>	<b>100.00</b>	<b>24,375</b>	<b>100.00</b>

Note: Other industries consist of agriculture, forestry, animal husbandry and fishery; accommodation and catering; education; information transmission, computer service and software; health, social security and social welfare.

**(X) Distribution of non-performing loans by region**

During the reporting period, the Group's non-performing loans in Yangtze River, Central and Western regions decreased whereas the non-performing loans in Pearl River Delta and Bohai Rim increased.

Unit: RMB million, %

Region	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	4,874	19.11	5,974	24.51
Pearl River Delta	6,187	24.26	4,357	17.87
Bohai Rim	3,073	12.05	2,104	8.63
Central	3,296	12.92	4,022	16.50
Western	4,209	16.50	4,914	20.16
Northeastern	897	3.52	699	2.87
Abroad	8	0.03	–	–
Head Office	2,963	11.61	2,305	9.46
<b>Total amount of non-performing loans</b>	<b>25,507</b>	<b>100.00</b>	<b>24,375</b>	<b>100.00</b>

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

Unit: RMB million, %

Item	June 30, 2016		December 31, 2015	
	Balance	Percentage	Balance	Percentage
Unsecured loans	5,872	23.02	4,568	18.74
Guaranteed loans	10,710	41.99	10,593	43.46
Mortgage loans	7,547	29.59	7,788	31.95
Pledge loans	1,378	5.40	1,426	5.85
<b>Total amount of non-performing loans</b>	<b>25,507</b>	<b>100.00</b>	<b>24,375</b>	<b>100.00</b>

**(XII) Repossessed assets and provision for impairment**

Unit: RMB million

Item	June 30, 2016	December 31, 2015
Reposessed assets	357	346
Of which: land, buildings and structures	355	346
Less: provision for impairment	(19)	(17)
Net value of reposessed assets	338	329

## Management Discussion and Analysis

### (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.

Unit: RMB million

Item	June 30, 2016	December 31, 2015
Balance at the beginning of the period	38,119	28,025
Charge for the period	9,953	20,071
Release for the period	(623)	(347)
Recoveries for the period	312	334
Unwinding of discount (note)	(417)	(802)
Write-offs during the period	(3,111)	(5,579)
Disposal in the period	(5,909)	(3,583)
<b>Balance at the end of the period</b>	<b>38,324</b>	<b>38,119</b>

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

## VI. Capital Adequacy Ratio Analysis

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

## VII. Segment Performance

### (I) Performance by geographical segment

Unit: RMB million

Item	January – June, 2016		January – June, 2015	
	Operating Income	Total Profit	Operating Income	Total Profit
Yangtze River Delta	7,890	2,638	7,608	2,504
Pearl River Delta	4,909	689	5,170	1,626
Bohai Rim	6,911	3,131	8,257	4,358
Central	6,480	2,787	5,933	2,307
Western	4,402	1,080	4,900	1,498
Northeastern	2,360	781	2,357	785
Abroad	324	192	114	40
Head Office	13,805	10,414	11,248	8,372
<b>Total</b>	<b>47,081</b>	<b>21,712</b>	<b>45,587</b>	<b>21,490</b>

## (II) Performance by business segment

Unit: RMB million

Item	January – June, 2016		January – June, 2015	
	Operating Income	Total Profit	Operating income	Total Profit
Corporate banking business	21,068	6,314	21,207	8,449
Retail banking business	14,111	5,156	13,616	4,612
Financial market business	11,812	10,171	10,711	8,397
Other business	90	71	53	32
<b>Total</b>	<b>47,081</b>	<b>21,712</b>	<b>45,587</b>	<b>21,490</b>

## VIII. Others

## (I) Changes in Major Financial Indicators and Reasons

Unit: RMB million, %

Item	June 30, 2016	December 31, 2015	Increase or decrease	Major reasons for change
Deposits with banks and other financial institutions	168,085	86,311	94.74	Increase in scale of deposits with banks based on treasury position and changes in the market interest rate
Financial assets at fair value through profit or loss	13,249	5,637	135.04	Increase in bonds held for trading
Financial assets held under resale agreements	52,266	153,045	-65.85	Decrease in purchase scale of financial assets held under resale agreements
Financial lease receivables	51,952	38,735	34.12	Expansion in scale of financial leasing business, causing the increase in financial lease receivables
Available-for-sale financial assets	334,208	222,495	50.21	Expansion in scale of available-for-sale financial assets
Debt securities classified as receivables	732,298	523,427	39.90	Increase in scale of beneficial interest transfer plans and wealth management products issues by other financial institution
Other assets	22,549	13,207	70.74	Increase in scale of precious metals
Due to the Central Bank	64,000	14,840	331.27	Increase in scale of due to the Central Bank
Deposits with banks and other financial institutions	730,506	541,066	35.01	Increase in deposits with non-deposit financial institutions
Placements from banks and other financial institutions	80,750	60,305	33.90	Increase in scale of placement from banks based on fund position and changes in the market interest rate
Taxes payable	2,752	6,392	-56.95	Completed clearance of funds and decrease in income taxes payable
Debts securities issued	340,562	210,061	62.13	Increase in scale of interbank negotiable certificate of deposits
Other liabilities	31,170	15,063	106.93	Increase in dividend payables and funds pending clearance

## Management Discussion and Analysis

Item	January – June, 2016	January – June, 2015	Increase or decrease	Major reasons for change
Net trading gains/(losses)	546	(337)	Not applicable	Affected by changes in forward RMB exchange rate and the outbound transferring of the net losses or gains in valuation from some matured foreign currency swaps, the fair value was changed, leading to the increase of net trading gains
Dividend income	–	4	-100.00	Decrease in dividend income
Net (losses)/gains arising from investment securities	(77)	5	-1,640.00	Increase in losses arising from bond trading
Net foreign exchange (losses)/gains	(174)	160	-208.75	Affected by transferring in changes in spot RMB exchange rate and in valuation of some matured foreign currency swaps, net exchange losses increased
Other operating income	263	92	185.87	Increase in other operating income
Other total comprehensive income	(658)	1,426	-146.14	Valuation losses from available-for-sale assets

## (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 period	Increase in the period	Decrease in the period	Balance at the end of the period
On-balance sheet interest receivables	18,583	46,574	44,752	20,405

## 2. Provision for bad debt of interest receivables

Unit: RMB million

Item	June 30, 2016	December 31, 2015	Increase
Balance of provision for bad debt of interest receivables	40	37	3

## (IV) Other receivables and provision for bad debts

### 1. Change in other receivables

Unit: RMB million

Item	June 30, 2016	December 31, 2015	Increase
Other receivables	6,597	5,201	1,396

### 2. Provision for bad debt of other receivables

Unit: RMB million

Item	June 30, 2016	December 31, 2015	Increase
Balance of provision for bad debt of other receivables	540	535	5

## IX. Performance of Business Lines

### (I) Corporate banking business

#### 1. Corporate deposit and loans

Seizing the opportunity of implementing the national strategy for steady growth, the Bank actively developed its large-asset business. It strictly controlled the initiative liabilities and vigorously adjusted the credit portfolio so that its corporate business structure was apparently improved. By fostering the innovation and improving its operational management, the Bank was able to continuously releasing vitality of major business. As at the end of the reporting period, the Bank's large-asset business scale reached RMB2.67 trillion, representing an increase of RMB181,844 million or 7.32%, among which, the corporate loans accounted for RMB1,035,423 million, up by RMB118,096 million or 12.87% over that at the end of the previous year. The Bank's corporate deposits amounted to RMB1,679,891 million (including the corporate business related portion of other deposits), representing an increase of RMB132,084 million or 8.53%, among which, daily average core corporate deposits amounted to RMB1,202,458 million, representing an increase of RMB120,568 million or 11.14%.

#### 2. Small and micro finance business

The Bank focused on its small and micro lending and continued to improve the related systems and mechanisms. It actively expanded marketing channels and vigorously developed its high-tech finance business and green finance business. It continued to optimize the business process for small credit loans to and micro enterprises with RMB5 million credit limit or below and improve the approval efficiency, so as to facilitate the continuous and healthy development of small and micro finance business. According to the SME categorization standards jointly issued by the Ministry of Industry and Information Technology and four other ministries in 2011 and regulatory requirements of CBRC, the balance of the Bank's SME loans amounted to RMB337,790 million as at the end of the reporting period, representing an increase of RMB49,354 million or 17.11% 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 209,000, representing a year-on year increase of 36,300 clients.

## Management Discussion and Analysis

### 3. Investment banking business

The Bank actively provided a wide range of debt financing products such as ultra- short-term commercial papers, short-term commercial papers, medium-term notes and private placement notes. It conscientiously implemented the national policy “to trim down excessive production capacity, to lower inventory level, to reduce financial leverage, to cut down production cost, to expand effective supply”, continued to optimize the customer structure of investment banking and strengthened the risk examination and prevention efforts of risks in key industries during the economic downturn. It accelerated the innovation in the investment banking business, actively expanded the business of issuing corporate bonds for domestic companies in Hong Kong and accelerated the research and development of structured products. During the reporting period, the Bank served as a leading underwriter of 126 debt financing instruments of non-financial institutions with a value of RMB95,081 million in aggregate, maintaining the Bank’s comparative advantages in serving clients of power, transportation, construction and construction material industries etc.

### 4. Custody business

The Bank stepped up its marketing efforts for custodian products, enhanced the product innovation according to the market demand, such as “outsourcing investment fund custodian service” and “bank wealth management fund custodian service” and developed the system and mechanism of outsourcing administration of asset management business, to further enhance its market service capabilities. At the end of the reporting period, the Bank’s custodian assets amounted to RMB3,436,600 million, among which the scale of custodian service for equity investment funds and the asset management of fund company customers increased 64.47% and 48.87% respectively as compared with those at the end of last year, respectively. During the reporting period, the income from the Bank’s custodian service reached RMB842 million, marking a year-on-year increase of 9.78%, among which, the income from the custodian service for bank wealth management funds and investment funds of securities companies up by 181.64% and 84.57% respectively as compared with those of the same period of last year.

### 5. Trade banking business

The bank further consolidated its trade finance and foreign currency lending products to cover both on-balance-sheet and off-balance-sheet items, leveraging on the “large-asset” concept. It focused on the traditional international business on the one hand, and promoted its foreign currency business, free-trade-zone products, factoring and domestic RMB letter of credit product through innovation on the other hand to boost its trade business. Meanwhile, it strengthened its compliance management of the foreign exchange business. The bank also reduced some of its trade finance exposure to certain high-risk industries with excessive capacity and exit from some industries of highest risk to ensure the sustainable and healthy development. At the end of the reporting period, the balance of the on-balance-sheet trade finance business increased by 21.09% as compared with that at the end of last year.



## (II) Retail banking business

### 1. Personal deposit business

The retail banking business line of the Bank adhered to the operation strategy of “actively expanding core deposits and continuously optimizing the structure of deposits”, and expanded the business scope of certain projects for better efficiency through the collaboration between the corporate banking and retail banking business lines and for synergy through the utilization of various type of channels. It seized the opportunities of Chinese government’s efforts to transform shanty town and urbanization, and successfully launched the business model of “one-stop service” for shanty town transformation leading to the increase both in the scale and the profit of the personal deposit business. As at the end of the reporting period, the personal deposits of the Bank amounted to RMB497,478 million (including those retail banking related deposits in other deposits), representing an increase of RMB51,442 million from that at the end of the previous year, among which the core private deposits accounted for RMB283,971 million, up by RMB17,523 million from the end of the previous year.

### 2. Personal loan business

Taking the consumer credit and small and micro credit as two driving forces, the Bank focused on supporting the residents’ appropriate housing consumption and expanded the scale of mortgage loans. With the aid of the big data and the Internet technology, the Bank conducted research and development of the standardized e-channel self-serviced loans, which provided innovative experience of small-amount consumer finance. The Bank strictly defended the bottom line of risk control and maintained a stable quality of its personal loans. As at the end of the reporting period, the balance of personal loans (excluding credit cards lending) amounted to RMB398,365 million, an increase of RMB46,157 million or 13.11% from that as at the end of the previous year. Among it, the balance of consumer loan accounted for RMB259,033 million, up by RMB55,233 million from that at the end of the previous year. The volume of personal loans reached RMB117,466 million, up by RMB35,902 million or 44% over the same period of the previous year.

### 3. Private banking business

By regarding the mid-to-high end customers as its core customer base, the Bank sped up the building of private banking business. It set up an open product platform through internal collaboration and external integration. It implemented the customer segmentation, improved the customer experience so as to establish a system of differentiated services. It launched precision marketing activities with the support of big data and improved the execution abilities of its team. As at the end of the reporting period, the Bank had 27,318 private banking customers, representing an increase of 3,068 customers or 12.70% from that as at the end of the previous year. The total assets under management of its private banking business amounted to RMB250,987 million, increasing by RMB22,546 million or 9.90% from that as at the end of the previous year.

## Management Discussion and Analysis

### 4. Bank card business

#### (1) Debit card business

Focusing on the ten areas of people's daily life such as "medical service, dining, housing, traveling and tourism, education, entertainment, health, safety and beauty", the Bank made some innovation its debit card business, such as the launching of the Sunshine Happy Salary Card, a payroll specific debit card, and the debit card mobile payment project. Based on the traditional debit card business, the Bank commenced cooperation in various sectors such as transportation, social security, education, community services and corporate operation through co-branded cards and industrial specific cards. As at the end of the reporting period, the accumulated number of debit cards issued by the Bank reached 55,640 thousand.

#### (2) Credit card business

The Bank's credit card business continued to explore the cross-sector integration of products and services in the "Internet+" scenarios so as to expand its customer base through the internet. To build a multi-level product system, it launched co-branded credit cards with Jingdong and iReader respectively, as well as co-branded platinum credit cards with Umetrip and Youku. To boost the brand image of "Convenient, Fast and Affordable Service", Sunshine Life APP was upgraded to provide a more intelligent solution for customers. At the end of the reporting period, the total number of credit cards issued by the Bank reached 31,771.1 thousand, including 3,437.7 thousand new credit cards issued in 2015. The total transactions volume of the credit card business during the reporting period was RMB597,955 million, representing a year-on-year increase of 28.97%. The overdraft balance (excluding the payment adjustment to transitional account) amounted to RMB192,681 million, representing an increase of 10.10% as compared with those at the end of the previous year. The total operating income (with the commission expense deducted) of the credit cards business was RMB9,624 million, representing a year-on-year increase of 10.52%.

### (III) Financial market and interbank business

#### 1. Financial market business

The Bank optimized its management structure of financial markets business line. In precious metal sector, client mix was optimized with more diversified industry distribution. The Bank steadily expanded its fiduciary business and actively issued interbank CDs. The Bank also adjusted the scheme of bond credit management and optimized the structure of its bond portfolio by investing in the government bonds and high-grade credit bonds. As at the end of the reporting period, the balance of bonds amounted to RMB451,920 million, accounting for 12.00% of the Bank's total assets. And 46.67% of the balance of bonds was government bonds and local government bonds. The bank cumulatively scored 11.37 trillion in RMB bonds settlement, which ranks No. 1 among joint-stock commercial banks (by China Central Depository & Clearing Co., Ltd.).

#### 2. Interbank business

Taking risk management and liquidity safety as top priority, the Bank adjusted its product structure and strengthened its refined management to keep its interbank business at an appropriate scale. The Bank also continued to work with other banks in assets and liabilities business and vigorously expanded its business with non-banking financial institutions. Pursuant to the requirements of regulatory authorities, the Bank seriously implemented the licensed operation for interbank business in order to achieve the healthy and compliant business development. As at the end of the reporting period, the balances of interbank deposits, placement with others banks and bill discounted were RMB730,506 million, RMB168,085 million and RMB74,669 million respectively.

#### (IV) Asset management business

The Bank continued to reinforce the fundamental construction in the asset management business and endeavored to improve its capital and investment structure. Marketing of quality asset management projects was strengthened, equity asset allocation was moderately increased, and the scale of floating-rate products and “Smart Savings” products were greatly expanded. Sales channel through internet was explored, while the proportion of financial products for institutional clients was increased. At the end of the reporting period, the balance of wealth management products reached RMB1.26 trillion, increased by 3.28% from that of the previous year. Fee income earned from wealth management products amounted to RMB3,646 million, financial proceeds for customers earned from wealth management products reached RMB35,949 million representing a year-on-year increase of 9.91%. All products under the Bank’s “Sunshine Wealth Management” brand were redeemed upon maturity, while the risk of outstanding wealth management products was at a normal level.

#### (V) E-banking business

The Bank continued to build six E-banking brands of “Sunshine Bank,” “Cloud Payment,” “Cloud Fee Payment,” “e Financing,” “e Wealth Management” and “e Commerce”, providing customers with comprehensive service solutions. Efforts to acquire new clients and create profits were made actively while the Bank’s brand image in E-banking was greatly promoted. The overall E-banking business achieved a rapid and healthy development. At the end of the reporting period, the number of mobile banking customers reached 24,148.3 thousand, increased by 2,117.6 thousand as compared to the end of last year. The number of online retail banking customers reached 22,949.2 thousand, increased by 1,735.8 thousand as compared to the end of last year. The number of electronic payment customers reached 12,541.3 thousand, increased by 2,129.5 thousand as compared to the end of last year. The number of Everbright WeChat banking customers reached 13,964.7 thousand, increased by 3,624.7 thousand as compared to the end of last year. The number of online corporate banking clients reached 343.7 thousand, increased by 15 thousand as compared to the end of last year.

### X. Business Innovation

According to its strategy orientation, the Bank actively promoted innovation in the following strategic sectors: asset management, investment banking, credit cards and e-banking. The Bank was the first in the industry to launch “Priced at Your Will” (随心定), an online financial product of crowd-funding, which was a breakthrough in the sales model of wealth management products. An APP “Sunshine Life” (阳光惠生活) was designed for credit card business combining “finance, life and entertainment” functions into one. As the main underwriter, the Bank successfully issued 2016 “Wuhan Provident Fund” (Phase 1), an asset-backed security product in mortgage loans, which was the first deal in 2016 and also the second one in the interbank market in China.

### XI. Information Technology

During the reporting period, the Bank’s operation remained safe and sound without any major security incidents, thus the Bank was ranked among the first echelon of national joint-stock commercial banks in CBRC’s Information Supervision Rating.

The Bank successively completed the construction of following systems, including the customer line management, the VAT management system, overseas innovative banking system, overseas trade & finance system, phase II of sunshine asset management system and the market risk data mart. Several new projects were also launched: the new fund trusteeship system, gold trade 3.0, internet financing system and the new CRM. The application of new technologies was continuously explored, such as cloud computing, big data, intermediary business cloud platform, cash manage cloud system and big data application system. The Bank also launched innovative projects such as face recognition system and CEB Insight system. The Bank continued to increase its R&D capability by studying new technology applications such as block chain.

## Management Discussion and Analysis

### XII. Investment Analysis

#### (I) The external equity investments

During the reporting period, the Bank has no newly added external equity investment.

#### (II) Material equity investments

Unit: RMB ten thousand, 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	26,265.95	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	608.26	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	431.04	Jiangsu East 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	HK\$600 million	60,000	100	Equity Fund	Long-term	HK\$-26.3882 million	Nil
China Unionpay Co., Ltd.	Bank card inter-bank information exchange network	9,750	7,500	2.56	Equity Fund	Long-term	139,325	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 investments 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 domestic and foreign bonds and derivative financial instruments measured at fair value held by the Bank are in the daily business of the Bank, the details of which please see “Notes to Financial Statements”.

### **XIII.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 recognised in the consolidated financial statements mainly include special asset management plans. Please refer to the “Notes to Financial Statements” for details.

### **XIV.Risk Management**

#### (1) Credit Risk Management

Pursuant to the principle of “full range, whole process and all staff control”, the Bank continued to improve the overall risk management framework, specifying responsibility of credit risk management and asset quality control for each institution, department and position, strengthening the management for whole process of credit business and the construction of three lines of defense in business management, risk management and compliance, internal audit and supervision, so as to effectively enhance risk management and control of key aspects.

While strengthening the guidance of credit policy, the Bank actively readjusted its asset structure, keep optimizing the structure of industry, customers and guarantee types and enhancing the credit support for key construction projects. In its process of credit stock adjustment, the Bank strictly limited the total loans to overcapacity industry and successively reduced credit to the commodity wholesaling sector. Persisting in serving the real economy, it managed to maintain its stable business growth and hold up bottom line of credit risk management thus better adapting itself to and serving the New Normal of Chinese economy.

The Bank orderly resolved the credit risk of customers in stock, with a list of customers under intensive post-credit surveillance put into place, to enable dynamic monitoring of customers with potential risks. The Bank also laid particular strength on the written-off of non-performing loans and stepped up efforts in mitigating risks while introducing new channels for the disposal of non-performing credit asset. It carried out the restructuring and transformation of problem loans by providing assistance for struggling companies to stay afloat, strive for upgrading and transformation and regain their competitiveness.

Please refer to “Notes to the Financial Statements” for more details on credit risk management of the Bank.

## Management Discussion and Analysis

### (2) Liquidity Risk Management

In adherence with a prudent policy of liquidity risk management, the Bank flexibly utilized a variety of liquidity management tools in an effort to improve its refined management and maintain stability of the overall liquidity situation. The Bank paid close attention to changes of the central bank's monetary policy and the capital market, dynamically adjusting its business strategy and replenishing sources of funding of more stability by means of issuance of interbank deposit certificates. It timely adjusted the interbank asset-liabilities ratio, strengthened the management and control of daytime fluctuations and mismatching limits on the on-and-off balance sheet and increased the reserve of liquidity asset of high quality. To emphasize the monitoring on key business with strong market relevance, the Bank set up the limit on cumulative fluctuation for one day and one week, leading to effective control of ranges of daytime position fluctuation. It conducted consultation on liquidity risk management, further improved management system of stress tests and rechecked management measures for stress tests, in order to ensure requirement met for liquidity regulatory indicators.

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

### (3) Market Risk Management

The Bank continuously perfected its market risk management system, regularly rechecking and revising its market risk policies and optimizing the scheme for market-oriented business investment and the process of market risk management. It put much emphasis on the research of risks of interest rate and exchange rate, kept a watchful eye on the mutual conversion among interest rate risk, exchange rate risk, liquidity risk and credit risk, and as a result, seizing the initiative of management of interest rate risk and exchange rate risk. It strengthened the quota management, integrating related business in treasury, interbank, precious metal, investment banking and overseas branches into one system of market risk quota management while continuously monitoring, controlling and reporting its implementation. It managed to launch the database of market risks and pushed forward the building of the market risk measurement project in the aim of further enhancing its processing abilities of market risks information and its risk measuring capabilities.

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

### (4) Operational Risk Management

The Bank continuously improved its operational risk management framework and system, established new reporting standards for operational risk Loss Data Collection (LDC) and re-checked history loss events. It continued emphasis on the accountability of departments of business and function as "the first line of defense" in operational risk management, set up a system of pre-warning, reminding, reporting and handling operational risks in a timely manner, preventing the occurrence of material operational risk events and cases. It refined the internal control management system of grass-roots institutions and conducted routine supervision and inspection of internal control. The Bank intensified investigation on unusual fund transactions and improved the contingency mechanism for extraordinary events so as to improve the capability of operational risk management.

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

## (5) Compliance Risk Management

The Bank constantly improved the system of compliance risk management, enhancing the effectiveness of the management of the Bank's grassroots institutions. It vigorously advanced the integration of internal control and operational risk and the implementation of the achievements of management-enhancing projects to further improve the management efficiency. By actively tracking the changes in related laws and regulations, the Bank's Legal and Compliance Department played a leading role in providing prior guidance, compliance review and consultancy. It reinforced the rectification on problems identified in compliance inspections and audits and conducted supervision on the operational and management activities. Meanwhile, it attached great importance to the building of part-time compliance manager team of the Bank and carried out management of list system and resumption training.

## (6) Reputation Risk Management

The Bank paid great attention to reputation maintenance and brand building, optimizing the mechanism of reputation risk monitoring, pre-warning and emergency response by conducting reputation risk management training, major emergency drills and potential reputation risk identification in various ways. It took numerous reputation risk factors into full account concerning product design, business marketing and customer service in order to effectively enhance the management capability of reputation risk.

## (7) Anti-money Laundering (AML) Management

The Bank reinforced the management and guidance on anti-money laundering, successively completed the development and construction of a new generation of anti-money laundering system and established a self-monitoring monitoring model. It continued to carry out the assessment on money laundering risks in financial products, develop and optimize the watch list system of anti-money laundering and strengthen the management of high-risk customers. The Bank reported large sum and suspicious transaction data to regulatory authorities in a timely manner, assisting regulatory investigations.

# XV. Outlook of the Bank

## (1) Progress and achievement of business target

During the first half year of 2016, faced with severe challenges and complicated problems in business environment, the Bank successively acted in accordance with the plans made at the beginning of the year and the benchmark set among counterparts in the banking industry, leading to its steady performance and fairly good completion of various tasks. Its main business indicators were in line with expectations and the overall operation actively pressed ahead while ensuring stability. As at the end of the reporting period, total assets of the Bank increased by 18.85%, the balance of loans was up by 12.34%, and the balance of deposit was raised by 9.20%, all compared with the end of last year, leading to steady and sound achievement of the annual business target.

## Management Discussion and Analysis

### (2) Potential risks and countermeasures

#### 1. Potential risks

Chinese economy has entered into a new normal of development. Under the influence of the downturn in economic growth and restructuring in banking industry, Chinese commercial banks are facing up to increasing credit risks. Interest rate and exchange rate reforms further enlarge the market risk and liquidity risk while the control of operational risk and compliance risk become more severe. Meanwhile, the complex and changing global economy increases the international risks in the process of China's commercial banks' internationalization.

#### 2. Countermeasures

- (1) Pursuant to the principle of "full range, whole process and all staff control", the Bank will continue to improve the overall risk management framework, deepen the reform in risk control system and mechanism, cover substantial risks of various types in full range, and improve risk control mechanism in key aspects, thus cultivate a unified risk control culture across the Bank.
- (2) Under the corporate governance system which consists of the Shareholders' Meeting, the Board of Directors, the Board of Supervisors and the senior management team, the Bank will continuously refine the risk governance system, perfecting the three lines of defense, namely, business management, risk management and compliance, internal audit and supervision.
- (3) Actively adapting itself to external market changes and internal strategic transformation requirements, the Bank will strictly adhere to the principle of risk management serving business development, insist on positive and sound risk policy, optimize risk management strategies and methods, strengthen the control of substantial risks such as credit risk, liquidity risk, market risk and operational risk, in order to continuously improve risk management capability.

### XVI. Implementation of Dividend Distribution Plan

The 2015 Dividend Distribution Plan of the Bank amounted to RMB8,869,028.10 thousand in total, distributing a cash dividend of RMB0.19 (before tax) per share to all shareholders, and approximately HK\$0.22291731 (before tax) per share to holders of H shares. On June 29, 2016, the Annual General Meeting approved the Dividend Distribution Plan. The record date for holders of A shares was July 12, the ex-dividend date and the date of distribution of cash dividend was July 13, while the record date for holders of H shares was July 12 and the date of distribution of cash dividend was July 22. As of the date of disclosure of this report, the Bank's Dividend Distribution Plan has been completed.



# Significant Events

## **I. 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.

## **II. Material Litigation and Arbitration**

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

## **III. Use of Capital by the Controlling Shareholders and their Related Parties for Non-Operating Purposes**

During the reporting period, no capital of the Bank was used by the controlling shareholders and their related parties for non-operating purposes.

## **IV. Bankruptcy or Reorganization**

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

## **V. Material Acquisitions, Sales or Disposals of Assets and Mergers**

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

## **VI. Share Incentive Scheme**

The Bank has not implemented any share incentive scheme.

## **VII. Connected Transactions of the Bank under the Rules Governing the Listing of Securities on the HKSE ("Hong Kong Listing Rules")**

In accordance with the Hong Kong Listing Rules, the transactions between the Bank and its connected persons (as defined in Hong Kong Listing Rules) constitute connected transactions of the Bank. The Bank has monitored and managed these connected transactions in compliance with the Hong Kong Listing Rules.

## Significant Events

### (I) Non-exempt connected transactions

#### 1. Everbright Group's subscription of domestic preference shares

On October 31, 2014, as approved by the Board of Directors of the Bank, the Bank entered into an agreement of subscription for preference shares with Everbright Group and announced the connected transaction with Everbright Group (“the Transaction”), under which Everbright Group proposed to subscribe for part of the domestic preference shares to be issued by the Bank, the details of which were set out in the Bank’s announcement dated October 31, 2014 on “Connected Transaction – Subscription of Domestic Preference Shares by Controlling Shareholder”. Since Everbright Group is a connected person of the Bank, 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 of the Bank on December 23, 2014. As at the date of this report, the relevant government and regulatory authorities (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 July 2, 2015. The subscribers for the first tranche did not include any connected person of the Bank.

The original specific mandate regarding the issuance of domestic preference shares granted at the 2014 Third Extraordinary General Meeting of the Bank had expired in December, 2015. In order to carry out the issuance of subsequent tranches of the domestic preference shares pursuant to the preference shares issuance plan as well as the Transaction, a resolution was passed by the Board of Directors of the Bank and then was approved by the Bank’s independent shareholders at both the 2015 Annual General Meeting and relevant class shareholders’ meetings of the Bank on June 29, 2016. The specific mandate was re-granted to the Board of Directors to handle all matters relating to the issuance of the subsequent tranches of the issuance of domestic preference shares individually or jointly within the framework and according to the principles as considered and approved by the shareholders’ general meeting and relevant class shareholders’ meetings. The validity of the specific mandate shall be 12 months commencing from the effective date of the shareholders’ resolutions. The details of the specific mandate were set out in the Bank’s announcement dated March 29, 2016 on “Re-grant of the Specific Mandate Concerning the Domestic Preference Shares Issuance”. As at the date of this report, the Transaction has been completed.

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

On September 25, 2015, with the approval from the Board of Directors of the Bank, the Bank entered into an agreement on subscribing for H shares with Everbright Group and announced the connected transaction under which Everbright Group proposed to subscribe for the Bank’s H shares through non-public issuance. 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 September 25, 2015 for details. As Everbright Group is a connected person of the Bank, the transaction constituted a connected transaction, 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 at the 2015 First Extraordinary General Meeting, the 2015 First A Shareholder’ Meeting and the 2015 First H Shareholder’ Meeting held by the Bank on November 19, 2015.

As at the date of this report, the Bank’s non-public issuance of 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 the requirements of reporting, annual review, announcement and independent shareholders' approval.

## VIII. Material Contracts and Their Performance

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

During the reporting period, except for ordinary business, there was no significant matter in relation to material custody, contracting or leasing assets of other companies by the Bank, or material custody, contracting or leasing assets of the Bank by other companies.

### (II) Significant guarantee

The Bank's guarantee business is in the ordinary course of the Bank's business. During the reporting period, the Bank did not enter into any significant guarantee business which was required to be disclosed save for the financial guarantees within its business scope as approved by the People's Bank of China and the CBRC. The Bank did not violate stipulated decision-making procedures in issuing guarantees.

### (III) Other material contracts

During the reporting period, the Bank had no other material contracts and all contracts regarding operations of ordinary business were duly performed.

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

During the reporting period, neither the Bank nor shareholders holding more than 5% of its shares had made any new undertakings. As at the end of the reporting period, the continual undertakings of the Bank or shareholders holding more than 5% of its shares have all been performed.

## X. Changes in Accounting Policies

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

## XI. 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, transfer 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 other regulatory body.

## Significant Events

### **XII. Other Significant Events**

#### **(I) Non-public issuance of H shares**

The relevant resolution on the proposal concerning the plan of non-public issuance of H shares was considered and approved at the shareholders' general meeting held by the Bank on November 19, 2015, pursuant to which the Bank proposed to issue 4 billion H shares to Everbright Group in a non-public manner and raise total capital amounting to about HK\$19.6 billion. As at the date of this report, the non-public issuance of H shares is still pending and subject to the approval of relevant regulatory authorities.

#### **(II) Progress of issuance of second tranche of preference shares**

The resolution in respect of the re-grant of the specific mandate to the Board of Directors to handle matters relating to the domestic non-public preference shares issuance was considered and approved at the shareholders' general meeting held by the Bank on June 29, 2016. As at the date of this report, the Bank has completed the issuance of second tranche of preference shares, issuing 100 million preference shares and raising RMB10 billion in total.

#### **(III) Issuance of convertible bonds**

The proposal concerning the public issuance of A share convertible corporate bonds and its listing was considered and approved at the shareholders' general meeting held by the Bank on June 29, 2016. According to the proposal, the Bank will issue no more than RMB30 billion convertible corporate bonds. As at the date of this report, the relevant work is in progress.

### **XIII. Review of Interim Results**

The Bank's external auditor Ernst & Young reviewed the Bank's interim financial statements which were prepared in compliance with the disclosure requirements of the International Financial Reporting Standards and the Hong Kong Listing Rules. The Audit Committee and the Board of Directors of the Bank have reviewed and approved the interim results and financial report of the Bank for the six-month period ended June 30, 2016.

### **XIV. Publication of Interim Report**

The interim report, in both Chinese and English, prepared by the Bank in compliance with the International Financial Reporting Standards and the Hong Kong Listing Rules is available at the websites of the HKSE and the Bank. In case of any discrepancy, the Chinese version shall prevail.

# Changes in Ordinary Shares and Shareholders

## I. Changes in shares

Unit: share, %

	Before change		Changes during the reporting period	After change	
	Number	Percentage	Number	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. Number of shareholders

Unit: Shareholder

Item	A shares	H shares
Total number of shareholders as at the end of the reporting period	295,303	1,034

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

Based on publicly available information and the knowledge of the Directors, as at June 30, 2016, the Bank has maintained the public float as required by the Hong Kong Listing Rules and kept the public float level as required by the HKSE for relevant waiver upon the listing of the Bank.

## Changes in Ordinary Shares and Shareholders

## IV. Shareholdings 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	Domestic legal person	+150,551,435	A shares	11,207,831,469	-	24.01	-
		+45,930,000	H shares	172,965,000	-	0.37	-
Central Huijin Investment Ltd	State	-	A shares	10,250,916,094	-	21.96	-
HKSCC Nominees Limited, including:	-	+301,980	H shares	6,862,961,480	-	14.70	Unknown
Ocean Fortune Investment Limited	Overseas legal person	+17,093,000	H shares	1,626,366,000	-	3.48	-
China Life Reinsurance Company Limited	Domestic legal person	+85,000,000	H shares	1,247,713,000	-	2.67	-
China Everbright Limited	Overseas legal person	-	A shares	1,572,735,868	-	3.37	-
China Securities Finance Corporation Limited	Domestic legal person	+66,670,502	A shares	1,402,164,782	-	3.00	-
China Reinsurance (Group) Corporation	Domestic legal person	-	A shares	782,913,367	-	1.68	-
		+237,537,000	H shares	275,977,000	-	0.59	-
Shenergy (Group) Co., Ltd.	Domestic legal person	-	A shares	766,002,403	-	1.64	-
Central Huijin Asset Management Ltd.	State	-	A shares	629,693,300	-	1.35	-
Yunnan Hehe (Group) Co., Ltd.	Domestic legal person	+626,063,556	A shares	626,063,556	-	1.34	-
Guangzhou Maritime Transport (Group) Co., Ltd	Domestic legal person	-	A shares	423,982,589	-	0.91	-

The connected relations or concerted actions among the aforementioned shareholders: so far as the Bank was informed, 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 Shipping (Group) Company. China Shipping (Group) Company is a wholly-owned subsidiary of China COSCO Shipping Corporation Limited. Save for the above, the Bank is not aware of any connected relations or concerted actions among the aforementioned shareholders.

- Notes: 1. The total number of H shares of the Bank held by the HKSCC 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 6,862,961,480 H shares. Apart from the 1,626,366,000, 1,247,713,000, 172,965,000 and 275,977,000 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 respectively, all of which were under the name of HKSCC Nominees Limited, as the Bank was informed, the number of remaining H shares of the Bank held under the name of HKSCC Nominees Limited was 3,539,940,480 H shares.
2. The shares held by Yunnan Hehe (Group) Co., Ltd. were from Hongta Tobacco (Group) Limited and Hongyunhonghe Tobacco (Group) Co., Ltd. under gratuitous transfer.

## **V. Shareholdings 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. There was no change in the substantial shareholders of the Bank during the reporting period.**

## **VII. 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 June 30, 2016, 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:

## Changes in Ordinary Shares and Shareholders

Name of substantial shareholder	Note	Class of shares	Type of interest	Long/short position	Number of shares	Percentage of the relevant shares in issue (%) <sup>5,6</sup>	Percentage of the total issued shares (%) <sup>5,6</sup>
China COSCO Shipping Corporation Limited	1	H shares	Interest of controlled corporation	Long	1,626,366,000	23.67	3.48
China Shipping (Group) Company	1	H shares	Interest of controlled corporation	Long	1,626,366,000	23.67	3.48
COSCO Shipping Financial Holding Co., Ltd. (formerly known as China Shipping (Hong Kong) Holdings Co., Ltd.)	1	H shares	Interest of controlled corporation	Long	1,626,366,000	23.67	3.48
Ocean Fortune Investment Limited	1	H shares	Beneficial Owner	Long	1,626,366,000	23.67	3.48
Central Huijin Investment Ltd	2,3	H shares	Interest of controlled corporation	Long	5,780,285,000	84.15	12.38
China Everbright Group Limited	2,3	H shares	Beneficial Owner/Interest of controlled corporation	Long	4,256,595,000	61.97	9.11
China Reinsurance (Group) Corporation	2	H shares	Beneficial Owner/Interest of controlled corporation	Long	1,523,690,000	22.18	3.26
China Life Reinsurance Company Ltd.	2	H shares	Beneficial Owner	Long	1,247,713,000	18.16	2.67
National Council for Social Security Fund		H shares	Beneficial Owner	Long	617,375,500	8.98	1.32
China Everbright Group Limited	4	A shares	Beneficial Owner/Interest of controlled corporation	Long	12,997,123,595	32.64	27.84
Central Huijin Investment Ltd	4	A shares	Beneficial Owner/Interest of controlled corporation	Long	24,660,646,356	61.94	52.83

- Notes: 1. Ocean Fortune Investment Limited held a long position in 1,626,366,000 H shares of the Bank directly. As far as the Bank is aware, Ocean Fortune Investment Limited was wholly-owned by COSCO Shipping Financial Holding Co., Ltd., while COSCO Shipping Financial Holding Co., Ltd. was wholly-owned by China Shipping (Group) Company, and China Shipping (Group) Company was wholly-owned by China COSCO Shipping Corporation Limited. In accordance with the HKSF0, China COSCO Shipping Corporation Limited, China Shipping (Group) Company and COSCO Shipping Financial Holding Co., Ltd. were deemed to be interested in the 1,626,366,000 H shares held by Ocean Fortune Investment Limited.
2. China Life Reinsurance Company Ltd. held a long position in 1,247,713,000 H shares of the Bank directly. China Reinsurance (Group) Corporation held a long position in 275,977,000 H shares of the Bank directly. China Everbright Group Limited held 4,172,965,000 H shares of the Bank directly. China Everbright Holdings Company Limited held 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 Central Huijin Investment Ltd. China Everbright Holdings Company Limited was wholly-owned by China Everbright Group Limited, while 55.67% of the issued share capital of China Everbright Group Limited was held by Central Huijin Investment Ltd. In accordance with the HKSF0, China Reinsurance (Group) Corporation was deemed to be interested in the 1,247,713,000 H shares held by China Life Reinsurance Company Ltd., whereas China Everbright Group Limited was deemed to be interested in the 83,630,000 H shares held by China Everbright Holdings Company Limited. Therefore, Central Huijin Investment Ltd. was deemed to be interested in a total of 5,780,285,000 H shares of the Bank.
3. Among the 4,172,965,000 H shares of the Bank directly held by China Everbright Group Limited, 4,000,000,000 H shares have not been allotted. Pursuant to the Subscription Agreement dated September 25, 2015 made between the Bank and China Everbright Group Limited, the Bank conditionally agreed to issue and allot a total of 4,000,000,000 H shares to China Everbright Group Limited.

Among the 5,780,285,000 H shares of the Bank indirectly held by Central Huijin Investment Ltd., 4,000,000,000 H shares as mentioned above have not been allotted.



4. China Everbright Group Limited directly held a long position in 11,207,831,469 A shares of the Bank. China Everbright Group Limited 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, China Everbright Group Limited directly and indirectly held a long position of 12,997,123,595 A shares of the Bank in total.

Central Huijin Investment Ltd directly held a long position in 10,250,916,094 A shares of the Bank, while 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, the entire 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 China Everbright Group Limited were held by Central Huijin Investment Ltd respectively. In accordance with the HKSF, Central Huijin Investment Ltd 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 12,997,123,595 A shares held by China Everbright Group Limited. Therefore, Central Huijin Investment Ltd directly and indirectly held a long position in 24,660,646,356 A shares of the Bank in total.

5. As at June 30, 2016, 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.
6. The percentage of shareholdings are calculated by rounding to two decimal places.

Save as disclosed above, as at June 30, 2016, 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 HKSF, or which were recorded in the register required to be kept by the Bank under section 336 of the HKSF.

### **VIII. Interests or short positions of Directors, Supervisors and Chief Executives in shares, underlying shares and debentures of the Bank under the Hong Kong laws and regulations**

As at June 30, 2016, as far as the Directors and Supervisors of the Bank are aware, none of the Directors, Supervisors nor the Chief Executives of the Bank 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 Divisions 7 and 8 of Part XV of the HKSF) which were required to be recorded in the register required to be kept and notified to the Bank and HKSE under section 352 of the HKSF, or which were 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 had they been granted the right to acquire any interests in shares or debentures of the Bank or any of its associated corporations.

# Changes in Preference Shares and Shareholders

## I. The issuance and listing of preference shares during the reporting period

During the reporting period, the Bank had no issuance and listing for preference shares, with 200 million preference shares already trading on the comprehensive business platform of the SSE.

On June 15, 2015, upon approval by the CSRC via document Zheng Jian Xu Ke [2015] No. 1239, the non-public issuance of preference shares by the Bank was approved. The Bank was permitted to conduct the non-public issuance of no more than 300 million preference shares, in which the issuance of the first tranche of 200 million preference shares by the Bank was completed on June 19, 2015 and the issuance of the second tranche of 100 million preference shares was completed on August 8, 2016 with a par value of RMB100 per share. After deducting issuance expenses, the actual proceeds raised amounted to RMB9,981 million, all of which are used to replenish the tier-1 capital.

## II. Total number of holders of preference shares and shareholdings of top 10 shareholders

Unit: Share, %

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

### **III. The profit distribution of preference shares during the reporting period**

At the Board Meeting held on May 11, 2016, the Bank considered and approved the proposal in respect of the 2016 dividend distribution of the first tranche of preference shares, allowing the Bank to distribute a dividend of the first tranche of preference shares at the coupon rate of 5.30% (before tax) on June 27, 2016. The distribution proposal has been implemented.

### **IV. During the reporting period, the Bank neither repurchased preference shares nor converted preference shares into ordinary shares.**

### **V. During the reporting period, the Bank restored no voting rights of preference shares.**

### **VI. The Bank's accounting policies for its preference shares and reasons for such policies**

Pursuant 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 Treatments" promulgated by the Ministry of Finance, the preference shares issued by the Bank would be accounted for as an equity instrument.

# Directors, Supervisors, Senior Management, Staff and Branch Outlets

- I. None of the Directors, Supervisors and Senior Management of the Bank held any shares, stock options of the Bank or had been granted any restrictive shares of the Bank during the reporting period.**

## II. Basic Information of Directors, Supervisors and Senior Management

As at the end of the reporting period, the Board of Directors of the Bank had 17<sup>1</sup> Directors in total, including 3 Executive Directors, namely Zhang Jinliang, Ma Teng and Li Jie; 8 Non-executive Directors, namely Tang Shuangning, Gao Yunlong, Liu Jun, Zhang Shude, Wu Gang, Li Huaqiang, Zhao Wei and Yang Jigui; and 6 Independent Non-Executive Directors, namely Zhang Xinze, Qiao Zhimin, Xie Rong, Fok Oi Ling Catherine, Xu Hongcai and Feng Lun.

As at the end of the reporting period, the Board of Supervisors of the Bank had 9 Supervisors in total, including 3 Shareholder Supervisors, namely Li Xin, Yin Lianchen and Wu Junhao; 3 External Supervisors, namely Yu Erniu, Wu Gaolian and Deng Ruilin; and 3 Employee Supervisors, namely Mu Huijun, Ye Donghai and Liu Yan.

As at the end of the reporting period, the Senior Management of the Bank comprised 9 people in total, namely Zhang Jinliang, Ma Teng, Li Jie, Zhang Huayu, Lu Hong, Wu Jian, Yao Zhongyou, Cai Yunge and Huang Haiqing.

## III. Changes in Directors, Supervisors and Senior Management

### (I) Changes in Directors

1. On January 14, 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.
2. On June 29, 2016, the 2015 Annual General Meeting of the Bank elected Mr. Zhang Jinliang and Ms. Li Jie as Executive Directors of the Bank. On 25 August 2016, CBRC approved the appointment qualifications of Mr. Zhang Jinliang as Executive Directors. The appointment qualifications of Ms. Li Jie as Executive Director are still pending for the approval by CBRC.
3. On June 29, 2016, the 2015 Annual General Meeting of the Bank elected Mr. Liu Jun, Mr. Zhang Shude and Mr. Li Huaqiang as Non-Executive Directors of the Bank. On 25 August 2016, CBRC approved the appointment qualification of Mr. Liu Jun as Non-Executive Director. The appointment qualifications of Mr. Zhang Shude and Mr. Li Huaqiang as Directors are still pending for the approval by CBRC.
4. On June 29, 2016, due to change of session of the Board of Directors, Mr. Wu Jian ceased to serve as Non-Executive Director of the Board of Directors, Chairman of the Risk Management Committee 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 June 29, 2016, due to change of session of the Board of Directors, Ms. Wang Shumin ceased to serve as Non-Executive Director of the Board of Directors, member of the Remuneration Committee of the Board of Directors and member of the Strategy Committee of the Board of Directors of the Bank.

<sup>1</sup> As at the date of this report, the appointment qualifications of the three directors, namely Li Jie, Zhang Shude and Li Huaqiang, are subject to the approval by the CBRC.

6. On June 29, 2016, due to change of session of the Board of Directors, Mr. Wu Gaolian ceased to serve as Non-Executive Director of the Board of Directors, member of the Remuneration Committee of the Board of Directors and member of the Risk Management Committee of the Board of Directors of the Bank.

## (II) Changes in Supervisors

1. On June 27, 2016, the 2016 staff representative meeting of the Bank elected Ms. Liu Yan as an Employee Supervisor of the Bank. Ms. Chen Yu and Mr. Ma Ning ceased to serve as Employee Supervisors of the Bank.
2. On June 29, 2016, the 2015 Annual General Meeting of the Bank elected Mr. Wu Gaolian and Mr. Deng Ruilin as External Supervisors of the Bank.
3. On June 29, 2016, due to change of session of the Board of Supervisors, Mr. James Parks Stent ceased to serve as External Supervisor, Chairman of the Supervision Committee of the Board of Supervisors and member of the Nomination Committee of the Board of Supervisors of the Bank.

## (III) Changes in Senior Management

1. On January 14, 2016, due to job assignment, Mr. Zhao Huan resigned as President of the Bank.
2. On January 14, 2016, the 38th meeting of the Sixth Session of the Board of Directors of the Bank appointed Mr. Zhang Jinliang as President of the Bank; his appointment qualification as a President was approved by the CBRC on February 22, 2016.
3. On May 20, 2016, due to job assignment, Mr. Qiu Huofa resigned as Vice President of the Bank.
4. On June 2, 2016, Mr. Huang Haiqing was appointed by the CPC Committee of China Everbright Group Limited as a CPC Committee member and Secretary of Disciplinary Committee (Executive Vice President Level) of the Bank.

## (IV) Changes in Information of Directors and Supervisors during the Reporting Period

1. Mr. Yang Jigui, a Non-Executive Director of the Bank, concurrently served as Deputy Chief Accountant of China COSCO Shipping Company Limited.
2. Mr. Zhang Xinze, an Independent Non-Executive Director of the Bank, ceased to concurrently serve as Vice Chairman of the China Economic Value Added Application Association.
3. Mr. Xie Rong, an Independent Non-Executive Director of the Bank, ceased to concurrently serve as an Independent Director of Shanghai Baosight Software Co., Ltd..
4. Ms. Fok Oi Ling Catherine, an Independent Non-Executive Director of the Bank, concurrently served as an independent consultant of Siya International Consultancy Service Co., Ltd..

## Directors, Supervisors, Senior Management, Staff and Branch Outlets

### (V) Directors' and Supervisors' Interests in Contracts and Service Contracts

None of the Directors and Supervisors of the Bank had any material interest in the material contracts to which the Bank or any of its subsidiaries was a party during the reporting period. None of the Directors and Supervisors of the Bank has 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).

### (VI) Information on Employees and Branch Outlets

As at the end of the reporting period, the Bank had 39,821 employees (exclusive of those of subsidiaries).

The total number of domestic branches and outlets of the Bank was 1,080, including 37 tier-1 branches, 73 tier-2 branches and 970 outlets, representing an increase of 33 outlets compared with that at the end of the previous year. During the reporting period, the Bank opened 5 new tier-2 branches and 28 outlets. The Bank had 2 overseas branches in both Hong Kong and Seoul, while the Seoul branch was established during the reporting period.

Name of Branch	Number of Outlets	Number of employees	Total assets (RMB million)
Head Office	1	3,594	2,188,995
Beijing Branch	67	2,887	457,246
Shanghai Branch	55	1,896	215,705
Tianjin Branch	34	1,132	65,368
Chongqing Branch	26	1,039	91,353
Shijiazhuang Branch	43	1,173	78,954
Taiyuan Branch	32	1,133	54,597
Hohhot Branch	16	579	24,977
Dalian Branch	23	723	48,451
Shenyang Branch	33	1,140	65,416
Changchun Branch	29	841	45,589
Heilongjiang Branch	37	1,088	40,537
Nanjing Branch	36	1,256	139,682
Suzhou Branch	20	850	77,901
Wuxi Branch	7	312	56,411
Hangzhou Branch	34	1,265	84,667
Ningbo Branch	19	811	64,213
Hefei Branch	39	1,308	90,486
Fuzhou Branch	34	1,265	51,069
Xiamen Branch	13	508	58,743
Nanchang Branch	19	544	53,870
Jinan Branch	26	875	49,106
Qingdao Branch	33	954	97,795
Yantai Branch	13	487	26,311
Zhengzhou Branch	44	1,316	87,048
Wuhan Branch	31	1,055	53,090

Name of Branch	Number of Outlets	Number of employees	Total assets (RMB million)
Changsha Branch	48	1,107	87,672
Guangzhou Branch	75	2,192	157,838
Shenzhen Branch	47	1,315	185,584
Nanning Branch	24	834	43,372
Haikou Branch	20	729	48,154
Chengdu Branch	24	893	68,392
Kunming Branch	23	761	37,499
Xi'an Branch	32	1,022	99,480
Urumqi Branch	6	168	7,822
Guiyang Branch	7	290	20,209
Lanzhou Branch	9	266	16,180
Yinchuan Branch	2	75	2,402
Hong Kong Branch	1	112	54,919
Seoul Branch	1	26	928
Adjustment on consolidation of regions			-1,483,828
<b>Total</b>	<b>1,083</b>	<b>39,821</b>	<b>3,714,203</b>

- Notes:
1. Employees of the Head Office included 600 employees from the Credit Card Center and 1,629 employees from 95595 the Call Center.
  2. The number of branches and outlets, employees and total assets in the above table excluded those of the subsidiaries of the Bank.

# Corporate Governance

## I. Overview of Corporate Governance

During the reporting period, the Board of Directors of the Bank continued to enhance the building up of its corporate system by amending the terms of reference of the six special committees under the Board of Directors to further regulate their operation. It also strengthened the Bank's authorization management with the amendments to the *Proposal Regarding Authorization by Shareholders' General Meeting to Board of Directors*, the *Proposal Regarding Authorization by Board of Directors to President* and the *Management Measures of Authorization by Board of Directors to President*. The Board of Directors continuously focused on capital management by considering and approving the proposals on the issuance of preference shares (second tranche) and the A share convertible corporate bonds and re-examining the *Report on Capital Planning (2016-2020)*. The election of a new session of the Board of Directors was completed smoothly while the self-construction of the Board of Directors was enhanced.

During the reporting period, the Board of Supervisors of the Bank amended the terms of reference of the special committees under the Board of Supervisors according to the latest *Articles of Association* and *Rules of Procedure of the Board of Supervisors*. It also continued to conduct annual evaluation on the duty performance of the Board of Directors and its members as well as the Senior Management and completed the first annual evaluation on the duty performance of supervisors. In addition, the Board of Supervisors considered the regular reports of the Bank in performing its function of overseeing the Bank's financial affairs. The election of a new session of the Board of Supervisors was smoothly completed.

## II. Shareholders' General Meeting

The Bank convenes shareholders' general meetings in strict compliance with the *Articles of Association* of the Bank and *Rules of Procedures of the General Meeting of Shareholders* to ensure that decisions on important matters are made in compliance with the law, and to safeguard the legitimate rights and interests of shareholders. During the reporting period, the Bank convened one annual general meeting, one A Shareholders Meeting and one H Shareholders Meeting, the details of which are as follows:

On June 29, 2016, the 2015 Annual General Meeting considered and approved 16 resolutions on the work report of the Board of Directors, the work report of the Board of Supervisors, the audited accounts, financial budget plan, profit distribution plan and the election of directors and supervisors, and heard 2 reports.

On June 29, 2016, the 2016 First A Shareholders Meeting and the 2016 First H Shareholders Meeting considered and approved two proposals, regarding the re-grant of mandate to the Board of Directors to handle matters relating to the issuance of preference shares and the public issuance and listing of A share convertible corporate bonds.

The procedures for issuing the notice of, convening of and voting at the above meetings fully complied with the *Company Law*, the listing rules of the two places where the Bank is listed and the *Articles of Association* of the Bank. The legal advisor engaged by the Board of Directors of the Bank attested the above shareholders' meetings of the Bank. The PRC lawyer issued the relevant legal opinion.



### **III. Convening of Meetings of the Board of Directors and its Special Committees**

During the reporting period, the Board of Directors of the Bank convened 7 meetings, including 5 on-site meetings, namely the thirty-eighth, thirty-ninth, forty-first and forty-second meetings of the Sixth Session of the Board of Directors and the first meeting of the Seventh Session of the Board of Directors, and 2 meetings by written resolution, namely the thirty-seventh and fortieth meetings of the Sixth Session of the Board of Directors. The Board of Directors considered 45 proposals and heard 11 reports, effectively playing its role in scientific decision-making.

The special committees under the Board of Directors convened 22 meetings in total, including 4 meetings of the Strategy Committee, 4 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 4 meetings of the Connected Party Transaction Control Committee. The Board Committees considered 34 proposals in total and heard and studied 12 special research reports.

### **IV. Convening of Meetings of the Board of Supervisors and its Special Committees**

During the reporting period, the Board of Supervisors of the Bank convened 4 meetings, including 3 on-site meetings, namely the twenty-second and twenty-fourth meetings of the Sixth Session of the Board of Supervisors and the first meeting of the Seventh Session of the Board of Supervisors, and 1 meeting by written resolution, namely the twenty-third meeting of the Sixth Session of the Board of Supervisors. It considered 14 proposals and heard 1 report, effectively performing its supervisory duty.

The special committees of the Board of Supervisors convened 5 meetings in total, including 2 meetings of the Supervision Committee and 3 meetings of the Nomination Committee, and considered 11 proposals in total.

### **V. Information Disclosure**

During the reporting period, the Bank published the 2015 Annual Report and 2016 First Quarterly Report as scheduled to fully disclose the operations and management of the Bank to domestic and foreign investors. Pursuant to the regulatory rules for disclosure, 38 provisional announcements (including non-announcement online documents) were published on the SSE, and 77 provisional announcements (including overseas regulatory announcements) were published on the HKSE, so as to ensure timely and synchronized disclosure of information in the markets of the two places. In strict compliance with the relevant requirements of regulatory authorities on the management of inside information, the Bank continued to strengthen the management of insiders to prevent leakage of sensitive information, so as to ensure the rights of investors to fair access to the information of the Bank.

## Corporate Governance

### **VI. Investor Relations**

The Bank manages investor relationships through various activities. During the reporting period, the Bank held the 2015 annual results (A+H shares) announcement and press conference for investors and domestic and overseas media in Hong Kong, which were attended by over 120 institutional investors, banking industry analysts and media correspondents at home and abroad. 155 investors and domestic and overseas investment banking analysts visited the Bank or made on-site researches. The management and staff of the Bank participated in some strategy seminars organized by investment institutions and held over 10 on-site group meetings. They answered more than 260 phone calls, replied to over 210 enquiry emails from domestic and overseas investors, and interacted with investors via “SSE e-interaction”. The Bank’s website in both Chinese and English version has been updated in a timely manner to keep investors well informed about the Bank.

### **VII. Securities Transactions by Directors, Supervisors and Relevant Employees**

The Bank has adopted the standards set out in the Model Code in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for securities transactions by Directors and Supervisors of the Bank. Upon enquiry, all Directors and Supervisors have confirmed that they have complied with the Model Code during the six months ended June 30, 2016. The Bank has also formulated guidelines on trading of securities of the Bank by relevant employees, which are no less stringent than the Model Code. It did not come to the attention of the Bank that any relevant employee was in breach of the guidelines.

### **VIII. Statement on Compliance with the Corporate Governance Code of the Hong Kong Listing Rules**

During the six months ended June 30, 2016, the Bank has applied the principles and complied with all the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Hong Kong Listing Rules.

# Report on Review of Interim Financial Information



**To the Board of Directors of China Everbright Bank Company Limited**

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

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

## Introduction

We have reviewed the accompanying interim financial information set out on pages 58 to 155, which comprises the condensed consolidated statement of financial position of China Everbright Bank Company Limited (the “Bank”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong  
26 August 2016

# Unaudited Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	For the six months ended 30 June	
		2016	2015
Interest income		69,610	71,149
Interest expense		(36,985)	(39,044)
<b>Net interest income</b>	3	32,625	32,105
Fee and commission income		14,602	14,211
Fee and commission expense		(704)	(653)
<b>Net fee and commission income</b>	4	13,898	13,558
Net trading gains/(losses)	5	546	(337)
Dividend income		–	4
Net (losses)/gains arising from investment securities	6	(77)	5
Net foreign exchange (losses)/gains		(174)	160
Other operating income		263	92
<b>Operating income</b>		47,081	45,587
<b>Operating expenses</b>	7	(15,413)	(15,710)
<b>Operating profit before impairment</b>		31,668	29,877
Impairment losses on assets	8	(9,956)	(8,387)
<b>Profit before tax</b>		21,712	21,490
Income tax	9	(5,244)	(5,223)
<b>Net profit</b>		16,468	16,267

The notes on pages 65 to 155 form part of these financial statements.

# Unaudited Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2016  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	For the six months ended 30 June	
		2016	2015
<b>Net profit</b>		16,468	16,267
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Net change in fair value		(982)	1,904
– Reclassified to the profit or loss upon disposal		90	(3)
– Related income tax effect		223	(475)
Exchange differences on translation of financial statements of overseas subsidiaries		11	–
<b>Other comprehensive income, net of tax</b>		(658)	1,426
<b>Total comprehensive income</b>		15,810	17,693
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		16,439	16,241
Non-controlling interests		29	26
		16,468	16,267
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		15,781	17,667
Non-controlling interests		29	26
		15,810	17,693
Basic and diluted earnings per ordinary share (in RMB)	10	0.33	0.35

The notes on pages 65 to 155 form part of these financial statements.

# Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2016	31 December 2015
<b>Assets</b>			
Cash and deposits with the central bank	11	389,003	326,735
Deposits with banks and other financial institutions	12	168,085	86,311
Placements with banks and other financial institutions	13	120,293	132,361
Financial assets at fair value through profit or loss	14	13,249	5,637
Positive fair value of derivatives	15	1,998	1,625
Financial assets held under resale agreements	16	52,266	153,045
Interests receivable	17	20,365	18,546
Loans and advances to customers	18	1,662,048	1,475,424
Finance lease receivables	19	51,952	38,735
Available-for-sale financial assets	20	334,208	222,495
Held-to-maturity investments	21	178,245	152,312
Debt securities classified as receivables	22	732,298	523,427
Fixed assets	24	13,333	12,646
Goodwill	25	1,281	1,281
Deferred tax assets	26	3,739	3,923
Other assets	27	22,549	13,207
<b>Total assets</b>		<b>3,764,912</b>	<b>3,167,710</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to the central bank		64,000	14,840
Deposits from banks and other financial institutions	29	730,506	541,066
Placements from banks and other financial institutions	30	80,750	60,305
Negative fair value of derivatives	15	1,330	1,391
Financial assets sold under repurchase agreements	31	65,621	58,873
Deposits from customers	32	2,177,369	1,993,843
Accrued staff costs	33	11,756	11,217
Taxes payable	34	2,752	6,392
Interests payable	35	29,168	30,612
Debt securities issued	36	340,562	210,061
Other liabilities	37	31,170	15,063
<b>Total liabilities</b>		<b>3,534,984</b>	<b>2,943,663</b>

The notes on pages 65 to 155 form part of these financial statements.

	Note	30 June 2016	31 December 2015
<b>Equity</b>			
Share capital	38	46,679	46,679
Other equity instrument	39	19,965	19,965
Capital reserve		33,365	33,365
Other comprehensive income	40	3,271	3,929
Surplus reserve	41	14,964	14,964
General reserve	41	40,289	40,271
Retained earnings	42	70,812	64,320
<b>Total equity attributable to equity shareholders of the Bank</b>		<b>229,345</b>	<b>223,493</b>
Non-controlling interests		583	554
<b>Total equity</b>		<b>229,928</b>	<b>224,047</b>
<b>Total liabilities and equity</b>		<b>3,764,912</b>	<b>3,167,710</b>

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

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

\_\_\_\_\_  
Zhang Jinliang  
President  
Executive Director

\_\_\_\_\_  
Xie Rong  
Independent Non-executive  
Director

The notes on pages 65 to 155 form part of these financial statements.

# Unaudited Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2016

(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	Other comprehensive income	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2016		46,679	19,965	33,365	3,929	14,964	40,271	64,320	223,493	554	224,047
Changes in equity for the period:											
- Net income		-	-	-	-	-	-	16,439	16,439	29	16,468
- Other comprehensive income		-	-	-	(658)	-	-	-	(658)	-	(658)
Appropriation of profit:	42										
- Appropriation to general reserve		-	-	-	-	-	18	(18)	-	-	-
- Dividends to common shareholders		-	-	-	-	-	-	(8,869)	(8,869)	-	(8,869)
- Dividends to preference shareholders		-	-	-	-	-	-	(1,060)	(1,060)	-	(1,060)
<b>Balance at 30 June 2016</b>		<b>46,679</b>	<b>19,965</b>	<b>33,365</b>	<b>3,271</b>	<b>14,964</b>	<b>40,289</b>	<b>70,812</b>	<b>229,345</b>	<b>583</b>	<b>229,928</b>
Balance at 1 January 2015		46,679	-	33,365	222	12,050	33,903	52,756	178,975	508	179,483
Changes in equity for the period:											
- Net income		-	-	-	-	-	-	16,241	16,241	26	16,267
- Other comprehensive income		-	-	-	1,426	-	-	-	1,426	-	1,426
Changes in share capital:											
- Capital injection by preference shareholders		-	19,965	-	-	-	-	-	19,965	-	19,965
Appropriation of profit:											
- Dividends to common shareholders		-	-	-	-	-	-	(8,682)	(8,682)	(3)	(8,685)
Balance at 30 June 2015		46,679	19,965	33,365	1,648	12,050	33,903	60,315	207,925	531	208,456

	Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total	
		Share Capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2015		46,679	-	33,365	222	12,050	33,903	52,756	178,975	508	179,483
Changes in equity for the period:											
- Net income		-	-	-	-	-	-	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		-	19,965	-	-	-	-	-	19,965	-	19,965
Appropriation of profit:	42										
- Appropriation to surplus reserve		-	-	-	-	2,914	-	(2,914)	-	-	-
- Appropriation to general reserve		-	-	-	-	-	6,368	(6,368)	-	-	-
- Dividends to common shareholders		-	-	-	-	-	-	(8,682)	(8,682)	(3)	(8,685)
<b>Balance at 31 December 2015</b>		<b>46,679</b>	<b>19,965</b>	<b>33,365</b>	<b>3,929</b>	<b>14,964</b>	<b>40,271</b>	<b>64,320</b>	<b>223,493</b>	<b>554</b>	<b>224,047</b>

The notes on pages 65 to 155 form part of these financial statements.



# Unaudited Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2016  
(Expressed in millions of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2016	2015
<b>Cash flows from operating activities</b>		
Net profit	16,468	16,267
<i>Adjustments for:</i>		
Impairment losses on assets	9,956	8,387
Depreciation and amortisation	1,093	1,039
Unwinding of discount	(417)	(362)
Dividends income	–	(4)
Unrealised foreign exchange (gains)/losses	(213)	6
Net losses/(gains) on disposal of investment securities	77	(5)
Net gains on disposal of trading securities	(87)	(179)
Revaluation (gains)/losses on financial instruments at fair value through profit or loss	(459)	516
Interest expense on debt securities issued	4,782	2,879
Net losses on disposal of fixed assets	1	2
Income tax	5,244	5,223
	36,445	33,769
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank, banks and other financial institutions	(37,519)	(1,170)
Net (increase)/decrease in placements with banks and other financial institutions	(12,208)	74,507
Net increase in loans and advances to customers	(195,831)	(123,080)
Net decrease in financial assets held under resale agreements	101,790	73,667
Net increase in other operating assets	(26,691)	(18,711)
	(170,459)	5,213
<i>Changes in operating liabilities</i>		
Net increase in deposits from banks and other financial institutions	189,440	82,740
Net increase in placements from banks and other financial institutions	20,445	8,582
Net increase/(decrease) in financial assets sold under repurchase agreements	6,777	(20,636)
Net increase/(decrease) in amount due to central bank	49,160	(19,000)
Net increase in deposits from customers	183,526	109,239
Income tax paid	(8,140)	(5,199)
Net increase in other operating liabilities	7,325	5,641
	448,533	161,367
<b>Net cash flows from operating activities</b>	314,519	200,349
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of investments	323,854	84,966
Proceeds from dividends income	–	4
Proceeds from disposal of fixed assets and other assets	6	4
Payments on acquisition of investments	(679,009)	(339,179)
Payments on acquisition of fixed assets, intangible assets and other assets	(1,036)	(592)
<b>Net cash flows used in investing activities</b>	(356,185)	(254,797)

The notes on pages 65 to 155 form part of these financial statements.

## Unaudited Condensed Consolidated Cash Flow Statement

for the year ended 31 December 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	For the six months ended 30 June	
		2016	2015
<b>Cash flows from financing activities</b>			
Net proceeds from issue of preference shares		–	19,965
Net proceeds from issue of new debt securities		130,501	67,548
Interest paid on debt securities issued		(6,141)	(4,198)
Dividends paid		(1,060)	(8,691)
<b>Net cash flows from financing activities</b>		<b>123,300</b>	<b>74,624</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>617</b>	<b>(204)</b>
<b>Net increase in cash and cash equivalents</b>	46(a)	<b>82,251</b>	<b>19,972</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>121,964</b>	<b>98,001</b>
<b>Cash and cash equivalents as at 30 June</b>	46(b)	<b>204,215</b>	<b>117,973</b>
Interest received		66,765	67,164
Interest paid (excluding interest expense on debt securities issued)		(32,318)	(35,738)

The notes on pages 65 to 155 form part of these financial statements.

# Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(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 (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 operates 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, Hong Kong and Seoul in South Korea as at 30 June 2016.

## 2 Basis of preparation

### (1) Compliance with International Financial Reporting Standards (“IFRSs”)

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2015.

### (2) Use of estimates and assumptions

The preparation of the consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions. The nature and assumptions related to the Group’s accounting estimates are consistent with those adopted in the Group’s financial statements for the year ended 31 December 2015.

# Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

## 2 Basis of preparation (continued)

### (3) Significant accounting policies

#### Standards, amendments and interpretations effective in 2016

On 1 January 2016, the Group adopted the following new standards, amendments and interpretations.

IAS 27 Amendments	<i>Equity Method in Separate Financial Statements</i>
IFRS 10, IFRS 12 and IAS 28 Amendments	<i>Investment Entities: Applying the Consolidation Exception</i>
IAS 1 Amendments	<i>Disclosure Initiative</i>
IFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
IAS 16 and IAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Annual Improvements to IFRSs 2012-2014 cycle (issued in September 2014)	

IAS 27 Amendments allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The amendments to IFRS 10, IFRS 12 and IAS 28 address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exception from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments to IAS 1 include narrow-focus improvements in materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments.

The amendment to IFRS 11 requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a “business” (as defined in IFRS 3 Business Combinations).

## 2 Basis of preparation (continued)

### (3) Significant accounting policies (continued)

#### **Standards, amendments and interpretations effective in 2016** (continued)

The amendments to IAS 16 and IAS 38 clarifies that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

#### **Annual Improvements to IFRSs 2012-2014 cycle:**

##### *IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

##### *IFRS 7 Financial Instruments: Disclosures*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in order to assess whether the disclosures are required. In addition, the amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

##### *Amendments to IAS 19 Employee benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

##### *IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation (continued)

#### (3) Significant accounting policies (continued)

##### Standards, amendments and interpretations effective in 2016 (continued)

The adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

##### Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2016

		Effective for annual periods beginning on or after
IAS 7 Amendments	<i>Statement of Cash Flow</i>	1 January 2017
IAS 12 Amendments	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
IFRS 2 Amendments	<i>Share-based Payment</i>	1 January 2018
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IFRS 15 and Amendments	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019
IFRS 10, IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Has not yet decided (effective date has been deferred indefinitely)

The Group is considering the impact of these standards and amendments on the consolidated financial statements.

### 3 Net interest income

	Note	For the six months ended 30 June	
		2016	2015
<b>Interest income arising from</b>			
Deposits with the central bank		2,600	2,524
Deposits with banks and other financial institutions		1,894	735
Placements with banks and other financial institutions		2,255	1,248
Loans and advances to customers	3(a)		
– Corporate loans and advances		23,342	26,029
– Personal loans and advances		12,999	13,749
– Discounted bills		2,246	1,467
Finance lease receivables		892	652
Financial assets held under resale agreements		2,078	6,533
Investments		21,304	18,212
Sub-total		69,610	71,149
<b>Interest expenses arising from</b>			
Due to the central bank		561	409
Deposits from banks and other financial institutions		8,212	10,586
Placements from banks and other financial institutions		847	586
Deposits from customers			
– Corporate customers		13,307	15,763
– Individual customers		2,068	2,657
– Structured deposits from corporate customers		3,365	2,076
– Structured deposits from individual customers		2,909	3,466
Financial assets sold under repurchase agreements		934	622
Debt securities issued	3(b)	4,782	2,879
Sub-total		36,985	39,044
<b>Net interest income</b>		<b>32,625</b>	<b>32,105</b>

Note:

- (a) The interest income arising from impaired financial assets for the period ended 30 June 2016 amounted to RMB417 million (Six months ended 30 June 2015: RMB362 million).
- (b) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

**4 Net fee and commission income**

	For the six months ended 30 June	
	2016	2015
<b>Fee and commission income</b>		
Bank card service fees	6,434	6,144
Wealth management service fees	3,646	3,651
Agency services fees	982	627
Custody and other fiduciary business fees	912	815
Underwriting and advisory fees	762	913
Settlement and clearing fees	541	829
Acceptance and guarantee fees	466	599
Others	859	633
Sub-total	14,602	14,211
<b>Fee and commission expense</b>		
Bank card transaction fees	537	515
Settlement and clearing fees	43	42
Others	124	96
Sub-total	704	653
<b>Net fee and commission income</b>	<b>13,898</b>	<b>13,558</b>

**5 Net trading gains/(losses)**

	For the six months ended 30 June	
	2016	2015
Trading financial instruments		
– Derivatives	425	(567)
– Debt securities	131	215
Sub-total	556	(352)
Financial instruments designated at fair value through profit or loss	(10)	15
<b>Total</b>	<b>546</b>	<b>(337)</b>



## 6 Net (losses)/gains arising from investment securities

	For the six months ended 30 June	
	2016	2015
Net gains/(losses) on disposal of available-for-sale financial assets	13	(20)
Net revaluation (losses)/gains reclassified from other comprehensive income on disposal	(90)	3
Net gains on disposal of held-to-maturity investments	–	12
Net gains on disposal of debt securities classified as receivables	–	10
<b>Total</b>	<b>(77)</b>	<b>5</b>

## 7 Operating expenses

	For the six months ended 30 June	
	2016	2015
Staff costs		
– Salaries and bonuses	6,126	6,208
– Pension and annuity	611	567
– Housing allowances	307	281
– Staff welfares	118	116
– Supplementary retirement benefits	–	2
– Others	833	587
Sub-total	7,995	7,761
Premises and equipment expenses		
– Rental and property management expenses	1,225	1,152
– Depreciation of fixed assets	737	717
– Amortisation of other long-term assets	212	203
– Amortisation of intangible assets	144	119
Sub-total	2,318	2,191
Business tax and surcharges	2,472	3,543
Other general and administrative expenses	2,628	2,215
<b>Total</b>	<b>15,413</b>	<b>15,710</b>

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

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**8 Impairment losses on assets**

	For the six months ended 30 June	
	2016	2015
Loans and advances to customers	9,330	7,687
Finance lease receivables	332	161
Held-to-maturity investments	102	1
Available-for-sale financial assets	34	–
Debt securities classified as receivables	–	494
Others	158	44
<b>Total</b>	<b>9,956</b>	<b>8,387</b>

**9 Income tax****(a) Income tax:**

	Note	For the six months ended 30 June	
		2016	2015
Current tax		4,620	6,402
Deferred tax	26(b)	407	(1,020)
Adjustments for prior year	9(b)	217	(159)
<b>Total</b>		<b>5,244</b>	<b>5,223</b>

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

	For the six months ended 30 June	
	2016	2015
Profit before tax	21,712	21,490
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	5,428	5,373
Non-deductible expenses		
– Staff costs	24	40
– Impairment losses on assets	300	415
– Others	42	69
	366	524
Non-taxable income		
– Interest income from the PRC government bonds	(767)	(515)
Sub-total	5,027	5,382
Adjustments for prior year	217	(159)
Income tax	5,244	5,223

## 10 Basic and diluted earnings per ordinary share

	Note	For the six months ended 30 June	
		2016	2015
Weighted average number of ordinary shares (in millions)	10(a)	46,679	46,679
Net profit attributable to equity shareholders of the Bank	10(b)	15,379	16,241
Basic and diluted earnings per ordinary share attributable to equity shareholders of the Bank (in RMB)		0.33	0.35

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

Note:

(a) *Weighted average number of ordinary shares (in millions)*

	For the six months ended 30 June	
	2016	2015
Number of ordinary shares as at 1 January	46,679	46,679
Newly added weighted average number of ordinary shares	–	–
Weighted average number of ordinary shares	46,679	46,679

(b) *Net profit attributable to equity shareholders of Bank has been deducted by dividends of preference shares declared in this reporting period.*

## 11 Cash and deposits with the central bank

	Note	30 June	31 December
		2016	2015
Cash on hand		6,583	6,594
Deposits with the central bank			
– Statutory deposit reserves	11(a)	306,045	287,484
– Surplus deposit reserves	11(b)	70,641	27,553
– Foreign currency risk reserves	11(c)	656	154
– Fiscal deposits		5,078	4,950
Sub-total		382,420	320,141
<b>Total</b>		<b>389,003</b>	<b>326,735</b>

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for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

### 11 Cash and deposits with the central bank (continued)

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 reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2016	31 December 2015
Reserve ratio for RMB deposits	15.0%	15.0%
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 30 June 2016, the foreign currency risk reserve ratio was 20% (31 December 2015: 20%).

### 12 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2016	31 December 2015
Deposits in mainland China		
– Banks	161,637	80,192
– Other financial institutions	1,806	299
Sub-total	163,443	80,491
Deposits outside mainland China		
– Banks	4,673	5,850
Sub-total	4,673	5,850
Total	168,116	86,341
Less: Provision for impairment losses	(31)	(30)
<b>Net balances</b>	<b>168,085</b>	<b>86,311</b>

### 13 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2016	31 December 2015
Placements in mainland China		
– Banks	16,258	19,536
– Other financial institutions	87,960	79,529
Sub-total	104,218	99,065
Placements outside mainland China		
– Banks	16,079	33,297
Sub-total	16,079	33,297
Total	120,297	132,362
Less: Provision for impairment losses	(4)	(1)
<b>Net balances</b>	<b>120,293</b>	<b>132,361</b>

### 14 Financial assets at fair value through profit or loss

	Note	30 June 2016	31 December 2015
Debt securities held for trading	14(a)	11,768	5,474
Financial assets designated at fair value through profit or loss	14(b)	1,481	163
<b>Total</b>		<b>13,249</b>	<b>5,637</b>

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for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

**14 Financial assets at fair value through profit or loss** (continued)**(a) Debt securities held for trading**

	Note	30 June 2016	31 December 2015
Issued by the following governments or institutions:			
In mainland China			
– Government		271	266
– The PBOC		–	40
– Banks and other financial institutions		1,572	1,356
– Other institutions	(i)	9,380	3,722
<b>Sub-total</b>		<b>11,223</b>	<b>5,384</b>
Outside mainland China			
– Banks and other financial institutions		448	63
– Other institutions		97	27
<b>Total</b>	(ii)	<b>11,768</b>	<b>5,474</b>
Listed			
– of which listed in Hong Kong		580	49
Unlisted		11,188	5,372
<b>Total</b>		<b>11,768</b>	<b>5,474</b>

Note:

(i) Debt securities issued by other institutions in mainland China mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.

(ii) No investments were subject to material restrictions on realisation.

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

	30 June 2016	31 December 2015
Precious metal	1,395	50
Fixed interest rate personal mortgage loans	86	113
<b>Total</b>	<b>1,481</b>	<b>163</b>

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 period and the accumulated changes attributable to credit risk were immaterial.

## 15 Derivatives

Derivative financial instruments included forward, swap and option 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 to manage 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 their corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent exposure at risk.

### (a) Analysed by nature of contract

	30 June 2016		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	59,838	275	(316)
Currency derivatives			
– Foreign exchange forward	21,766	178	(55)
– Foreign exchange swap	187,970	1,541	(959)
– Foreign exchange option	516	4	–
<b>Total</b>	<b>270,090</b>	<b>1,998</b>	<b>(1,330)</b>

	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)
<b>Total</b>	<b>218,981</b>	<b>1,625</b>	<b>(1,391)</b>

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for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

**15 Derivatives** (continued)

## (b) Analysed by credit risk-weighted amounts

	30 June 2016	31 December 2015
Counterparty default risk-weighted assets		
– Interest rate derivatives	197	90
– Currency derivatives	1,007	876
Credit value adjustment	398	524
<b>Total</b>	<b>1,602</b>	<b>1,490</b>

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.

As at 30 June 2016, the Group did not hold any derivatives used as hedge instruments in accounting treatment.

**16 Financial assets held under resale agreements**

## (a) Analysed by type and location of counterparty

	30 June 2016	31 December 2015
In mainland China		
– Banks	13,006	124,405
– Other financial institutions	39,260	28,640
<b>Total</b>	<b>52,266</b>	<b>153,045</b>

## (b) Analysed by type of security held

	30 June 2016	31 December 2015
Bonds		
– Government bonds	6,110	11,860
– Other debt securities	43,145	60,590
Sub-total	49,255	72,450
Bank acceptances	3,011	80,595
<b>Total</b>	<b>52,266</b>	<b>153,045</b>



## 17 Interests receivable

	30 June 2016	31 December 2015
Interests receivable from investments	14,125	12,420
Interests receivable from loans and advances to customers	4,597	4,620
Interests receivable from deposits and placements with banks and other financial institutions	1,254	1,263
Other interests receivable	429	280
<b>Total</b>	20,405	18,583
Less: Provision for impairment losses	(40)	(37)
<b>Net balances</b>	20,365	18,546

## 18 Loans and advances to customers

### (a) Analysed by nature

	30 June 2016	31 December 2015
Corporate loans and advances	1,035,423	917,327
Personal loans and advances		
– Personal housing mortgage loans	231,860	180,127
– Personal business loans	139,332	148,706
– Personal consumption loans	27,173	23,375
– Credit cards	191,915	172,812
Sub-total	590,280	525,020
Discounted bills	74,669	71,196
Gross loans and advances to customers	1,700,372	1,513,543
Less: Provision for impairment losses		
– Individually assessed	(9,454)	(10,083)
– Collectively assessed	(28,870)	(28,036)
Total provision for impairment losses	(38,324)	(38,119)
Net loans and advances to customers	1,662,048	1,475,424

Part of the above loans and advances to customers was pledged for repurchase agreements, see Note 28(a).

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

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**18 Loans and advances to customers** (continued)

## (b) Analysed by economic sector

	30 June 2016		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	247,197	14.54%	70,129
Real estate	144,616	8.50%	108,564
Water, environment and public utility management	130,446	7.67%	65,380
Wholesale and retail trade	115,719	6.81%	43,502
Transportation, storage and postal services	81,689	4.80%	32,763
Leasing and commercial services	72,184	4.25%	34,679
Construction	56,049	3.30%	15,826
Finance	52,905	3.11%	3,282
Others	134,618	7.92%	46,055
Sub-total of corporate loans and advances	1,035,423	60.90%	420,180
Personal loans and advances	590,280	34.71%	372,711
Discounted bills	74,669	4.39%	74,669
Gross loans and advances to customers	1,700,372	100.00%	867,560
Less: Provision for impairment losses			
– Individually assessed	(9,454)		
– Collectively assessed	(28,870)		
Total provision for impairment losses	(38,324)		
Net loans and advances to customers	1,662,048		

## 18 Loans and advances to customers (continued)

### (b) Analysed by economic sector (continued)

	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
Finance	28,592	1.89%	1,462
Others	125,085	8.27%	40,971
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		

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(Expressed in millions of Renminbi, unless otherwise stated)

**18 Loans and advances to customers** (continued)**(b) Analysed by economic sector** (continued)

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

	30 June 2016				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	8,569	(4,199)	(6,516)	4,034	583

	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

**(c) Analysed by type of collateral**

	30 June 2016	31 December 2015
Unsecured loans	457,732	434,735
Guaranteed loans	375,080	314,118
Secured loans		
– By tangible assets other than monetary assets	654,276	585,530
– By monetary assets	213,284	179,160
Gross loans and advances to customers	1,700,372	1,513,543
Less: Provision for impairment losses		
– Individually assessed	(9,454)	(10,083)
– Collectively assessed	(28,870)	(28,036)
<b>Total provision for impairment losses</b>	<b>(38,324)</b>	<b>(38,119)</b>
<b>Net loans and advances to customers</b>	<b>1,662,048</b>	<b>1,475,424</b>

## 18 Loans and advances to customers (continued)

### (d) Overdue loans analysed by overdue period

	30 June 2016				
	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	Total
Unsecured loans	5,678	2,149	2,300	33	10,160
Guaranteed loans	6,803	9,978	5,804	29	22,614
Secured loans					
– By tangible assets other than monetary assets	7,526	8,592	5,515	143	21,776
– By monetary assets	2,020	2,266	857	13	5,156
<b>Total</b>	<b>22,027</b>	<b>22,985</b>	<b>14,476</b>	<b>218</b>	<b>59,706</b>
As a percentage of gross loans and advances to customers	1.30%	1.35%	0.85%	0.01%	3.51%

	31 December 2015				
	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	Total
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
<b>Total</b>	<b>26,661</b>	<b>23,439</b>	<b>11,296</b>	<b>437</b>	<b>61,833</b>
As a percentage of gross loans and advances to customers	1.76%	1.55%	0.75%	0.03%	4.09%

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

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**18 Loans and advances to customers** (continued)**(e) Loans and advances and provision for impairment losses**

	30 June 2016				Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances		Total	
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	1,674,865	6,251	19,256	1,700,372	1.50%
Less: Provision for impairment losses	(26,090)	(2,780)	(9,454)	(38,324)	
Net loans and advances to customers	1,648,775	3,471	9,802	1,662,048	

	31 December 2015				Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances		Total	
		for which provision are collectively assessed	for which provision are individually assessed		
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	

Note:

- (i) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (ii) Identified impaired loans and advances are loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either:
- Individually (including corporate loans and advances which are impaired); or
  - Collectively (including personal loans which are impaired).

## 18 Loans and advances to customers (continued)

### (f) Movements of provision for impairment losses

	30 June 2016			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	(25,667)	(2,369)	(10,083)	(38,119)
Charge for the period	(423)	(1,755)	(7,775)	(9,953)
Release for the period	–	–	623	623
Recoveries	–	(221)	(91)	(312)
Unwinding of discount	–	–	417	417
Disposal	–	–	5,909	5,909
Write-offs	–	1,565	1,546	3,111
As at 30 June	(26,090)	(2,780)	(9,454)	(38,324)

	31 December 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 period	(4,699)	(3,121)	(12,251)	(20,071)
Release for the period	–	–	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)

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**18 Loans and advances to customers** (continued)

## (g) Analysed by geographical sector

	30 June 2016		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	346,325	20.37%	189,032
Bohai Rim	290,821	17.10%	145,896
Central	267,463	15.73%	154,625
Western	256,566	15.09%	156,880
Pearl River Delta	212,510	12.50%	146,469
Northeastern	104,711	6.16%	68,805
Overseas	30,051	1.77%	5,853
Head Office	191,925	11.28%	–
Gross loans and advances to customers	1,700,372	100.00%	867,560

	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



## 18 Loans and advances to customers (continued)

### (g) Analysed by geographical sector (continued)

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

	30 June 2016		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Pearl River Delta	6,187	(2,802)	(4,390)
Yangtze River Delta	4,874	(1,876)	(5,976)
Western	4,209	(1,643)	(4,785)
Central	3,296	(1,443)	(4,026)
Bohai Rim	3,073	(1,402)	(5,304)

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

The definitions of the regional distributions are set out in Note 48(b).

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

**18 Loans and advances to customers** (continued)

## (h) Rescheduled loans and advances to customers

	30 June 2016	31 December 2015
Rescheduled loans and advances to customers	15,236	12,034
Less: Rescheduled loans and advances to customers overdue more than 90 days	(1,375)	(4,202)
Rescheduled loans and advances to customers overdue not more than 90 days	13,861	7,832

**19 Finance lease receivables**

	30 June 2016	31 December 2015
Minimum finance lease receivables	60,087	44,732
Less: unearned finance lease income	(6,866)	(5,060)
Present value of minimum lease receivable	53,221	39,672
Less: Impairment losses		
– Individually assessed	(289)	(205)
– Collectively assessed	(980)	(732)
<b>Net balance</b>	<b>51,952</b>	<b>38,735</b>

Minimum finance lease receivables analysed by remaining period is listed as follows:

Finance lease receivables:

	30 June 2016	31 December 2015
Less than 1 year (inclusive)	14,913	11,973
1 year to 2 years (inclusive)	11,819	9,557
2 year to 3 years (inclusive)	9,946	6,911
More than 3 years	22,801	15,845
Indefinite*	608	446
<b>Total</b>	<b>60,087</b>	<b>44,732</b>

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

## 20 Available-for-sale financial assets

	Note	30 June 2016	31 December 2015
Available-for-sale debt investments	20(a)	306,145	193,650
Available-for-sale equity investments	20(b)	563	645
Available-for-sale fund investments	20(c)	27,500	28,200
<b>Total</b>		<b>334,208</b>	<b>222,495</b>
Listed		32,014	47,180
– of which in Hong Kong		3,074	3,284
Unlisted		302,194	175,315
<b>Total</b>		<b>334,208</b>	<b>222,495</b>

### (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	30 June 2016	31 December 2015
In mainland China			
– Government		72,556	43,908
– Banks and other financial institutions	(i)	113,725	45,110
– Other institutions	(ii)	114,577	100,257
Sub-total		300,858	189,275
Outside mainland China			
– Government		67	–
– Banks and other financial institutions		3,382	2,221
– Other institutions		1,838	2,154
Sub-total		5,287	4,375
<b>Total</b>	(iii)	<b>306,145</b>	<b>193,650</b>

Note:

- (i) Debt securities issued by Banks and other financial institutions mainly represent debt securities, wealth management products and interbank deposits issued by banks and other financial institutions in the mainland China.
- (ii) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.
- (iii) As at the end of the reporting period, part of the available-for-sale financial assets were pledged for repurchase agreements (see Note 28(a)).
- (iv) As at the end of the reporting period, the provision of the available-for-sale financial assets impairment losses of the Group was RMB205 million (as at 31 December 2015: RMB171 million).

## Notes to the Unaudited Condensed Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

**20 Available-for-sale financial assets** (continued)

## (b) Available-for-sale equity investments

	Note	30 June 2016	31 December 2015
At cost			
As at 1 January		401	305
Additions for the period		–	132
Reductions for the period		–	(36)
As at the end of the period		401	401
Less: Provision for impairment losses		(1)	(1)
Sub-total	(i)	400	400
At fair value		163	245
<b>Total</b>		<b>563</b>	<b>645</b>

Note:

- (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

	30 June 2016	31 December 2015
Measured as fair value		
In mainland China – Other financial institutions	27,500	28,200
<b>Total</b>	<b>27,500</b>	<b>28,200</b>

## (d) Movements of allowance for impairment losses of available-for-sale financial assets during the period are as follows:

	Available- for-sale debt investments	Available- for-sale equity investments	Total
At 1 January 2015	–	1	1
At 31 December 2015 and 1 January 2016	171	1	172
Charge for the period	34	–	34
At 30 June 2016	205	1	206

## 21 Held-to-maturity investments

Debt securities Issued by the following governments or institutions:

	Note	30 June 2016	31 December 2015
In mainland China			
– Government		137,654	116,017
– Banks and other financial institutions		21,039	16,577
– Other institutions	21(a)	16,434	17,979
Sub-total		175,127	150,573
Outside mainland China			
– Government		463	330
– Banks and other financial institutions		2,381	1,113
– Other institutions		386	306
Sub-total		3,230	1,749
<b>Total</b>	21(b)	178,357	152,322
Less: Provision for impairment losses		(112)	(10)
Net balances		178,245	152,312
Listed		2,243	1,289
– of which in Hong Kong		1,734	894
Unlisted		176,002	151,023
Net balances		178,245	152,312
Fair value		182,239	156,516

Note:

- (a) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.
- (b) As at the end of the reporting period, part of the held-to-maturity investments were pledged as securities for repurchase agreements and time deposits transactions (see Note 28(a)).
- (c) The Group did not dispose any held-to-maturity debt investments for the six months period ended 30 June 2016, and disposed a notional amount of RMB540 million prior to their maturity dates in 2015, which account for 0.48% of the portfolio before the disposal.

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### 22 Debt securities classified as receivables

	Note	30 June 2016	31 December 2015
Wealth management products issued by financial institution	22(a)	211,437	136,434
Beneficial interest transfer plans	22(b)	522,262	388,394
<b>Total</b>		<b>733,699</b>	<b>524,828</b>
Less: Provision for impairment losses		(1,401)	(1,401)
<b>Net balances</b>		<b>732,298</b>	<b>523,427</b>

Note:

- (a) *Wealth management products issued by 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 30 June 2016, 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 RMB1,669 million (31 December 2015: RMB14,220 million). The fair values of the above mentioned investments approximate to their carrying amount.*

### 23 Investments in subsidiaries

	Note	30 June 2016	31 December 2015
Everbright Financial Leasing Co., Ltd.	23(a)	2,700	2,700
CEB International Investment Co., Ltd.	23(b)	494	494
Shaoshan Everbright Village Bank Co., Ltd.	23(c)	105	105
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	23(d)	70	70
<b>Total</b>		<b>3,369</b>	<b>3,369</b>

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 HKD600 million, which equals to RMB494 million approximately, according to the spot exchange rate 0.823655, on the day of transferring the registration capital. 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.*

## 24 Fixed Assets

	Premises	Aircraft and vessels (Note(i))	Construction in progress	Electronic equipment	Others	Total
<b>Cost</b>						
As at 1 January 2016	11,117	–	900	5,325	3,420	20,762
Additions	31	1,225	33	111	42	1,442
Transfers out	–	–	(3)	–	–	(3)
Disposals	–	–	–	(44)	(20)	(64)
As at 30 June 2016	11,148	1,225	930	5,392	3,442	22,137
<b>Accumulated depreciation</b>						
As at 1 January 2016	(2,630)	–	–	(3,376)	(1,951)	(7,957)
Charge for the period	(192)	(25)	–	(341)	(179)	(737)
Disposals	–	–	–	38	12	50
As at 30 June 2016	(2,822)	(25)	–	(3,679)	(2,118)	(8,644)
<b>Provision for impairment</b>						
As at 1 January 2016	(159)	–	–	–	–	(159)
Charge for the period	(1)	–	–	–	–	(1)
As at 30 June 2016	(160)	–	–	–	–	(160)
<b>Net book value</b>						
As at 30 June 2016	8,166	1,200	930	1,713	1,324	13,333

Note:

- (i) As at June 30, 2016, Everbright Financial Leasing Co., Ltd., the group's subsidiary leases certain aircrafts and aircraft engines which were included in "Aircraft and vessels" to third parties under operating lease arrangements, with a net book value of RMB1.20 billion. (2015: null).

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**24 Fixed Assets** (continued)

	Premises	Construction in progress	Electronic equipment	Others	Total
<b>Cost</b>					
As at 1 January 2015	10,992	673	4,906	3,367	19,938
Additions	131	234	627	86	1,078
Transfers in/(out)	–	(7)	(3)	3	(7)
Disposals	(6)	–	(205)	(36)	(247)
As at 31 December 2015	11,117	900	5,325	3,420	20,762
<b>Accumulated depreciation</b>					
As at 1 January 2015	(2,273)	–	(2,899)	(1,564)	(6,736)
Charge for the period	(357)	–	(678)	(407)	(1,442)
Transfers out/(in)	–	–	2	(2)	–
Disposals	–	–	199	22	221
As at 31 December 2015	(2,630)	–	(3,376)	(1,951)	(7,957)
<b>Provision for impairment</b>					
As at 1 January 2015	(159)	–	–	–	(159)
As at 31 December 2015	(159)	–	–	–	(159)
<b>Net book value</b>					
As at 31 December 2015	8,328	900	1,949	1,469	12,646

As at 30 June 2016, title deeds were not yet finalised for the premises with a carrying amount of RMB159 million (31 December 2015: RMB176 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.

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

	30 June 2016	31 December 2015
Held in mainland China		
– Medium term leases (10 – 50 years)	8,134	8,315
– Short term leases (less than 10 years)	32	13
<b>Total</b>	<b>8,166</b>	<b>8,328</b>



## 25 Goodwill

	30 June 2016	31 December 2015
Gross amount	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.

## 26 Deferred tax assets and liabilities

### (a) Analysed by nature

	30 June 2016	31 December 2015
Deferred tax assets	3,739	3,923
Deferred tax liabilities	–	–
Net balances	3,739	3,923

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

**26 Deferred tax assets and liabilities** (continued)

## (b) Movements of deferred tax

	Provision for impairment losses Note(i)	Accrued Staff costs	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2016	3,288	2,043	(1,408)	3,923
Recognised in profit or loss	(374)	84	(117)	(407)
Recognised in other comprehensive income	–	–	223	223
30 June 2016	2,914	2,127	(1,302)	3,739

	Provision for impairment losses Note(i)	Accrued Staff costs	Net losses/ (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 other comprehensive income	–	–	(1,254)	(1,254)
31 December 2015	3,288	2,043	(1,408)	3,923

Note:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses were determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. Besides, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net losses/(gains) on fair value changes of financial instruments are subject to tax when realised.
- (iii) Unrecognised deferred tax assets

As at 30 June 2016, the Group has not recognised deferred tax assets of RMB3,895 million (31 December 2015: RMB3,673 million) for provision of impairment losses amounting to RMB15,580 million (31 December 2015: RMB14,691 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.

## 27 Other assets

	30 June 2016	31 December 2015
Precious metal	11,679	4,779
Other receivables	6,057	4,666
Long-term deferred expense	1,339	1,450
Intangible assets	810	834
Fixed assets purchase prepayment	398	995
Repossessed assets	338	329
Land use rights	109	112
Others	1,819	42
<b>Total</b>	<b>22,549</b>	<b>13,207</b>

## 28 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 and time deposits. The carrying amount of the financial assets pledged as securities as at 30 June 2016 is RMB84,845 million (31 December 2015: RMB70,574 million).

### (b) Collaterals received

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the reporting period, the Group did not hold any resale agreement that collaterals were permitted to be sold or repledged in the absence of the counterparty's default on the agreements.

## 29 Deposits from banks and other financial institutions

### Analysed by type and location of counterparty

	30 June 2016	31 December 2015
Deposits in mainland China		
– Banks	274,658	234,625
– Other financial institutions	444,817	305,547
Sub-total	719,475	540,172
Deposits outside mainland China		
– Banks	11,031	894
Sub-total	11,031	894
<b>Total</b>	<b>730,506</b>	<b>541,066</b>

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**30 Placements from banks and other financial institutions**

Analysed by type and location of counterparty

	30 June 2016	31 December 2015
Placements in mainland China		
– Banks	52,240	41,263
– Other financial institutions	–	500
Sub-total	52,240	41,763
Placements outside mainland China		
– Banks	28,510	18,542
Sub-total	28,510	18,542
<b>Total</b>	<b>80,750</b>	<b>60,305</b>

**31 Financial assets sold under repurchase agreements**

(a) Analysed by type and location of counterparty

	30 June 2016	31 December 2015
In mainland China		
– Banks	65,621	55,550
– Other financial institutions	–	3,323
<b>Total</b>	<b>65,621</b>	<b>58,873</b>

(b) Analysed by collateral

	30 June 2016	31 December 2015
Bank acceptances	30,913	19,770
Debt securities	34,708	39,103
<b>Total</b>	<b>65,621</b>	<b>58,873</b>

## 32 Deposits from customers

	30 June 2016	31 December 2015
<b>At amortised cost</b>		
Demand deposits		
– Corporate customers	616,710	480,487
– Individual customers	163,716	145,026
Sub-total	780,426	625,513
Time deposits		
– Corporate customers	664,656	677,167
– Individual customers	120,336	121,019
Sub-total	784,992	798,186
Pledged deposits		
– Acceptances	171,004	190,874
– Letters of credit	11,332	14,327
– Letters of guarantees	9,414	8,299
– Others	10,083	7,365
Sub-total	201,833	220,865
Other deposits	127,364	110,665
Total deposits from customers at amortised cost	1,894,615	1,755,229
<b>At fair value</b>		
Structured deposits		
– Corporate customers	193,774	166,646
– Individual customers	88,980	71,968
Total deposits from customers at fair value	282,754	238,614
<b>Total</b>	<b>2,177,369</b>	<b>1,993,843</b>

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### 33 Accrued staff costs

	Note	30 June 2016	31 December 2015
Salary and welfare payable		11,126	10,721
Pension payable	33(a)	231	97
Supplementary retirement benefits payable	33(b)	399	399
<b>Total</b>		<b>11,756</b>	<b>11,217</b>

Note:

(a) *Pension scheme*

*Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.*

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

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

*The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period.*

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.

### 34 Taxes payable

	30 June 2016	31 December 2015
Value added tax payable	1,252	41
Income tax payable	1,225	4,527
Business tax and surcharges payable	4	1,702
Others	271	122
<b>Total</b>	<b>2,752</b>	<b>6,392</b>

### 35 Interests payable

	30 June 2016	31 December 2015
Deposits from customers	26,249	25,854
Debt securities issued	363	1,722
Others	2,556	3,036
<b>Total</b>	<b>29,168</b>	<b>30,612</b>

### 36 Debt securities issued

	Note	30 June 2016	31 December 2015
Subordinated debts issued	36(a)	6,700	6,700
Financial bonds issued	36(b)	32,800	32,800
Tier-two capital bonds	36(c)	16,200	16,200
Interbank deposits issued	36(d)	279,188	146,531
Certificates of deposits issued	36(e)	5,674	7,830
<b>Total</b>		<b>340,562</b>	<b>210,061</b>

#### (a) Subordinated debts

	Note	30 June 2016	31 December 2015
Subordinated fixed rate debts maturing in June 2027	(i)	6,700	6,700
<b>Total</b>		<b>6,700</b>	<b>6,700</b>

Note:

- (i) Fixed rate subordinated debts of RMB6.7 billion with a term of fifteen years were 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 30 June 2016, the fair value of the total subordinated debt securities issued approximates to RMB7,269 million (31 December 2015: RMB7,142 million).

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### 36 Debt securities issued (continued)

#### (b) Financial bonds

	Note	30 June 2016	31 December 2015
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	2,800
<b>Total</b>		<b>32,800</b>	<b>32,800</b>

Note:

- (i) Fixed rate financial bonds of RMB20 billion with a term of five years were 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 were 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 RMB3.50 billion with a term of three years were issued by Everbright Financial Leasing Co., Ltd on 16 June 2015. The coupon rate is 4.00% per annum. AS at 30 June 2016, the Bank held RMB0.7 billion of these bonds.
- (iv) As at 30 June 2016, the fair value of the total financial bond securities issued approximates to RMB32,950 million (31 December 2015: RMB32,958 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 debts on 10 June 2019 at the nominal amount.
- (ii) As at 30 June 2016, the fair value of the total tier-two capital bonds approximates to RMB17,338 million (31 December 2015: RMB17,436 million).

#### (d) Interbank deposits issued

As at 30 June 2016, the interbank deposits were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB277,187 million (31 December 2015: RMB146,688 million).

#### (e) Certificates of deposits issued

As at 30 June 2016, 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 approximates to their carrying amount.



### 37 Other liabilities

	Note	30 June 2016	31 December 2015
Dividend payables		8,897	28
Finance leases payable		3,608	3,366
Payment and collection clearance accounts		2,557	1,743
Deferred income		2,290	2,083
Provisions	37(a)	423	446
Dormant accounts		371	295
Others		13,024	7,102
<b>Total</b>		<b>31,170</b>	<b>15,063</b>

Note:

(a) Provisions

As at 30 June 2016, the accruals for 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 2015: RMB17 million).

### 38 Share capital

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

	30 June 2016	31 December 2015
Ordinary shares listed in mainland China (A share)	39,810	39,810
Ordinary shares listed in Hong Kong (H share)	6,869	6,869
<b>Total</b>	<b>46,679</b>	<b>46,679</b>

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

### 39 Other equity instrument

(a) Preference shares at the end of the period

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

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### 39 Other equity instrument (continued)

#### (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.

Dividends are paid annually.

##### (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 requires 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 are 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.

##### (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.

### 39 Other equity instrument (continued)

#### (b) Main Clauses (continued)

##### (v) Mandatory conversion trigger events (continued)

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	1 January 2016		Additions for the period		30 June 2016	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference Shares	200	19,965	–	–	200	19,965

Outstanding Financial Instruments	1 January 2015		Additions for the year		31 December 2015	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference Shares	–	–	200	19,965	200	19,965

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### 39 Other equity instrument (continued)

#### (d) Interests attributable to equity instruments' holders

Equity instrument	30 June 2016	31 December 2015
1. Total equity attributable to equity shareholders of the Bank	229,345	223,493
(1) Equity attributable to ordinary equity holders of the Bank	209,380	203,528
(2) Equity attributable to preference shares holders of the Bank	19,965	19,965
2. Total equity attributable to non-controlling interests	583	554
(1) Equity attributable to non-controlling interests of ordinary shares	583	554
(2) Equity attributable to non-controlling interests of preference shares	–	–

### 40 Other comprehensive income

	30 June 2016	31 December 2015
Fair value changes on available-for-sale financial assets	3,313	3,982
Remeasurement of defined benefit plan	(61)	(61)
Exchange differences on translation of financial statements of overseas subsidiaries	19	8
<b>Total</b>	<b>3,271</b>	<b>3,929</b>

### 41 Surplus reserve and general reserve

#### (a) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund. The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

#### (b) General reserve

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.

## 42 Appropriation of profits

- (a) At the Annual General Meeting of shareholders held on 29 June 2016, the shareholders approved the following profit appropriations for the year ended 31 December 2015:
- Appropriated RMB2,914 million (10% of the net profit of the bank) to surplus reserve;
  - Appropriated RMB6,368 million to general reserve; and
  - Declared cash dividends to all shareholders of RMB8,869 million representing RMB1.90 per 10 shares before tax.
- (b) At the Board Meeting held on 17 June 2016, the dividend distribution of the first preference shares was approved by the Board of Directors:
- Declared cash dividends to preference shareholders of RMB1,060 million representing RMB5.3 per share before tax, coupon dividend rate 5.3%. Interests start accruing from 25 June 2015, and are calculated using the 5.30% of dividend yield ratio for China Everbright Bank the first phase preference shares.
- (c) At the Annual General Meeting of shareholders held on 19 May 2015, the shareholders approved the following profit appropriations for the year ended 31 December 2014:
- Appropriated RMB2,851 million (10% of the net profit of the bank) to surplus reserve;
  - Appropriated RMB4,042 million to general reserve; and
  - Declared cash dividends to all shareholders of RMB8,682 million representing RMB1.86 per 10 shares before tax.

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

### 43 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, wealth management products 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 30 June 2016:

	30 June 2016		31 December 2015	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Debt securities classified as receivables	732,298	732,298	523,427	523,427
Available-for-sale fund investments	27,500	27,500	28,200	28,200
Non-principal guaranteed wealth management products	35,600	35,600	–	–
Asset-backed securities	–	–	12,385	12,385
<b>Total</b>	<b>795,398</b>	<b>795,398</b>	<b>564,012</b>	<b>564,012</b>

#### (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 30 June 2016, 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 30 June 2016, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, is RMB856,481 million (31 December 2015: RMB876,855 million).

### 43 Involvement with unconsolidated structured entities (continued)

(c) Unconsolidated structure entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2016.

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 30 June 2016 amounted to RMB279,551 million (Six months ended 30 June 2015: RMB158,791 million).

(d) During the six months ended 30 June 2016, the amount of fee and commission income received from the unconsolidated structured entities by the Group amounted to RMB3,646 million (Six months ended 30 June 2015: RMB3,651 million).

### 44 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 30 June 2016, loans with an original carrying amount of RMB6,393 million (31 December 2015: RMB5,204 million) 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 30 June 2016, the carrying amount of assets that the Group continues to recognise amounts to RMB2,902 million (31 December 2015: RMB2,682 million).

## Notes to the Unaudited Condensed Consolidated Financial Statements

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### 45 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier one capital, other core tier one capital and tier two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

The Group started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of at least 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their respective local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter (OTC) derivatives are the summation of default risk-weighted assets and credit value adjustment (CVA). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.



## 45 Capital management (continued)

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 period, the Group has complied in full with all its externally imposed capital requirements.

The Group calculates the capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC.

	30 June 2016	31 December 2015
<b>Total core tier-one capital</b>	209,852	203,950
Share capital	46,679	46,679
Qualifying portions of capital reserve and other comprehensive income	36,636	37,294
Surplus reserve	14,964	14,964
General reserve	40,289	40,271
Retained earnings	70,812	64,320
Qualifying portions of non-controlling interests	472	422
<b>Core tier-one capital deductions</b>	(2,091)	(2,115)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use right	(810)	(834)
<b>Net core tier-one capital</b>	207,761	201,835
<b>Other tier one capital</b>	20,012	19,992
Additional tier-one capital instruments	19,965	19,965
Qualifying portions of non-controlling interests	47	27
<b>Tier-one capital net</b>	227,773	221,827
<b>Tier two capital</b>	36,645	37,655
Qualifying portions of tier-two capital instruments issued and share premium	22,900	22,900
Surplus provision for loan impairment	13,659	14,680
Qualifying portions of non-controlling interests	86	75
<b>Net capital base</b>	264,418	259,482
<b>Total risk weighted assets</b>	2,432,816	2,185,516
<b>Core tier one capital adequacy ratio</b>	8.54%	9.24%
<b>Tier one capital adequacy ratio</b>	9.36%	10.15%
<b>Capital adequacy ratio</b>	10.87%	11.87%

## Notes to the Unaudited Condensed Consolidated Financial Statements

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**46 Notes to consolidated cash flow statements**

## (a) Net increase in cash and cash equivalents

	For the six months ended 30 June	
	2016	2015
Cash and cash equivalents as at 30 June	204,215	117,973
Less: Cash and cash equivalents as at 1 January	121,964	98,001
Net increase in cash and cash equivalents	82,251	19,972

## (b) Cash and cash equivalents

	30 June 2016	30 June 2015
Cash on hand	6,583	6,941
Deposits with the central bank	70,641	34,095
Deposits with banks and other financial institutions	94,089	34,025
Placements with banks and other financial institutions	32,902	42,912
<b>Total</b>	<b>204,215</b>	<b>117,973</b>

**47 Related party relationships and transactions**

## (a) China Everbright Group Ltd. ("China Everbright Group")

The transactions and balances with China Everbright Group and its affiliates are summarised in Note 47(b).

## 47 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:

Related party	
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.
– Shanghai 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.
– Sun Life Everbright Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Yunfu Internet Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Financial Holding (Yunnan) Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Jinhui Asset Management Co., Ltd. (Shanghai)	Affiliate of China Everbright Group Ltd.

## Notes to the Unaudited Condensed Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

**47 Related party relationships and transactions** (continued)**(b) Transactions between the Group and other related parties** (continued)**(i) Other related parties information** (continued)

Other related parties having transactions with the Group: (continued)

<b>Related party</b> (continued)	
Affiliated companies	
– Shenzhen Everbright Financial Holding Ruihua Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Wuxi Everbright Real Estate Development Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Urban and Rural Renewable Energy (Mianzhu) Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Environmental Protection Energy (Hangzhou) Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Bao De Xin Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Industrial Capital Management (Shenzhen) Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright New Energy Low Carbon Venture Capital Jiangsu Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Environmental Protection Energy (Peixian) Co., Ltd.	Affiliate of China Everbright Group Ltd.
Other related parties	
– China Re Asset Management Compay,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
– 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

## 47 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 and the above related parties during the reporting period are summarised as follows:

	China Everbright Group (Note:47(a))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the six months ended 30 June 2016:					
Interest income	–	–	365	82	447
Interest expense	(2)	–	(981)	(365)	(1,348)
Balances with related parties as at 30 June 2016:					
Financial assets at fair value through profit or loss	–	–	–	104	104
Financial assets held under resale agreements	–	–	216	488	704
Interests receivable	–	–	407	1	408
Loans and advances to customers	–	–	4,022	–	4,022
Available-for-sale financial assets	–	–	2,000	98	2,098
Held-to-maturity investments	–	–	–	900	900
Debt securities classified as receivables	–	–	81,158	2,000	83,158
<b>Total</b>	<b>–</b>	<b>–</b>	<b>87,803</b>	<b>3,591</b>	<b>91,394</b>
Deposits from banks and other financial institutions	–	–	12,142	2,145	14,287
Deposits from customers	998	–	11,609	13,445	26,052
Interests payable	3	–	58	123	184
<b>Total</b>	<b>1,001</b>	<b>–</b>	<b>23,809</b>	<b>15,713</b>	<b>40,523</b>
Significant off-balance sheet items with related parties as at 30 June 2016:					
Guarantee granted (Note)	180	–	–	–	180

## Notes to the Unaudited Condensed Consolidated Financial Statements

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**47 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 and the above related parties during the reporting period are summarised as follows (continued):

	China Everbright Group (Note:47(a))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the six months ended 30 June 2015:					
Interest income	-	-	37	47	84
Interest expense	(13)	-	(729)	(1,344)	(2,086)
Balances with related parties as at 31 December 2015:					
Financial assets at fair value through profit or loss					
Financial assets held under resale agreements	-	-	-	105	105
Interests receivable	-	-	349	624	973
Loans and advances to customers	-	-	47	19	66
Available-for-sale financial assets	-	-	533	-	533
Held-to-maturity investments	-	-	998	-	998
Debt securities classified as receivables	-	-	-	900	900
Other assets	-	-	80,539	2,000	82,539
Total	-	-	4	65	69
Deposits from banks and other financial institutions					
Deposits from customers	-	-	12,318	2,964	15,282
Interests payable	546	-	78,420	12,754	91,720
Other liabilities	-	-	995	110	1,105
Total	-	-	4	-	4
Significant off-balance sheet items with related parties as at 31 December 2015:					
Guarantee granted (Note)	180	-	-	-	180

Note: As at 30 June 2016, the Bank has guarantee obligations relating to the China Everbright Group's outstanding interest obligation of RMB180 million (31 December 2015: RMB180 million) due to one of the state-owned commercial banks.

## 47 Related party relationships and transactions (continued)

### (c) China Investment Corporation, Huijin and its affiliates

Approved by the State Council of the PRC, China Investment Corporation (“CIC”) was established on 29 September 2007 with a registered capital of USD200 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, interbank deposits and certificates of deposits which are bearer bonds tradable in the secondary market. Accordingly, the Group has no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the reporting period.

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

	Six months ended 30 June	
	2016	2015
Interest income	3,370	7,101
Interest expense	(3,037)	(7,628)

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**47 Related party relationships and transactions** (continued)**(c) China Investment Corporation, Huijin and its affiliates** (continued)

	30 June 2016	31 December 2015
Deposits with banks and other financial institutions	49,151	5,049
Placements with banks and other financial institutions	23,240	31,266
Financial assets at fair value through profit or loss	837	380
Positive fair value of derivatives	310	222
Financial assets held under resale agreements	4,841	7,152
Interests receivable	3,255	2,457
Loans and advances to customers	858	1,631
Available-for-sale financial assets	43,989	7,588
Held-to-maturity investments	13,078	12,645
Debt securities classified as receivables	220,724	122,095
Other assets	610	–
Deposits from banks and other financial institutions	207,145	135,682
Placements from banks and other financial institutions	10,759	17,659
Negative fair value of derivatives	223	208
Financial assets sold under repurchase agreements	47,934	36,628
Deposits from customers	25,231	28,637
Interests payable	1,345	1,179
Other liabilities	1	–

**(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.



## 47 Related party relationships and transactions (continued)

### (e) Key management personnel

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Remuneration	10,440	10,284
Retirement benefits	634	574
– Basic social pension insurance	336	292

### (f) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 of the Hong Kong Companies Ordinance are as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Aggregate amount of relevant loans outstanding as at the period/year end	14,814	17,572
Maximum aggregate amount of relevant loans outstanding during the period/year	17,253	21,045

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## 48 Segment reporting

The Group divides its operation by business line and geographical area into different operating segments, and manages them accordingly. In order to better reflect the Group's future business developments and to provide more useful information to the users of the financial statements, this year, the Group has combined the interbank business and the treasury business into the 'financial markets business' for disclosure purposes, and split the asset management business and the custody business across the corporate banking, the retail banking and financial markets businesses. The comparative segment information for the same period last year has also been adjusted. 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 and government agencies. 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 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, deposit taking activities, bank card business, personal wealth management services, remittance services and securities agency services.

### Financial market business

This segment covers the Group's financial market business. The financial market business enters into inter-bank money market transactions, repurchases transactions and investments and inter-bank investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The financial market business 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 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". 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 property and equipment, intangible assets and other long-term assets.

## 48 Segment reporting (continued)

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

	For the six months ended 30 June 2016				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	9,029	8,571	15,025	–	32,625
Internal net interest income/(expense)	8,270	(2,506)	(5,764)	–	–
Net interest income	17,299	6,065	9,261	–	32,625
Net fee and commission income	3,596	7,997	2,305	–	13,898
Net trading gains	–	–	546	–	546
Net (losses)/gains arising from investment securities	–	22	(99)	–	(77)
Foreign exchange (losses)/gains	49	(9)	(211)	(3)	(174)
Other operating income	124	36	10	93	263
Operating income	21,068	14,111	11,812	90	47,081
Operating expenses	(7,003)	(6,891)	(1,500)	(19)	(15,413)
Operating profit before impairment	14,065	7,220	10,312	71	31,668
Impairment losses on assets	(7,751)	(2,064)	(141)	–	(9,956)
Profit before tax	6,314	5,156	10,171	71	21,712
Other segment information					
– Depreciation and amortisation	(509)	(509)	(75)	–	(1,093)
– Capital expenditure	805	202	29	–	1,036
	30 June 2016				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	1,426,325	741,168	1,591,921	478	3,759,892
Segment liabilities	1,738,515	516,055	1,271,357	160	3,526,087

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**48 Segment reporting** (continued)**(a) Segment results, assets and liabilities** (continued)

	For the six months ended 30 June 2015				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	9,997	8,285	13,823	–	32,105
Internal net interest income/(expense)	7,152	(2,205)	(4,947)	–	–
Net interest income	17,149	6,080	8,876	–	32,105
Net fee and commission income	3,924	7,477	2,157	–	13,558
Net trading losses	–	–	(337)	–	(337)
Dividend income	–	–	–	4	4
Net (losses)/gains arising from investment securities	–	7	(2)	–	5
Foreign exchange gains	109	39	12	–	160
Other operating income	25	13	5	49	92
Operating income	21,207	13,616	10,711	53	45,587
Operating expenses	(7,138)	(6,735)	(1,816)	(21)	(15,710)
Operating profit before impairment	14,069	6,881	8,895	32	29,877
Impairment losses on assets	(5,620)	(2,269)	(498)	–	(8,387)
Profit before tax	8,449	4,612	8,397	32	21,490
Other segment information					
– Depreciation and amortisation	(470)	(487)	(82)	–	(1,039)
– Capital expenditure	268	277	47	–	592
	31 December 2015				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	1,254,760	671,926	1,207,053	28,767	3,162,506
Segment liabilities	1,601,054	464,209	878,210	162	2,943,635

## 48 Segment reporting (continued)

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

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

	Note	30 June 2016	31 December 2015
Segment assets		3,759,892	3,162,506
Goodwill	25	1,281	1,281
Deferred tax assets	26	3,739	3,923
<b>Total assets</b>		<b>3,764,912</b>	<b>3,167,710</b>
Segment liabilities		3,526,087	2,943,635
Dividend payables	37	8,897	28
<b>Total liabilities</b>		<b>3,534,984</b>	<b>2,943,663</b>

### (b) Geographical information

The Group operates principally in mainland China with branches located in 29 provinces, autonomous regions and municipalities directly under the central government, 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 property and equipment, 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;

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**48 Segment reporting** (continued)**(b) Geographical information** (continued)

- “Northeastern” refers to the following areas serviced by branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;
- “Overseas” refers to the following areas serviced by branches of the Bank: Hong Kong, Seoul; and
- “Head Office” refers to the headquarter of the Group.

	Operating Income									
	Yangtze			Central	Pearl			North eastern	Overseas	Total
	River Delta	Bohai Rim	Head Office		River Delta	Western				
For the six months period ended 30 June 2016	7,890	6,911	13,805	6,480	4,909	4,402	2,360	324	47,081	
For the six months period ended 30 June 2015	7,608	8,257	11,248	5,933	5,170	4,900	2,357	114	45,587	

	Non-current Asset (i)									
	Yangtze			Central	Pearl			North eastern	Overseas	Total
	River Delta	Bohai Rim	Head Office		River Delta	Western				
30 June 2016	2,665	975	4,969	2,370	1,180	1,064	985	44	14,252	
31 December 2015	2,751	1,033	5,171	1,234	1,234	1,103	1,021	45	13,592	

(i) Including property and equipment and intangible assets.

## 49 Risk Management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

### (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.

## Notes to the Unaudited Condensed Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

### 49 Risk Management (continued)

#### (a) Credit risk (continued)

##### **Credit business** (continued)

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.

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.



## 49 Risk Management (continued)

### (a) Credit risk (continued)

#### **Credit business** (continued)

The core definitions of the five categories of loans and advances are set out below:

Norma:	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.

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**49 Risk Management** (continued)(a) **Credit risk** (continued)**Treasury business** (continued)**(ii) Financial assets analysed by credit quality are summarised as follows:**

	30 June 2016					
	Loans and advances to customers	Finance lease receivables	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreements	Investments(*)	Others(**)
<b>Impaired</b>						
Individually assessed gross amount	19,256	428	16	–	512	334
Provision for impairment losses	(9,454)	(289)	(16)	–	(206)	(94)
Sub-total	9,802	139	–	–	306	240
Collectively assessed gross amount	6,251	–	–	–	–	1,463
Provision for impairment losses	(2,780)	–	–	–	–	(81)
Sub-total	3,471	–	–	–	–	1,382
<b>Overdue but not impaired</b>						
Gross amount						
– Less than 3 months (inclusive)	21,844	150	–	–	–	–
– Between 3 months and 6 months (inclusive)	6,817	399	–	–	–	–
– Over 6 months	7,894	–	350	–	369	–
Gross amount	36,555	549	350	–	369	–
Provision for impairment losses	(5,739)	(62)	–	–	(1)	–
Sub-total	30,816	487	350	–	368	–
<b>Neither overdue nor impaired</b>						
Gross amount	1,638,310	52,244	288,047	52,266	1,258,838	29,020
Provision for impairment losses	(20,351)	(918)	(19)	–	(1,512)	(406)
Sub-total	1,617,959	51,326	288,028	52,266	1,257,326	28,614
<b>Total</b>	<b>1,662,048</b>	<b>51,952</b>	<b>288,378</b>	<b>52,266</b>	<b>1,258,000</b>	<b>30,236</b>

## 49 Risk Management (continued)

### (a) Credit risk (continued)

#### Treasury business (continued)

#### (ii) Financial assets analysed by credit quality are summarised as follows (continued):

	31 December 2015					
	Loans and advances to customers	Finance lease receivables	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreements	Investments(*)	Others(**)
<b>Impaired</b>						
Individually assessed gross amount	19,227	308	16	-	313	322
Provision for impairment losses	(10,083)	(205)	(16)	-	(173)	(83)
Sub-total	9,144	103	-	-	140	239
Collectively assessed gross amount	5,148	-	-	-	-	976
Provision for impairment losses	(2,369)	-	-	-	-	(81)
Sub-total	2,779	-	-	-	-	895
<b>Overdue but not impaired</b>						
Gross amount						
- Less than 3 months (inclusive)	26,342	230	-	-	282	-
- Between 3 months and 6 months (inclusive)	4,890	-	-	-	-	-
- Over 6 months	8,155	-	350	-	1,968	-
Gross amount	39,387	230	350	-	2,250	-
Provision for impairment losses	(5,569)	(31)	-	-	(8)	-
Sub-total	33,818	199	350	-	2,242	-
<b>Neither overdue nor impaired</b>						
Gross amount	1,449,781	39,134	218,337	153,045	902,891	24,536
Provision for impairment losses	(20,098)	(701)	(15)	-	(1,402)	(409)
Sub-total	1,429,683	38,433	218,322	153,045	901,489	24,127
<b>Total</b>	<b>1,475,424</b>	<b>38,735</b>	<b>218,672</b>	<b>153,045</b>	<b>903,871</b>	<b>25,261</b>

\* 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.

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**49 Risk Management** (continued)(a) **Credit risk** (continued)**Treasury business** (continued)**(iii) Credit rating**

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2016	31 December 2015
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	16	16
Provision for impairment losses	(16)	(16)
Sub-total	–	–
<i>Overdue but not impaired</i>		
– grade A to AAA	350	350
Sub-total	350	350
<i>Neither overdue nor impaired</i>		
– grade A to AAA	193,169	241,116
– grade B to BBB	16,120	32,878
– unrated (Note)	131,005	97,373
Sub-total	340,294	371,367
<b>Total</b>	<b>340,644</b>	<b>371,717</b>

Note: Mainly represent placements with other financial institutions and debt securities held under resale agreements with other financial institutions.

## 49 Risk Management (continued)

### (a) Credit risk (continued)

#### Treasury business (continued)

#### (iii) Credit rating (continued)

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2016	31 December 2015
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	511	312
Provision for impairment losses	(205)	(172)
Sub-total	306	140
<i>Neither overdue nor impaired</i>		
Bloomberg Composite		
– grade AAA	1,059	161
– grade AA- to AA+	316	873
– grade A- to A+	3,533	1,782
– grade lower than A-	1,761	1,710
Sub-total	6,669	4,526
<i>Other agency ratings</i>		
– grade AAA	196,283	75,389
– grade AA- to AA+	215,071	78,093
– grade A- to A+	9,796	155,229
– grade lower than A-	4,799	1,430
– unrated	27,634	36,629
Sub-total	453,583	346,770
<b>Total</b>	<b>460,558</b>	<b>351,436</b>

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## 49 Risk Management (continued)

### (b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Financial Market Department is responsible for the Group's investments and proprietary trading business. The Assets and Liability Management 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 Financial Market Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

## 49 Risk Management (continued)

### (b) Market risk (continued)

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

#### **Interest rate risk**

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

#### ***Repricing risk***

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Assets and Liability Management 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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**49 Risk Management** (continued)**(b) Market risk** (continued)**Interest rate risk** (continued)

(i) *The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:*

	30 June 2016						
	Effective interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>							
Cash and deposits with the central bank	1.49%	389,003	16,019	372,984	-	-	-
Deposits with banks and other financial institutions	2.91%	168,085	-	117,411	50,674	-	-
Placements with banks and other financial institutions	3.15%	120,293	-	98,699	21,184	410	-
Financial assets held under resale agreements	3.13%	52,266	-	50,266	2,000	-	-
Loans and advances to customers	4.70%	1,662,048	26,883	881,267	732,903	18,038	2,957
Finance lease receivables	3.95%	51,952	-	43,461	7,919	1	571
Investments (Note (i))	4.17%	1,258,000	2,640	284,099	437,271	436,661	97,329
Others	-	63,265	61,171	412	590	460	632
<b>Total assets</b>	<b>4.02%</b>	<b>3,764,912</b>	<b>106,713</b>	<b>1,848,599</b>	<b>1,252,541</b>	<b>455,570</b>	<b>101,489</b>
<b>Liabilities</b>							
Due to the central bank	3.00%	64,000	-	17,000	47,000	-	-
Deposits from banks and other financial institutions	2.76%	730,506	5,954	723,850	702	-	-
Placements from banks and other financial institutions	2.39%	80,750	-	46,674	34,067	9	-
Financial assets sold under repurchase agreements	2.21%	65,621	-	64,535	1,086	-	-
Deposits from customers	2.07%	2,177,369	160	1,722,591	331,099	123,519	-
Debt securities issued	3.39%	340,562	-	142,599	171,200	3,863	22,900
Others	-	76,176	71,870	1,299	1,493	1,240	274
<b>Total liabilities</b>	<b>2.34%</b>	<b>3,534,984</b>	<b>77,984</b>	<b>2,718,548</b>	<b>586,647</b>	<b>128,631</b>	<b>23,174</b>
<b>Asset-liability gap</b>	<b>1.68%</b>	<b>229,928</b>	<b>28,729</b>	<b>(869,949)</b>	<b>665,894</b>	<b>326,939</b>	<b>78,315</b>



## 49 Risk Management (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

(i) *The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier* (continued):

	31 December 2015						
	Effective interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>							
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	5.80%	1,475,424	23,650	1,066,498	374,269	7,827	3,180
Finance lease receivables	4.51%	38,735	-	38,735	-	-	-
Investments (Note (i))	5.02%	903,871	676	232,547	290,699	303,654	76,295
Others	-	51,228	49,561	1,667	-	-	-
<b>Total assets</b>	<b>4.81%</b>	<b>3,167,710</b>	<b>89,970</b>	<b>1,865,226</b>	<b>821,558</b>	<b>311,481</b>	<b>79,475</b>
<b>Liabilities</b>							
Due to the central bank	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	-
<b>Total liabilities</b>	<b>2.80%</b>	<b>2,943,663</b>	<b>65,882</b>	<b>1,969,895</b>	<b>562,977</b>	<b>296,464</b>	<b>48,445</b>
<b>Asset-liability gap</b>	<b>2.01%</b>	<b>224,047</b>	<b>24,088</b>	<b>(104,669)</b>	<b>258,581</b>	<b>15,017</b>	<b>31,030</b>

Note:

- Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.
- 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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### 49 Risk Management (continued)

#### (b) Market risk (continued)

##### Interest rate risk (continued)

##### (ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 30 June 2016, 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 RMB4,484 million (31 December 2015: RMB2,428 million), and equity to decrease by RMB3,836 million (31 December 2015: RMB5,723 million); a decrease in estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB4,484 million (31 December 2015: RMB2,438 million), and equity to increase by RMB3,836 million (31 December 2015: RMB5,904 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;
- At the end of the reporting period, an interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

##### 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.

## 49 Risk management (continued)

### (b) Market risk (continued)

#### Foreign currency risk (continued)

The Group's currency exposures as at the end of the reporting period are as follows:

	30 June 2016			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	383,592	4,615	796	389,003
Deposits with banks and other financial institutions	157,115	8,149	2,821	168,085
Placements with banks and other financial institutions	103,452	15,534	1,307	120,293
Financial assets held under resale agreements	52,266	–	–	52,266
Loans and advances to customers	1,609,560	36,867	15,621	1,662,048
Finance lease receivables	51,381	571	–	51,952
Investments (Note (i))	1,244,978	12,164	858	1,258,000
Others	60,352	2,612	301	63,265
<b>Total assets</b>	<b>3,662,696</b>	<b>80,512</b>	<b>21,704</b>	<b>3,764,912</b>
<b>Liabilities</b>				
Due to the central bank	64,000	–	–	64,000
Deposits from banks and other financial institutions	729,755	718	33	730,506
Placements from banks and other financial institutions	46,824	24,166	9,760	80,750
Financial assets sold under repurchase agreements	65,621	–	–	65,621
Deposit from customers	2,092,833	62,952	21,584	2,177,369
Debt securities issued	336,119	1,196	3,247	340,562
Others	73,498	1,986	692	76,176
<b>Total liabilities</b>	<b>3,408,650</b>	<b>91,018</b>	<b>35,316</b>	<b>3,534,984</b>
<b>Net position</b>	<b>254,046</b>	<b>(10,506)</b>	<b>(13,612)</b>	<b>229,928</b>
Off-balance sheet credit commitments	654,614	16,250	5,239	676,103
Derivative financial instruments (Note (ii))	(34,055)	18,605	16,156	706

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**49 Risk management** (continued)**(b) Market risk** (continued)**Foreign currency risk** (continued)

The Group's currency exposures as at the end of the reporting period are as follows (continued):

	31 December 2015			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
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
Finance lease receivables	38,561	174	–	38,735
Investments (Note (i))	895,080	8,582	209	903,871
Others	49,806	1,146	276	51,228
<b>Total assets</b>	<b>3,051,419</b>	<b>100,642</b>	<b>15,649</b>	<b>3,167,710</b>
<b>Liabilities</b>				
Due to the central bank	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
Deposit 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
<b>Total liabilities</b>	<b>2,815,123</b>	<b>94,889</b>	<b>33,651</b>	<b>2,943,663</b>
<b>Net position</b>	<b>236,296</b>	<b>5,753</b>	<b>(18,002)</b>	<b>224,047</b>
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

## 49 Risk management (continued)

### (b) Market risk (continued)

#### Foreign currency risk (continued)

The Group's currency exposures as at the end of the reporting period are as follows (continued):

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.*

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 30 June 2016, 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 RMB12 million (31 December 2015: RMB23 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 RMB12 million (31 December 2015: RMB23 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

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### 49 Risk management (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Assets and Liability Management 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 Assets and Liability Management Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies outlined above. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

## 49 Risk management (continued)

### (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	30 June 2016							
	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	Total
<b>Assets</b>								
Cash and deposits with the central bank	311,779	77,224	-	-	-	-	-	389,003
Deposit with banks and other financial institutions	350	26,760	46,654	43,340	50,674	307	-	168,085
Placement with banks and other financial institutions	-	-	48,188	50,511	21,184	410	-	120,293
Financial asset held under resale agreements	-	-	50,266	-	2,000	-	-	52,266
Loans and advances to customers	41,995	191,828	72,011	137,422	478,269	398,180	342,343	1,662,048
Finance lease receivables	278	-	775	1,983	9,553	32,329	7,034	51,952
Investments (*)	563	29,576	38,690	213,740	437,299	440,803	97,329	1,258,000
Others	33,026	6,169	2,508	11,857	8,367	699	639	63,265
<b>Total assets</b>	<b>387,991</b>	<b>331,557</b>	<b>259,092</b>	<b>458,853</b>	<b>1,007,346</b>	<b>872,728</b>	<b>447,345</b>	<b>3,764,912</b>
<b>Liabilities</b>								
Due to the central bank	-	-	10,000	7,000	47,000	-	-	64,000
Deposits from banks and other financial institutions	-	207,143	140,626	200,205	181,502	1,030	-	730,506
Placements from banks and other financial institutions	-	-	21,630	25,044	34,067	9	-	80,750
Financial assets sold under repurchase agreements	-	-	45,195	19,340	1,086	-	-	65,621
Deposit from customers	-	1,020,689	205,766	262,603	461,899	226,412	-	2,177,369
Debt securities issued	-	-	33,166	108,667	171,965	3,864	22,900	340,562
Others	-	27,007	16,492	4,687	21,656	6,144	190	76,176
<b>Total liabilities</b>	<b>-</b>	<b>1,254,839</b>	<b>472,875</b>	<b>627,546</b>	<b>919,175</b>	<b>237,459</b>	<b>23,090</b>	<b>3,534,984</b>
Long/(Short) position	387,991	(923,282)	(213,783)	(168,693)	88,171	635,269	424,255	229,928
Notional amount of derivative financial instruments	-	-	88,693	35,275	118,351	27,533	238	270,090

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## 49 Risk management (continued)

## (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period (continued):

	31 December 2015							
	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	Total
					one year	five years		
<b>Assets</b>								
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
Finance lease receivables	193	-	109	2,098	7,901	22,513	5,921	38,735
Investments (*)	645	30,492	48,519	142,794	291,194	313,415	76,812	903,871
Others	21,036	5,045	5,210	12,117	7,438	370	12	51,228
<b>Total assets</b>	<b>347,510</b>	<b>262,751</b>	<b>273,236</b>	<b>334,429</b>	<b>930,853</b>	<b>687,157</b>	<b>331,774</b>	<b>3,167,710</b>
<b>Liabilities</b>								
Due to the central bank	-	-	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
<b>Total liabilities</b>	<b>-</b>	<b>959,385</b>	<b>410,249</b>	<b>583,073</b>	<b>624,415</b>	<b>317,424</b>	<b>49,117</b>	<b>2,943,663</b>
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

\* Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.



## 49 Risk management (continued)

### (c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative finance liabilities, loan commitments and credit card commitments at the end of the reporting period:

	30 June 2016							
	Carrying amount	Contractual undiscounted cash flow	Repayable 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
<b>Non-derivative financial liabilities</b>								
Due to the central bank	64,000	65,220	-	10,111	7,064	48,045	-	-
Deposits from banks and other financial institutions	730,506	737,804	208,525	141,397	201,906	184,794	1,182	-
Placements from banks and other financial institutions	80,750	81,026	-	21,659	25,099	34,259	9	-
Financial assets sold under repurchase agreements	65,621	65,773	-	45,235	19,443	1,095	-	-
Deposits from customers	2,177,369	2,250,430	1,020,736	211,653	268,940	484,463	264,638	-
Debt securities issued	340,562	356,708	-	33,494	109,761	176,011	9,419	28,023
Other financial liabilities	45,678	45,734	27,007	13,666	790	1,915	2,173	183
<b>Total non-derivative financial liabilities</b>	<b>3,504,486</b>	<b>3,602,695</b>	<b>1,256,268</b>	<b>477,215</b>	<b>633,003</b>	<b>930,582</b>	<b>277,421</b>	<b>28,206</b>
<b>Derivative financial liabilities</b>								
Derivative financial instruments settled on net basis		(38)	-	1	-	(18)	(21)	-
Derivative financial instruments settled on gross basis								
cash inflow		209,737	-	85,950	29,737	93,141	909	-
cash outflow		(209,026)	-	(85,613)	(29,545)	(92,961)	(907)	-
<b>Total derivative financial liabilities</b>		<b>711</b>	<b>-</b>	<b>337</b>	<b>192</b>	<b>180</b>	<b>2</b>	<b>-</b>
Loan and credit card commitment		140,103	130,360	144	373	1,317	2,758	5,151

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**49 Risk management** (continued)**(c) Liquidity risk** (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative finance liabilities, loan commitments and credit card commitments at the end of the reporting period (continued):

	31 December 2015							
	Contractual Carrying amount	Contractual undiscounted cash flow	Repayable 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
<b>Non-derivative financial liabilities</b>								
Due to the central bank	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	-
<b>Total non-derivative financial liabilities</b>	<b>2,911,660</b>	<b>2,966,418</b>	<b>956,563</b>	<b>408,598</b>	<b>585,393</b>	<b>624,911</b>	<b>337,936</b>	<b>53,017</b>
<b>Derivative financial liabilities</b>								
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)	-
<b>Total derivative financial liabilities</b>		<b>309</b>	<b>-</b>	<b>88</b>	<b>167</b>	<b>27</b>	<b>27</b>	<b>-</b>
Loan and credit card commitment		128,389	120,728	340	1,417	1,435	1,852	2,617

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

## 49 Risk management (continued)

### (d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of operational risk management system 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.

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## 50 Fair value

### (a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

#### (i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. The fair values of unlisted equity investments are estimated using the applicable price/earning ratios of comparable listed companies, after adjustment for the specific circumstances of the issuers.

#### (ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

#### (iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

#### (iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts are determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

### (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 interest 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 are disclosed in Note 21.

## 50 Fair value (continued)

### (b) Fair value measurement (continued)

#### (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 debt securities issued are disclosed in Note 36. The carrying amounts of other financial liabilities approximate their fair values.

### (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. The definitions of three levels are as below:

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.

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**50 Fair value** (continued)

## (c) Fair value hierarchy (continued)

	30 June 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	580	11,188	–	11,768
Financial assets designated at fair value through profit or loss	–	1,395	86	1,481
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	1,723	–	1,723
– interest rate derivatives	–	263	12	275
<i>Available-for-sale financial assets</i>				
– debt instruments	4,351	301,794	–	306,145
– fund instruments	27,500	–	–	27,500
– equity instruments	163	–	–	163
<b>Total</b>	32,594	316,363	98	349,055
<b>Liabilities</b>				
<i>Deposits from customers</i>				
Structured deposits designated at fair value through profit or loss	–	282,754	–	282,754
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	1,014	–	1,014
– interest rate derivatives	–	291	25	316
<b>Total</b>	–	284,059	25	284,084

## 50 Fair value (continued)

### (c) Fair value hierarchy (continued)

	31 December 2015			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	102	5,372	–	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	18,735	174,915	–	193,650
– fund instruments	28,200	–	–	28,200
– equity instruments	245	–	–	245
<b>Total</b>	47,282	181,949	126	229,357
<b>Liabilities</b>				
<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
<b>Total</b>	–	239,985	20	240,005

During the period/year ended 30 June 2016 and 31 December 2015, there were no significant transfers between instruments in Level 1 and Level 2.

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**50 Fair value** (continued)**(c) Fair value hierarchy** (continued)

The movement during the six months ended 30 June 2016 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	Derivative financial liabilities	Total
1 January 2016	113	13	126	(20)	(20)
Total gains or losses:					
In profit or loss for the current period	(2)	–	(2)	(5)	(5)
Purchases	9	–	9	–	–
Settlements	(34)	(1)	(35)	–	–
30 June 2016	86	12	98	(25)	(25)
<b>Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period</b>	(1)	–	(1)	(5)	(5)

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	Derivative financial liabilities	Total
1 January 2015	172	30	202	(21)	(21)
Total gains or losses:					
In profit or loss for the current year	10	(8)	2	1	1
Purchases	7	1	8	–	–
Settlements	(76)	(10)	(86)	–	–
31 December 2015	113	13	126	(20)	(20)
<b>Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year</b>	9	(7)	2	1	1

During the period/year ended 30 June 2016 and 31 December 2015, there were no significant transfers into or out of Level 3.



## 50 Fair value (continued)

### (d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2016, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

## 51 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position.

	30 June 2016	31 December 2015
Entrusted loans	112,048	98,671
Entrusted funds	112,048	98,671

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

### 52 Commitments and contingent liabilities

#### (a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card limits, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertaking's by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	30 June 2016	31 December 2015
Loan commitments		
Original contractual maturity within one year	13,028	9,180
Original contractual maturity more than one year (inclusive)	19,786	24,082
Credit card commitments	107,289	95,127
Sub-total	140,103	128,389
Acceptances	415,173	449,385
Letters of guarantees	63,695	61,704
Letters of credit	56,947	63,069
Guarantees	185	185
<b>Total</b>	<b>676,103</b>	<b>702,732</b>

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

	30 June 2016	31 December 2015
Credit risk-weighted amount of credit commitments	263,054	283,635

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.

## 52 Commitments and contingent liabilities (continued)

### (c) Operating lease commitments

As at the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	30 June 2016	31 December 2015
Within one year (inclusive)	2,231	2,156
After one year but within two years (inclusive)	2,173	2,036
After two years but within three years (inclusive)	1,912	1,889
After three years but within five years (inclusive)	2,763	2,915
After five years	2,928	3,040
<b>Total</b>	<b>12,007</b>	<b>12,036</b>

### (d) Capital commitments

As at the balance sheet dates, the Group's authorised capital commitments are as follows:

	30 June 2016	31 December 2015
Contracted for		
– Purchase of property and equipment	605	660
Approved but not contracted for		
– Purchase of property and equipment	1,711	1,346
<b>Total</b>	<b>2,316</b>	<b>2,006</b>

## Notes to the Unaudited Condensed Consolidated Financial Statements

for the Six Months Ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

### 52 Commitments and contingent liabilities (continued)

#### (e) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at 30 June 2016.

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.

The Group's redemption commitments are as follows:

	30 June 2016	31 December 2015
Redemption commitments	8,202	8,556

#### (f) Forward assets purchase and sale commitments

The Group has unexpired forward purchase and sale commitments as follows:

	30 June 2016	31 December 2015
Forward assets purchase and sale commitments	550	1,350

#### (g) Outstanding litigations and disputes

As at 30 June 2016, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB669 million (31 December 2015: RMB967 million). Provisions have been made for the estimated losses of such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

### **53 Subsequent Events**

On 15 June 2015, the China Securities Regulatory Commission (CSRC) approved the Bank's domestic non-public issuance of no more than 300 million preference shares in CSRC permit No. 1239 [2015]. The Bank completed the issuance of its first tranche of 200 million preference shares on the 19 June 2015; the second tranche of 100 million preference shares were issued on 8 August 2016, with RMB100 par value per share. After deducting issuance expenses, the actual proceeds amounted to about RMB9.981 billion. As at 12 August 2016, the Bank had already received the funds mentioned.

### **54 Comparative figures**

Certain comparative figures have been adjusted to conform with changes in presentations in current period.

### **55 Immediate and ultimate parent**

The immediate and ultimate parents of the Group are China Everbright Group and CIC.

# 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 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 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

	30 June 2016
Liquidity coverage ratio	93.65%
Liquid assets of high quality	398,239.25
Net cash outflows in 30 days from the end of the reporting period	425,243.39

### Liquidity Ratio\*

	Average for the period ended		Average for the year ended	
	As at 30 June 2016	30 June 2016	As at 31 December 2015	31 December 2015
RMB current assets to RMB current liabilities	57.11%	54.50%	54.90%	51.29%
Foreign current assets to foreign current liabilities	56.32%	55.89%	98.87%	91.39%

\* Liquidity ratio is calculated in accordance with the banking level.

### Leverage Ratio

	30 June 2016
Leverage Ratio	5.30%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

## 2 Currency concentrations

	30 June 2016			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	80,512	14,024	7,680	102,216
Spot liabilities	(91,018)	(20,227)	(15,089)	(126,334)
Forward purchases	113,369	10,103	13,552	137,024
Forward sales	(94,764)	(2,088)	(5,411)	(102,263)
Net long position	8,099	1,812	732	10,643
Net structural position	11	26	4	41

	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)	(16,945)	(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	298	20,227
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 branch. Structural assets mainly include property and equipment.

## Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

### 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, deposits and placements 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.

	As at 30 June 2016			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	22,138	297	9,120	31,555
– of which attributed to Hong Kong	13,987	171	3,006	17,164
Europe	2,147	–	7,013	9,160
North and South America	2,679	233	2,088	5,000
<b>Total</b>	<b>26,964</b>	<b>530</b>	<b>18,221</b>	<b>45,715</b>

	As at 31 December 2015			
	Banks and other financial 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
<b>Total</b>	<b>9,398</b>	<b>436</b>	<b>39,580</b>	<b>49,414</b>



#### 4 Gross amount of overdue loans and advances

##### (a) By geographical segments

	30 June 2016	31 December 2015
Pearl River Delta	8,461	6,803
Yangtze River Delta	7,933	7,912
Western	6,862	6,860
Bohai Rim	5,882	4,713
Central	4,088	4,872
Head Office	2,964	2,305
Northeastern	1,481	1,707
Overseas	8	–
<b>Total</b>	<b>37,679</b>	<b>35,172</b>

##### (b) By overdue days

	30 June 2016	31 December 2015
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	10,840	8,242
– between 6 months and 1 year (inclusive)	12,145	15,197
– over 1 year	14,694	11,733
<b>Total</b>	<b>37,679</b>	<b>35,172</b>
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.65%	0.54%
– between 6 months and 1 year (inclusive)	0.73%	1.00%
– over 1 year	0.88%	0.78%
<b>Total</b>	<b>2.26%</b>	<b>2.32%</b>

## Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

### 4 Gross amount of overdue loans and advances (continued)

#### (b) By overdue days (continued)

	30 June 2016	31 December 2015
Current market value of collateral held against the covered portion of overdue loans and advances	31,673	24,494
Covered portion of overdue loans and advances	17,386	14,589
Uncovered portion of overdue loans and advances	20,293	20,583
Individual impairment allowances made on overdue loans and advances	9,021	9,747

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 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 30 June 2016, substantial amounts of the Group's exposures arose from businesses with mainland China entities or individuals.





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