2015

ANNUAL REPORT

Citibank (China) Co., Ltd.

A MISSION OF ENABLING GROWTH AND PROGRESS

Citi's mission is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress. Our core activities are safeguarding assets, lending money, making payments and accessing the capital markets on behalf of our clients. We have 200 years of experience helping our clients meet the world's toughest challenges and embrace its greatest opportunities. We are Citi, the global bank – an institution connecting millions of people across hundreds of countries and cities.

OUR PRINCIPLES

The values that guide our mission:

Common Purpose

One team, with one goal: serving our clients and stakeholders

Responsible Finance

Conduct that is transparent, prudent and dependable

Ingenuity

Enhancing our clients' lives through innovation that harnesses the breadth and depth of our information, global network and world-class products

Leadership

Talented people with the best training, who thrive in a diverse meritocracy that demands excellence, initiative and courage

CEO MESSAGE

2015 was a crucial year for China. It marked the end of the 12th Five-Year Plan period, and also a year as China's economic transition is making headway. Against this backdrop, CCCL has worked hard in 2015 to dedicate resources to generate the right long-term growth.

From a global context, 2015 was certainly a pivotal year for Citi. Earning a net income of over US$ 17 billion, our performance in 2015 became the best year since 2006. Asia continues to be the largest contributor outside of North America. In China, despite of a challenging environment, we delivered operating revenue growth of 3.6% year-on-year to RMB 5.67 billion. We have also continued to maintain healthy regulatory ratios with the Capital Adequacy Ratio standing at 15.54% - well above the regulatory requirement.

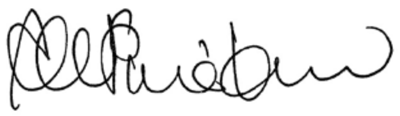
The Institutional Clients Group has maintained steady growth throughout the year. We have continued combining local market understanding with global expertise and market-leading product platforms in introducing solutions and services for our clients in China. This paved the way for a series of first-to-market cross-border treasury products launch in 2015, notably the first Global RMB Netting Solution nationwide in cooperation with a South Korean multinational, which now covers Korea, London, Hong Kong and Beijing. Moreover, CCCL participated for the first time in the onshore bond underwriting market in 2015. Acting as a Joint Underwriter, our team underwrote a 3-year senior unsecured bond with total volume reaching RMB 3 billion. Issued by the Republic of Korea in the China Interbank Bond Market, this bond also became the first RMB denominated sovereign debt instrument issued by a foreign government in China. This held milestone significance not only for our client and CCCL, but also the broader China market.

On the Global Consumer Banking front, our team continued to improve customer value propositions and enhance convenience across service channels and platforms in 2015. With Chinese consumers increasingly favoring digital channels, we started recalibrating our focus to accelerate efforts and investments in our digital capabilities, so to become a leading digital consumer bank. Our partnership with AIA bore new fruit in 2015 – we jointly published the China Retirement Readiness Insight Report. In addition to highlighting the growing importance of sound financial planning ahead of retirement, it allowed us to leverage the insights, and together develop innovative products for China's aging society.

We strive to succeed in every aspect of our operation in China – be it serving clients, keeping the best talent or giving back to our local communities. Our success over the past year was reflected through the awards and recognitions we received. These included being named "Best Global Bank" by Asia's top financial magazine The Asset, "Best Foreign Bank Employer in China" by global employer branding company Universum, as well as "China CSR Excellence Award" by the China Philanthropy Times.

2015 was a year of transition as CCCL geared up for China's ongoing transformation. By laying a solid foundation, we are confident that we are well-positioned to respond in ways that are more meaningful and relevant to our clients' and customers' changing realities. We believe we have the right tools, strategy and talent to continue providing our clients and customers with exceptional and innovative banking services and solutions that are simple, convenient, and responsible. Guided by or local insights, global expertise as well as ongoing drive to innovate, we remain confident about our long-term growth here.

Sincerely,



Christine Lam
Chief Executive Officer, Citi China

CONTENT

INSTITUTIONAL CLIENTS GROUP

In 2015, the Institutional Clients Group continued combining our local insights and global expertise. A series of new solutions and services in China were launched. Notably, the first Global RMB Netting Solution was rolled out nationwide.

We also participated for the first time in the onshore bond underwriting market in 2015 – acting as lead Underwriter in the Republic of Korea panda bond issuance. This was also the first sovereign panda in China.

Corporate and Investment Banking

Citi's Corporate and Investment Banking arm is responsible for the coverage of large Chinese corporates. We provide comprehensive relationship coverage services to ensure the best possible services and responsiveness to our clients.

In 2015, we supported clients across five continents through our nine China Desks based in key cities around the globe. This provides our clients with round-the-clock access to Citi's market-leading platforms in over 100 countries.

We also hosted multiple 'China Day' events in five countries throughout the year to share with clients relevant insights and updates on their related industries and economies. In November, two 'China Desk Network Days' were organized in Beijing and Guangzhou respectively. The events gathered bankers from all our China Desks and provided a platform for them to meet our clients' headquarters executives and explore new collaboration avenues.

Global Subsidiaries Group

Citi has traditionally been a leading financial services provider to multinational corporations and committed to promoting their success in China. Our focus is on holistic client advisory combined with strong execution around our core banking products: debt financing, transaction banking, and markets activities.

Our leadership is proven by our client satisfaction indices, which has stayed well-above industry norms and our business also continues to grow. We help clients raise funds from capital markets and reduce transactional risks by means of innovating and implementing cross-border solutions, as well as continually leveraging our global network and expertise.

We maintained a high level of focus on further developing relationships with emerging markets-parented clients. We also continue to invest heavily in our traditional business by supporting subsidiaries of multinationals headquartered in the United States, Europe and Japan.

During 2015, we also hosted forums by vertical industries, functions and geographies. These forums provided essential platforms for our clients to discuss their most current challenges and needs, as well as gain strategic investment and corporate banking market insights and ideas.

Financial Institutions Group (FIG) and Public Sector Group (PSG)

Driven by institutional clients' special needs, the Financial Institutions Group (FIG) and Public Sector Group (PSG) provide comprehensive financial solutions to a wide range of clients, including banks, insurance companies, securities firms, fund managers, trust and leasing companies, and sovereign wealth funds.

As the China market underwent economic slowdown in 2015, FIG and PSG clients' trade financing needs declined accordingly. In face of market uncertainties, the team invested tremendous effort to seize market opportunities so to be able to continue booking trade assets and maintain our market share.

After two years of preparation, a growing number of Chinese insurance companies are now rapidly implementing global asset allocation. This reflects these companies now possess an expanding overseas asset, and are also moving toward investing in a diversified geography. Serving as several major insurance companies' global custodian bank, while also retaining the largest market share in terms of insurance QDII quota, we continue to leverage our global platform to proactively update clients with timely market information. We have also assisted our securities service product partners in their efforts to improve the comprehensiveness, convenience, and efficiency of our custodian service offering.

Global regulators have continued enhancing regulations and standards for capital management in the banking industry. In 2015, we have maintained active dialogue with Chinese banks to share our understanding of new regulatory requirements in different markets. This serves to better support their capital plan establishment and take a more comprehensive medium-to- long-term perspective.

Treasury and Trade Solutions

Citi's Treasury and Trade Solutions (TTS) delivers cash management and trade solutions that help clients streamline and automate processes, mitigate risk and expand their reach.

We have launched a series of first-to-market cross-border products in 2015 by combining our in-depth local market understanding - including insights into China's move toward deregulation - as well as unique and market-leading global product platforms. By leveraging opportunities presented by the incremental reforms in the Shanghai Free Trade Zone (SFTZ), we are also able to efficiently connect our clients' liquidity in China with the rest of the world. In addition, we actively provided local corporate clients with a number of trade solutions through our global network and platforms for trade finance and services. With Citi's rich business experiences in other regions and countries, we were also able to help our clients mitigate increasing market and credit risks during recent years by actively providing local corporate clients with various trade solutions while also supporting the local economy's development.

In 2015, Citi China became the only foreign bank to receive the *"Shanghai Financial Innovation Second Prize"* awarded by the Shanghai government for our Cross-border Treasury Management Innovation. In May, the TTS Trade Product team was also recognized by the Shanghai Financial Association for its outstanding work on driving Uniform Practices for Shanghai Interbank Forfeiting trade businesses and received the *"First Prize in Shanghai Financial Reformation, Development and Excellence"*.

Shanghai (Pilot) Free Trade Zone (SFTZ) and Nationwide Programs

Citi China continued to maintain our market leadership position in both the SFTZ and across the country. We have launched several industry–leading solutions for multinational clients, Chinese subsidiaries and local clients.

Notable 2015 Examples:

- **Samsung Cooperation:** We launched the first Global RMB Netting Solution nationwide in cooperation with Samsung, which covers Korea, London, Hong Kong and Beijing. This marked a major milestone as the RMB netting project expanded from initially within the SFTZ to the rest of the country.
- **Foreign Currency Cross–Border Pooling for Multinationals:** We provided services such as POBO/ROBO and Netting to a number of world leading multinationals – including IBM and BASF – to support their realization of foreign currency cross-border pooling. This not only helped elevate overall economic efficiency, but also delivered cost savings. Citi China and BASF's two-way foreign currency cross-border pooling was also awarded the highly prestigious *"Tao Zhu Gong Prize for Best Cash Management Deal"*.
- **Sharp Rise in Cross–Border Transactions:** In 2015, Citi China saw an exponential rise in cross-border transactions. In particular, Citi Beijing was ranked top place among all local and foreign banks in cross-border transactions earnings.
- **Implemented over 60 RMB and Foreign Currency Cross–Border Structure:** By the end of 2015, Citi China carried out over 60 RMB and Foreign Currency Cross-border Pooling, POBO/ROBO and Netting structure within the SFTZ as well as across China.
- **Citi China's IBM Recognized as Representative Case Study:** In November, Citi's FCY XB Pilot Program for IBM was recognized as a *"Representative Case" , which was* presented to Premier Li Keqiang during his SFTZ trip to mark its two-year anniversary.
- **Top Recognitions from Leading Financial Publications:** Citi China was recognized by the Lujiazui Magazine as *"The Best Cross-border Treasury Management Bank"*. The Top CFO Magazine also recognized Citi as *"The Best Global Cash Management Bank"*.

The solutions outlined above aim to help customers mitigate risks, reduce costs and effectively manage foreign exchange exposure. This ultimately supports our customers to improve treasury efficiency.

Our ongoing efforts throughout 2015 also earned us a number of prestigious industry recognitions. Citi China's SFTZ branch was recognized as the *"Outstanding Enterprise "* by the SFTZ committee. The Shanghai Financial Labor Union also awarded the FCY XB Pilot Program handled by the SFTZ branch with the *"2015 Outstanding Innovative Case Award"*.

To ensure our existing and potential customers can accurately identify the right business opportunities, Citi China continues to provide them with the latest SFTZ as well as national industry development updates.

We also maintain close communication with both multinational and Chinese corporate clients. Through publications and conferences, we proactively provide them with the latest market trend information, industry best practices as well as Citi's in-house thought leadership on treasury management on a regular basis.

Markets

As one of the top Markets teams among international banks in China, Citi offers a broad range of market–leading and innovative financial products to corporate, institutional, government and public sector clients.

In recent years, with many Chinese companies showing a large interest in going global, the Markets team has been focused on enabling them to do so and begun offering total solutions to these internationalizing Chinese companies. In 2015, we helped various corporates set up global risk management platforms, manage foreign exchange exposures, and also help them conduct structured finance and customized structured solutions in emerging markets.

Meanwhile, Citi China also partners with other banks and financial institutions including mutual fund, insurance, pension and sovereign fund companies, to leverage on each other's strengths to bring added benefits to customers by offering more comprehensive solutions tailored for their unique needs.

In the 2015 survey by the finance publication Risk and IFR, our work was recognized as the 'Derivatives House of the Year.

CCCL was also Lead Underwriter in the Republic of Korea panda bond issuance, which is also the first sovereign panda in China.

Securities Services

Securities and Fund Services (SFS) offers a large portfolio of products and services including custody, fund services, prime finance and futures, as well as escrow and related services, and agency and trust. We also support international securities trading and investment activities of leading institutions through efficient receipt, delivery and safekeeping of securities as well as the related cash and FX functions.

All these services are offered to a wide range of sophisticated investors, including mutual funds, pension funds, hedge funds, banks, and insurers. We have substantial market share in China QFII/RQFII and QDII custody business and possess a rich local market service experience and localized service teams.

Global industry surveys consistently rank us as a premier choice for custody, clearing, agency and trust services in more markets than any other bank.

GLOBAL CONSUMER BANKING

In 2015, Citi's Global Consumer Bank (GCB) continued improving its customer value propositions while enhancing convenience across its service channels and platforms. At the same time, we have continued to uphold the bank's unique global network, premium brand, distinctive products and services. These were all essential in our ongoing drive to serve the affluent and emerging affluent customer segments in top-tier cities by delivering a remarkable experience through industry-leading products and services, next generation retail formats and world-class digital channels.

Throughout the past year, Citi China continued to roll out the "Blue Wave" brand campaign in Beijing and Shanghai with a focus on communicating our credit card value propositions and offers. We have also placed particular emphasis on highlighting Citi Credit Cards' superior privileges for overseas spending. Compared to the previous year, our mother brand preference has increased by 7%.

Wealth Management Forum

Citi's Wealth Management Forum (WMF) is a well-established advisory platform that features insights from Citi experts and leading global fund houses.

By providing unique opportunities to better understand economic and investment trends, as well as a chance to interact with seasoned investment experts, the advisory platform has become vital in allowing our clients to tap into exclusive insights and updated investment advice - something that is particularly important during current market uncertainties. 64 events reaching over 25,000 clients were held between 2010 and 2015. In 2015, ten WMFs were organized and over 4,378 clients attended. The average customer satisfaction rate for 2015's WMF reached up to 97%.

In 2015, we fully embraced the use of various digital channels to enhance engagement with our key stakeholders during the events. Through leveraging WeChat Key Opinion Leaders (KOLs), we were able to drive greater event promotion and increase our brand awareness. We also adopted the use of Digital Kiosk at the event to boost interaction with attendees. Finally, leveraging cutting-edge iPad registration and offering real-time WeChat interactions between attendees and speakers, we were able to create new and effective touchpoints with our key stakeholders this year.

Citi-AIA Bancassurance Partnership

Citi China and AIA China continued to grow the market in 2015. Our joint efforts have ensured we are well-positioned to provide the best quality services and products to high-net-worth customers.

In 2015, we jointly announced the launch of an ongoing campaign titled "Have You Done Enough?". As part of the campaign, we offered a "Protection Gap Calculator" that can be accessed by customers from our branches and also online. The "Protection Gap Calculator" aims to enable customers to take an inward look and consider whether they have done enough to protect themselves and their loved ones from unexpected incidents. Through realizing there can often be a gap between perception of risk and actual risk, we hope to encourage our customers to re-evaluate the potential risks they face and seek ways to better protect themselves and their loved ones.

We also jointly published the *China Retirement Readiness Insight Report*, which focused on understanding specific challenges and opportunities Chinese urban citizens face when preparing for their retirement. As China gradually becomes an aging society and citizens increasingly face multiple challenges from the macro-environment, financial preparation for retirement has become a major focal point for both society and individuals.

Around 2,500 individuals across 13 major Chinese cities were selected at random for an interview that gauge a deeper understanding of Chinese urban citizens' current considerations and concerns surrounding retirement planning[1]. All interviewees were aged between 25 and 65 with liquidity asset from RMB 250,000 to RMB 5,000,000. Among them, 75% are employed individuals. The research surveyed and analyzed interviewees' awareness and actions on "retirement wishes", "risk awareness", "retirement understanding", "financial preparedness", as well as "influence factors".

According to the Report, most respondents hold a positive outlook for retirement, as they believe they can realize their expectations through proper planning and arrangement. However, most respondents currently lack sound retirement knowledge and planning. The Report generated major media impact, and at the same time, marked the latest cooperation between the two companies since the establishment of our strategic partnership in 2014. Furthermore, the Report has enabled us to better understand our customers, allowing us to continue developing innovative and tailored products that can better meet their needs at different life stages.

[1] Cities included Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing.

Credit Cards

Since we launched the first credit card in China in 2012, Citi China has strived to provide our customers with better credit card products and services.

Currently, we have the *Citi Ultima Card* for "The Select Few", the *Citi PremierMiles Card* aimed at frequent travellers and the *Citi Rewards Card* for those who want to get more out of life. Following a three-year comprehensive study, we have gained a deeper and more rounded understanding of our customers' spending behaviors and also preferences. As a result, we have optimized the value propositions of both our *Citi PremierMiles Card* and *Citi Rewards Card* in 2015 to ensure our ongoing ability to offer world-class products and services that our customers need.

- **Citi PremierMiles Card:** In 2015, we expanded our value propositions and incorporated additional travel related privileges as well as airport pick-up discount. Furthermore, the US dollar Card was upgraded into MasterCard's World Card category, further offering our customers exclusive benefits and offers overseas.

- **Citi Rewards Card:** We upgraded the point earning and burning platform in 2015 so that we can continue providing our customers with the best-in-class point credit card. Customers can now enjoy 5X points for dining spending and 3X points for shopping spending throughout the entire year. Also, our customers can further enjoy 6X points during their birthday month. Moreover, all the Rewards points can be redeemed or spent via a number of different channels.

In 2015, we have also expanded our partnership with a number of recognized international brands in China to improve usage benefits for our cardholders. These included the joint campaign with Starbucks, special offers when booking through popular online travel agencies[2] and pre-sale privileges for concerts.

Digital Acquisition

We have witnessed a shift in customers' behaviors as China undergoes one of the fastest and most comprehensive digital disruption of any markets in the world. To deliver service offerings that are contemporary and meaningful for our customers, while at the same time allowing us to better reach potential customers, we have launched a number of digital channels in 2015.

We have begun working with Wacai.com, a new aggregator in May. In the same month, we began displaying digital ads on top China online portal websites such as MSN China and Sina.

Throughout the past year, our online customer acquisition number has increased by 20%. Looking at 2016, we are set to continue exploring innovative solutions with easy-to-use online processes to better serve our customers, and deliver a truly digital and smart experience.

Continually enhancing our digital capabilities is one of our major priorities and we are confident that digital banking usage will achieve exponential growth as our customers' preference shift toward the digital channels.

[2] Travel agencies included Airbnb, Agoda.com, Hotels.com and Booking.com

Commercial Bank

Citi works tirelessly to serve as a trusted financial advisor and strategic partner to each and every one of our small and medium private enterprises (SMEs) customer.

In 2015, Citi Commercial Bank China (CCB) grew steadily and acquired new clients as well as achieved growth in customer deposits and credit balance of assets.

Leveraging Citi's unique global network, we offer a wide range of global cash management services and strong local market intelligence support in both the domestic and overseas markets. As a result, CCB has been particularly recognized by globally-minded Chinese companies as an important partner of choice. We have also supported foreign enterprises in their China business expansion by offering various cross-border financing solutions, including the Approval Elsewhere Program (AEP).

In 2015, we have been focused on bringing innovation and world-class services to our targeted clients. Throughout the year, several clients opened accounts in our Shanghai Free Trade Zone (SFTZ) Sub-branch and we were able to better support these clients by effectively managing the RMB capital through FT accounts and Citi's global platform.

One of the new highlights during China's economic transition is the service sector. The CCB has been focused on exploring more tailor-made solutions to better serve these players and tap into this sector. In 2015, a number of travel agencies and trading clients have utilized our payment solutions and products to reduce their cross-border transaction costs and maintain healthier cash flows. For clients whose companies were undergoing rapid business expansion, our Host-to-Host solutions offered essential support throughout the year via automatically linking the online banking platform with companies' ERP. We have also provided clients with sophisticated and comprehensive reconciliation reports. This is part of our overall drive to enhance companies' cash management efficiency through improving automation, connectivity and security.

In order to better navigate the market landscape and establish sustainable business strategies, it is vital that our SME customers are kept apprised of market movements. Throughout 2015, we partnered with a number of SMEs and industry associations to deliver different events, including trainings, seminars and networking events focusing on cash management, supplier finance management and "Going Overseas" strategies. We have also provided existing clients with ongoing training programs that offered Citi's insights on the latest market hotspots, including RMB trend and Foreign Exchange, Cross-border Cash Management, E-Banking Utilization as well as Free Trade Zone policies and strategies. All of these aimed to provide greater benefits to our clients and they have been well-received.

Upholding World-Class Corporate Governance

At Citi, we aspire to the highest standards of corporate governance and ethical conduct. We act in the best interests of all our stakeholders, maintain the highest ethical standards, and ensure full compliance with the laws and regulations that govern our company.

Board Composition

As of December 31, 2015, there were 9 directors in total:

1) 4 Non-Executive Directors;
2) 3 Executive Directors ; and
3) 2 Independent Directors. Executive Directors

Besides 3 Executive directors, CCCL's headquarter had 11 additional senior managers approved by the China Banking Regulatory Commission (CBRC). Details regarding directors are as follows:

Executive Directors			
Chairman/Director	Andrew Au	Legal Representative	
Director	Daisy Yao	Chief Risk Officer	
Director	Tim Sedgwick	Chief Financial Officer	Approved by CBRC on September 2, 2015

Non–Executive Directors		
Director	Agnes Liew	
Director	Weber Lo	Approved by CBRC on September 2, 2015
Director	Piyush Agrawal	Approved by CBRC on December 15, 2015
Director	Anand Selvakesari	Approved by CBRC on December 29, 2015

Independent Directors	
Independent Director	Stephen Long
Independent Director	Zhe Sun

The directors of CCCL fully understand the fiduciary responsibilities of a banks' Board are more important than those of non-financial corporations. Each and every director performed his/her duties diligently. They have actively participated in Board meetings, reviewed Board meeting materials, had robust discussion and raised valuable comments and suggestions to enhance the Bank's business operation and to ensure Bank's healthy and sustainable development.

In 2015, CCCL held 4 Board meetings at an average of once every quarter. The Board resolved or heard the reports of a total of 64 matters (including 35 resolutions and 29 reports), reviewed and discussed the internal audit quarterly report, capital adequacy compliance plan and policy, stress test plan, various risk limits, continuity of business report and plan, information and technology strategy, material related party transactions, etc. In addition, the Board has exercised 10 written resolutions to 10 key matters.

During the intersession of the board meetings, CCCL also provided 9 newsletters to the Board in terms of CCCL's monthly/quarterly financial information, regulatory inspection, and other important information.

Independent Directors

As of the end of December 2015, CCCL has two independent directors, i.e., Mr. Stephen Long and Mr. Zhe Sun.

Mr. Stephen Long is the voting member of the Audit Committee, the Risk Management Committee and the Related Party Transaction Committee under the CCCL Board, and also chairs the Audit Committee. Mr. Stephen Long attended all the Board meetings and the relevant committee meetings, and was involved in the consideration and approval of the related matters.

Mr. Zhe Sun is the voting member of the Risk Management Committee and the Related Party Transaction Control Committee, and he is also the chairman of the Related Party Transaction Control Committee. Mr. Zhe Sun attended all the Board meetings and relevant committee meetings and was involved in the consideration and approval of the related matters.

During the intersession of the Board meetings, the independent directors kept themselves abreast with CCCL's monthly financial information through CCCL's newsletters. Furthermore, the independent directors have issued their

written opinions on all material related party transactions reviewed under the Board. The independent directors have actively participated in the decisions of the Board and provided their independent opinions.

Supervisor

CCCL does not have a board of supervisors, but has a single supervisor designated by the shareholder.

In 2015, the supervisor of CCCL, **Mr. Mark Hart** performed his duties diligently and attended all of the Board meetings, and issued confirmation letters to the meetings he attended accordingly. In addition, Mr. Hart supervised the Bank's financials and the performance of directors and senior management personnel. The supervisor also provided opinions to the matters in relation to the 2014 audited financials, the performance of directors and senior management personnel and their performance relating to management of liquidity risk.

Senior Management

The senior management team of the Bank has performed an active and leading role in optimizing the Bank's corporate governance, expanding the Bank's footprint, enhancing the Bank's performance and risk management, and promoting the Bank's reputation. Therefore, they have formed an effective and strong framework of corporate governance and of the Bank's development in coordination of interests demanded from various stakeholders.

Moreover, maintaining a comprehensive communication system with Directors and regulators was consistently achieved by senior management. In terms of communication with Directors, besides reporting the Bank's progress in Board meetings, senior management also updated Directors on certain important matters relating to the Bank's business and operation from time to time, including monthly financial information. In terms of communication with regulators, senior management disclosed CCCL and Citigroup's business and operating information to regulators in various ways and these communications included reporting the internal and external inspections, audits, and relevant corrective actions.

Through effective communication, Directors were kept abreast of the overall operations of the Bank and the latest regulatory trends, and regulators, internal control and anti-fraud could be timely informed of the Bank's business and provide comments and guidance in response.

In 2015, the team will continually keep up to update with the relevant laws and regulations and the regulator's requirements, constantly procure the enhancement and optimization of corporate governance work of the Bank, balance the interests of the Shareholder and other stakeholders, and further deepen the Bank's corporate governance practices, to ensure the Bank has sustainable growth.

Four Professional Board Committees Composition

As of December 31, 2015, there were four professional committees under the CCCL Board. These were:

(a) an Audit Committee established on June 13, 2007
(b) a Related Party Transaction Control Committee established on June 13, 2007
(c) a Risk Management Committee established on September 12, 2007
(d) a Remuneration Committee established on January 10, 2014

In 2015, the four special committees held in total 13 meetings, reviewed 35 motions and heard 68 reports.

Each of the four committees effectively operates with distinct division of responsibilities and has provided professional advices and suggestions in terms of audit, risk management and related party transaction control. They provided solid ground for the Board so that the Board can review and discuss the matters correctly and efficiently.

Audit Committee

Chairman	Stephen Long	Independent Director	
Committee Voting–Member	Andrew Au		
Committee Voting–Member	Daisy Yao		
Committee Voting–Member	Weber Lo		Approved by Board on November 5, 2015
Committee Non–Voting Member	Simon Nie		

Related Party Transaction Control Committee

Chairman	Zhe Sun	Independent Director	
Committee Voting–Member	Andrew Au		
Committee Voting–Member	Agnes Liew		
Committee Voting–Member	Stephen Long	Independent Director	
Committee Non–Voting Member	Lili Qin		
Committee Non–Voting Member	Tim Sedgwick		

Risk Management Committee

Chairman	Piyush Agrawal		Approved by CBRC on December 15, 2015
Committee Voting–Member	Andrew Au		
Committee Voting–Member	Stephen Long	Independent Director	
Committee Voting–Member	Zhe Sun	Independent Director	
Committee Voting–Member	Agnes Liew		Approved by Board on November 5, 2015
Committee Non–Voting Member	Marine Mao		
Committee Non–Voting Member	Lili Qin		
Committee Non–Voting Member	Daisy Yao		
Committee Non–Voting Member	Alex Lee		Approved by CBRC on September 2, 2015

Remuneration Committee

Chairman	Weber Lo		Approved by Board on December 7, 2015
Committee Voting–Member	Andrew Au		
Committee Voting–Member	Agnes Liew		Approved by Board on December 7, 2015

Risk Management and Internal Control

The Audit Committee resolved 11 motions and heard 11 reporting items, and returned during the intersession of meetings. In addition, to ensure timely and effective communication with external auditors, our external auditors were invited to participate in each Audit Committee meeting. KPMG exchanged its view on Bank's operation with committee members and also shared regulatory focus and market trends, which helped to better equip the Audit Committee in their decision on Internal Audit Committee motions. The resolutions made by Audit Committee include: 2014 internal audit work summary, 2015 internal audit plan, extension of appointment of external auditor, update of internal audit Charter, and quarterly reports of internal audit.

The Related Party Transaction Control Committee had 4 quarterly meetings, with an average attendance rate of 95%. Those voting-members who could not attend the meeting also authorized other voting members to present and vote on their behalf by issuing power of attorney before the meeting. The Committee resolved 12 resolutions and heard 3 reporting items. In 2015, the Committee considered and confirmed a list of all related parties of CCCL, reviewed new related party transactions and the intra-group payments under intra-Citi outsourcing agreements in 2015. When the matters subject to Committee's discussion involves any conflict of interest, the relevant voting member would abstain from voting on such matters. The Committee's work ensured our compliance with regulators' requirements.

The Risk Management Committee has held 4 meetings and the average rate of personal attendance of voting-members of the Committee reached 90%. Those voting-members who could not attend the meeting also authorized other voting members to present and vote on their behalf by issuing power of attorney before the meeting. The Committee made 10 resolutions and heard 54 reporting items. Risk portfolio seasonal report, classified portfolios, NPLs and loss provisions, and key risk limits against actual exposures were reviewed at each Committee meeting. In addition, in 2015, Risk Management also paid attention to credit card portfolio, derivative risk assessment and stress test, and continued to focus on the following key risk areas facing CCCL according to regulatory requirement and market changes: reputation risk, information technology risk, fraud case prevention and outsourcing risk, etc.

The Remuneration Committee has held 1 meeting and the average rate of personal attendance of voting -members of the Committee reached 100%. The Committee made 2 resolutions on 2014 Performance Linked Compensation and 2015 Salary Increase Budget.

GIVING BACK TO THE COMMUNITY

Citizenship is core to Citi and a responsibility shared by all of our businesses, clients, suppliers and communities. It is embedded in our mission and culture, and is brought to life by our employees who work to promote social and economic progress to improve the lives of people in low–income communities around the world.

In support of the Citi Foundation, much of our citizenship work focuses on promoting economic progress and improving the lives of people in low-income communities by investing in efforts that increase financial inclusion, catalyze job opportunities for youth, and reimagine approaches to building vibrant cities.

Our approach has always been rooted in our commitment to Responsible Finance - business conduct that is transparent, prudent and dependable. Though it has also evolved from traditional philanthropy and volunteering to "More than Philanthropy", that is to strategically target challenges we can help address as a business and is fueled by engagement of Citi's employees.

In pursuing our citizenship agenda in China, we continue to consider the viewpoints of our stakeholders, the lessons of Citi's experiences and the risks and opportunities of our business. Through harnessing the resources and expertise of Citi China and the Citi Foundation, we remain committed to delivering innovative solutions and positive impact to the communities in which we live and work.

In 2015, Citi China supported 13 community programs focusing on four key areas: *Inclusive Finance*, *Financial Capability*, *Youth Economic Opportunities* and *Enterprises Development*.

Inclusive Finance

Over the past 200 years, Citi China has helped our clients meet the world's toughest challenges and embrace its greatest opportunities. Leveraging our expertise, we are also committed to supporting disadvantaged groups and facilitating the development of Inclusive Finance.

Microfinance is widely acknowledged as one of the best and most effective means to driving Inclusive Finance and enabling low-income individuals, families and communities to overcome poverty. This forms the cornerstone to improving standards of living for those in need and driving forward economic progress.

Case Study: China Banking Association–Citi Microentrepreneurship Awards

Being the leading corporate supporter of microfinance in China, Citi China has in its eleventh year supported the Citi Microentrepreneurship Awards ("CMA") program. Established in 2005, the program is committed, at a national level, to recognize successful microentrepreneurs and outstanding microfinance practitioners. It also raises awareness of the role microfinance plays in increasing access to finance and poverty alleviation for disadvantaged population. Through the program, Citi also aims to accelerate the implementation of relevant policies and continually improve China's financial inclusion system.

> *"Sponsored and led by Citi, the CMA became one of the first to introduce and establish such an award here in China. This truly reflected the high level of importance Citi attaches to corporate social responsibility. I have also had the opportunity to learn more and also participate in Citi's citizenship programs and activities both here in China and worldwide. I would like to take this opportunity to express my gratitude for Citi's ongoing commitment to citizenship. I also hope Citi will continue their efforts in this area so to achieve new heights."*
>
> **Du Xiaoshan, Deputy Chairman of China Association of Microfinance**

2015 Highlights

2015 marked the 11th annual CMA in China. The awards ceremony was held in Beijing and was joined by over 300 microfinance practitioners and other supporters to commend outstanding microentrepreneurs and institutions in the microfinance field.

During the ceremony, the *2015 Chinese Microfinance Industry Development Report* was also officially launched, which featured 82 microfinance institutions, including analysis on their organization background and governance, to financial performance and social contribution, and their innovation on microfinance products and services. It also summarizes the state of development of the Chinese microfinance industry and different types of microfinance organizations, and analyzes trends of inclusive finance and microfinance industry in China. Furthermore, for the first time, the *Microfinance Institutions Case Studies Collection* was also published to summarize the sector's previous successful experiences and serve as a reference for the next ten years.

In addition to the two highlight awards – the *Microfinance Institution of the Year* and the *Microentrepreneur of the Year* - the 2015 CMA program also awarded 50 individual awards, as well as five categorical institutional awards for eight microfinance institutions.

Case Study: CFPA Microfinance Inclusive Finance Innovation and Capacity Building Program

Established at the end of 2008, CFPA Microfinance is an NGO Microfinance Institution (NGO MFI) under the China Foundation for Poverty Alleviation (CFPA). Its mission is to provide financial services to disadvantaged population - many of whom live in remote rural areas and have never been included into the financial system.

The Citi Foundation began supporting the CFPA Microfinance (CFPA MF) since 2010 to advance its organizational capacity by developing or improving its information system, risk management, training, as well as providing financial education to clients.

At that time, it had a client base of 40,000. However, over the years, CFPA MF has become a full-fledged leading microfinance institution in China with over 320,000 clients by the end of 2015.

2015 Highlights

With Citi's support, CFPA MF was able to develop and equip all local staff with a mobile system on loan management. Despite adding 35 new branches and 80,000 more new customers, PAR over 30 days of loans remained below 1% after adopting the new system. All 1,200 loan officers are now using the new mobile phone system for daily operations, which has helped clients save 10-30% time when applying for loans. Furthermore, it has boosted credit officers' efficiency by 15-30% when conducting loan interviews.

> *"As a social enterprise that focuses on providing microfinance support to China's low-income rural areas, the CFPA Microfinance has always maintained a close partnership with the Citi Foundation. We were also one of the direct beneficiaries of Citi China's strategic support to the microfinance sector. Through Citi Foundation's long-term support, we were able to transition from a project based non-profit microfinance institution into a professional microfinance service provider. In addition, as the Foundation helped us enhance our organizational capacity as well as provide ongoing support to our financial educational programs, we were able to broaden our impact and directly serve almost a million low-income people in rural areas."*
>
> **Liu Dongwen, Deputy Secretary General of China Foundation for Poverty Alleviation, General Manager of CFPA Microfinance**

Financial Capability

For many individuals, the abilities to use financial products, establish financial plans, work toward achieving their financial goals, and develop strategies for preserving their financial position during times of both economic prosperity and instability are critical in attaining economic success.

As hundreds of millions of people gain access to formal financial services and become financially included for the first time in their lives, investments into efforts that help these individuals build financial capability and adopt positive financial behaviors are more important than ever.

Providing effective and impactful financial education to adults as well as empowering children and youth to form sound financial habits have become vital components to our philanthropic investment in China.

Case Study: The Aflateen Youth Program

The Aflateen Youth Program is an internationally acclaimed financial education program. It aims to cultivate financial capability in youth aged between 16-25 by equipping them with financial knowledge and social skills through interactive learning and activities. In 2012, Citi Foundation began supporting the Shanghai Better Education Development Center (Be Better) to bring the program to China. By the end of 2015, the program covers 12 cities in China including Beijing, Shanghai, Nanjing, Shenzhen, Chengdu, Guangzhou, Guiyang, Xi'an, and Suzhou. The program has already reached over 30,000 youth to date.

2015 Highlights

The Aflateen Program's flagship "Financial Education Makes Better Future" Carnival took place in Beijing on December 12, 2015. During the event, the 2015 National Youth Financial Education Research Report was also published, which provided key stakeholders with the program's latest updates. The program continues to focus on supporting youth, mostly from vocational schools, to better thrive in cities by nurturing a positive attitude and entrepreneurial spirit. We hope to empower them to have the confidence to secure career opportunities, learn new skills, seek fair pay and group support.

In 2015, the program continued to expand and now incorporate 27 vocational schools, 9 universities and 29 middle schools in 12 Chinese cities. To date, it has directly benefited around 12,000 youth and further benefited over 4,000 youth indirectly.

> *When it comes to finance management, my first impressions are stock market, account books, money management and related theories. I find them boring and difficult to understand. But to my surprise, the Aflateen class was a combination of games, activities and courses. I realized that they are not as boring as I thought, and in fact I have learned a lot. With the guidance of the teacher, we came to understand ourselves, found out about our strengths, weaknesses and interests, so we can make plans for our future career. To be honest, I never tried to properly understand myself before I always seemed to be wasting time, starting things without finishing. I could not achieve desired outcomes and did not know how to make changes. After the program, I began to make short-term and long-term plans, and tried hard to achieve targets.*
>
> **Dai Yimin, Student from the Beijing Rural Women School**

Case Study: College Financial Education for Better Future Program

The program has been implemented by China Foundation for Poverty Alleviation (CFPA) since 2014. It has developed a set of financial education courses and teaching materials to help raise awareness on the importance of financial management in college students. It also serves to enable them to obtain skills vital to fostering better self-management and self-discipline, and ultimately enabling them to cultivate good financial habits. The program also established a monitoring and evaluation system to assess actual impact.

In 2014, the "Zi Qiang Club" - an on-campus club comprising of both college students from impoverished families and other students - was established for ten selected universities in Beijing and Tianjin. Around 2,000 students registered to participate.

2015 Highlights

Based on assessment results shown from the monitoring and evaluation system, 821 students - out of 1,359 students who successfully completed the program - developed their saving goals and were able to build up personal assets in four months. 234 students were also able to maintain their target personal monthly budget for three consecutive months.

The second phase of the program was rolled out in late 2015. It now covers 15 universities in six cities, around 4,000 students have registered to participate.

> *Through the teaching courses, not only did I accumulate hard skills, I was also able to gradually change my way of thinking. For example, I now understand the importance in developing a habit of keeping track of my finances. After participating in the program, it has also greatly inspired my interest in finance. As written in Robert Shiller's Finance and the Good Society, finance can make the society a better place. However, we must first enhance our financial literacy, which is one of the key reflections of the state of a society.*
>
> **Pu Fei, Level 14 Administrative Professional and a Student at the Nankai University**

Youth Economic Opportunities

To effectively compete for economic opportunities and succeed in the 21st century economy, young people will require a mix of education, employability, entrepreneurship, and leadership skills.

The Citi Foundation is focused on programs that help young people, especially those from disadvantaged families, link education goals with leadership skills training, professional networks, and onramps to employment. This serves to increase the number of low-income youth, aged between 16-25, to join the workforce or start an income-generating business.

> *Our partnership with Citi has spanned over six years now. Over the years, we have together established BNVS' brand and model for our vocational schools. Not only were we able to provide a better future for thousands of impoverished youths in China, we have also established a capable, sustainable and easily replicated model that can continue benefiting young people in the future. Citi's support to one organization has brought far greater social significance than just to BNVS.*
>
> **Diao Wen, BN Vocational School**

Case Study: Citi–BN Vocational School Program

Established in 2005, BN Vocational School (BNVS) is China's first tuition-free, non-profit charitable vocational school offering migrant youth from disadvantaged families with 3-year formal vocational education. All expenses during the three years' study are totally free of charge.

Citi Foundation began supporting BNVS since 2011. Throughout 2014-2015, we have focused on supporting its capacity building efforts. With an aim to further promote its model in China so more disadvantaged youth can be benefited, Citi Foundation has helped BNVS to summarize its successful experiences during the past ten years so it can better demonstrate their longstanding efforts in Citi Foundation also provided provided key support to allow the organization to overcome challenges during its ongoing development process.

2015 Highlights

The successful execution of the pilot BNVS Vocational Educational Workshop provided ongoing support to educational reform and innovation. It is also enabled BNVS to continually strive to realize innovation through introducing new international training methods such as exploring the use of situational learning, utilizing school networks for teaching, bringing in new skills-based curriculum as well as encouraging inter-school exchange for students.

In 2015, BNVS conducted a series of workshop both in China and worldwide to provide skills training and teaching training. They also provided workshops to enable the management team to continually improve internal quality control and supervision. Through providing exchange and training on BNVS' innovative teaching model to over 80 Chinese and international professional teachers, industry professionals and government stakeholders, BNVS was able to expand their reach to support more young people – in particular marginalized migrant youth.

Against the backdrop of government policy surrounding vocational education, BNVS' tuition-free vocational education model has become a successful case model on a national level. This has also helped to increase public awareness on the importance of providing vocational education to migrant youth.

Case Study: Wings to Succeed Program

"The Wings to Succeed" program was officially launched in Shanghai in September 2013 and is implemented by Save the Children, an international nonprofit organization. It focuses on increasing employment prospects in migrant youth by enhancing their soft and hard skills. The phased program has provided soft skills training to 1,320 students from three vocational schools to date. During the initial phase, the program mainly targeted migrant teenagers. In the second phase, the program partnered with vocational schools in Shanghai and migrant communities in Beijing to further deliver vocational and soft skills training. This aims to address employment retention and career development among migrant youth.

> *In cities like Beijing, Shanghai, Guangzhou, migrant youth are relatively vulnerable groups. But they are also the driving force for the development of cities. Vocational education programs funded by the Citi Foundation enhance young people's vocational competencies in a professional way. It is the best investment for the future of the city.*
>
> **Dr. Jia Ying, Shanghai Program Manager, Save the Children**

2015 Highlights

In 2015, the program developed an innovative text book that provides workplace knowledge for the hospitality industry. Incorporating interactive pictures, the publication was provided to 300 migrant youth in Shanghai.

Upon completion of the program, 560 of the 800 migrant youth, who have participated in the program, have markedly demonstrated new entrepreneurship, academic and employability skills. These range from improvement in communication, interview, career planning and other essential workplace skills.

Enterprises Development

While the common perception is that large multinational companies tend to be the lead job creators, in developed countries, small and high–growth enterprises create more jobs than any other segment of the economy. In these countries, small businesses account for 57% of total employment and more than 50% of gross domestic product.

At Citi, we seek to support the launch of micro or small enterprises – specifically, those that can provide employment prospects and income generation opportunities for low-income individuals – to enable entrepreneurs to grow or launch businesses that create jobs and strengthen and transform communities. All our programs aim to ensure alignment on multiple factors, including appropriate financing, human capital development, advancement in product chain and product design, environmental impact and supportive government policies.

Case Study: Chongqing Rural Microenterprise Development Program

Over the past five years, the Chongqing Rural Microenterprise Development Program was implemented by Humana People to People ("HPP") in cooperation with Chongqing's local Poverty Alleviation and Development Office. The program provided around 3,400 household enterprises (13,600 individuals) from villages across Chongqing's rural area with essential technical and field training on sustainable agricultural production and animal husbandry. Participating enterprises saw a marked increase in earning as they obtained advanced skills.

2015 Highlights

In 2015, the program supported 1,700 microenterprises expand or improve their businesses. Most microenterprises reported earnings increase of at least 10%.

> *The project achieved great achievements over these past two years. We have worked closely together with farmers to discover solutions that can overcome their existing challenges. The participants all demonstrated great interest in the program following the annual evaluation, and they hoped to see it can continue providing them support.*
>
> **Zhang Huijun, Program Evaluation Expert at the Yunnan Academy of Social Sciences**

Case Study: Citi Guizhou Indigenous Craftwork Development Program

Launched in 2010, the Citi Guizhou Indigenous Craftwork Development Program was implemented by the Community-Based Conservation and Development Research Center of Guizhou ("CCDRC") and the "Xiaomei Interview", a special column in the Guizhou Daily. It targets to increase income levels of impoverished rural artisan household enterprises in the Guizhou Province by enhancing their production and marketing skills for traditional handicrafts. The program also aims to protect and preserve the traditional skills and culture embedded into the handicrafts. Through strong collaboration amongst corporations, grass-root non-profit organizations and the government, the program sought to create a sustainable development model for impoverished villages to attain three vital benefits: economic, environmental and social.

> *With Citi Foundation's support, the Citi-Guizhou Indigenous Craftwork Development Program has helped equip over 6,000 ethnic minority female artisans in the Guizhou Province with practical skills to increase the quality and production capacity of traditional handcrafts; sustainably manage natural, cultural, and financial resources; and establish effective market relationships between village handcraft cooperatives, commercial enterprises, and urban consumers. With help from Citi's highly professional, accessible, and supportive CSR team, we have pioneered new models for combining poverty alleviation with cultural heritage protection and environmental stewardship.*
>
> **Sarah Horowitz, Program Officer, Community Based Conservations and Development Research Center**

2015 Highlights

Nearly 6,000 households and over 20,000 individuals have benefitted from the program to date. The beneficiaries also reported an increase in average annual income of above 30% year-over-year. The program has also helped to register and establish the Blue Flower Brand – the first local charitable brand – for artisans to sell their products under. The brand also serves as a symbol that allows artisans to leverage and raise awareness for their handicrafts.

A series of public events and exhibitions have also been held to increase understanding and awareness for the heritage surrounding Guizhou's indigenous craftwork. These included *"Blue Flowers in Time: The Stories of 100 Miao Families Philanthropic Sale"* (2011); *"Cross-Boundary I: Guizhou Public Welfare Art Salon and Book Launching"* (2012); *"Born in Villages/Reborn Exhibition and Design Workshop"* (2013); "Cross-Boundary II: Folk Craft Exhibition" (2014); and *"Cross-Boundary III: 5-Year Retrospective Exhibition in Beijing"* (2015).

AWARDS AND RECOGNITIONS

2015 Outstanding Foreign Bank
jrj.com

2015 Best Global Bank and Best Global Corporate Bank in China
The Asset

2015 Best Wealth Management Bank
Oriental Morning Post

Golden Shell Award – Best Foreign Bank in Wealth Management 2015
21st Century Business Herald

2015 Annual Most Trusted Bank by CFOs – Best Global Cash Management Award
TOP CFO

2015 China Best Wealth Management Institution – 2015 China's Best Global Allocation Wealth Management Product
Securities Times

2015 Best Cross-border Treasury Management
Lujiazui Magazine, CBN

2015 Best in Treasury & Working Capital for MNC / LLCs Best Service Provider for E-Solutions
The Asset

2015 Best Foreign Bank Employer in China
Universum

2015 Best Foreign Bank Consumer Satisfaction Award
Bankrate

2015 China CSR Award – Group Award
China Charity Festival

AUDITORS' REPORT

The Board of Directors of Citibank (China) Company Limited:

We have audited the accompanying financial statements of Citibank (China) Company Limited (the "Bank") on page 29 to 112, which comprise the balance sheet as at 31 December 2015, the income statement, the cash flow statement, the statement of changes in owner's equity for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements. This responsibility incudes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and the financial performance and the cash flows of the Bank for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen LLP
Shanghai Branch

Certified Public Accountants Registered in People's Republic of China
Shi Haiyun
Xue Chenjun

China Shanghai
April 22, 2016

CITIBANK (CHINA) COMPANY LIMITED

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2015 TO 31 DECEMBER 2015
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

Citibank (China) Company Limited
Balance Sheet as at 31 December 2015
(Expressed in Renminbi Yuan)

	Note	2015	2014
Assets			
Cash on hand and deposits with central bank	5	32,236,245,751	27,625,131,061
Deposits with inter-banks and non-bank financial institutions	6	18,872,846,668	13,669,061,054
Placements with inter-banks and non-bank financial institutions	7	16,500,427,571	16,541,638,662
Financial assets at fair value through profit or loss	8	6,129,108,305	8,506,538,388
Derivative financial assets	9	2,824,762,203	2,238,549,098
Interest receivable	10	452,165,414	617,321,657
Loans and advances to customers	11	63,905,823,042	66,262,410,248
Available-for-sale financial assets	12	21,053,400,460	20,322,383,530
Fixed assets	13	37,965,957	49,614,382
Intangible assets	14	38,688,781	56,131,813
Deferred tax assets	15	212,219,156	203,174,424
Other assets	16	1,062,930,128	1,539,962,259
Total assets		163,326,583,436	157,631,916,576

The notes on pages 37 to 112 form part of these financial statements.

Citibank (China) Company Limited
Balance Sheet as at 31 December 2015 (continued)
(Expressed in Renminbi Yuan)

	Note	2015	2014
Liabilities and owner's equity			
Liabilities			
Deposits from inter-banks and non-bank financial institutions	17	15,102,693,719	23,930,800,080
Borrowings from inter-banks	18	1,577,571,337	9,105,409,697
Derivative financial liabilities	9	2,510,257,292	2,222,005,781
Deposits from customers	19	124,812,369,754	99,885,561,822
Employee benefits payable	20	246,469,761	311,394,648
Taxes payable	4(3)	255,542,154	246,082,632
Interest payable	21	180,950,407	385,327,849
Other liabilities	22	4,443,736,730	8,401,746,684
Total liabilities		149,129,591,154	144,488,329,193
Owner's equity			
Paid-in capital	23	3,970,000,000	3,970,000,000
Capital reserve	24	25,911,657	24,842,427
Other comprehensive income	25	36,119,265	46,712,731
Surplus reserve	26	968,149,128	861,856,214
General reserve	27	1,762,205,017	1,582,402,522
Retained earnings		7,434,607,215	6,657,773,489
Total owner's equity		14,196,992,282	13,143,587,383
Total liabilities and owner's equity		163,326,583,436	157,631,916,576

These financial statements were approved by the Board of Directors of Citibank (China) Company Limited.

Andrew Au	Timothy Robert Sedgwick	Company stamp
Chief Executive Officer	Chief Financial Officer	

Date: 22 April 2016

The notes on pages 37 to 112 form part of these financial statements.

Citibank (China) Company Limited
Income Statement for the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	2015	2014
Operating income		5,672,621,881	5,511,105,525
Net interest income		2,477,432,261	2,792,407,099
Interest income	29	3,937,889,364	4,486,713,195
Interest expenses		(1,460,457,103)	(1,694,306,096)
Net fee and commission income		1,022,325,132	938,273,379
Fee and commission income	30	1,119,255,745	1,028,039,746
Fee and commission expenses		(96,930,613)	(89,766,367)
Investment income		1,367,643,146	1,092,109,762
Gains from changes in fair value	31	291,222,295	47,812,643
Foreign exchange gains	32	470,096,120	602,330,139
Other operating income		43,902,927	38,172,503
Operating expenses		(4,391,621,576)	(3,548,359,494)
Business taxes and surcharges	4(1)	(330,205,682)	(317,101,421)
General and administrative expenses	33	(3,183,932,587)	(3,087,297,605)
Impairment losses	34	(877,483,307)	(143,960,468)
Operating profit		1,281,000,305	1,962,746,031
Add: Non-operating income		2,663,219	6,163,801
Less: Non-operating expenses		(5,371,635)	(2,097,802)
Profit before income tax		1,278,291,889	1,966,812,030
Less: Income tax expense	4(2), 35	(215,362,754)	(368,683,020)
Net profit for the year		1,062,929,135	1,598,129,010
Other comprehensive income, net of tax:	36		
Item that may be reclassified to profit or loss			
- Gains or losses arising from changes in fair value of available-for-sale financial assets		(10,593,466)	157,900,654
Total comprehensive income for the year		1,052,335,669	1,756,029,664

The notes on pages 37 to 112 form part of these financial statements.

Citibank (China) Company Limited
Cash Flow Statement for the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	2015	2014
Cash flows from operating activities			
Net decrease in deposits with central bank and inter-banks		-	80,642,349
Net decrease in loans and advances to customers		1,555,890,837	-
Net increase in borrowings from inter-banks and non-bank financial institutions		-	6,261,198,954
Net increase in deposits from customers, inter-banks and non-bank financial institutions		13,873,282,302	4,197,422,530
Investment returns received from financial assets at fair value through profit or loss		657,777,090	287,623,290
Interest, fee and commission receipts		5,014,984,652	5,247,653,122
Refund of taxes		7,672,709	11,855,876
Proceeds from other operating activities		469,467,638	596,734,844
Sub-total of cash inflows from operating activities		21,579,075,228	16,683,130,965
Net increase in deposits with central bank and inter-banks		(2,864,492,643)	-
Net increase in deposits with inter-banks with limited usage		(1,713,751,745)	(5,371,966,886)
Payment for acquisition of financial assets at fair value through profit or loss		(1,592,885,716)	(2,209,424,387)
Net increase in loans and advances to customers		-	(5,042,569,024)
Net decrease in borrowings from inter-banks and non-bank financial institutions		(9,581,594,645)	-
Interest, fee and commission payments		(1,756,570,941)	(1,833,262,020)
Payment to and for employees		(1,634,036,378)	(1,484,200,677)
Payment of various taxes		(528,464,299)	(697,713,036)
Payment for other operating activities		(1,420,045,249)	(711,452,945)
Sub-total of cash outflows from operating activities		(21,091,841,616)	(17,350,588,975)
Net cash inflow / (outflow) from operating activities	37(1)	487,233,612	(667,458,010)

The notes on pages 37 to 112 form part of these financial statements.

Citibank (China) Company Limited
Cash Flow Statement for the year ended 31 December 2015 (continued)
(Expressed in Renminbi Yuan)

	Note	2015	2014
Cash flows from investing activities			
Proceeds from disposals of available-for-sale financial assets		17,079,706,723	15,575,151,569
Investment returns received from available-for-sale financial assets		516,228,450	600,050,715
Proceeds from disposals of fixed assets		-	81,000
Sub-total of cash inflows from investing activities		17,595,935,173	16,175,283,284
Payment for acquisition of available-for-sale financial assets		(20,885,317,731)	(16,181,911,629)
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(64,928,971)	(76,806,038)
Sub-total of cash outflows from investing activities		(20,950,246,702)	(16,258,717,667)
Net cash outflow from investing activities		(3,354,311,529)	(83,434,383)
Effect of foreign exchange rate changes on cash and cash equivalents		521,766,560	(239,049,166)
Net decrease in cash and cash equivalents	37(2)	(2,345,311,357)	(989,941,559)
Add: Cash and cash equivalents at the beginning of the year		34,299,424,999	35,289,366,558
Cash and cash equivalents at the end of the year	37(3)	31,954,113,642	34,299,424,999

The notes on pages 37 to 112 form part of these financial statements.

Citibank (China) Company Limited
Statement of Changes in Owner's Equity for the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	Paid-in capital	Capital reserve	Other compre-hensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2015		3,970,000,000	24,842,427	46,712,731	861,856,214	1,582,402,522	6,657,773,489	13,143,587,383
Changes in equity for the year								
1.Total comprehensive income		-	-	(10,593,466)	-	-	1,062,929,135	1,052,335,669
2.Owner's contributions								
- Equity-settled share-based payment	24	-	1,069,230	-	-	-	-	1,069,230
3.Appropriation of profits								
- Appropriation for surplus reserve	26, 28	-	-	-	106,292,914	-	(106,292,914)	-
- Appropriation for general reserve	27, 28	-	-	-	-	179,802,495	(179,802,495)	-
Subtotal of 1 to 3		-	1,069,230	(10,593,466)	106,292,914	179,802,495	776,833,726	1,053,404,899
Balance at 31 December 2015		3,970,000,000	25,911,657	36,119,265	968,149,128	1,762,205,017	7,434,607,215	14,196,992,282

The notes on pages 37 to 112 form part of these financial statements.

Citibank (China) Company Limited
Statement of Changes in Owner's Equity for the year ended 31 December 2014
(Expressed in Renminbi Yuan)

	Note	Paid-in capital	Capital reserve	Other compre-hensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2014		3,970,000,000	24,942,842	(111,187,923)	702,043,313	1,476,690,285	5,325,169,617	11,387,658,134
Changes in equity for the year								
1. Total comprehensive income		-	-	157,900,654	-	-	1,598,129,010	1,756,029,664
2. Owner's contributions								
- Equity-settled								
share-based payment	24	-	(100,415)	-	-	-	-	(100,415)
3. Appropriation of profits								
- Appropriation for								
surplus reserve	26, 28	-	-	-	159,812,901	-	(159,812,901)	-
- Appropriation for								-
general reserve	27, 28	-	-	-	-	105,712,237	(105,712,237)	
Subtotal of 1 to 3			(100,415)	157,900,654	159,812,901	105,712,237	1,332,603,872	1,755,929,249
Balance at 31 December 2014		3,970,000,000	24,842,427	46,712,731	861,856,214	1,582,402,522	6,657,773,489	13,143,587,383

The notes on pages 37 to 112 form part of these financial statements.

01 General information

Citibank (China) Company Limited ("Citibank China" or the "Bank") is a wholly foreign-owned bank incorporated in Shanghai, the People's Republic of China ("PRC"), established by Citibank, N.A. ("Citibank"). The Bank's ultimate controlling party is Citigroup Inc..

With the approval of the China Banking Regulatory Commission ("CBRC") issued on 22 December 2006, Citibank transformed its Shanghai Branch, Shenzhen Branch, Guangzhou Branch, Beijing Branch, Tianjin Branch and Chengdu Branch which were set up in China during 1988 to 2005 into Citibank China, a wholly foreign-owned bank invested solely by Citibank.

The Bank obtained a financial license on 20 March 2007 and a business license (qi du hu zong zi No. 043865) [Municipal Bureau] issued by the Shanghai Administration for Industry and Commerce on 29 March 2007, and subsequently obtained a revised license (No. 310000400507900) [Municipal Bureau] from the Shanghai Administration for Industry and Commerce after commencement of operation. Pursuant to the requirements of the Notice on Relevant Issues Regarding the Adoption of the New Version of Business License issued by the State Administration for Industry and Commerce on 17 February 2014, the Bank obtained a new version of business license (No.31000400507900) on 27 February 2015. The Bank's registered capital is Renminbi 3,970,000,000. In accordance with the Bank's business license, the Bank has an undefined operating period from 29 March 2007. The Bank commenced operation on 2 April 2007 and its scope of operation includes partial or full scope foreign currency business and Renminbi business, approved by relevant regulators.

As at 31 December 2015, the Bank had 13 branches and 41 sub-branches in Shanghai, Shenzhen, Guangzhou, Beijing, Tianjin, Chengdu, Hangzhou, Dalian, Chongqing, Guiyang, Nanjing, Changsha, and Wuxi. The Bank's head office is in Shanghai.

02 Basis of preparation

These financial statements have been translated into English from the Bank's statutory financial statements issued in the PRC in Chinese.

The financial statements have been prepared on the going concern basis.

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises ("CAS"). These financial statements present truly and completely the financial position of the Bank as at 31 December 2015, the financial performance and the cash flows of the Bank for the year then ended.

(2) Accounting year

The Bank's accounting year is from 1 January to 31 December.

(3) Functional currency and presentation currency

The Bank's functional currency is Renminbi. These financial statements are presented in Renminbi. Functional currency is determined by the Bank on the basis of the currency in which major income and costs are denominated and settled.

03 Significant accounting policies and accounting estimates

(1) Translation of foreign currencies

When the Bank receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition,

03 Significant accounting policies and accounting estimates (continued)

(1) Translation of foreign currencies (continued)

translated to Renminbi at the spot exchange rates on the dates of the transactions.translated to Renminbi at the spot exchange rates on the dates of the transactions. A spot exchange rate is an exchange rate quoted by the People's Bank of China ("PBOC"), the State Administration of Foreign Exchanges or a cross rate determined based on quoted exchange rates.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date and the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

(2) Financial instruments

Financial instruments of the Bank include cash on hand and deposits with central bank, deposits with inter-banks and non-bank financial institutions, placements with inter-banks and non-bank financial institutions, financial assets at fair value through profit or loss, derivative financial assets, interest receivable, loans and advances to customers, available-for-sale financial assets, deposits from inter-banks and non-bank financial institutions, borrowings from inter-banks, derivative financial liabilities, deposits from customers, interest payable and paid-in capital.

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Bank becomes a party to the contractual provisions of a financial instrument.

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

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

Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

- Loans and receivables are measured at amortised cost using the effective interest method.

- Held-to-maturity investments are measured at amortised cost using the effective interest method.

- Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost. Other available-for-sale financial assets are measured at fair value and changes therein are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income is recognised in profit or loss when the investee approves the dividends. Interest is recognised in profit or loss using the effective interest method.

- Financial liabilities other than those at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. However, a financial guarantee issued by the Bank is subsequently measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note 3(11)).

(b) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Bank currently has a legally enforceable right to set off the recognised amounts; and

- the Bank intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(c) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Bank's contractual rights to the cash flows from the financial asset expire or if the Bank transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity

The Bank derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged or cancelled or expires.

(d) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in owner's equity.

Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from owner's equity.

(3) Cash and cash equivalents

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

(4) Fixed assets

Fixed assets represent the tangible assets held by the Bank for administrative purposes with useful lives over one year. Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(7)(b)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs, and any other costs directly attributable to bringing the asset to working condition for its intended use.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Bank, and the carrying amount of the replaced part is derecognised.

03 Significant accounting policies and accounting estimates (continued)

The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred. Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Asset type	Estimated useful life	Residual value rate	Depreciation rate
Office and other equipment	3-5 years	0%	20%-33.33%
Motor vehicles	5 years	0%	20%

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

(5) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(6) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 3(7)(b)). For an intangible asset with a finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale. At the balance sheet date, the Bank's intangible assets consist of software, which is amortised over three to ten years.

(7) Impairment of assets

Except for impairment of assets set out in Note 3(10), impairment of assets is accounted for using the following principles:

(a) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

- Loans and receivables and held-to-maturity investments

Loans and receivables and held-to-maturity investments are assessed for impairment on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a loan and receivable or held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where loans and receivables or held-to-maturity investments share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, after an impairment loss has been recognised on loans and receivables or held-to-maturity investments, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

- Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis and on a collective group basis as follows. When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognised directly in equity is reclassified to profit or loss even though the financial asset has not been derecognised. If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

(b) Impairment of other assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- intangible assets

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Bank estimates the recoverable amounts of intangible assets not ready for use at least at each year-end irrespective of whether there is any indication of impairment.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note 3(8)) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of the assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(8) Fair value measurement

Unless otherwise specified, the Bank measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

03 Significant accounting polices and accounting estimates (continued)

When measuring fair value, the Bank takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(9) Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits – defined contribution plans

The defined contribution plans participated in by the Bank include basic pension insurance in the social insurance system and annuity plan.

Pursuant to the relevant laws and regulations of the PRC, the Bank participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Bank makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

Besides, the Bank provides an annuity plan to the eligible employees. The Bank makes annuity contributions in proportion to its employees' gross salaries on an accrual basis.

(c) Share-based payments

Share-based payment transactions in the Bank are equity-settled share-based payments.

When the Bank uses shares or other equity instruments as consideration for services received from employees, the payment is measured at the fair value of the equity instruments granted to the employees, in accordance with CAS 11 – Share-based Payments. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is fully recognised as costs or expenses on the grant date, with a corresponding increase in capital reserve. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Bank recognises an amount during the vesting period, based on the best estimate of the number of equity instruments expected to vest. The Bank measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Bank receives services but has no obligation to settle the transaction because the relevant equity instruments are issued by the Bank's ultimate parent, the Bank also classifies the transaction as equity-settled.

(d) Termination benefits

When the Bank terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Bank cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal.

- When the Bank has a formal detailed employee termination plan or curtailment proposal involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or proposal or announcing its main features to those affected by it.

(e) Other long-term employee benefits

Other long-term employee benefits represent the Bank's payment obligation in exchange for services rendered by employees, which is computed based on certain standards. The obligation is settled after twelve months after the end of the annual reporting period.

(10) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Bank has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and

- they relate to income taxes levied by the same tax authority on either:

- the same taxable entity; or

- different taxable entities which intend either to settle the current tax liabilities and assets on a net basis, or to

03 Significant accounting policies and accounting estimates (continued)

realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(11) Provisions

A provision is recognised for an obligation related to a contingency if the Bank has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

(12) Fiduciary activities

The Bank acts in a fiduciary capacity as a custodian, trustee or an agent for its customers. Assets held by the Bank and the related undertakings to return such assets to customers are excluded from the financial statements as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Bank enters into entrusted loan agreements with customers, whereby the customers provide funding (entrusted funds) to the Bank, and the Bank grants loans to third parties (entrusted loans) at the instruction of the customers. As the Bank does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

Wealth management business refers to agreements between the Bank and its customers to raise funds from them for investment in the assets of the Bank or third parties. In this business, the Bank performs its management duties and collects corresponding fees in accordance with the relevant agreements. As the Bank does not assume the risks and rewards of the funds and investments of the wealth management business, the corresponding funds and investments are recorded as off-balance sheet items.

(13) Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Bank's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Bank, the revenue and costs can be measured reliably and the following conditions are met:

(a) Interest income

Interest income arising from the use by others of entity assets is recognised in the income statement based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

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

(b) Fee and commission income

Fee and commission income is recognised in the income statement when the corresponding service is provided.

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

(14) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Bank except for capital contributions from the government in the capacity as a shareholder of the Bank. Special transfers from the government, such as investment grants that have been clearly defined in official documents as part of "capital reserve" are also dealt with as capital contributions rather than government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Bank will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Bank for expenses to be incurred in the future is recognised initially as deferred income, and released to profit or loss in the periods in which the expenses are recognised. A grant that compensates the Bank for expenses already incurred is recognised in profit or loss immediately.

(15) Profit distributions to owners

Distributions of profit proposed in the profit appropriation plan to be authorised by the Board of Directors and declared after the balance sheet date are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

(16) Related parties

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

(17) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Bank's internal organisation, management requirements and internal reporting system after taking materiality principle into account.

Two or more operating segments may be aggregated into a single operating segment if the segments have the same or similar economic characteristics and are similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute

03 Significant accounting policies and accounting estimates (continued)

the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the Bank's financial statements.

(18) Significant accounting estimates and judgements

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

(a) Impairment losses of loans and advances

The Bank reviews the portfolios of loans and advances periodically to assess whether impairment losses exist and if they exist, an impairment loss is recognised. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio. The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. When loans and advances are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows periodically to reduce any difference between estimated and actual losses.

(b) Fair value of financial instruments

Financial instruments are carried at fair value in the financial statements. The Bank adopts the valuation techniques applicable in current circumstance and supported by sufficient available data and other information, to make the estimate on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In adopting the valuation techniques, the Bank makes sure of the priority of use on observable inputs. However, in the case that the observable inputs are not able to be obtained or it is not feasible to obtain such inputs, the Bank will use unobservable inputs and makes sure that the relevant valuation techniques reflects the observable market data. The unobservable inputs reflect the most proper assumptions used by information-obtainable market participants in relevant assets or liabilities pricing. It shall be noted that some valuation techniques require management estimates and assumptions. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

(c) Impairment of fixed assets and intangible assets

As described in Note 3(7)(b), fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, related assets are regarded as impaired and impairment losses recognised accordingly.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of the expected future cash flows. When a market price of the asset (the asset group) cannot be obtained reliably, and the fair value of the asset cannot be estimated reliably, the recoverable amount is calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flows, significant judgements are exercised to estimate the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumptions.

(d) Depreciation and amortization of assets such as fixed assets and intangible assets

As described in Note 3(4) and 3(6), fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

(e) Deferred income tax

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Bank recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Bank exercises judgements about the estimated timing and amount of taxable profits of the following periods, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. Differences between such estimates and the actual timing and amount of future taxable profits and the actual applicable tax rates affect the amount of deferred tax assets that should be recognised.

04 Taxation

The major types of taxes applicable to the Bank and the tax rates are as follows:

(1) Business tax

Business tax is charged at 5% on taxable income (2014: 5%).

(2) Income tax

The statutory income tax rate applicable to the Bank is 25%. The applicable income tax rate for the year is the statutory rate (2014: 25%).

(3) Taxes payable

	2015	2014
Income tax payable	132,958,123	111,489,967
Business taxes and surcharges payable	78,495,251	89,738,459
Withholding taxes payable	44,088,780	44,854,206
Total	255,542,154	246,082,632

05 Cash on hand and deposits with central bank

	Note	2015	2014
Cash on hand		217,546,299	240,275,817
Statutory deposit reserves with central bank	(1)	14,863,695,863	15,462,192,754
Surplus deposit reserve with central bank	(2)	13,692,014,055	11,922,662,490
Foreign exchange risk reserve with central bank	(3)	3,462,989,534	-
Total		32,236,245,751	27,625,131,061

(1) The Bank places statutory deposit reserves with the People's Bank of China ("PBOC") in accordance with the Regulation of the PRC on the Administration of Foreign-funded Banks (the "Administrative Regulation") and relevant regulations. The statutory deposit reserves are not available for use in the Bank's daily business. As at the balance sheet date, the statutory deposit reserve rates applicable to the Bank were as follows:

	2015	2014
Renminbi deposits	15.5%	18%
Foreign currency deposits	5%	5%

(2) The surplus deposit reserves are maintained with the PBOC mainly for settlement purposes.

(3) The Bank places foreign exchange risk reserve with the PBOC in accordance with relevant regulation since October 2015. As at 31 December 2015, the foreign exchange reserve rate is 20% of contract amount of forward foreign exchange selling transactions for the previous month.

06 Deposits with inter-banks and non-bank financial institutions

(1) Analysed by counterparty

	Note	2015	2014
Deposits with other banks			
- in Mainland China		9,166,210,911	803,496,887
- outside Mainland China	6(1)(a)	9,644,116,545	12,828,837,068
Subtotal		18,810,327,456	13,632,333,955
Deposits with non-bank financial institutions in Mainland China		110,739,421	98,982,269
Subtotal		18,921,066,877	13,731,316,224
Less:Allowance for impairment losses	6(2)	(48,220,209)	(62,255,170)
Total		18,872,846,668	13,669,061,054

(a) As at 31 December 2015, the Bank's deposits with other banks outside Mainland China included the part of the investment funds regarding custodian services absorbed from Qualified Domestic Institutional Investors business ("QDII"), which was temporarily placed in investment settlement accounts of other custodian bank outside Mainland China, amounting to Renminbi 7,085,718,631 equivalent. The Bank operates these deposits with inter-banks upon receiving instructions from QDII customers. These deposits with inter-banks were with limited usage (2014: Renminbi 5,371,966,886 equivalent).

(2) Movements of allowance for impairment losses

	Note	2015	2014
As at 1 January		62,255,170	31,885,890
(Reversal) / charge for the year	34	(14,034,961)	30,369,280
As at 31 December		48,220,209	62,255,170

07 Placements with inter-banks and non-bank financial institutions

(1) Analysed by counterparty

	Note	2015	2014
Placements with inter-banks			
- in Mainland China		6,594,443,030	2,850,474,887
- outside Mainland China		1,890,141,136	6,094,231,849
Subtotal		8,484,584,166	8,944,706,736
Placements with non-bank financial institutions in Mainland China		8,039,160,000	7,638,400,000
Subtotal		16,523,744,166	16,583,106,736
Less:Allowance for impairment losses	7(2)	(23,316,595)	(41,468,074)
Total		16,500,427,571	16,541,638,662

(2) Movements of allowance for impairment losses

	Note	2015	2014
As at 1 January (Reversal) / charge for the year	34	41,468,074 (18,151,479)	41,050,762 417,312
As at 31 December		23,316,595	41,468,074

08 Financial assets at fair value through profit or loss

	2015	2014
Bond investments held for trading	6,129,108,305	8,506,538,388

The bonds investments held for trading are issued by the following institutions and stated at fair value:

	2015	2014
The PBOC	4,290,472,485	259,320,360
The Ministry of Finance of the PRC ("MOF")	1,254,667,560	4,324,113,883
Policy banks	512,004,340	3,656,658,905
Inter-banks and non-bank financial institutions	71,963,920	266,445,240
Total	6,129,108,305	8,506,538,388

09 Derivatives financial instruments

	2015			2014		
	Notional Amounts	Fair Value		Notional Amounts	Fair Value	
	Total	Assets	Liabilities	Total	Assets	Liabilities
Interest rate derivatives:						
Interest rate swap	180,380,884,153	463,518,388	424,984,581	181,881,600,728	486,441,692	362,643,955
Interest rate option	2,387,405,137	680,339	2,878,575	4,154,280,213	191,243	1,445,952
	182,768,289,290	464,198,727	427,863,156	186,035,880,941	486,632,935	364,089,907
Currency derivatives:						
Currency options	16,726,054,316	72,833,690	66,341,518	7,712,243,434	19,282,910	17,722,854
Forwards	251,117,593,921	2,236,765,108	1,965,087,940	239,038,215,303	1,693,613,230	1,801,172,997
	267,843,648,237	2,309,598,798	2,031,429,458	246,750,458,737	1,712,896,140	1,818,895,851
Other derivatives:						
Commodity swaps	2,068,262,389	38,796,603	38,796,603	721,669,913	27,654,152	27,654,152
Equity swaps	777,423,430	12,168,075	12,168,075	1,667,981,344	11,365,871	11,365,871
	2,845,685,819	50,964,678	50,964,678	2,389,651,257	39,020,023	39,020,023
Total	453,457,623,346	2,824,762,203	2,510,257,292	435,175,990,935	2,238,549,098	2,222,005,781

10 Interest receivable

Movements of interest receivable during the year are as follows:

	Balance at 1 January 2015	Addition during the year	Decrease during the year	Balance at 31 December 2015
Interest receivable	617,321,657	4,016,712,343	(4,181,868,586)	452,165,414

11 Loans and advances to customers

(1) Analysed by nature

	Note	2015	2014
Corporate loans and advances			
- loans		34,729,340,764	37,922,507,225
- discounted bills		7,663,639,023	8,687,433,758
Personal loans and advances			
- residential mortgages		16,534,047,646	15,654,968,528
- personal consumer loans		1,674,137,053	1,637,858,312
- credit cards		4,535,704,078	3,015,114,530
Gross loans and advances		65,136,868,564	66,917,882,353
Less:Allowances for impairment losses	11(6)	(1,231,045,522)	(655,472,105)
Net loans and advances to customers		63,905,823,042	66,262,410,248

11 Loans and advances to customers (continued)

(2) Analysed by industry sector

	Note	2015 Amount	2015 %	2014 Amount	2014 %
Manufacturing		18,802,491,710	29%	17,551,524,789	26%
Wholesale and retail trade		4,789,473,609	7%	6,694,202,615	10%
Leasing and commercial services		4,056,670,649	6%	2,335,956,866	4%
Financial services		1,775,428,898	3%	5,891,362,273	9%
Mining		1,770,846,151	3%	945,849,378	1%
Telecommunications, IT services and software		1,203,294,495	2%	1,243,521,389	2%
Hotel and restaurant		925,634,887	1%	839,806,501	1%
Transportation, storage and postal services		745,242,095	1%	1,690,586,671	3%
Culture, sports and entertainment		393,440,875	1%	400,384,158	1%
Fisheries and agriculture		90,098,708	*0%	58,689,346	*0%
Resident services and other services		88,555,741	*0%	22,689,117	*0%
Real estate		53,154,314	*0%	104,319,603	*0%
Production and supply of electricity, gas and water		3,133,613	*0%	127,275,200	*0%
Others		31,875,019	*0%	16,339,319	*0%
Subtotal		34,729,340,764	53%	37,922,507,225	57%
Discounted bills		7,663,639,023	12%	8,687,433,758	13%
Personal loans and advances		22,743,888,777	35%	20,307,941,370	30%
Gross loans and advances		65,136,868,564	100%	66,917,882,353	100%
Less: Allowances for impairment losses	11(6)	(1,231,045,522)		(655,472,105)	
Net loans and advances to customers		63,905,823,042		66,262,410,248	

* The percentages of these items are less than 1%.

11 Loans and advances to customers (continued)

(3) Analysed by geographical sector

	Note	2015 Amount	2015 %	2014 Amount	2014 %
Yangtze River Delta		35,702,076,501	55%	37,982,885,118	57%
Bohai Rim		15,755,683,716	24%	12,923,573,721	19%
Pearl River Delta		11,365,711,690	17%	13,086,388,018	20%
Middle and western region		1,712,443,036	3%	2,312,020,342	3%
Northeastern region		600,953,621	1%	613,015,154	1%
Gross loans and advances		65,136,868,564	100%	66,917,882,353	100%
Less: Allowance for impairment losses	11(6)	(1,231,045,522)		(655,472,105)	
Net loans and advances to customers		63,905,823,042		66,262,410,248	

(4) Analysed by security type

	Note	2015	2014
Unsecured loans		32,261,059,437	31,298,405,222
Guaranteed loans		12,750,614,103	13,641,901,139
Secured loans		20,125,195,024	21,977,575,992
- by tangible assets other than monetary assets		17,748,724,047	17,066,971,949
- by monetary assets		2,376,470,977	4,910,604,043
Gross loans and advances		65,136,868,564	66,917,882,353
Less: Allowance for impairment losses	11(6)	(1,231,045,522)	(655,472,105)
Net loans and advances to customers		63,905,823,042	66,262,410,248

(5) Overdue loans analysed by overdue period

2015

	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and three years (inclusive)	Over three years	Total
Unsecured loans	84,409,528	98,488,593	2,066,587	139,451	185,104,159
Guaranteed loans	3,527,853	62,056,528	32,135,972	-	97,720,353
Secured loans	55,186,666	182,396,411	83,828,622	11,409,947	332,821,646
- by tangible assets other than monetary assets	55,186,666	182,396,411	83,828,622	11,409,947	332,821,646
Total	143,124,047	342,941,532	118,031,181	11,549,398	615,646,158

2014

	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and three years (inclusive)	Over three years	Total
Unsecured loans	78,141,901	109,540,971	8,329,541	1,644,430	197,656,843
Guaranteed loans	43,744,545	69,066,913	15,251,076	2,799,503	130,862,037
Secured loans	60,853,579	74,603,414	73,534,912	94,472,314	303,464,219
- by tangible assets other than monetary assets	57,007,631	74,603,414	73,534,912	94,472,314	299,618,271
- by monetary assets	3,845,948	-	-	-	3,845,948
Total	182,740,025	253,211,298	97,115,529	98,916,247	631,983,099

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue.

11 Loans and advances to customers (continued)

(6) Movements of allowances for impairment losses

2015

	Note	Collective assessment	Individual assessment	Total
As at 1 January		243,761,903	411,710,202	655,472,105
Charge for the year	34	501,354,285	418,373,378	919,727,663
Written off for the year		-	(356,306,595)	(356,306,595)
Recoveries of loans and advances previously written off		-	1,807,765	1,807,765
Exchange differences		10,344,584	-	10,344,584
As at 31 December		755,460,772	475,584,750	1,231,045,522

2014

	Note	Collective assessment	Individual assessment	Total
As at 1 January		331,332,619	263,485,385	594,818,004
(Reversal) / charge for the year	34	(88,250,758)	194,382,817	106,132,059
Unwinding of discount		-	(50,084)	(50,084)
Written off for the year		-	(46,126,853)	(46,126,853)
Exchange differences		680,042	18,937	698,979
As at 31 December		243,761,903	411,710,202	655,472,105

As at 31 December 2015, the Bank's loan provision ratio was 1.89% (2014: 0.98%), the provision coverage ratio was 256.78% (2014: 134.30%).

Loan provision ratio represents ratio of loan loss provision over gross loans and advances to customers at the balance sheet date. Provision coverage ratio represents ratio of loan loss provision over non-performing loans. According to the five-tier risk classification in the Notice of the CBRC on Distributing the Guidelines on Loan Risk Classification (Yin Jian Fa [2007] No. 54), non-performing loans represent loans and advances classified as substandard, doubtful and loss.

(7) Restructured loans and advances to customers

	2015	2014
Restructured loans and advances to customers	-	93,636,519

12 Available-for-sale financial assets

	2015	2014
Bond investments	21,053,400,460	20,322,383,530

The available-for-sale bond investments are issued by the following institutions and stated at fair value:

	2015	2014
The MOF	19,946,532,960	20,222,644,930
The PBOC	1,106,867,500	99,738,600
Total	21,053,400,460	20,322,383,530

As at 31 December 2015, management considered that no allowance for impairment losses on available-for-sale financial assets was necessary (2014: nil).

13 Fixed Assets

	Office & other equipment	Motor vehicles	Total
Cost			
As at 1 January 2014	363,840,662	4,498,155	368,338,817
Additions during the year	16,361,590	-	16,361,590
Disposals during the year	(35,373,426)	(387,938)	(35,761,364)
As at 31 December 2014	344,828,826	4,110,217	348,939,043
Additions during the year	13,064,444	-	13,064,444
Disposals during the year	(13,594,673)	(250,940)	(13,845,613)
As at 31 December 2015	344,298,597	3,859,277	348,157,874
Less: Accumulated depreciation			
As at 1 January 2014	(302,789,159)	(3,166,373)	(305,955,532)
Charge for the year	(27,735,028)	(383,756)	(28,118,784)
Written off on disposal	34,361,717	387,938	34,749,655
As at 31 December 2014	(296,162,470)	(3,162,191)	(299,324,661)
Charge for the year	(23,980,362)	(270,865)	(24,251,227)
Written off on disposal	13,133,031	250,940	13,383,971
As at 31 December 2015	(307,009,801)	(3,182,116)	(310,191,917)
Carrying amount			
As at 31 December 2015	37,288,796	677,161	37,965,957
As at 31 December 2014	48,666,356	948,026	49,614,382

As at 31 December 2015, management considered that no allowance for impairment losses on fixed assets was necessary (2014: nil).

14 Intangible assets

	Software
Cost	
Balance at 1 January 2014	174,699,426
Additions during the year	3,293,152
As at 31 December 2014	177,992,578
Additions during the year	218,898
Disposal during the year	(2,616,479)
Balance at 31 December 2015	175,594,997
Less: Accumulated amortisation	
Balance at 1 January 2014	(105,344,072)
Charge for the year	(16,516,693)
Balance at 31 December 2014	(121,860,765)
Charge for the year	(15,110,521)
Written off on the disposal	65,070
Balance at 31 December 2015	(136,906,216)
Carrying amounts	
At 31 December 2015	38,688,781
At 31 December 2014	56,131,813

As at 31 December 2015, management considered that no allowance for impairment losses on intangible assets was necessary (2014: nil).

15 Deferred tax assets

	Deferred tax assets/(liabilities)			
	Balance at 1 January 2015	Current year increase/decrease charged to profit or loss	Current year increase/decrease recognised in equity	Balance at 31 December 2015
Fair value adjustments for derivative financial instruments	(3,524,661)	(79,188,647)	-	(82,713,308)
Fair value adjustments for available-for-sale financial assets	(15,570,911)	-	3,531,156	(12,039,755)
Fair value adjustments for financial assets at fair value through profit or loss	(1,545,080)	(2,924,356)	-	(4,469,436)
Adjustments for accrued expenses	196,876,535	(74,674,591)	-	122,201,944
Allowance for impairment losses against assets	17,054,998	169,987,689	-	187,042,687
Others	9,883,543	(7,686,519)	-	2,197,024
Total	203,174,424	5,513,576	3,531,156	212,219,156

At the balance sheet dates, the deferred tax assets and liabilities on the balance sheet, after offsetting each other, were as follows:

	2015	2014
Deferred tax assets	311,441,655	223,815,076
Deferred tax liabilities	(99,222,499)	(20,640,652)
Total	212,219,156	203,174,424

16 Other assets

	Note	2015	2014
Suspense settlement		544,266,050	1,072,864,785
Deferred expenses		191,997,804	196,376,697
Refundable deposits		174,396,393	140,173,905
Leasehold improvements		173,103,295	164,991,776
Others		-	37,871
Subtotal		1,083,763,542	1,574,445,034
Less: Allowance for impairment losses	16(1)	(20,833,414)	(34,482,775)
Total		1,062,930,128	1,539,962,259

(1) Movements of provisions for other assets

	Note	2015	2014
As at 1 January		34,482,775	27,341,850
(Reversal) / charge for the year	34	(10,057,916)	7,041,817
Written off for the year		(4,184,550)	-
Exchange differences		593,105	99,108
As at 31 December		20,833,414	34,482,775

17 Deposits from inter-banks and non-bank financial institutions

	2015	2014
Deposits from inter-banks		
- in Mainland China	119,897,333	114,825,373
- outside Mainland China	4,750,770,956	11,492,284,833
Subtotal	4,870,668,289	11,607,110,206
Deposits from non-bank financial institutions		
- in Mainland China	1,122,085,568	849,646,326
- outside Mainland China	9,109,939,862	11,474,043,548
Subtotal	10,232,025,430	12,323,689,874
Total	15,102,693,719	23,930,800,080

18 Borrowings from other banks

	2015	2014
Borrowings from other banks		
- outside Mainland China	1,577,571,337	9,105,409,697

19 Deposits from customers

	2015	2014
Current deposits		
- corporate customers	71,536,521,309	56,077,137,472
- personal customers	6,314,455,717	5,401,036,277
Subtotal of current deposits	77,850,977,026	61,478,173,749
Time deposits (including call deposits)		
- corporate customers	38,429,914,664	29,385,696,708
- personal customers	8,290,136,417	8,917,560,941
Subtotal of time deposits	46,720,051,081	38,303,257,649
Other deposits		
- inward and outward remittances	241,341,647	104,130,424
Total	124,812,369,754	99,885,561,822

20 Employee benefits payable

	Note	2015	2014
short-term employees benefits	(1)	214,360,705	271,078,110
post-employment benefits			
- defined contribution plans	(2)	13,522,416	16,837,177
Other long-term employee benefits	(3)	18,586,640	14,313,620
Termination benefits		-	9,165,741
Total		246,469,761	311,394,648

20 Employee benefits payable (continued)

(1) Short-term employee benefits

	2015			
	Balance at 1 January 2015	Accrued during the year	Paid during the year	Balance at 31 December 2015
Salaries, bonuses, allowances	253,112,318	1,300,196,370	(1,350,214,958)	203,093,730
Social insurances	14,352,258	58,352,391	(64,960,884)	7,743,765
Medical insurance	13,257,624	51,575,367	(58,221,159)	6,611,832
Work-related injury insurance	459,889	2,303,313	(2,289,443)	473,759
Maternity insurance	634,745	4,473,711	(4,450,282)	658,174
Housing fund	3,613,534	44,977,503	(45,067,827)	3,523,210
Non-monetary benefits	-	43,801,729	(43,801,729)	-
Other short-term employee benefits	-	21,820,503	(21,820,503)	-
Total	271,078,110	1,469,148,496	(1,525,865,901)	214,360,705

	2014			
	Balance at 1 January 2014	Accrued during the year	Paid during the year	Balance at 31 December 2014
Salaries, bonuses, allowances	215,014,504	1,209,422,902	(1,171,325,088)	253,112,318
Social insurances	6,282,057	54,218,872	(46,148,671)	14,352,258
Medical insurance	5,578,338	47,861,619	(40,182,333)	13,257,624
Work-related injury insurance	329,306	2,161,542	(2,030,959)	459,889
Maternity insurance	374,413	4,195,711	(3,935,379)	634,745
Housing fund	2,812,929	40,167,200	(39,366,595)	3,613,534
Non-monetary benefits	-	39,372,312	(39,372,312)	-
Other short-term employee benefits	-	62,773,720	(62,773,720)	-
Total	224,109,490	1,405,955,006	(1,358,986,386)	271,078,110

Non-monetary benefits mainly include rental residence and other welfare provided to employees. Relevant amounts are measured based on the rent or service charges paid by the Bank.

(2) Post-employment benefits-defined contribution plans

	2015			
	Balance at 1 January 2015	Accrued during the year	Paid during the year	Balance at 31 December 2015
Basic pension insurance	12,557,562	96,255,560	(99,579,186)	9,233,936
Unemployment insurance	1,081,111	6,421,823	(6,386,680)	1,116,254
Annuity	3,198,504	35,827,159	(35,853,437)	3,172,226
Total	16,837,177	138,504,542	(141,819,303)	13,522,416

	2014			
	Balance at 1 January 2014	Accrued during the year	Paid during the year	Balance at 31 December 2014
Basic pension insurance	10,384,238	94,060,112	(91,886,788)	12,557,562
Unemployment insurance	690,915	6,440,643	(6,050,447)	1,081,111
Annuity	2,977,504	34,083,642	(33,862,642)	3,198,504
Total	14,052,657	134,584,397	(131,799,877)	16,837,177

(3) Other long-term employee benefits

	2015	2014
Balance at 31 December	18,586,640	14,313,620

Other long-term employee benefits represent deferred cash awards, which the Bank has granted to eligible employees based on Citigroup internal policies and the Regulatory Guidelines for the Stability of Remuneration in Commercial Banks issued by the CBRC. Instalments of deferred cash awards are paid to employees in certain proportion over the deferral period.

21 Interest payable

Movements of interest payable during the year are as follows:

	Balance at 1 January 2015	Addition during the year	Decrease during the year	Balance at 31 December 2015
Interest payable	385,327,849	1,442,971,021	(1,647,348,463)	180,950,407

22 Other liabilities

	2015	2014
Cash collaterals	2,758,229,877	4,981,001,523
Suspensed settlement	1,050,917,326	2,759,526,735
Accrued expenses	350,896,026	349,461,505
Deferred income	104,471,399	130,875,135
Others	179,222,102	180,881,786
Total	4,443,736,730	8,401,746,684

23 Paid-in capital

As at 31 December, the Bank's registered capital and paid-in capital are as follows:

	2015 and 2014	
Registered capital and paid-in capital	Amount	%
Citibank	3,970,000,000	100%

Capital contributions in foreign currency were translated into Renminbi at the exchange rate at the date of the contributions received as quoted by the PBOC.

Certified Public Accountants have verified the above paid-in capital and issued related capital verification reports.

24 Capital reserve

2015

	Balance at the beginning of the year	Addition during the year	Balance at the end of the year
Equity-settled share-based payments	24,842,427	1,069,230	25,911,657

2014

	Balance at the beginning of the year	Decrease during the year	Balance at the end of the year
Equity-settled share-based payments	24,942,842	(100,415)	24,842,427

25 Other comprehensive income

	Gain or losses arising from changes in fair value of available-for-sale financial assets
Balance at 1 January 2014	(111,187,923)
Increase during the year	157,900,654
Balance at 31 December 2014	46,712,731
Decrease during the year	(10,593,466)
Balance at 31 December 2015	36,119,265

26 Surplus reserve

The statutory surplus reserve is as follows:

	Note	Statutory surplus reserve
Balance at 1 January 2014		702,043,313
Profit appropriation	28(1)	159,812,901
Balance at 31 December 2014		861,856,214
Profit appropriation	28(1)	106,292,914
Balance at 31 December 2015		968,149,128

27 General reserve

	Note	General reserve appropriated in accordance with the regulations issued by the MOF
Balance at 1 January 2014		1,476,690,285
Profit appropriation	28(2)	105,712,237
Balance at 31 December 2014		1,582,402,522
Profit appropriation	28(2)	179,802,495
Balance at 31 December 2015		1,762,205,017

According to the Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises (Cai Jin [2012] No.20) issued by the MOF on 30 March 2012, a financial enterprise shall appropriate from net profits an amount of not less than 1.5% of its risk-bearing assets at the year-end as general reserve. Where the general provision ratio cannot reach 1.5% immediately, it is acceptable to reach the ratio gradually over a period of not more than five years in principle. This notice came effective on 1 July 2012. The Bank appropriates the general reserve in accordance with the requirements of this notice.

28 Profit appropriation

	Note	2015	2014
Appropriations to surplus reserve	(1)	106,292,914	159,812,901
Appropriations to general reserve	(2)	179,802,495	105,712,237
		286,095,409	265,525,138

(1) Appropriations to surplus reserve

The Bank appropriated an amount of Renminbi 106,292,914, representing 10% of profit after tax for the year as surplus reserve in accordance with relevant regulations and its articles of association (2014: Renminbi 159,812,901).

(2) Appropriations to general reserve

In accordance with the Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises (Cai Jin [2012] No.20) (see Note 27), the Bank appropriated an amount of Renminbi 179,802,495 from profit after tax for the year as general reserve (2014: Renminbi 105,712,237). Such general reserve forms part of the owner's equity of the Bank.

29 Net interest income

	Note	2015	2014
Interest income:			
Loans and advances to customers			
- corporate loans and advances	(1)	1,532,204,096	2,060,689,694
- discounted bills		355,981,835	423,840,283
- personal loans and advances		1,319,990,371	1,200,388,562
Placements with inter-banks and non-bank financial institutions		440,627,387	496,995,506
Deposits with central bank		261,035,459	274,775,031
Deposits with inter-banks and non-bank financial institutions		20,518,592	25,825,465
Others		7,531,624	4,198,654
Total interest income		3,937,889,364	4,486,713,195
Interest expenses:			
Deposits from customers		(1,280,390,845)	(1,276,896,083)
Deposits from inter-banks and non-bank financial institutions		(132,836,150)	(280,334,585)
Borrowings from inter-banks		(40,370,300)	(122,414,967)
Financial assets sold under repurchase agreements		(6,859,808)	(14,660,461)
Total interest expenses		(1,460,457,103)	(1,694,306,096)
Net interest income		2,477,432,261	2,792,407,099

(1) The interest income from loans and advances to customers of the Bank for the year ended 31 December 2015 includes no interest income from impaired financial assets (2014: Renminbi 50,084).

30 Net fee and commission income

	2015	2014
Fee and commission income:		
Commission on trust and custodian activities	479,774,204	427,614,720
Fees for agency services	290,969,903	308,202,407
Bank card fees	100,621,036	65,424,309
Trade finance and guarantee services fees	75,884,635	69,534,343
Settlement and clearance fees	55,235,831	52,873,379
Credit commitment fees	45,840,925	54,102,522
Others	70,929,211	50,288,066
Total fee and commission income	1,119,255,745	1,028,039,746
Fee and commission expenses:		
Inter-bank transaction fees	(49,464,720)	(43,652,534)
Brokerage fees	(31,408,710)	(35,058,785)
Bank card settlement fees	(9,442,212)	(6,410,048)
Trust and custodian fees	(1,895,467)	(631,993)
Others	(4,719,504)	(4,013,007)
Total fee and commission expenses	(96,930,613)	(89,766,367)
Net fee and commission income	1,022,325,132	938,273,379

31 Investment income

	2015	2014
Available-for-sale financial assets		
- Interest income	490,345,901	655,690,165
- Net gains on sale of financial assets and transferred from other comprehensive income	95,271,400	11,619,792
Financial assets at fair value through profit or loss		
- Interest income	305,073,025	241,535,758
- Net gains on sale of financial assets	259,704,089	146,244,365
Derivative financial instruments	217,248,731	37,019,682
Total	1,367,643,146	1,092,109,762

32 Gains from changes in fair value

	2015	2014
Derivative financial instruments	279,524,872	38,186,542
Financial assets at fair value through profit or loss	11,697,423	9,626,101
Total	291,222,295	47,812,643

33 General and administrative expenses

	2015	2014
Staff costs		
- Salaries, bonuses and allowances, etc.	1,278,672,284	1,211,258,635
- Staff welfare	307,456,668	307,588,657
	1,586,128,952	1,518,847,292
Service fees	502,702,196	473,908,302
Rental and property maintenance fees	350,639,802	312,138,113
Business promotion expenses	126,664,926	190,650,611
Depreciation and amortisation	81,378,237	82,755,602
Meetings and office expenses	68,029,293	61,203,176
IT equipment maintenance fees	66,988,355	77,701,866
Travelling expenses	30,326,944	30,460,818
Union fees	25,961,183	23,527,845
Utilities	16,311,998	15,905,217
Business entertainment expenses	7,488,467	7,471,951
Stamp duties	5,328,145	6,292,190
Others	315,984,089	286,434,622
Total	3,183,932,587	3,087,297,605

34 Impairment losses

	Note	2015	2014
Impairment losses charge for loans and advances to customers	11(6)	919,727,663	106,132,059
Impairment losses (reversal) / charge for deposits with inter-banks and non-bank financial institutions	6(2)	(14,034,961)	30,369,280
Impairment losses (reversal) / charge for placements with inter-banks and non-bank financial institutions	7(2)	(18,151,479)	417,312
Impairment losses (reversal) / charge for other assets	16(1)	(10,057,916)	7,041,817
Total		877,483,307	143,960,468

35 Income tax expense

(1) Income tax expense for the year represents

	2015	2014
Current tax expense for the year	263,695,730	414,156,804
Tax filling differences	(42,819,400)	(2,316,738)
Changes in deferred tax assets / liabilities	(5,513,576)	(43,157,046)
Total	215,362,754	368,683,020

(2) Reconciliation between income tax expense and accounting profit is as follows:

	2015	2014
Profits before taxation	1,278,291,889	1,966,812,030
Expected income tax expense at a tax rate of 25%	319,572,972	491,703,008
Tax effect of non-deductible expenses	33,808,371	7,601,202
Tax effect of non-taxable income	(141,309,084)	(128,304,452)
Tax filing differences	(42,819,400)	(2,316,738)
Adjustment in respect of deferred tax of prior year	46,109,895	-
Income tax expense	215,362,754	368,683,020

36 Other comprehensive income, net of tax

	2015	2014
Items that may be reclassified to profit or loss		
Gains arising from changes in fair value of available-for-sale financial assets	49,420,420	134,239,329
Add: Reclassification adjustments for amounts transferred to profit or loss	(63,545,042)	77,062,461
Less: Income tax	3,531,156	(53,401,136)
Total	(10,593,466)	157,900,654

37 Supplement to cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities:

	2015	2014
Net profit	1,062,929,135	1,598,129,010
Add: Impairment losses charge for loans and advances to customers	919,727,663	106,132,059
Impairment losses (reversal) / charge for deposits with inter-banks and non-bank financial institutions	(14,034,961)	30,369,280
Impairment losses (reversal) / charge for placements with inter-banks and non-bank financial institutions	(18,151,479)	417,312
Impairment losses (reversal) / charge for other assets	(10,057,916)	7,041,817
Depreciation of fixed assets	24,251,227	28,118,784
Amortisation of intangible assets	15,110,521	16,516,693
Amortisation of leasehold improvements	42,016,489	38,120,125
Losses on disposal of fixed assets, intangible assets and other long-term assets	4,627,255	1,119,408
Investment income	(538,134,599)	(681,950,377)
Gains from changes in fair value	(291,222,295)	(47,812,643)
Increase in deferred tax assets	(5,513,576)	(43,157,046)
Interest income from impaired financial assets	-	(50,084)
Unrealised foreign exchange (gains) / losses	(531,845,670)	247,173,983
Increase in operating receivables	(4,523,204,993)	(5,716,529,995)
Increase in operating payables	4,350,736,811	3,748,903,664
Net cash inflow/ (outflow) from operating activities	487,233,612	(667,458,010)

37 Supplement to cash flow statement (continued)

(2) Change in cash and cash equivalents:

	2015	2014
Cash and cash equivalents at the end of the year	31,954,113,642	34,299,424,999
Less: Cash and cash equivalents at the beginning of the year	(34,299,424,999)	(35,289,366,558)
Net decrease in cash and cash equivalents	(2,345,311,357)	(989,941,559)

(3) Cash and cash equivalents held by the Bank are as follows:

	2015	2014
Cash on hand	217,546,299	240,275,817
Deposits with central bank available on demand	13,692,014,055	11,922,662,490
Deposits with inter-banks and non-bank financial institutions with a maturity of three months or less	18,921,066,877	13,731,316,224
Placements with inter-banks and non-bank financial institutions with a maturity of three months or less	5,214,586,042	7,327,704,897
Financial assets at fair value through profit or loss with a maturity of three months or less	994,619,000	3,224,282,457
Available-for-sale financial assets with a maturity of three months or less	-	3,225,150,000
Total	39,039,832,273	39,671,391,885
Less:Deposits with inter-banks with limited usage	(7,085,718,631)	(5,371,966,886)
Cash and cash equivalents	31,954,113,642	34,299,424,999

38 Share-based payments

Expenses recognised for the year arising from share-based payments are as follows:

	2015	2014
Equity-settled share-based payments	8,170,471	17,898,575

The Bank's share-based payment scheme is devised to reward staff for their services.

As at 31 December 2015, the outstanding number of shares in connection with share-based payments which the Bank granted to its staff but not exercised is 97,042 (2014: 244,858). The above shares are the shares of Citigroup Inc..

39 Fiduciary activities

(1) Entrusted lending business

At the balance sheet dates, the entrusted loans and funds were as follows:

	2015	2014
Entrusted loans	11,260,303,982	13,050,691,094
Entrusted funds	11,260,303,982	13,050,691,094

(2) Custodian business

At the balance sheet dates, the Bank's Qualified Foreign Institutional Investors business ("QFII") and the Bank's Qualified Domestic Institutional Investors business ("QDII") balances were as follows:

	2015	2014
QFII	137,632,688,290	130,930,626,603
QDII	68,820,580,424	42,609,330,573

(3) Off-shore wealth management services

At the balance sheet dates, the Bank's off-shore wealth management services balances were as follows:

	2015	2014
Off-shore wealth management services	11,644,392,300	11,878,023,228

40 Commitments and contingent liabilities

(1) Credit commitments

At any given time the Bank has outstanding commitments to extend credit. The Bank provides loan commitments, unused credit card facilities, financial guarantees and letters of credit to guarantee the performance of customers to third parties. The Bank assesses the potential loss of credit commitment on a periodic basis and recognises provisions if necessary.

The contractual amounts for loan commitments and unused credit card facilities represent the total amounts if the Bank makes full payments. The amounts in the table for guarantees and letters of credit represent the maximum potential loss that would be recognised at the balance sheet date if counterparties failed to completely perform as contracted. Acceptances comprise undertakings by the Bank to pay bills of exchange drawn by customers. The Bank expects most acceptances to be settled simultaneously with reimbursement from customers.

As the credit facilities may not be fully used upon maturity, the contractual amount as set out below does not represent the expected cash outflow in the future.

	2015	2014
Contractual amount	15,867,986,565	11,996,975,373
Unused credit card facilities	2,638,362,196	2,351,999,105
Loan commitments		
- with an original maturity over one year	211,879,929	123,428,000
- with an original maturity over one year (inclusive)	2,426,482,267	2,228,571,105
Subtotal	18,506,348,761	14,348,974,478
Standby letters of credit and guarantee letters issued	6,631,902,850	5,451,032,810
Bank drafts accepted	499,008,621	799,910,000
Letters of credit accepted	213,417,878	309,600,625
Letters of credit issued	329,452,374	561,958,811
Letters of credit confirmed	21,296,309	26,512,004
Subtotal	7,695,078,032	7,149,014,250
Total	26,201,426,793	21,497,988,728

(2) Credit risk weighted amount of contingent liabilities and commitments

	2015	2014
Credit risk weighted amount of contingent liabilities and commitments	7,364,874,234	6,517,415,509

The credit risk weighted amount refers to the amount as computed in accordance with the Administrative Measures on Capitals of Commercial Bank (For Trial Implementation) (Yin Jian Hui Ling [2012] No.1) set out by the CBRC and depends on the credit status of the counterparty and the maturity characteristics.

(3) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of properties were payable as follows:

	2015	2014
Within 1 year (inclusive)	353,143,085	298,776,205
After 1 year but within 2 years (inclusive)	278,492,027	216,548,341
After 2 years but within 3 years (inclusive)	155,946,861	148,952,678
After 3 years	112,845,159	70,152,000
Total	900,427,132	734,429,224

(4) Capital commitments

As at 31 December, the capital commitments of the Bank were as follows:

	2015	2014
Leasehold improvement contracts entered into but not performed or performed partially	7,641,593	6,695,492

41 Non-adjusting post balance sheet date events

The MOF and the State Administration of Taxation jointly issued the Notice on Full Launch of the Pilot Scheme on Levying Value Added Tax in Place for Business Tax (Cai Shui [2016] No.36, the "Notice") on 23 March 2016, effective 1 May 2016. The Bank is mainly engaged in the financial services industry, and is currently a taxpayer of business tax (see Note 4 for the information of the business tax rate currently applicable to the Bank). According to the Notice, the Bank shall pay value added tax ("VAT") starting on 1 May 2016. The basis for VAT payable is to deduct input VAT from the output VAT calculated at the applicable tax rates for the period. The Notice has no impact on the carrying amount of the taxes payable on the balance sheet of the Bank as at 31 December 2015. The Bank is still assessing the impact of the Notice on its future tax burden.

42 Related party relationships and transactions

(1) Information on the parent of the Bank is listed as follows:

Company name	Registered place	Principal activities	Stockholder's equity	Shareholding percentage	Proportion of voting rights
Citibank	United States	Banking and inancial services	USD 144,721 million	100%	100%

(a) Transactions with the parent:

	2015	2014
Interest income	42,967,661	40,077,830
Interest expenses	(92,492,765)	(290,525,777)
Fee and commission income	196,005,953	215,788,092
Fee and commission expenses	(977)	(23,004)
Investment losses	(143,092,696)	(38,799,850)
Gains /(losses) from changes in fair value	248,375,919	(249,731,082)
Other operating income	18,550,019	3,432,172
General and administrative expenses	(229,414,609)	(225,415,112)

(b) The balances of transactions with the parent at 31 December are set out as follows:

	2015	2014
Deposits with inter-banks and non-bank financial institutions	9,643,681,851	12,827,220,477
Placements with inter-banks and non-bank financial institutions	1,890,141,136	6,094,231,849
Derivative financial assets	117,708,469	191,821,508
Interest receivable	2,950,528	3,146,721
Other assets	186,332,005	428,407,830
Deposits from inter-banks and non-bank financial institutions	(569,180,924)	(11,416,792,221)
Borrowings from inter-banks	(1,577,571,337)	(7,388,975,451)
Derivative financial liabilities	(187,133,251)	(505,440,626)
Interest payable	(3,765,600)	(67,181,406)
Other liabilities	(259,439,476)	(227,998,373)

42 Related party relationships and transactions (continued)

(c) The national amounts of derivative contracts with the parent at 31 December are set out as follows:

	2015	2014
Forwards	17,299,535,419	11,394,621,636
Interest rate swaps	7,397,018,041	3,153,892,397
Interest rate options	2,163,375,937	4,154,280,213
Commodity swaps	1,022,294,298	213,301,800
Equity swaps	388,711,715	833,990,672
Currency options	335,473,180	533,442

(d) The balances of commitments with the parent at 31 December are set out as follows:

	2015	2014
Operating lease commitments	901,260	5,944,878

(e) In addition, significant related party transactions with the Bank's parent approved by Related Party Transaction Control Committee and the Board of Directors during the year are set out as follows:

The Bank outsourced the non-Renminbi cash operation, funds and securities operation and technology related service to Citibank N.A. Singapore Branch. Such outsourcing services cost the Bank Renminbi 218,917,123 in general and administrative expenses in the year 2015 (2014: Renminbi 213,605,184).

A significant related party transaction represents a single transaction conducted between the Bank and a related party where the transaction amount is 1% or more of the total equity of the Bank, or after this transaction, the total balance with the related party is 5% or more of the total equity of the Bank.

(2) Transactions between the Bank and its key management personnel and their close family members

(a) Transactions with the key management personnel and their close family members:

	2015	2014
Remuneration of key management personnel	94,330,292	97,877,776
Maximum loans and advances issued to key management personnel and their close family members	3,488,544	2,646,477

(b) The balances of transactions with the Bank's key management personnel and their close family members at 31 December are set out as follows:

	2015	2014
Residential mortgages	1,039,140	1,159,807
Credit cards loans	1,062,151	766,779
Deposits from customers	(12,958,835)	(12,589,787)
Employee benefits payable	(24,759,453)	(25,284,121)

(c) The balance of credit commitments with the Bank's key management personnel and their close family members at 31 December are set out as follows:

	2015	2014
Credit commitments	8,797,849	8,433,221

Related parties of the Bank include close family members of its key management personnel, key management personnel of the Bank's parent, close family members of key management personnel of the Bank's parent, other enterprises that are controlled or jointly controlled by its key management personnel and close family members of such individuals. The Bank's transactions with these related parties are insignificant, thus not disclosed separately.

42 Related party relationships and transactions (continued)

(3) Credit transactions between the Bank and its related personnel

Besides the key management personnel information listed in Note 42(2), the Bank discloses the credit transactions between the Bank and its related personnel according to the requirement of paragraph 38 of the Administrative Measures for the Related Party Transactions between Commercial Banks and Their Insiders or Shareholders (Order of the CBRC (2004) No.3).

The Bank's related personnel include the Bank's insiders, controlling shareholders, directors or key management personnel of the Bank's related legal entities or other organisations. Insiders include the Bank's directors, senior management personnel of the head office and branches and other personnel who have the power to decide or participate in the extension of credit or transfer of assets by the Bank.

(a) Basic information of the related personnel that have residential mortgage transactions with the Bank

Name	Title
Yu Jin	Executive vice president
Zhang Xiaomeng	Vice president of Shanghai Branch
Ye Yan	Branch manager of Shanghai West Nanjing Road Sub-branch
Yuan Ying	Branch manager of Guangzhou Fortune Plaza Sub-branch

The credit transaction information relating to the Bank's executive vice president, Yu Jin, is disclosed in Note 40(2) and thus not included here.

(b) 85 other related personnel are involved in credit card transactions with the Bank.

(c) The credit balances with the Bank's other related personnel are set out as follows:

	2015	2014
Loans and advances to customers		
- Residential mortgage	1,495,120	1,717,050
- Credit card loans	1,276,369	767,036

(d) The credit commitments with the Bank's other related personnel is set out as follows:

	2015	2014
Credit commitments	8,709,631	5,805,964

The Bank has credit commitments with 104 other related personnel.

(4) Transactions between the Bank and other related parties

(a) Transactions with other related parties:

	2015	2014
Interest income	11,840,832	14,891,800
Interest expenses	(1,959,494)	(818,900)
Fee and commission income	3,051,921	3,674,768
Fee and commission expenses	(3,152,157)	(2,495,838)
Investment losses	(127,825,940)	(124,552,482)
(Losses) / gains from changes in fair value	(3,302,845)	83,007
Other operating income	4,489,788	3,432,130
General and administrative expenses	(431,514,615)	(399,137,967)

The transactions and percentages between the Bank and its non-bank related parties are set out as follows:

	2015	%	2014	%
General and administrative expenses				
- Services received	344,457,426	10.82%	330,671,696	10.72%
- Rental of properties	87,057,189	2.73%	68,466,271	2.22%

42 Related party relationships and transactions (continued)

(4) Transactions between the Bank and other related parties (continued)

(b) The balances of transactions with other related parties at 31 December are set out as follows:

	2015	2014
Deposits with inter-banks and non-bank financial institutions	27,238	86,571
Placements with inter-banks and non-bank financial institutions	289,800,000	296,500,000
Derivative financial assets	124,894	8,493,269
Interest receivable	1,059,437	1,793,889
Other assets	8,739,506	8,195,795
Deposits from inter-banks and non-bank financial institutions	(366,172,473)	(307,983,593)
Derivative financial liabilities	(703,259)	(26,664,777)
Deposits from customers	(350,994,843)	(376,673,435)
Interest payable	(77,580)	(60,899)
Other liabilities	(51,626,325)	(66,046,281)

The balances and percentages of transactions with non-bank related parties at 31 December are set out as follows:

	2015	%	2014	%
Placement with non-bank financial institutions	289,800,000	1.75%	239,500,000	1.44%
Other liabilities				
- Service fee payable	43,559,852	0.98%	58,778,743	0.70%
- Rental fee payable	5,989,027	0.13%	6,593,262	0.08%

(c) The notional amounts of derivative contracts with other related parties at 31 December are set out as follows:

	2015	2014
Interest rate swaps	1,245,247,802	1,817,417,697
Currency options	644,330,979	2,279,674,519
Forwards	462,648	8,558,420
Commodity swaps	-	142,732,240

(d) The balances of commitments with other related parties at 31 December are set out as follows:

	2015	2014
Operating lease commitments	175,505,147	155,025,232

(e) In addition, the significant related party transactions with other related parties approved by the Bank's Related Party Transaction Control Committee and the Board of Directors are set out as follows:

Outsourcing of China Data Centre processing and management services, software application and enhancement and technical support to Citigroup Services and Technology (China) Ltd. (previously named "Citigroup Software Technology and Services (China) Ltd."), was approved in prior years. Such outsourcing services cost the Bank Renminbi 324,148,630 in general and administrative expenses in the year 2015 (2014: Renminbi 323,351,484).

42 Related party relationships and transactions (continued)

(4) Transactions between the Bank and other related parties (continued)

(f) Relationships between the Bank and related parties under the transactions stated in 42(4)(a) to (e) above

Company name	Relationships with the Bank	Company type	Principle activities	Legal representative	Registered place	Registered capital	Changes in registered capital for the year
Citigroup Services and Technology (China) Ltd. (previously named "Citigroup Software and Technology Services (China) Ltd.")	Group subsidiary	Limited liabilities company (WOFE)	Software development, back office operation and consulting and training on finance knowledge	Low Fatt Leong	PRC	USD 17,350 thousand	No changes
Hubei Jingzhou Gong'an Citi Lending Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Credit business	Liu Jie	PRC	Renminbi 34,000 thousand	No changes
Dalian Wafangdian Citi Lending Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Credit business	Liu Shilu	PRC	Renminbi 34,000 thousand	No changes
Hubei Xian'ning Chibi Citi Lending Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Credit business	Li Sizhen	PRC	Renminbi 34,000 thousand	No changes
Chongqing Beibei Citi Lending Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Credit business	Li Zhengquan	PRC	Renminbi 38,800 thousand	No changes
Citigroup Commodity (Shanghai) Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Commodity trading	Zhao Qingqing	PRC	USD 3,000 thousand	No changes
CitiRealty China (BVI) Limited	Group subsidiary	Private company	Property holding	*	British Virgin Island	USD 50 thousand	No changes
Citigroup Trade Services (Malaysia) Sendirian Berhad	Group subsidiary	Private company	Outsourcing service	*	Malaysia	MYR 5,000 thousand	No changes
Citicorp International Limited	Group subsidiary	Private company	Banking	*	Hong Kong	HKD 187,556 thousand	No changes
Citicorp Service India Private Limited	Group subsidiary	Private company	Decision support and vendor oversight	*	India	INR 2,500 million	No changes
Diners Club International (Hong Kong) Ltd.	Group subsidiary	Private company	Charge card business	*	Hong Kong	HKD 800 thousand	No changes
Citishare Corporation	Group subsidiary	Private company	ATM processing	*	United States	USD 1 thousand	No changes
Citibank Singapore Ltd.	Group subsidiary	Public company	Banking	*	Singapore	SGD 1,527,730 thousand	No changes
Citigroup Global Market Asia Ltd.	Group subsidiary	Private company	Investment banking business	*	Hong Kong	HKD 301,951 thousand	No changes
Citibank Taiwan Limited	Group subsidiary	Public company	Banking	Guan Guolin	Taiwan	NT$ 66,033 million	No changes
Citibank Uganda Limited	Group subsidiary	Private company	Banking	*	Uganda	UGX 43,923,900 thousand	No changes
Citibank Japan Ltd.	Group subsidiary	Private company	Banking	*	Japan	JPY 123,100 million	No changes
Citibank Europe PLC	Group subsidiary	Public company	Banking	*	Ireland	USD 10,071 thousand	No changes

*These related parties were registered outside Mainland China where legal representatives are not required.

42 Related party relationships and transactions (continued)

(5) Transactions with the annuity plan

Apart from the obligations for defined contributions to the annuity plan, no other transactions were conducted between the Bank and the annuity plan during the year.

43 Segment reporting

The Bank has two reportable segments, which are corporate banking and personal banking segment, determined based on the structure of its internal organisation, management requirements and internal reporting system. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies. The financial information of the different segments is regularly reviewed by the Bank's management to make decisions about resources to be allocated to each segment and assess its performance.

Corporate banking

This segment provides a range of financial products and services to corporations and financial institutions, including: corporate deposit taking activities, corporate short-term, medium-term and long-term loans, bank acceptances and bills discounted, government bonds and financial bonds transactions, foreign currency securities transactions other than stocks, letters of credit and guarantees, corporate domestic and foreign settlements, foreign exchange trade and agent services, inter-bank placements and borrowings, safe deposit box services, credit investigation and advisory services.

Personal banking

This segment provides a range of financial products and services to individual customers, including: personal deposit taking activities, personal short-term, medium-term and long-term loans, personal domestic and foreign settlement, foreign exchange trade and agent services, insurance agent services, bank card services and safe deposit box services.

Unallocated items

This segment mainly includes assets, liabilities, income and expenses which cannot be directly attributed to or divided reasonably to segments.

(1) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Bank's management regularly reviews the assets, liabilities, revenue, expenses and financial performance, attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible, other non-current and current assets such as receivables, with the exception of deferred tax assets and other unallocated corporate assets. Segment liabilities include deposits from customers, deposits from inter-banks and non-bank financial institutions, borrowings from inter-banks and other liabilities attributable to the individual segments.

Financial performance of each segment is operating income (including operating income from external customers and inter-segment operating income) after deducting expenses, depreciation, amortisation and impairment losses attributable to the individual segments. Inter-segment sales are determined with reference to prices charged to external parties for similar orders. Non-operating income and expenses and tax expenses are not allocated to individual segments. Information regarding the Bank's reportable segments set out below includes the information used for assessing segment performance and allocating segment assets and liabilities by the Bank's management or not used but regularly reviewed by the Bank's management:

43 Segment reporting (continued)

	Corporate banking		Personal banking		Unallocated items		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
1. Operating income	3,702,295,635	3,713,713,003	1,970,326,246	1,797,392,522	-	-	5,672,621,881	5,511,105,525
Net interest income	1,294,519,995	1,753,167,156	1,182,912,266	1,039,239,943	-	-	2,477,432,261	2,792,407,099
Net fee and commission income	299,631,481	236,825,906	722,693,651	701,447,473	-	-	1,022,325,132	938,273,379
Other income (Footnote)	2,108,144,159	1,723,719,941	64,720,329	56,705,106	-	-	2,172,864,488	1,780,425,047
2. Operating expenses	(2,178,404,554)	(1,625,240,325)	(2,213,217,022)	(1,923,119,169)	-	-	(4,391,621,576)	(3,548,359,494)
Include: Depreciation and amortisation	(31,262,100)	(36,252,351)	(50,116,137)	(46,503,251)	-	-	(81,378,237)	(82,755,602)
Impairment losses	(543,909,542)	(27,112,628)	(333,573,765)	(116,847,840)	-	-	(877,483,307)	(143,960,468)
3. Operating profit / (loss)	1,523,891,081	2,088,472,678	(242,890,776)	(125,726,647)	-	-	1,281,000,305	1,962,746,031
Add: Non-operating income	-	-	-	-	2,663,219	6,163,801	2,663,219	6,163,801
Less: Non-operating expenses	-	-	-	-	(5,371,635)	(2,097,802)	(5,371,635)	(2,097,802)
4. Profit / (loss) before income tax	1,523,891,081	2,088,472,678	(242,890,776)	(125,726,647)	(2,708,416)	4,065,999	1,278,291,889	1,966,812,030
5. Total assets	139,811,130,748	136,236,998,744	23,303,233,532	21,191,743,408	212,219,156	203,174,424	163,326,583,436	157,631,916,576
6. Total liabilities	122,769,136,506	120,557,561,181	26,360,454,648	23,930,768,012	-	-	149,129,591,154	144,488,329,193

Footnote: Other income includes investment income, gains or losses from changes in fair value, foreign exchange gains or losses and other operating income.

43 Segment reporting (continued)

(2) Geographic information

The following table sets out information about the geographical location of the Bank's operating income from external customers and the Bank's non-current assets (excluding financial assets, deferred tax assets, same as below). The geographical information is based on the location of customers receiving services. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; and the location of the operation to which they are allocated, in the case of intangible assets.

	Operating income from external customers		Specified non-current assets	
	2015	2014	2015	2014
In Mainland China	6,752,869,091	6,549,150,043	249,758,033	270,737,971
Outside Mainland China	477,140,506	746,027,945	-	-
	7,230,009,597	7,295,177,988	249,758,033	270,737,971

(3) Major customers

Operating income from each individual customer of the Bank is below 10% of the Bank's total operating income in both 2015 and 2014.

44 Risk management

The Bank is exposed to many financial risks due to its operating activities. The Bank analyses, evaluates, accepts and manages risks, or risk portfolios at different levels. The Bank's main operating risks include credit risk, market risk, liquidity risk and country risk. Market risks include interest rate risk, foreign currency risk and other price risk. The Bank's objective is to reach an appropriate balance between risks and rewards, while minimising the negative impact on its financial statements.

The Bank's risk management policies aim to identify and analyse risks to establish appropriate risk limits and control measures, and to monitor risks and risk limits via an information system.

The Bank's Board of Directors is responsible for establishing the Bank's risk management strategy. The Bank's Risk Management Committee is in charge of the management and supervision responsibilities related to risk control of the Bank, including periodically assessing the Bank's overall risk exposures, providing guidance for developing a sound risk management and internal control strategies and policies, and monitoring their implementation. The Risk Management Committee reports to the Board of Directors. The Bank's senior management is responsible for establishing risk management policies and procedures, including specific risk management policies for credit risk, interest rate risk and foreign currency risk based on the risk management strategy approved by the Risk Management Committee and Board of Directors. These risk management policies are performed by different head office departments upon approval from the Board of Directors. The Internal Audit Department of the Bank is responsible for independently inspecting risk management and internal control.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from credit business. In treasury transactions, credit risk refers to the possibility that the value of the assets held by the Bank may decrease due to a fall in the rating of the issuer of the debt securities.

Credit business

Considering the market economic environment, business development strategy and the requirements of clients, the Bank provides various direct credit, credit commitment and derivative financial businesses in the scope of risk control to foreign-invested companies set up in the PRC by multinationals, domestic companies with good credit standing, as well as individual customers of good credit.

The Bank has established a strict credit management system, including credit approval, daily credit monitoring, remedial management, policies for loan loss provisioning and loan write-off and restructuring.

The Bank adopts the loan risk classification approach introduced by Citigroup to monitor the risk condition of its loan portfolios. Loans are classified by a five-tier grading system: pass / Pass Watch List (PWL), special mention/substandard (accruing), substandard (non-accruing), doubtful and loss, according to risk levels. The five-tier grading for loans and advances is defined as follows:

44 Risk management (continued)

(1) Credit risk (continued)

Internal credit grading	Definition of corporate banking	Definition of consumer banking*/ corporate banking
Pass	No evident weakness	No overdue records
PWL	Has potential weakness, yet the borrower is in stable condition and can fulfil the contract at present. The borrower will not be affected by the potential weakness in the coming twelve to eighteen months. There is no doubt that the principal and interest will be overdue.	No overdue records
Special Mention	Has potential weakness that deserves management's close attention. If left uncorrected, the potential weakness may result in deterioration of the repayment capacity or credit position of the borrower in the future.	1-89 days overdue
Substandard (accruing)	Has potential weakness, yet no material impact on overall repayment capacity of the borrower and the probability of credit loss is low.	1-89 days overdue
Substandard (non-accruing)	Inadequately protected by the current net assets and repayment capacity of the borrower. Assets so classified must have one or more evident weaknesses that jeopardise the timely repayment of its obligations. Certain losses might incur even if collaterals are realised.	90-179 days overdue
Doubtful	Repayment in full is with significant doubt or even impossible considering the current weakness noted.	180-359 days overdue
Loss	Nearly uncollectible or only collectible for minor part, which indicates that it shall no-longer be recognised due to the few recovery.	Over 360 days overdue

* The definition is taking personal mortgage loan for example. The consumer banking sets out different internal credit gradings according to the overdue days for different products.

A comparison of the Bank's loan risk classification criteria and Yin Jian Fa [2007] No. 54 has been filed with the CBRC as follows:

Internal credit grading	Definition	Five-tier grading	Definition
Pass/PWL	No evident weakness	Normal	Normal loans
Special mention / substandard (accruing)	Has potential weakness that deserves close attention	Special mention	The repayment might be adversely affected by some factors
Substandard (non-accruing)	Has evident weaknesses that jeopardise the repayment capacity of the borrower	Substandard	The borrower's capacity to repay is apparently in question and certain losses might occur even when guarantees are executed
Doubtful	Highly questionable or improbable for repayment in full	Doubtful	Cannot repay principal and interest in full and significant losses will occur even when guarantees are executed
Loss	Uncollectible	Loss	Principal and interest cannot be recovered after taking all possible measures

44 Risk management (continued)

(1) Credit risk (continued)

The Bank manages, restricts and controls identified credit concentration risks, especially credit risks concentrated on a single borrower, group or industry. The Bank sets limits on the same borrower, group or industry to optimise its credit risk structure. The Bank monitors these risks regularly, and reviews them annually or more frequently if necessary. The Bank manages credit risk via timely analysis of the borrower's ability to repay the principal and interest, and adjusts its credit lines accordingly. Other specific risk management and mitigation measures include the following:

The Bank mitigates credit risk by obtaining collateral, guarantees and security from companies or individuals. The Bank has specified categories of acceptable collateral, including properties, commercial assets (commercial properties and accounts receivables), and financial instruments (bonds and stocks). To reduce credit risk, the Bank has stipulated discount rates for different collaterals (the ratio between the fast cash realisable value to the market fair value of the collateral) to reflect the cash realisable value. For a loan guaranteed by a third party, the Bank assesses the guarantor's financial condition, historical credit record and ability to settle the debts on behalf of the borrower.

Except for loans, collaterals or guarantees needed for other financial assets shall be determined by the nature of the instruments. Generally, no collaterals are designated for investments in debt securities, treasury bonds and other notes.

Treasury business

The Bank sets credit limits based on the credit risk inherent in the products, counterparties and geographical area. The system closely monitors the credit exposure on a real-time basis. The Bank regularly reviews its credit limit policies and routinely updates the credit limits.

(a) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note 40(1).

(b) Distribution of loans and advances to customers in terms of credit quality

	Note	2015	2014
Impaired			
Individually assessed and impaired gross amount		479,420,156	488,076,462
Allowance for impairment losses		(475,584,750)	(411,710,202)
Carrying amount subtotal		3,835,406	76,366,260
Overdue but not impaired	(i)		
- within three months (inclusive)		136,226,002	143,906,637
Allowances for Impairment losses	(ii)	(2,168,323)	(1,705,370)
Carrying amount subtotal		134,057,679	142,201,267
Neither overdue nor impaired			
Gross amount		64,521,222,406	66,285,899,254
Allowances for Impairment losses	(ii)	(753,292,449)	(242,056,533)
Carrying amount subtotal		63,767,929,957	66,043,842,721
Total carrying amount		63,905,823,042	66,262,410,248

(i) As at 31 December 2015, the overdue but not impaired loans and advances to customers amounted to Renminbi 136,226,002 (2014: Renminbi 143,906,637). The covered portion and uncovered portion of these loans and advances were Renminbi 55,186,666 (2014: Renminbi 60,853,579) and Renminbi 81,039,336 (2014: Renminbi 83,053,058), respectively. The fair value of collaterals held against these loans and advances to customers amounted to Renminbi 153,987,293 (2014: Renminbi 170,564,586).

The fair value of these collaterals was estimated by the Bank based on the external valuations adjusted after taking into account the current realisation experience in view of the collaterals and pledges as well as the latest market situation.

(ii) The balances represent collectively assessed allowance of impairment losses.

44 Risk management (continued)

(1) Credit risk (continued)

(c) Distribution of amounts due from inter-banks in terms of credit ratings of counterparties

Amounts due from inter-banks include deposits and placements with inter-banks and non-bank financial institutions. As at balance sheet date, distribution of amounts due from inter-banks in terms of credit quality mainly with reference to the external rating agency Standard & Poors' was as follows (counterparties without external ratings are presented using their parent companies' ratings):

	2015	2014
Neither overdue nor impaired		
- A to AAA	32,063,702,989	27,226,293,199
- B to BBB+	2,079,870,971	1,212,451,750
- unrated	1,301,237,083	1,875,678,011
Total	35,444,811,043	30,314,422,960

(d) Distribution of debt securities in terms of credit quality

Debt securities include financial assets at fair value through profit or loss and available-for-sale financial assets.

The carrying amounts of debt securities analysed by the external rating agency Standard & Poors' designations at the balance sheet dates were as follows:

	2015	2014
AAA	71,963,920	266,445,240
AA - to AA+	27,110,544,845	28,562,476,678
Total	27,182,508,765	28,828,921,918

(2) Market risk

Market risk management involves an overall process of market risks identification, measurement, monitoring and control. Market risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in market prices, including interest rate risk, foreign currency risk and other price risk. Interest rate risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in interest rates; foreign currency risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in foreign exchange rates; other price risk refers to the market risks other than foreign currency risk and interest rate risk.

The Bank's interest rate risk includes the risks arising from mismatches of the term structures of assets and liabilities related to banking business and from positions held for trading purpose in treasury transactions. The Bank calculates its interest rate risk exposure according to the maturity dates of all its interest-bearing assets and liabilities, and performs daily interest rate sensitivity analysis and periodical stress test. Meanwhile, by closely observing interest rate trends (both in Renminbi and foreign currency) and market interest rate changes, the Bank conducts proper scenario analysis and makes timely adjustments to the loan and deposit interest rates (both in Renminbi and foreign currency) in line with the benchmark interest rates to reduce its interest rate risk.

The Bank's foreign currency risk exposures mainly arise from on balance sheet assets and liabilities designated in foreign currencies and off balance sheet derivatives designated in foreign currencies. The Bank's main principle of currency risk control is to match the assets and liabilities of the respective individual currency to minimize the foreign exchange risk, and to control the currency risk within limits set by the Bank. The Bank, based on the guiding principles of Risk Management Committee, relevant laws and regulations and the management's evaluation of the current environment, has set risk tolerance limits, and minimises the mismatch of assets and liabilities in different currencies via reasonable arrangements on the source and usage of foreign currency capital. Foreign currency exposures are managed based on business category, delegated trader authorisation limits, currencies and risk factors. The Bank conducts hedge transactions with overseas branches of Citibank to offset foreign currency risks for derivatives designated in foreign currencies.

The Bank classifies financial instruments into investment portfolios held for trading and non-trading investment portfolios to effectively monitor market risk. The Bank mainly manages market risk via its market risk limit policy. According to the Market Risk Management Guidelines for Commercial Banks issued by the CBRC and Citigroup's global risk management policy, the Bank has established market risk limits and measurement policies to set related limits and approval mechanism on all market risk exposures. The policies illustrate the structure and approval system of market risk limits. Market risk limits mainly include risk factor limits, position limits, value-at-risk (VaR) limits and stop-loss trigger.

VaR analysis

For investment portfolios held for trading, the Bank adopts VaR analysis to evaluate market risk. VaR estimates potential losses arising from changes in market interest rates and prices within a defined period and confidence interval. The Bank's market risk management department calculates the VaR of investment portfolios held for trading according to the historical changes of the market interest rates and prices (confidence interval: 99%, observation time: 1 trading day).

44 Risk management (continued)

(2) Market risk (continued)

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

- A 99% confidence level does not reflect losses that may occur beyond this level. Even with the model used there is 1% probability that losses could exceed the VaR;

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day; and

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

A summary of the VaR of the Bank's trading portfolios at the balance sheet date and during the respective year is as follows: (Renminbi million)

2015

	As at 31 December	Average	Maximum	Minimum
Interest rate risk	12.11	19.91	32.52	10.04
Foreign currency risk	23.06	17.52	37.34	7.72
Total VaR	26.43	26.46	43.68	16.38

2014

	As at 31 December	Average	Maximum	Minimum
Interest rate risk	13.23	19.98	29.47	6.00
Foreign currency risk	10.96	8.74	18.81	1.07
Total VaR	17.66	22.45	34.82	6.76

To address the above limitations in VaR analysis, the Bank performs retrospective tests periodically to ensure the effectiveness of the relevant models. Furthermore, the Bank performs market risk stress testing periodically to assess the maximum losses under extreme price fluctuation scenarios.

(3) Liquidity risk

Liquidity risk is the risk that a financial institution may encounter deficiency of funds in meeting its obligations associated with the settlement of financial liabilities using cash or other financial assets, caused by mismatches between the amounts and maturity dates of assets and liabilities.

The primary liquidity risk management measure adopted by the Bank is to match the maturity date structures between assets and liabilities. Due to differences between various businesses and maturity tenors, it is impractical to maintain a perfect match between assets and liabilities. To meet relevant liquidity requirements, the Bank has established a set of thresholds for managing, measuring, monitoring and reporting liquidity risk, including liquidity limits for normal operations, liquidity ratios, market triggers and regular stress testing. In addition, the Bank established Liquidity Funding Plan and Contingency Funding Plan to maintain an appropriate balance of cash flows and to ensure all the required funds can be provided at maturity.

The Finance Department provides a daily calculation of regulatory liquidity ratios to relevant departments of the Bank. Global Markets Department is responsible for managing the liquidity risk on daily basis and executes the liquid funds instructions. Market Risk Management monitors the liquidity risk independently. The Asset Liability Committee regularly reviews the liquidity status of the Bank.

44 Risk management (continued)

The following tables show the remaining contractual maturities at the balance sheet date of the Bank's financial liabilities, which are based on contractual cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Bank can be required to pay:

2015 contractual undiscounted cash flow

	Carrying amount	Contractual undiscounted cash flow	Repayable on demand / terms undated	Within one month	Between one month and three months	Between three months and one year	Between one year and five year
Deposits and borrowings from inter-banks and non-bank financial institutions	16,680,265,056	16,688,591,355	15,063,732,119	386,246,259	235,139,036	781,815,490	221,658,451
Derivative financial liabilities (Footnote)	2,510,257,292	2,510,257,292	2,510,257,292	-	-	-	-
Deposits from customers	124,812,369,754	124,907,909,928	87,429,510,966	24,219,076,925	7,413,226,769	5,675,723,941	170,371,327
Other financial liabilities	4,520,215,738	4,545,968,182	1,860,455,274	155,913,526	987,194,890	1,523,910,137	18,494,355
Total	148,523,107,840	148,652,726,757	106,863,955,651	24,761,236,710	8,635,560,695	7,981,449,568	410,524,133

2014 contractual undiscounted cash flow

	Carrying amount	Contractual undiscounted cash flow	Repayable on demand / terms undated	Within one month	Between one month and three months	Between three months and one year	Between one year and five year
Deposits and borrowings from inter-banks and non-bank financial institutions	33,036,209,777	33,097,528,546	12,881,500,082	10,365,030,666	2,976,649,108	5,233,049,230	1,641,299,460
Derivative financial liabilities (Footnote)	2,222,005,781	2,222,005,781	2,222,005,781	-	-	-	-
Deposits from customers	99,885,561,822	100,003,887,116	66,976,816,514	18,861,562,014	7,977,534,280	6,153,416,707	34,557,601
Other financial liabilities	8,656,199,398	8,733,247,651	3,509,982,553	646,447,512	1,918,877,606	1,880,729,790	777,210,190
Total	143,799,976,778	144,056,669,094	85,590,304,930	29,873,040,192	12,873,060,994	13,267,195,727	2,453,067,251

Footnote: The derivative financial liabilities are presented under the item "repayable on demand / terms undated" to reflect the short-term characters of such transactions.

44 Risk management (continued)

(4) Country risk

Country risk is the risk that due to the economic, political or social changes or events in a certain country or region, the borrowers or debtors in that country or region are unable to or refuse to repay debts to the Bank, which causes that the Bank suffers losses. The Bank's country risk management strategy which matches with the operating principles of the Bank aims at ensuring the security of the Bank's assets and being in compliance with relevant regulatory requirements. Such strategy is to maintain the sustainable development of cross-board transactions and concerts with the business development strategy, the available resources and the scale and complexity of exposures to country risk. In accordance with the Guidelines on the Management of Country Risk by Banking Financial Institutions (Yin Jian Fa [2010] No.45) issued by the CBRC, the Bank sets out policy and operating manual regarding country risk management to ensure identifying, measuring, monitoring and controlling the exposure of the Bank to country risk.

45 Capital management

The capital management of the Bank covers the computation and reporting of capital adequacy ratio ("CAR"), capital assessment and capital planning. The CAR of the Bank represent its ability to operate healthily and deal with risks. The CAR management of the Bank aims to ensure the Bank holds adequate capital, which is appropriate to risk exposure and consistent with risk assessment results of the Bank, to meet the demand of business operation and relevant regulatory requirements. The capital planning aims to set a target CAR which satisfies the Bank with the demand of future business development strategy, risk appetite, risk management, external business environment and long-term sustainability of various capital sources.

The prudent and solid concept of capital management ensures the Bank to retain its capital at an adequate level to support business development under all conditions and to adjust CAR to a reasonable level timely and effectively, if necessary.

The Bank calculates CAR according to the guidance of the CBRC. The capital of the Bank is composed of core tier one capital, other tier one capital and tier two capital. The Bank's management monitors the utilisation of CAR and regulatory capital according to the requirements of the CBRC. The Bank reports relevant information to the CBRC on a quarterly basis.

Commercial banks shall conform to the CBRC's requirements relating to CAR. For the Bank, the adequacy ratio of core tier one capital shall not be less than 7.5%; the adequacy ratio of tier one capital shall not be less than 8.5%; and the CAR shall not be less than 10.5%, as at 31 December 2018.

The risk weighted assets of on-balance sheet assets are calculated based on various risk weights. The risk weights are determined in consideration of the risk factors of various assets, counterparties, markets and other relevant aspects, as well as qualified collateral and guarantee. The off-balance sheet exposures are calculated by the similar methodology with adjustments of contingent losses. The credit risk weighted assets for counterparties in terms of over-the-counter derivative transactions are the summation of defaulted risk weighted assets and credit valuation adjustment risk weighted assets. The market risk weighted assets are measured by the standard method. The operational risk weighted assets are measured by basic indicator method.

The CAR and relevant data of the Bank are calculated on the basis of the financial statements prepared in accordance with the CAS. The Bank is in compliance with the regulatory capital requirements during the year.

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the CAR as at 31 December 2015 calculated in accordance with the Administrative Measures on Capitals of Commercial Bank (For Trial Implementation) and other relevant laws and regulations are as follows:

45 Capital management (continued)

	Note	2015	2014
Net core tier one capital		14,158,303,501	13,087,455,583
Net tier one capital		14,158,303,501	13,087,455,583
Net capital		14,909,478,901	13,358,574,825
Total risk assets	(1)	95,960,835,416	88,255,084,468
Adequacy ratio of core tier one capital		14.75%	14.83%
Adequacy ratio of tier one capital		14.75%	14.83%
CAR		15.54%	15.14%

(1) The total risk assets are composed of weighted credit risk assets, weighted market risk assets and weighted operational risk assets. Weighted market risk assets include 12.5x market risk assets.

46 Fair value

(1) Fair value measurement

(a) Fair value hierarchy

The following tables present fair value information and the fair value hierarchy, at the end of the current reporting period, of the Bank's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. At the end of each reporting period, the Bank did not have any assets which were measured at fair value on a non-recurring basis.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 input: unadjusted quoted prices in active markets that are observable at the measurement date for indentical asssets or liabilities;

Level 2 input: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 input: inputs that are unobservable for underlying assets or liabilities

46 Fair value (continued)

(a) Fair value hierarchy (continued)

2015

	Note	Total	Level	Level	Level
Recurring fair value measurement					
Assets					
Financial assets at fair value					
through profit or loss	8	6,129,108,305	6,129,108,305	-	-
Derivative financial assets	9	2,824,762,203	-	2,823,854,446	907,757
Available-for-sale financial assets	12	21,053,400,460	21,053,400,460	-	-
Total		30,007,270,968	27,182,508,765	2,823,854,446	907,757
Liabilities					
Derivative financial liabilities	9	2,510,257,292	-	2,509,349,535	907,757

2014

	Note	Total	Level	Level	Level
Recurring fair value measurement					
Assets					
Financial assets at fair value					
through profit or loss	8	8,506,538,388	8,506,538,388	-	-
Derivative financial assets	9	2,238,549,098	-	2,238,136,068	413,030
Available-for-sale financial assets	12	20,322,383,530	20,322,383,530	-	-
Total		31,067,471,016	28,828,921,918	2,238,136,068	413,030
Liabilities					
Derivative financial liabilities	9	2,222,005,781	-	2,221,592,751	413,030

46 Fair value (continued)

(a) Fair value hierarchy (continued)

During the year ended 31 December 2015, there were no transfers, between Level 1 and Level 2, of the Bank's assets and liabilities above which are measured at fair value on a recurring basis. The Bank recognises transfers between different levels at the end of the current reporting period during which such transfers are made.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison approach by reference to similar instruments for which market observable prices are available, polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, price index and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of relatively common and simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps.

For more complex financial instruments, the Bank uses proprietary valuation models, which usually are developed based on widely recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterpart default and prepayments and selection of appropriate discount rates. For those more complex financial instruments, the Bank performs calibration and back testing of models against observed market transactions and conduct regular stress testing.

The Bank has an established control framework with respect to the measurement of fair values. The Bank's processes include a number of key controls that are designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. Such controls include a model validation policy requiring that valuation models be validated by qualified personnel, independent from those who created the models and escalation procedures, to ensure that valuations using unverifiable inputs are identified and monitored on a regular basis by senior management. Approvals from both market risk department and product control department must be obtained prior to the use of valuation methodologies. The Bank's valuation models are reviewed and approved by market risk department which is independent from the front office.

(b) Level 2 fair value measurement

This category includes instruments using valuation technique: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

The fair value of forward exchange contracts included in derivative financial assets is determined by discounting the difference between the contractual exercise price and the market forward price.

The fair value of interest rate swaps included in derivative financial assets is the estimated amount that would be received or paid to terminate the swap at the end of reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

During the year ended 31 December 2015, there were no changes in valuation techniques for Level 2 fair value measurement.

(c) Level 3 fair value measurement

This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank's Level 3 financial instruments are mainly structured derivatives. The fair value of such structured derivatives is determined by using discounted cash flow model and the significant unobservable input used in the fair value measurement is expected volatility of the market interest rates. The fair value measurement is negatively correlated to the expected volatility.

During the year ended 31 December 2015, there were no changes in valuation techniques for the Level 3 fair value measurement.

Reconciliation between the opening and closing balances of the assets and liabilities under the recurring Level 3 fair value measurement is as follows:

			2015
	Derivative Financial assets	Derivative financial liabilities	Total
Balanceat the beginning of the year	413,030	(413,030)	-
Total gains / (losses) for the year			
- in profit or loss	11,614,794	(3,784,585)	7,830,209
Settlements	(11,120,067)	3,289,858	(7,830,209)
Balance at the end of the year	907,757	(907,757)	-
Changes of unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	907,757	(907,757)	-

			2014
		Derivative financial liabilities	
Balanceat the beginning of the year	256,867	(256,867)	-
Total gains / (losses) for the year			
- in profit or loss	4,169,915	(4,169,915)	-
Settlements	(4,013,752)	4,013,752	-
Balance at the end of the year	413,030	(413,030)	-
Changes of unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	413,030	(413,030)	-

46 Fair value (continued)

(c) Level 3 fair value measurement (continued)

During the year ended 31 December 2015, there were no transfers, between Level 3 and other levels, of the Bank's assets and liabilities above which are measured at fair value on a recurring basis.

Sensitivity analysis on fair value measurement in Level 3 of the fair value hierarchy

Any deals between the Bank and its customers are fully squared with other financial institutions and there is no open position. As a result, although fair value measurement of Level 3 uses unobservable inputs and the measurement is uncertain, there is no impact on the Bank's items listed in the income statement, profit for the year or equity if such judgement and estimation on unobservable inputs change.

(2) Fair value of other financial instruments (items not measured at fair value at the end of year)

The Bank's other financial assets mainly include deposits with central bank, deposits with inter-banks and non-bank financial institutions, placements with inter-banks and non-bank financial institutions, loans and advances to customers, -deposits from inter-banks and non-bank financial institutions, borrowings from inter-banks and deposits from customers. There are no significant differences between the carrying amount and the fair value of these financial assets and liabilities.

47 Comparative figures

The comparative figures of 2014 represent figures for the year from 1 January 2014 to 31 December 2014. Certain items in these comparative figures have been reclassified to conform with the current year's presentation to facilitate comparison.